

Glossary of Terms and Acronyms

Adjustable-rate mortgage (ARM)

A mortgage with an interest rate that adjusts periodically based on preselected index, causing interest rates and payments to rise and fall with the market.

Amortization

A monthly repayment schedule in which a loan is repaid in fixed payments of principal and interest.

Annual percentage rate (APR)

The annual cost of a loan, expressed as a yearly rate. APR takes into account interest, discount points, lender fees and mortgage insurance, so it will be slightly higher than the interest rate on the loan.

Automated Valuation Model (AVM)

Used in place of or as a supplement to an Appraisal for determining property value. The AVM is an automated tool using tax assessment and MLS information.

Closing Cost Worksheet (CCW)

Worksheet breaking down loan costs/payment ** not considered a disclosure++

Closing Disclosure (CD)

five-page form that provides final details about the mortgage loan you have selected. It includes the loan terms, your projected monthly payments, and how much you will pay in fees and other costs to get your mortgage (closing costs).

Certificate Of Eligibility (COE)

Document issued by the Veterans' Administration to qualified veterans that entitles them to VA guaranteed loans. This certificate can be obtained through local VA office by submitting form DD-214 (Separation Papers) and VA form 1880 (request for Certificate of Eligibility).

Chain of Title

The chronological order of conveyance of a property from the original owner to the present owner.

Clear Title

A marketable title, free of clouds and disputes.

Combined loan-to-value (CLTV)

The ratio of the total mortgage liens against the subject property to the lesser of either the appraised value or the sales price.

Change of Circumstances (COC)

When a change to circumstance or loan terms creates the need to re-disclose.

Commitment

A formal offer by a lender to make a loan under certain terms or conditions to a borrower.

Discount Points (or Points)

Money paid to a lender at closing in exchange for lower interest rates. Each point is equal to 1 percent of the loan amount.

Earnest Money

Deposit made by a buyer in evidence of good faith when the purchase agreement is signed.

Encumbrance

A legal right or interest in a property that affects title and lessens the property value. Encumbrances can take the form of claims, liens, unpaid taxes and so on. These will usually have to be taken care of before a buyer may purchase a property.

Fannie Mae Federal National Mortgage Association (FNMA)

A quasi government agency created by Congress that buys and sells residential loans.

Federal Housing Administration (FHA)

A government agency created by Congress that buys and sells residential loans.

First Front Door Program (FFD)

The First Front Door (FFD) program was developed by FHLBank Pittsburgh (Bank) to address funding needs for low-to moderate-income homebuyers, specifically designed for first time purchasers.

Housing and Urban Development (HUD)

A U.S. government agency established to implement federal housing and community development programs; oversees the Federal Housing Administration.

Home Valuation Code of Conduct/Appraisal Acknowledgment Form (HVCC)

The set of federal guidelines designed to enhance the integrity of the home appraisal.

Loan Level Price Adjustment (LLPA)

A risk-based fee assessed to mortgage borrowers using a conventional mortgage. Loan-level pricing adjustments vary by borrower, based on loan traits such as loan-to-value (LTV), credit score, occupancy type, and number of units in a home.

Loan Estimate (LE)

The form provides borrower with important information, including the estimated interest rate, monthly payment, and total closing costs for the loan.

Lock or Lock-In

A lender's guarantee of an interest rate for a set period of time, usually between loan application and loan closing.

Mortgage Insurance Premium (MIP)

Insurance purchased by borrower to insure against default on a FHA loans.

Multiple Listing Service (MLS)

A service provided by a group of real estate brokers. They band together to create a Multiple Listing Service that allows each of them to list each other's houses.

Pennsylvania Housing Finance Agency (PHFA)

The Pennsylvania Housing Finance Agency is a non-profit organization which serves the people of Pennsylvania by offering affordable housing resources, including loans and rent assistance.

Per Diem Interest

Interest calculated per day. Depending on the day of the month on which closing takes place, you'll have to pay interest from the date of closing to the end of the month.

Private Mortgage Insurance (PMI)

Insurance purchased by a buyer on a conventional loan when a down payment is less than 20 percent of the purchase price to protect the lender against default.

Secondary Mortgage Market

The market into which primary mortgages lenders sell the mortgages they make to obtain funds to originate more new loans. This includes investors such as Fannie Mae and Freddie Mac.

Title

A document that gives evidence of ownership of a property, as well as rights of ownership and possession.

Title Company

A company that insures the title to a property.

Title Insurance

Insurance that protects the lender (lender's policy) or buyer (owner's policy) against loss due to disputes over property ownership. **Lenders Title Insurance is Mandated, Owners Title Insurance is optional**

Title Search

Examination of municipal records to ensure that the seller is the legal owner of a property and that there are liens other claims against the property.

VA Funding Fee

A set fee applied to every purchase loan or refinance. The proceeds go directly to the VA and help cover losses on the few loans that go into default. The current fee is 2.15% of the loan amount. **Some Veterans are eligible to have this fee waived and will provide a waiver from the VA**

VA Loan

A home loan available to veterans with little or no down payment and guaranteed by the U.S. Veterans' Administration.

Verification of Employment (VOE)

Process used by mortgage lenders to review the employment history of a borrower, to determine the borrower's job stability and cross-reference income history with that stated on the Uniform Residential Loan Application (Form 1003).

Walk-Through

A final inspection of a home to check for problems that may need to be corrected before closing.