

Common Mortgage Acronyms, Explained Simply

Buying a home comes with a lot of new terms. This glossary breaks down some of the most common mortgage acronyms in plain language so you can move forward with confidence.

APR

Annual Percentage Rate

The total yearly cost of your loan, including interest and some fees. APR helps you compare loan options more accurately than interest rate alone.

DTI

Debt-to-Income Ratio

A comparison of your monthly debts to your monthly income. Lenders use this to understand how comfortably you can manage a mortgage payment.

LTV

Loan-to-Value Ratio

The percentage of the home's value that you are borrowing. A lower LTV usually means lower risk for the lender.

PMI

Private Mortgage Insurance

Insurance required on some loans when the down payment is less than 20 percent. PMI protects the lender, not the borrower.

FHA

Federal Housing Administration Loan

A government-backed loan option with more flexible credit and down payment requirements.

VA

Veterans Affairs Loan

A loan program for eligible veterans, active-duty service members, and surviving spouses. VA loans often require no down payment.

USDA

United States Department of Agriculture Loan

A loan option for eligible rural and suburban homebuyers, often offering low or no down payment.

PITI

Principal, Interest, Taxes, and Insurance

The four main parts of a monthly mortgage payment.

HOI

Homeowners Insurance

Insurance that protects your home and belongings from damage or loss.

EMD

Earnest Money Deposit

A deposit made with your offer to show the seller you are serious about buying the home.

CD

Closing Disclosure

A final document that outlines your loan terms, monthly payment, and closing costs. You receive this before closing day.

LE

Loan Estimate

A document provided early in the process that gives an overview of your estimated loan terms and costs.

FICO

Credit Score Model

A commonly used credit scoring system that helps lenders evaluate credit risk.

QM

Qualified Mortgage

A loan that meets certain guidelines designed to ensure the borrower can reasonably repay it.

Non-QM

Non-Qualified Mortgage

A loan option for borrowers who do not fit traditional lending guidelines, such as self-employed buyers.

ARM

Adjustable-Rate Mortgage

A loan with an interest rate that can change over time based on market conditions.

LO

Loan Officer

Your main point of contact who helps you apply, understand your options, and move through the mortgage process.

DPA

Down Payment Assistance

Programs that help eligible buyers cover part of their down payment or closing costs.

If you ever hear a term that does not make sense, your Novus loan officer is there to explain it and help you feel confident every step of the way.