

Glossary of Mortgage Servicing Terms

The following is a glossary of terms related to the servicing of consumer mortgages. Advocates may find this glossary helpful in understanding mortgage escrow statements, loan histories, and other client account documents obtained through discovery or in response to a qualified written request under the Real Estate Settlement Procedures Act (RESPA). It includes abbreviations that commonly appear on account statements. However, these account documents often contain numerical codes and other cryptic notations used by servicers to designate particular account transactions. When possible, advocates should request that account histories and statements be provided in a complete and comprehensible format in which all codes are translated, or request that a separate explanation of all transaction codes used by the servicer be provided. The CD-Rom accompanying this manual includes a list of transaction codes widely used in the mortgage servicing industry.

TERM	ABBREVIATIONS	RELATED TERMS	DEFINITION
Accrued Interest			Interest earned for the period of time that has elapsed since interest was last paid.
Adjustment	Adj	Late Charge Adjustment; Miscellaneous Corporate Adjustments	Change to prior account treatment of payment or expense, including reallocation of funds held in suspense account. Also may refer to change in loan terms.
Attorney Advance		Corporate Advance	Disbursement for attorney fees, often for collection and foreclosure services on account in default, to be recovered from borrower if permitted under mortgage.
Bankruptcy	Bk; Bnkrcpy		Bankruptcy filed by borrower, often resulting in internal transfer of servicing to servicer's bankruptcy department or to default servicer.
Bankruptcy Fee		Bankruptcy Monitoring Fee; Proof of Claim (POC) Fee	Fee charged to borrower by lender or servicer as a result of bankruptcy filing by borrower, often a flat fee included in amount owed listed on proof of claim filed by servicer in chapter 13 or added to account as recoverable expense or corporate advance without notice to borrower or bankruptcy court approval.
Broker's Price Opinion	BPO		Evaluation of property value typically based on drive-by exterior examination, public data sources, and recent comparable sales, obtained by servicer as alternative to full appraisal after loan is placed in default status or upon loan modification.
Corporate Advance	Corp Adv	Expense Advance; Corporate Recoverable Advances	Disbursement for servicing-related expenses (not escrow expenses) paid with servicer funds rather than escrow funds, to be recovered from borrower. May include foreclosure expenses, attorney fees, bankruptcy fees, force placed insurance, and so forth.
Coupon Payment		Lock Box Payment	Regularly scheduled mortgage payment made in amount reflected on payment coupon, typically sent by borrower to servicer's payment processing center.

Appx. N*Repossessions and Foreclosures / 2003 Supplement*

TERM	ABBREVIATIONS	RELATED TERMS	DEFINITION
Cushion		Reserve	An additional sum of money required by lender to be paid into escrow account as part of monthly escrow payment to protect lender against increases in escrow expenses.
Daily Accrual Accounting		Simple Interest Loan	Method of calculating earned interest on a daily basis, if provided for in terms of note and permitted by state law. Interest is computed at the contract rate on the unpaid balance on the account based on the number of days that lapse from the date prior payment received to the date current payment received.
Default Servicer		Subservicer; Special Servicer	Servicer of subprime, home equity, non-performing and other loans in which increased default-related activities are anticipated.
Demand Letter		Notice of Intent to Foreclose	Letter notifying borrower of a delinquency or default, possibly a notice of intent to foreclose.
Demand Letter Assessment			Fee for sending the demand letter or notice of intent to foreclose.
Disbursement	Disb	Escrow Disbursement	Use of funds to pay for servicing-related charges and expenses, including payments made out of escrow.
Due Date			Date on which borrower's monthly installment of principal, interest, and escrow (if applicable) is due as stated in note.
Due Date of Last Paid Installment	DDLPI		Due date of the last fully paid monthly installment of principal, interest, and escrow (if applicable); not the date on which such payment was credited or date of next scheduled installment.
Escrow Account		Trust Account; Impound Account	Trust account into which a borrower's funds are deposited and held to pay taxes, insurance premiums, and other escrow expenses.
Escrow Advance	Esc Adv	Expense Advance; Escrow Advance Repayment	Disbursement for escrow expense paid with servicer funds at time when insufficient funds in borrower's escrow account, to be recovered from borrower as escrow shortage or deficiency.
Escrow Balance	Esc Bal		Amount of funds remaining in escrow account.
Escrow Deficiency			Amount of a negative balance in an escrow account at the time of an escrow analysis, resulting from escrow advances.
Escrow Payment			Portion of borrower's monthly mortgage payment held by the servicer in escrow account to pay for taxes, insurance premiums, or other escrow items as they become due.
Escrow Shortage			Amount by which current escrow account balance falls short of the projected target balance at the time of an escrow analysis.
Escrow Surplus			Amount by which current escrow account balance exceeds the projected target balance at the time of an escrow analysis.
Expense Advance	Exp Adv		May be either corporate advance or escrow advance (see definitions above).
Force Placed Insurance			Hazard insurance purchased by servicer on borrower's home (covering only lender's interest) when policy purchased directly by borrower on non-escrow mortgage account has lapsed, when servicer contends that borrower has failed to provide proof of insurance coverage, or when account is in default.
Hazard Premium	Haz Ins		Premium for hazard insurance on borrower's home.
Interest on Escrow	Esc Int		Interest earned on funds held in escrow account paid either directly to borrower or credited to escrow account.
Interest Payment	Int		Portion of borrower payment applied to mortgage interest.

TERM	ABBREVIATIONS	RELATED TERMS	DEFINITION
Interest Short	Int Sh; Int Arr; Bal		Earned interest remaining unpaid after application of mortgage payment, typically reflected on account history as negative balance. Frequently occurs on loans with negative amortization or where irregular payments made under daily accrual accounting method.
Irregular Payment		Non-coupon Payment	Mortgage payment made in amount or at time different than regularly scheduled payment under terms of note.
Late Charge Assessed		Late Charge Adjustment	Fee charged to borrower's account when payment made after due date (usually fifteen days after due date).
Lock Box Payment		Coupon Payment	Borrower payment sent to designated address (usually post office box) at the servicer's payment processing center (servicer may outsource service to third-party company who collects mail directed to post office box and deposits funds to servicer's bank account).
Master Servicer		Primary Servicer	Servicer responsible for protecting interests of mortgage-backed securities' certificate holders and oversight of primary servicers.
Mortgage Electronic Registration System	MERS		Electronic registry system for tracking ownership of individual mortgages, servicing rights, and security interests used by MERS members.
Mortgage Identification Number	MIN		Number assigned to a mortgage that is registered with MERS (see definition above) and used for identification and various other purposes for life of mortgage.
Mortgage Insurance Premium	MIP		Payment of private mortgage insurance (PMI) premium (see definition below).
Pay-Off Fee		Fax Fee	Fee charged to borrower for providing statement of amount required to pay off loan.
Primary Servicer		Master Servicer	Servicer responsible for payment collection, cash management, escrow administration, and loan reporting to mortgage-backed securities' trustees and certificate holders. Some functions may be delegated to subservicer.
Principal	Prin		Sum of money outstanding on mortgage upon which interest is payable.
Principal Payment			Portion of borrower payment applied to mortgage principal.
Private Mortgage Insurance	PMI		Insurance to protect lender against loss if borrower defaults. Similar to insurance by government entities such as FHA, except issued by private mortgage insurance company. Premium is paid by borrower as part of monthly mortgage payment.
Property Inspection Fee	Insp	Property Preservation Fee	Fee charged to borrower for inspections (usually drive-by) to determine the physical condition or occupancy status of mortgage property, often imposed repeatedly once account is placed in default status.
Property Preservation Disbursement			Disbursement by servicer for securing, winterizing, and repairing property that has been foreclosed (real estate owned). May also refer to fees for property inspections, broker price opinions, and foreclosure expenses.
Recovery		Escrow Advance Recovery	Distribution of borrower payment or funds to servicer as reimbursement of escrow, corporate, or other advances.
Redistribution			Application of payment or other posting to two or more accounts.

Appx. N*Repossessions and Foreclosures / 2003 Supplement*

TERM	ABBREVIATIONS	RELATED TERMS	DEFINITION
Refund			Funds returned to borrower, often following escrow account analysis showing surplus.
Returned Check Fee	NSF Fee	Non-sufficient Fund Fee	Charge imposed for bounced check.
Real Estate Owned	REO		Property acquired by lender as a result of foreclosure or deed in lieu of foreclosure.
Repayment			Disbursement to servicer as recovery of corporate or escrow advance.
Reserve		Cushion	An additional sum of money required by lender to be paid into escrow account as part of monthly escrow payment to protect lender against increases in escrow expenses.
Reversal		NSF Reversal	Removal of previously imposed charge or reapplication of previously credited payment. Generally involves two-step accounting process in which item is reversed in one transaction and reapplied in another transaction.
Servicing Advances			Funds advanced by servicer under terms of agreement with lender to cover servicing costs and expenses as they occur.
Short Payment		Irregular Payment	Payment made in less than full monthly amount due under the loan payment schedule, often held in suspense account until full amount received.
SpeedPay Fee			Fee charged for making electronic payment.
Statutory Expense			Any tax, special assessment, or other charge imposed by federal, state, or local taxing authority or other governmental entity. Generally does not refer to taxes paid through escrow account but rather corporate advances to cover such charges when account is in default or property facing tax sale, or following a foreclosure.
Suspense Account	Susp	Corporate Suspense Account; Suspense Activity	Catch-all account used as place to temporarily put funds that are in "suspense" until servicer makes decision on how to permanently allocate or apply, often used to hold less than full installment payments or payments received while account in default.
Suspense Balance	Susp bal	Unapplied Funds	Amount of funds held in suspense account.
Tax Penalty			Interest, late charge, or other penalty imposed by taxing authority for late payment of taxes.
Transaction Date			Date reflected on payment or account history showing time when servicer completed account transaction or took other action.
Transaction Description			Notation on payment or account history often in code describing nature of, or reason for, application of payment, disbursement, or other servicer action.
Trustee Suspense Account			Suspense account used by servicer to hold payments received from chapter 13 bankruptcy trustee pursuant to borrower's chapter 13 plan providing for cure of pre-petition mortgage arrearages.