Mortgage Abbreviations You Might Pronounce Incorrectly

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Welcome to “Mortgage Abbreviations You Might Pronounce Incorrectly,” a guide to help you understand (and pronounce) real estate terminology better.

Buying your first home is filled with abbreviations and acronyms. From MBS to DTI, LTV, HOA, and FHA – you can make yourself a better first-time buyer by knowing what each terms mean and how to properly pronounce it.

This post will equip you with skills to navigate the first-time home buyer market confidentl because, remember, it’s about more than just sounding smart; understanding mortgage terminology saves you money by preventing misunderstandings.

Here are 36 mortgage abbreviations you’ll hear on your journey to buy your first home. Let’s get started ASAP.

FSBO: For Sale By Owner

How to pronounce it: “FIZZ-bo”

FSBO is a home sale method by which a homeowner sells their home without a real estate agent. Home sellers go FSBO to avoid paying real estate commissions to a listing agent. They will often pay sales commissions to the home buyer’s agent.

A National Association of REALTORS® study suggests that FSBO sellers don’t save money when selling their homes.

HMDA: Home Mortgage Disclosure Act

How to pronounce it: “HUM-duh”

HMDA is a law that requires banks and mortgage lenders to disclose to whom they’re making mortgage loans and to whom they’re not. Also known as Regulation C, HMDA ensures that mortgage lending stays fair and equitable for all.

Homebuyer.com performs an annual report on HMDA mortgage data and mortgage statistics.

MLS: Multiple Listing Service

How to pronounce it: “em-el-ESS”

The Multiple Listing Service is a subscription software platform listing U.S. homes for sale. The MLS shows each home’s for-sale price, size, location, plus other attributes. Real estate agents access the MLS on behalf of their clients to facilitate buying and selling homes.

HUD: Department of Housing and Urban Development

How to pronounce it: “HUHD”

The Department of Housing and Urban Development manages national housing policies and programs. Among other roles, it improves and develops America’s communities, enforces fair housing laws, and offers housing assistance to homeowners.

HUD’s chartered mission is to build strong, sustainable, inclusive communities with quality, affordable homes for all who seek them.

REO: Real Estate Owned

How to pronounce it: “are-ee-OH”

REO is property owned by a mortgage lender. A property becomes REO after its unsuccessful sale at a foreclosure auction. Mortgage lenders aim to sell their real estate owned to recover some or all of the mortgaged amount on the home. Lenders often sell REO properties at discounted prices.

HELOC: Home Equity Line of Credit

How to pronounce it: “HEE-lock”

A home equity line of credit is an open-ended loan type that uses a homeowner’s home equity as mortgage loan collateral. A HELOC is a revolving credit line similar to a credit card. Homeowners can go into debt on their HELOC and pay interest each month. They can also pay down their HELOC debt and reduce or pay no mortgage interest.

Home equity lines of credit are usually subordinate liens to a primary mortgage.

LE: Loan Estimate

How to pronounce it: “EL-EE”

The Loan Estimate shows the estimated costs of a mortgage loan. It includes the interest rate for the mortgage, the loan amount, and detailed closing costs. Home buyers receive their LE within three days of giving a mortgage application by law. LEs help buyers compare mortgage rates from multiple lenders.

The LE replaced the Good Faith Estimate (GFE) in 2015. Some mortgage lenders still use the term interchangeably.

PMI: Private Mortgage Insurance

How to pronounce it: “pee-em-EYE”

Private mortgage insurance is an insurance policy that protects mortgage lenders from losing money when a homeowner defaults on their mortgage, and the property goes to foreclosure. For many conventional loans, the homeowner pays private mortgage insurance until they have 20 percent equity in their home, which automatically cancels.

APR: Annual Percentage Rate

How to pronounce it: “ay-pee-ARR”

Annual Percentage Rate is a government calculation intended to show a home buyer’s actual cost to borrow. APR is expressed as a percentage. It is a theoretical, look-back interest rate based on the total payments made over time if a homeowner held their mortgage to full term. The APR calculation includes mortgage interest paid, mortgage closing costs, and other loan-related fees.

FHA: Federal Housing Administration

How to pronounce it: “eff-aych-AY”

The Federal Housing Administration is part of the Department of Housing and Urban Development (HUD). Since 1934, the FHA has provided mortgage insurance on loans made by FHA-approved lenders, which protects them from a borrower’s mortgage default. FHA loans allow home buyers to make low-down payments with more lenient credit requirements than other loan types.

ARM: Adjustable Rate Mortgage

How to pronounce it: “ARM”

An adjustable-rate mortgage is a mortgage for which the interest rate changes over time. ARMs are generally structured with an introductory, no-change rate that last five or seven years and then a period of annual interest rate adjustments based on the health of the U.S. economy. Adjustable-rate mortgages often start with lower interest rates than comparable fixed-rate loans because ARMs allow lenders to share some of their interest-rate risk with the homeowner.

DTI: Debt-to-Income Ratio

How to pronounce it: “dee-tee-EYE”

Debt-to-income ratio is a calculation that measures how maxed out a consumer is. DTI is calculated by taking the sum of a buyer’s monthly recurring debts and dividing it into gross income. Non-recurring payments such as auto and student loans nearing the end of their respective terms are not included in the DTI calculations. Many mortgage programs enforce a maximum debt-to-income ratio.

HOA: Homeowners Association

How to pronounce it: “aych-oh-AY”

A homeowners association is a legal organization within a residential community – usually a condominium building or a PUD. HOAs are led by an elected board of directors who make and enforce rules for the association residents, who must join the HOA.

HOA rules may include instructions about lawncare rituals, yard sign displays, and choice of fencing.

HOA members pay dues to the association for shared amenities and community services, including landscaping, utilities, and cleaning services.

PUD: Planned Unit Development

How to pronounce it: “PUHD”

A planned unit development is a community type that incorporates a mix of residential, commercial, and industrial buildings and includes open space for parks and schools. PUDs are governed by a homeowners association, offering flexibility in traditional zoning and design rules.

LTV: Loan-to-Value Ratio

How to pronounce it: “el-tee-VEE”

Loan-to-value is the ratio of how much a homeowner borrows with a mortgage and how much the homeowner’s home is worth. LTV is expressed as a percentage where 100 percent represents a no-money-down mortgage. A home buyer’s loan-to-value, along with their credit score and debt-to-income ratio, is a key mortgage approval component.

NAR: National Association of Realtors

How to pronounce it: “NAHR”

The National Association of REALTORS® is a trade organization for U.S. real estate professionals. NAR provides resources and educational opportunities for its members and promotes their interests. NAR also sets ethical standards for buying and selling real estate and advocates for home ownership with Congress and other political bodies.

COE: Certificate of Eligibility

How to pronounce it: “see-oh-EE”

A Certificate of Eligibility is a document that verifies eligibility for a VA loan. COEs are issued by the Department of Veterans Affairs. They communicate to mortgage lenders that a home buyer has successfully met the VA’s service requirements. Home buyers don’t need their Certificate of Eligibility to start their VA mortgage application. COEs are required at final approval only.

LOX: Letter of Explanation

How to pronounce it: “ehl-oh-EX”

A letter of explanation is a document that clarifies specific, non-obvious items in a mortgage application. Home buyers can use a letter of explanation to explain credit report discrepancies, non-linear job histories, and uneven deposits into a bank account. A well-written LOX is factual, brief, and precise.

MBS: Mortgage-Backed Securities

How to pronounce it: “em-bee-ESS”

Mortgage-backed securities are bonds backed by mortgage loan bundles and sold on Wall Street.

Mortgage-backed securities are linked to the direction of today’s mortgage rates. When demand for mortgage-backed securities increases, mortgage rates tend to go down. When demand for mortgage-backed securities decreases, mortgage rates tend to go up.

CMA: Comparative Market Analysis

How to pronounce it: “see-em-AY”

A Comparative Market Analysis is a document that compares a residential property for sale to similar, recently-sold properties. CMAs match homes by size, condition, and location to help home sellers make informed listing-price decisions.

VA: Department of Veterans Affairs

How to pronounce it: “VEE-AY”

Department of Veterans Affairs is a U.S. government agency that serves military veterans and assists in their transition to civilian life. The VA provides benefits and services to its members, including health care, education, and home loan assistance. It also cares for veterans’ dependents, providing resources and support.

PITI: Principal, Interest, Taxes, and Insurance

How to pronounce it: “PEE-eye-TEE-eye”

PITI refers to the total monthly cost of a mortgage.

- Principal is the amount of the original amount that gets paid back
- Interest is the cost of borrowing money
- Taxes are the monthly portion of the annual real estate tax bill
- Insurance is the sum of homeowners insurance and mortgage insurance, when applicable

A home buyer’s PITI should agree with their monthly budget for housing.

USDA: United States Department of Agriculture

How to pronounce it: “yoo-ES-dee-AY”

The U.S. Department of Agriculture is the government agency that oversees farming, forestry, and food. The group supports affordable housing in non-urban U.S. communities through its USDA mortgage program, Section 502 lending. The USDA improves the quality of life in rural America while ensuring a safe, sustainable supply of food and other agricultural products.

AVM: Automated Valuation Model

How to pronounce it: “ay-vee-EM”

Automated valuation modeling is a real estate technology that estimates residential home values using mathematical modeling. AVMs combine property records, location, and current market conditions to determine a home’s fair market value quickly and cost-effectively. Mortgage lenders use AVMs to verify a home appraiser’s findings or as standalone software.

HECM: Home Equity Conversion Mortgage

How to pronounce it: “HECK-um”

A home equity conversion mortgage is a type of reverse mortgage. Reverse mortgages let homeowners 62 years or older extract their home equity as cash with no monthly payments required. Reverse mortgages defer all payments until the homeowner sells, moves out, or passes away. Homeowners use home equity conversion mortgages to supplement monthly income or make lump sum withdrawals for other purposes.

FICO: Fair Isaac Corporation

How to pronounce it: “FY-koh”

FICO is shorthand for “FICO Score.” FICO scores are a product of the Fair Isaac Corporation, a U.S.-based company specializing in credit scoring services. FICO scores range from 300 to 850. The minimum FICO to get a mortgage approval is 500. FICO scores, along with loan-to-value and debt-to-income, are the key components in a mortgage approval.

NMLS: Nationwide Mortgage Licensing System

How to pronounce it: “en-em-el-ESS”

The Nationwide Multistate Licensing System is the mortgage industry’s centralized state and federal licensing system. The State Regulatory Registry, a Conference of State Bank Supervisors subsidiary, manages the NMLS. The NMLS promotes uniformity and transparency in financial services licensing.

COO: Certificate of Occupancy

How to pronounce it: “see-oh-OH”

A Certificate of Occupancy is a government-issued document that certifies a home is habitable and suitable for occupancy. It attests that the home meets local building codes and laws and ensures compliance with local regulations. Mortgage lenders require COOs as a condition for closing for all new homes and renovated homes.

CFPB: Consumer Financial Protection Bureau

How to pronounce it: “see-eff-pee-BEE”

The Consumer Financial Protection Bureau is a government agency that regulates financial products and services, including student loans, credit cards, and mortgages. The CFPB enforces federal consumer financial laws and educates consumers about their rights.

LAR: Loan Application Register

How to pronounce it: “LAR”

The Loan Application Register, authorized by the Home Mortgage Disclosure Act (HMDA), is an official record of U.S. mortgage applications. The LAR includes loan data, applicant demographics, and loan decision information – stripped of personally-identifiable information – for every mortgage application nationwide. LAR helps enforce fair lending laws.

To see LAR data in action, look at the Homebuyer.com mortgage application statistics study.

SFR: Single Family Residence

How to pronounce it: "ess-eff-AR"

A single-family residence is a home that is zoned for one household. Single-family residences include standalone homes with no shared walls, attached homes with shared walls such as townhomes and rowhomes, and condominiums and co-ops.

Single-family homes are sometimes called 1-unit homes.

MIP: Mortgage Insurance Premium

How to pronounce it: "em-aye-PEE"

MIP is the annual mortgage insurance policy for FHA-insured loans. Homeowners pay MIP to the FHA as part of their monthly PITI. Suppose a homeowner falls behind on their mortgage and defaults on their loan. In that case, the FHA uses the mortgage insurance premiums to protect the lender against loss.

UPMIP: Mortgage Insurance Premium

How to pronounce it: "UP-front em-aye-PEE"

UFMIP is the portion of FHA mortgage insurance policy paid at settlement. UFMIP is a one-time expense. Upfront mortgage insurance is partially refundable for FHA-backed homeowners who refinance into a new FHA mortgage within the loan's first 36 months.

P&I: Principal and Interest

How to pronounce it: "pee-an-EYE"

P&I is the principal and interest component of a homeowner's monthly mortgage payment. The principal is the original loan amount that gets paid back in the payment, and the interest is the accrued cost of borrowing money.

RESPA: Real Estate Settlement Procedures Act

How to pronounce it: “RES-puh”

The Real Estate Settlement Procedures Act is a federal law to protect home buyers. The law prohibits kickbacks and referral fees and requires lenders to provide detailed information about home-buying costs. RESPA ensures transparency and fairness in real estate transactions.