

KEY TERMS AND DEFINITIONS

The mortgage industry operates within a specialized vocabulary that encompasses regulatory terminology, technical concepts, and industry jargon that professionals must master to communicate effectively with borrowers, colleagues, and regulatory authorities. This terminology serves as the foundation for understanding complex regulations, loan products, and market dynamics that shape every aspect of mortgage lending. For NMLS exam candidates, mastering these key terms represents more than simple memorization – it requires understanding the practical applications, regulatory implications, and interconnected relationships that define professional competence in mortgage lending.

The evolution of mortgage terminology reflects decades of regulatory development, market innovation, and consumer protection initiatives that have shaped modern lending practices. Terms like "Qualified Mortgage," "TRID," and "ability-to-repay" didn't exist before recent regulatory reforms, yet they now dominate industry discussions and compliance requirements. Understanding these definitions within their historical and regulatory contexts enables mortgage professionals to navigate complex conversations, interpret regulatory guidance accurately, and explain technical concepts to borrowers in ways that promote informed decision-making. This comprehensive vocabulary forms the linguistic foundation that supports all other aspects of mortgage lending knowledge and professional practice.

Essential Vocabulary

The foundation of mortgage lending competence rests on mastering essential vocabulary that encompasses regulatory terms, technical concepts, and industry-specific language that appears throughout loan origination processes, compliance requirements, and professional communications. This vocabulary serves multiple purposes: enabling precise communication with borrowers, facilitating accurate regulatory compliance, supporting effective collaboration with industry professionals, and demonstrating competence during examinations and career advancement opportunities. Understanding these terms within their practical contexts distinguishes professional mortgage practitioners from those who merely process applications without comprehensive industry knowledge.

These essential terms represent concepts that mortgage professionals encounter daily, from initial borrower consultations through final loan delivery and beyond. Each definition carries practical implications that affect loan structuring decisions, compliance obligations, and borrower counseling strategies that influence transaction outcomes. Mastering these definitions requires understanding not just what terms mean but how they apply in various scenarios, how they interact with related concepts, and how they've evolved through regulatory changes and market developments that continue shaping the mortgage industry.

Ability-to-Repay (ATR)

The regulatory requirement that lenders make reasonable determinations about borrowers' capacity to repay mortgage loans based on verified income, assets, employment, credit history, and debt-to-income ratio. This principle, established by the Dodd-Frank Act, fundamentally changed underwriting practices by requiring comprehensive borrower assessment rather than relying solely on collateral value or stated income representations.

Adverse Action

Any action taken by a creditor that is unfavorable to an applicant, including loan denial, counteroffer with less favorable terms, termination of existing credit, or refusal to grant credit substantially as requested. ECOA requires specific notification procedures and timing requirements when adverse actions occur, protecting borrower rights while ensuring transparency in credit decisions.

Amortization

The gradual reduction of loan principal through regular payments that include both interest and principal components. Fully amortizing loans require payments sufficient to reduce the principal balance to zero by the end of the loan term, while partially amortizing loans leave remaining balances due as balloon payments.

Annual Percentage Rate (APR)

The cost of credit expressed as an annualized rate that includes interest plus certain finance charges, enabling borrowers to compare loans with different fee structures on a standardized basis. APR calculations must include finance charges such as origination fees, discount points, and mortgage broker fees while excluding third-party costs like appraisals and title insurance.

Automated Underwriting System (AUS)

Computer-based systems that analyze borrower creditworthiness and loan risk using mathematical models and established guidelines to generate approval recommendations. These systems, including Desktop Underwriter (Fannie Mae) and Loan Prospector (Freddie Mac), process applications faster than manual underwriting while maintaining consistent standards.

Balloon Payment

A large final payment that pays off the remaining loan balance at maturity for loans that don't fully amortize during their terms. Balloon mortgages typically feature lower monthly payments based on longer amortization periods but require refinancing or lump sum payment when the balloon comes due.

Clear to Close (CTC)

The underwriter's final approval indicating all loan conditions have been satisfied and the loan is ready for closing. This status confirms that documentation is complete, conditions are met, and funding authorization can proceed without additional requirements.

Closing Disclosure (CD)

The five-page TRID form that provides final loan terms and closing costs at least three business days before consummation, replacing the HUD-1 Settlement Statement for most residential mortgages. The CD enables borrowers to review actual costs compared to their Loan Estimate while ensuring sufficient time for decision-making.

Combined Loan-to-Value (CLTV)

The ratio of all loans secured by a property to its appraised value, including first mortgages, second mortgages, home equity lines of credit, and other liens. CLTV calculations determine qualification for certain loan programs and influence pricing decisions for borrowers using multiple financing sources.

Compensating Factors

Positive borrower characteristics that may offset higher risk factors in underwriting decisions, such as substantial assets, excellent credit history, conservative loan-to-value ratios, or stable employment. These factors enable approval for borrowers who might not qualify under standard guidelines alone.

Conforming Loan

A mortgage that meets Government-Sponsored Enterprise (GSE) purchase guidelines including loan amount limits, underwriting standards, and documentation requirements. Conforming loans are eligible for purchase by Fannie Mae or Freddie Mac, providing liquidity to originators and often better pricing for borrowers.

Debt-to-Income Ratio (DTI)

The percentage of gross monthly income required to service monthly debt obligations, calculated as total monthly debts divided by gross monthly income. DTI ratios include proposed housing payments plus all other recurring monthly obligations such as credit cards, student loans, and auto loans.

Down Payment

The portion of the purchase price paid by the borrower in cash, representing the difference between the loan amount and property value. Down payment amounts affect loan-to-value ratios, mortgage insurance requirements, and loan program eligibility across different mortgage products.

Earnest Money

Funds deposited by buyers to demonstrate serious intent to purchase property, typically held in escrow pending closing completion. Earnest money deposits count toward down payment requirements and must be verified through bank statements and deposit documentation.

Escrow Account

An account maintained by loan servicers to collect and pay property taxes, homeowners insurance, and mortgage insurance on behalf of borrowers. Escrow accounts ensure timely payment of these obligations while spreading annual costs across monthly payments.

Fair Market Value

The price that property would sell for between willing buyers and sellers in an arm's length transaction, with both parties having reasonable knowledge of relevant facts. Appraisers determine fair market value through comparable sales analysis, cost approach, and income approach methodologies.

Finance Charge

Any charge imposed directly or indirectly by creditors as conditions of extending credit, including interest, origination fees, discount points, and certain third-party fees. Finance charges must be included in APR calculations under TILA while being distinguished from excluded costs like appraisals and title insurance.

Fixed-Rate Mortgage

A loan with an interest rate that remains constant throughout the entire loan term, providing payment stability and protection against rising interest rates. Fixed-rate mortgages transfer interest rate risk from borrowers to lenders in exchange for higher initial rates compared to adjustable-rate alternatives.

Gift Funds

Money provided by eligible donors for down payment or closing costs without expectation of repayment. Gift funds require proper documentation including gift letters, donor financial capacity verification, and transfer confirmation to ensure compliance with program requirements.

Good Faith Estimate (GFE)

The former RESPA disclosure that provided estimated settlement costs, replaced by the TRID Loan Estimate in 2015. Understanding GFE requirements remains important for loans originated before TRID implementation and for understanding regulatory evolution.

Home Equity Line of Credit (HELOC)

A revolving credit line secured by residential property that allows borrowers to access funds up to predetermined credit limits. HELOCs typically feature variable interest rates and interest-only payment options during draw periods followed by repayment periods.

Jumbo Loan

A mortgage that exceeds conforming loan limits established by the Federal Housing Finance Agency, making it ineligible for GSE purchase. Jumbo loans typically require higher down payments, stronger credit profiles, and more extensive documentation while offering competitive rates through portfolio lending or private securitization.

Loan Estimate (LE)

The three-page TRID form that provides loan terms, projected payments, and estimated closing costs within three business days of application. The LE replaced the Good Faith Estimate and initial Truth-in-Lending disclosure, providing standardized cost information for borrower comparison shopping.

Loan-to-Value Ratio (LTV)

The percentage relationship between the loan amount and property value, calculated as loan amount divided by appraised value or purchase price (whichever is lower). LTV ratios determine mortgage insurance requirements, pricing adjustments, and loan program eligibility.

Mortgage Insurance

Insurance that protects lenders from borrower default losses, required for conventional loans exceeding 80% LTV and most government loans regardless of LTV. Private mortgage insurance (PMI) for conventional loans can be cancelled when LTV reaches 78%, while government mortgage insurance typically remains for the loan term.

Non-Qualified Mortgage (Non-QM)

Loans that don't meet Qualified Mortgage standards under the Ability-to-Repay rule, requiring enhanced underwriting and documentation to demonstrate compliance without benefit of QM safe harbor protections. Non-QM loans serve borrowers with complex income situations or unique circumstances.

Origination Fee

A fee charged by lenders for processing loan applications and creating mortgages, typically expressed as a percentage of the loan amount. Origination fees compensate lenders for underwriting, processing, and administrative costs associated with loan production.

Points

Prepaid interest charged at closing to reduce ongoing interest rates, with each point typically equaling 1% of the loan amount and reducing rates by approximately 0.25%. Discount points represent a trade-off between upfront costs and long-term interest savings.

Principal, Interest, Taxes, Insurance (PITI)

The four main components of monthly mortgage payments including loan principal and interest plus escrowed property taxes and homeowners insurance. PITI calculations determine housing ratios and total monthly obligations for qualification purposes.

Private Mortgage Insurance (PMI)

Insurance protecting lenders from default losses on conventional loans exceeding 80% LTV, with premiums paid by borrowers until LTV reaches 78% through principal reduction or property appreciation. PMI enables conventional financing with down payments less than 20%.

Qualified Mortgage (QM)

Loans meeting specific ability-to-repay standards including documentation requirements, debt-to-income limits, and prohibited features such as interest-only payments or negative amortization. QM loans receive safe harbor protection from ability-to-repay liability.

Rate Lock

An agreement guaranteeing specific interest rates and terms for defined periods, protecting borrowers from rate increases during loan processing. Rate locks typically last 30-60 days with extensions available for fees, balancing borrower protection with lender interest rate risk.

Right of Rescission

The borrower's right to cancel certain credit transactions within three business days of consummation without penalty, primarily applying to refinances and home equity loans secured by primary residences. Purchase money mortgages for primary residences are exempt from rescission rights.

Secondary Market

The financial market where originated mortgages are bought and sold, providing liquidity to originators and enabling continued lending activity. Major secondary market participants include Fannie Mae, Freddie Mac, Ginnie Mae, and private investors.

Truth in Lending Act (TILA)

Federal legislation requiring standardized disclosure of credit terms and costs, implemented through Regulation Z. TILA mandates APR disclosure, rescission rights for certain transactions, and specific formatting requirements for loan disclosures.

Underwriting

The process of evaluating borrower creditworthiness and loan risk to determine approval, pricing, and terms. Underwriting analyzes credit history, income stability, asset adequacy, and collateral value while ensuring compliance with investor guidelines and regulatory requirements.

Regulatory Terminology

Understanding regulatory terminology represents one of the most critical aspects of mortgage lending competence, as these specialized terms define compliance obligations, enforcement mechanisms, and consumer protection standards that govern every aspect of industry operations. This vocabulary encompasses federal laws, regulatory agencies, compliance concepts, and enforcement procedures that create the legal framework within which mortgage professionals operate daily. Mastering these terms requires understanding not just their definitions but their practical applications, interconnected relationships, and the consequences of non-compliance that can affect individual careers and institutional viability.

The regulatory landscape of mortgage lending has evolved dramatically since the 2008 financial crisis, introducing new terminology, compliance concepts, and enforcement mechanisms that fundamentally changed industry practices. Terms like "TRID," "QM," and "ability-to-repay" have become central to professional vocabulary, while traditional concepts like "good faith estimate" have been replaced by new regulatory frameworks. This evolution continues as regulators adapt to changing market conditions,

technological innovations, and consumer protection needs that drive ongoing regulatory development and terminology refinement.

Ability-to-Repay (ATR) Rule

The regulatory framework established by the Dodd-Frank Act requiring creditors to make reasonable, good faith determinations about borrowers' ability to repay mortgage loans based on verified income, assets, employment, credit history, and monthly payment obligations. This rule fundamentally changed underwriting practices by prohibiting loans based solely on collateral value without regard to borrower repayment capacity.

Average Prime Offer Rate (APOR)

A benchmark rate published weekly by the Federal Financial Institutions Examination Council, representing average interest rates offered to highly qualified borrowers for similar loan products. APOR serves as the baseline for determining high-cost mortgage thresholds under HOEPA and other regulatory frameworks.

Business Day

For TRID purposes, all calendar days except Sundays and federal holidays, including Saturdays. This definition affects timing calculations for disclosure delivery, waiting periods, and other regulatory requirements that depend on precise day counting methodologies.

Consumer Financial Protection Bureau (CFPB)

The federal agency created by the Dodd-Frank Act with primary responsibility for enforcing consumer financial protection laws, including mortgage-related regulations such as TILA, RESPA, ECOA, and Fair Housing Act provisions. The CFPB has supervisory authority over large depository institutions and non-depository mortgage lenders.

Conference of State Bank Supervisors (CSBS)

The organization representing state banking regulators that developed and maintains the Nationwide Multistate Licensing System (NMLS) for mortgage loan originator licensing and oversight. CSBS coordinates state regulatory activities and promotes uniformity in licensing standards.

Dodd-Frank Wall Street Reform and Consumer Protection Act

Comprehensive financial reform legislation enacted in 2010 in response to the 2008 financial crisis, creating the CFPB, establishing ability-to-repay requirements, and implementing numerous consumer

protection measures affecting mortgage lending. Key provisions include QM standards, risk retention requirements, and enhanced regulatory oversight.

Equal Credit Opportunity Act (ECOA)

Federal legislation prohibiting credit discrimination based on race, color, religion, national origin, sex, marital status, age (if applicant is 62 or older), or receipt of public assistance. ECOA establishes fair lending standards, adverse action notification requirements, and data collection obligations for demographic monitoring.

Fair Credit Reporting Act (FCRA)

Federal law governing credit report accuracy, privacy protection, and permissible use standards for consumer credit information. FCRA establishes consumer rights to credit report access, dispute procedures, and consent requirements for credit inquiries in mortgage transactions.

Fair Housing Act (FHA)

Federal legislation prohibiting housing discrimination based on race, color, religion, sex, national origin, familial status, or disability. The Act covers mortgage lending activities, advertising practices, and housing-related services while establishing enforcement mechanisms and penalty structures.

Federal Housing Finance Agency (FHFA)

The independent federal agency that regulates and oversees Fannie Mae, Freddie Mac, and the Federal Home Loan Bank System. FHFA establishes conforming loan limits, oversees GSE operations, and manages conservatorship activities for Fannie Mae and Freddie Mac.

Government-Sponsored Enterprise (GSE)

Privately owned, federally chartered entities including Fannie Mae and Freddie Mac that purchase mortgages from originators to provide liquidity to the mortgage market. GSEs operate under federal oversight while maintaining private ownership structures and profit objectives.

Home Mortgage Disclosure Act (HMDA)

Federal law requiring covered lenders to collect, report, and publicly disclose mortgage lending data including applicant demographics, loan characteristics, and disposition decisions. HMDA data supports fair lending enforcement and community development initiatives.

Home Ownership and Equity Protection Act (HOEPA)

Amendment to TILA providing enhanced protections for high-cost mortgages through additional disclosure requirements, prohibited practices, and enhanced liability provisions. HOEPA coverage is triggered by APR and points-and-fees thresholds that change annually.

Housing and Economic Recovery Act (HERA)

Federal legislation enacted in 2008 that created FHFA, established the SAFE Act, and implemented housing market stabilization measures including GSE conservatorship authority and first-time homebuyer tax credits.

Know Before You Owe

The CFPB initiative that created TRID by integrating TILA and RESPA disclosures into streamlined Loan Estimate and Closing Disclosure forms. This program aims to help borrowers understand mortgage terms and costs through improved disclosure design and timing.

Linear On-the-Fly Testing (LOFT)

The scoring methodology used for NMLS examinations that adjusts for question difficulty variations to ensure fair and consistent scoring across different test versions. LOFT enables more frequent testing while maintaining score reliability and validity.

Nationwide Multistate Licensing System (NMLS)

The comprehensive licensing and registration system for mortgage loan originators developed by CSBS and AARMR. NMLS maintains MLO licensing information, processes license applications, and provides public access to licensee data.

Qualified Mortgage (QM) Safe Harbor

Legal protection provided to creditors for QM loans meeting all regulatory requirements, creating a conclusive presumption that the creditor verified the borrower's ability to repay. Safe harbor protection provides strong defense against ability-to-repay violations and damages claims.

Real Estate Settlement Procedures Act (RESPA)

Federal law governing settlement services in residential mortgage transactions, prohibiting kickbacks and unearned fees while requiring specific disclosures about settlement costs and business relationships. RESPA applies to federally related mortgage loans and establishes consumer rights regarding settlement services.

Regulation B

The Federal Reserve regulation implementing ECOA, establishing specific requirements for credit applications, adverse action notifications, data collection procedures, and prohibited practices in credit decisions. Regulation B provides detailed guidance for ECOA compliance across various credit products.

Regulation X

The CFPB regulation implementing RESPA, covering settlement service providers, disclosure requirements, escrow account management, and servicing transfer procedures. Regulation X establishes detailed compliance requirements for RESPA-covered transactions.

Regulation Z

The Federal Reserve regulation implementing TILA, establishing disclosure requirements, APR calculation methods, rescission rights, and other consumer protections for credit transactions. Regulation Z provides comprehensive guidance for TILA compliance including mortgage-specific provisions.

Secure and Fair Enforcement for Mortgage Licensing Act (SAFE Act)

Federal legislation requiring state licensing or federal registration of mortgage loan originators, establishing minimum education, testing, and background check requirements. The SAFE Act created uniform MLO standards while preserving state regulatory authority.

TILA-RESPA Integrated Disclosure (TRID)

The regulatory framework that combined TILA and RESPA disclosure requirements into integrated Loan Estimate and Closing Disclosure forms, effective October 2015. TRID established new timing requirements, tolerance standards, and disclosure formats for most residential mortgages.

Truth in Lending Act (TILA)

Federal consumer protection law requiring standardized disclosure of credit terms and costs, including APR calculation and disclosure, rescission rights, and specific formatting requirements. TILA enables consumers to comparison shop for credit while understanding true borrowing costs.

Uniform State Test (UST)

The portion of NMLS examinations covering uniform state content including SAFE Act requirements and model state law provisions that apply across multiple jurisdictions. UST content ensures consistent knowledge standards for MLOs operating in different states.

Yield Spread Premium (YSP)

Historical compensation arrangement where mortgage brokers received payments from lenders based on interest rate differences, often creating incentives to steer borrowers toward higher-rate loans. Regulatory changes have largely eliminated traditional YSP arrangements while requiring enhanced compensation disclosure.

Industry Acronyms

The mortgage industry operates within a complex environment of acronyms and abbreviations that serve as professional shorthand for regulations, programs, organizations, and concepts that practitioners encounter daily. These acronyms represent more than simple abbreviations – they embody entire regulatory frameworks, loan programs, and institutional relationships that define how mortgage lending operates within the broader financial services industry. Mastering these acronyms enables mortgage professionals to communicate efficiently with colleagues, understand regulatory guidance quickly, and demonstrate industry competence in professional interactions and examination scenarios.

Understanding industry acronyms requires recognizing their evolution alongside regulatory development, market changes, and technological advancement that continuously reshape mortgage lending practices. Some acronyms like "FHA" and "VA" have remained constant for decades, while others like "TRID" and "QM" emerged from recent regulatory reforms that fundamentally changed industry operations. This dynamic environment means that mortgage professionals must stay current with both established acronyms and emerging terminology that reflects ongoing industry evolution and regulatory adaptation to changing market conditions and consumer protection needs.

AARMR - American Association of Residential Mortgage Regulators

Organization representing state mortgage regulators that partnered with CSBS to develop the NMLS system and model state law provisions. AARMR promotes coordination among state regulators and uniformity in mortgage lending oversight across jurisdictions.

ABS - Asset-Backed Securities

Financial instruments backed by pools of assets including mortgages, auto loans, or credit card receivables. Mortgage-backed securities represent a major component of ABS markets, providing liquidity to mortgage originators through securitization processes.

AIR - Adjustable Interest Rate

Interest rates that change over time based on index movements plus predetermined margins, commonly used in ARM products. AIR terminology appears in disclosure documents and regulatory guidance regarding variable rate mortgages.

APOR - Average Prime Offer Rate

Weekly benchmark rates published by FFIEC representing average rates offered to highly qualified borrowers, used for determining high-cost mortgage thresholds under HOEPA and other regulatory frameworks.

APR - Annual Percentage Rate

Standardized expression of credit costs including interest plus finance charges, enabling borrower comparison across different loan products and lenders. APR calculation and disclosure requirements represent fundamental TILA compliance obligations.

ARM - Adjustable-Rate Mortgage

Mortgage loans with interest rates that adjust periodically based on index movements, offering initial rate advantages in exchange for interest rate risk. ARM products include various structures like 5/1, 7/1, and 10/1 configurations.

ATR - Ability-to-Repay

Regulatory requirement that lenders verify borrower capacity to repay mortgage loans based on comprehensive financial analysis including income, assets, employment, credit history, and debt obligations. ATR compliance is fundamental to QM standards and general lending requirements.

AUS - Automated Underwriting System

Computer-based loan evaluation systems including Desktop Underwriter (Fannie Mae) and Loan Prospector (Freddie Mac) that analyze borrower risk and generate approval recommendations based on established guidelines and risk models.

CD - Closing Disclosure

Five-page TRID form providing final loan terms and closing costs at least three business days before consummation, replacing the HUD-1 Settlement Statement for most residential mortgage transactions.

CFPB - Consumer Financial Protection Bureau

Federal agency with primary responsibility for consumer financial protection including mortgage lending oversight, established by Dodd-Frank to consolidate consumer protection functions previously scattered across multiple agencies.

CLTV - Combined Loan-to-Value

Ratio of all liens against a property to its appraised value, including first mortgages, second mortgages, HELOCs, and other debt secured by the property. CLTV calculations affect loan approval, pricing, and program eligibility decisions.

CRA - Community Reinvestment Act

Federal law encouraging banks to meet credit needs in low and moderate-income communities they serve, influencing lending practices and examination ratings for federally supervised institutions.

CSBS - Conference of State Bank Supervisors

Organization representing state banking regulators that developed and maintains NMLS while coordinating state regulatory activities and promoting uniform licensing standards across jurisdictions.

CTC - Clear to Close

Underwriter status indicating all loan conditions are satisfied and the file is ready for closing, representing final approval before document preparation and funding authorization.

DTI - Debt-to-Income Ratio

Percentage of gross monthly income required to service debt obligations, calculated as total monthly debts divided by gross monthly income. DTI calculations are fundamental to qualification analysis and regulatory compliance.

DU - Desktop Underwriter

Fannie Mae's automated underwriting system that evaluates loan applications using mathematical models and established guidelines to generate approval recommendations and condition requirements.

ECOA - Equal Credit Opportunity Act

Federal anti-discrimination law prohibiting credit decisions based on protected characteristics including race, color, religion, national origin, sex, marital status, age, or receipt of public assistance.

FCRA - Fair Credit Reporting Act

Federal law governing credit report accuracy, consumer privacy rights, and permissible use standards for credit information in lending decisions and background checks.

FDIC - Federal Deposit Insurance Corporation

Federal agency that insures bank deposits and regulates state-chartered banks that are not Federal Reserve members, including oversight of mortgage lending activities for covered institutions.

FHA - Federal Housing Administration

HUD division that insures mortgage loans for borrowers with limited down payments or credit challenges, requiring mortgage insurance premiums while offering flexible qualification standards.

FHFA - Federal Housing Finance Agency

Independent federal agency regulating Fannie Mae, Freddie Mac, and the Federal Home Loan Bank System while establishing conforming loan limits and overseeing GSE operations.

FICO - Fair Isaac Corporation

Company that developed widely used credit scoring models for evaluating borrower creditworthiness, with FICO scores ranging from 300-850 and serving as primary credit evaluation tools in mortgage lending.

FNMA - Federal National Mortgage Association (Fannie Mae)

Government-sponsored enterprise that purchases mortgages from originators to provide market liquidity, operating under FHFA oversight while maintaining private ownership structure.

FHLMC - Federal Home Loan Mortgage Corporation (Freddie Mac)

Government-sponsored enterprise that purchases mortgages to provide market liquidity, competing with Fannie Mae while operating under similar regulatory oversight and business models.

GFE - Good Faith Estimate

Former RESPA disclosure providing estimated settlement costs, replaced by TRID Loan Estimate in 2015. GFE knowledge remains relevant for understanding regulatory evolution and pre-TRID loan origination.

GNMA - Government National Mortgage Association (Ginnie Mae)

Government corporation within HUD that guarantees mortgage-backed securities backed by FHA, VA, USDA, and other government loans, providing liquidity for government loan programs.

GSE - Government-Sponsored Enterprise

Privately owned, federally chartered entities including Fannie Mae and Freddie Mac that provide mortgage market liquidity through loan purchases and securitization activities.

HELOC - Home Equity Line of Credit

Revolving credit secured by residential property allowing borrowers to access funds up to predetermined credit limits, typically featuring variable rates and flexible payment options.

HERA - Housing and Economic Recovery Act

Federal legislation that created FHFA, established the SAFE Act, and implemented housing market stabilization measures including GSE conservatorship authority.

HMDA - Home Mortgage Disclosure Act

Federal law requiring covered lenders to collect and report mortgage lending data for fair lending monitoring and community development analysis.

HOEPA - Home Ownership and Equity Protection Act

TILA amendment providing enhanced protections for high-cost mortgages through additional disclosures, prohibited practices, and enhanced liability provisions.

HUD - Department of Housing and Urban Development

Federal agency overseeing FHA, Ginnie Mae, fair housing enforcement, and various housing programs while promoting homeownership and community development initiatives.

HVRP - Home Valuation Code of Conduct

Industry standards governing appraisal independence and quality in mortgage transactions, establishing separation between loan production and valuation functions.

LE - Loan Estimate

Three-page TRID form providing loan terms, projected payments, and estimated closing costs within three business days of application, replacing GFE and initial TIL disclosure.

LIBOR - London Interbank Offered Rate

Former benchmark interest rate used for ARM products, being phased out in favor of SOFR and other alternative reference rates for mortgage lending applications.

LP - Loan Prospector

Freddie Mac's automated underwriting system that evaluates loan applications and generates approval recommendations based on established risk models and guidelines.

LTV - Loan-to-Value Ratio

Percentage relationship between loan amount and property value, calculated as loan amount divided by appraised value or purchase price (whichever is lower).

MBS - Mortgage-Backed Securities

Investment securities backed by pools of mortgages, providing liquidity to originators through secondary market sales while distributing credit risk among investors.

MI - Mortgage Insurance

Insurance protecting lenders from borrower default losses, required for conventional loans exceeding 80% LTV and most government loans regardless of LTV ratio.

MLO - Mortgage Loan Originator

Individual who takes mortgage applications, offers loan terms, or negotiates mortgage terms for compensation, subject to licensing or registration requirements under the SAFE Act.

NMLS - Nationwide Multistate Licensing System

Comprehensive licensing and registration system for mortgage loan originators, maintaining licensee information and providing public access to regulatory data.

PMI - Private Mortgage Insurance

Insurance for conventional loans exceeding 80% LTV, protecting lenders from default losses while enabling borrowing with less than 20% down payment.

PITI - Principal, Interest, Taxes, Insurance

Four main components of monthly mortgage payments including loan principal and interest plus escrowed property taxes and homeowners insurance.

QM - Qualified Mortgage

Loans meeting specific ability-to-repay standards including documentation requirements, DTI limits, and prohibited features, receiving safe harbor protection from ATR liability.

RESPA - Real Estate Settlement Procedures Act

Federal law governing settlement services in residential mortgage transactions, prohibiting kickbacks while requiring specific disclosures about settlement costs and business relationships.

SAFE - Secure and Fair Enforcement for Mortgage Licensing Act

Federal legislation requiring state licensing or federal registration of mortgage loan originators with minimum education, testing, and background check requirements.

SOFR - Secured Overnight Financing Rate

Benchmark interest rate replacing LIBOR for ARM products and other variable rate applications, based on Treasury repurchase agreement transactions.

TILA - Truth in Lending Act

Federal consumer protection law requiring standardized credit cost disclosure including APR calculation, rescission rights, and specific formatting requirements.

TRID - TILA-RESPA Integrated Disclosure

Regulatory framework combining TILA and RESPA disclosure requirements into integrated Loan Estimate and Closing Disclosure forms with new timing and tolerance requirements.

USDA - United States Department of Agriculture

Federal agency offering mortgage guarantees for eligible rural and suburban properties through Rural Development programs promoting homeownership in less densely populated areas.

VA - Department of Veterans Affairs

Federal agency providing mortgage guarantees for eligible veterans, service members, and surviving spouses with zero down payment requirements and competitive interest rates.

YSP - Yield Spread Premium

Historical compensation arrangement where brokers received payments based on interest rate differences, largely eliminated by regulatory changes requiring enhanced compensation disclosure.