

**Are you baffled by some of the words and phrases you come across when buying, selling, renting or letting property?**

**This dictionary of home buying jargon should help make everything crystal clear**

### **Advance**

A mortgage loan.

### **Annual Percentage Rate (APR)**

Shows you the interest rate paid over the course of a year. Use it to compare mortgage offers when you're shopping around.

### **Arrangement Fee**

Sometimes charged in order to access a particular mortgage deal. Usually apply to fixed or discounted rate mortgages. May be payable up front, added to the loan on completion, or deducted from the loan on completion.

### **Assured Shorthold Tenancy (AST )**

A tenancy that gives the landlord the right to repossession of their property after a fixed amount of time as set out in the tenancy agreement. New tenancies are automatically AST's unless otherwise stated.

### **Bank of England Base Rate**

Can go up or down from time to time and is announced by the Bank of England Monetary Policy Committee. Also known as the Bank of England Repo Rate.

### **Base Rate**

The minimum rate at which banks are prepared to lend money.

### **Building Insurance**

Protection against the cost of rebuilding a property following structural damage, for example by flood, fire or storm. Lenders often offer their own policies, but it may be cheaper to buy elsewhere.

### **Building Regulations**

Legal requirements designed to ensure the health and safety of building users.

### **Building Survey**

A technical report following an inspection of the property. It will give you a comprehensive account of the condition of the property, describing any structural or other defects.

### **Capped Rate**

A capped rate mortgage is a mixture between a fixed rate and a variable rate. The interest rate is guaranteed not to rise above a set level within the capped rate period but if the normal variable mortgage rate is below the capped rate then the variable rate is charged.

### **CAT Standard Mortgages**

The Government has laid down CAT standards - fair Charges, easy Access and decent Terms - to help consumers identify mortgages that meet minimum standards. If a mortgage is described as meeting the CAT standards it doesn't mean that it is 'Government approved' or necessarily right for you.

### **Chain**

The line of buyers and sellers involved in each house move. e.g. while you're selling your home, you'll be buying a new house from another vendor who's buying from someone else - and everyone has to wait for everyone else's deals to go through. First time buyers are chain-free as they don't have to sell anything.

### **Completion**

The day when the seller and buyer finally exchange money via their respective solicitors and the buyer becomes legal owner of the property and can move in.

### **Contents insurance**

A policy insuring household contents against theft and damage.

### **Conveyancing**

The legal process by which ownership of the property is transferred from the seller to the buyer. This is usually carried out by a solicitor or licensed conveyancer.

### **Deposit**

The money you pay on exchange of contracts as part of your initial contribution to the purchase of your home.

### **Early Redemption Charges**

If you sell your house or change to another lender, you'll be paying back your loan early. Many mortgage lenders charge a penalty fee if you do this, particularly during any period of a fixed, capped or discounted rate. Check in advance, so you know how much this will be.

### **Endowment Mortgage**

An interest only mortgage supported by an endowment policy. During the term of the mortgage only interest on the mortgage is paid to the lender. At the same time premiums are paid into an endowment policy which should mature at the end of the mortgage term.

### **Equity**

The difference between the amount you owe on your mortgage and the current value of your property. Negative Equity, on the other hand, is when the value of your property in current market value, is worth less than your mortgage, making it hard and expensive to move.

### **Exchange of Contracts**

This is the stage in the property transaction at which legally binding contracts are exchanged between the buyer and the seller. Once contracts are exchanged the vendor becomes legally obliged to sell and the purchaser to buy on the terms agreed.

### **Financial Services Authority (FSA)**

An independent body which regulates the financial service industry in the UK. Their aim is to help consumers become better informed about financial matters.

### **First Time Buyer**

Lenders differ in their definition of a First Time Buyer. Some will include in this people who have owned a property before but have no property to sell. Other lenders will include joint borrowers where just one of them is a First Time Buyer. Some lenders only apply this to someone who has never owned a property before.

### **Fixed Rate**

The lender will fix the interest rate that they charge at a set level for a fixed period of time. There are a range of fixed rate products available which vary in terms from very short periods (three to six months) up to the whole 25 year mortgage term. The lender will normally charge early redemption charges if the mortgage is repaid.

### **Freehold**

A legal title to land, which means you are the absolute owner of the property, and the land it's on. This compares with leasehold property where the property is held for a limited period of time.

### **Gazump**

What happens if your offer is accepted and then the seller pulls out if they receive a higher offer.

### **Home Buyers Report**

A survey report that is more detailed than a Mortgage Valuation but not as in depth as a Full Structural Survey. The proposed lenders surveyor usually carries out a Home Buyers Report and the report can then be used for the lender to replace the Mortgage Valuation. In addition it can be used as a detailed report for the borrower. A Home Buyers report may not be suitable for certain types of property where a Structural Survey may be more relevant.

### **Household Insurance**

A way of referring to both buildings and contents insurance.

### **Income Multiplier**

used to calculate how much a mortgage lender is prepared to lend on a mortgage.

### **Interest Only Mortgage**

Interest only mortgages can be supported by an endowment policy, pension plan, etc. An interest only mortgage may, however, be arranged without the support of any particular repayment vehicle. Many lenders will now accept payment of interest only on the basis that the borrower makes their own arrangements to repay the capital at, or before, the end of the mortgage term. This could be done in a number of ways such as inheritance, sale of the property or from the realisation of other assets.

### **Key Facts Illustration**

Sets out details of the mortgage product that a customer is interested in. All lenders are required to set out the details in a Key Facts Illustration in the same format, so it's easier for you when you want to compare products.

### **Land Register**

The Land Register is a record of all land registrations in England and Wales.

### **Land Registry Fee**

Your conveyancer pays this on your behalf to register your details in the Land Registry records once you've bought a property or changed your mortgage lender.

### **Leasehold**

This is the tenure that applies to most flats and maisonettes in the UK. As opposed to freehold property the rights to the property are owned only for a fixed period of time, with the freehold being held by a third party. This means you own a property for a set number of years. When the lease expires, the property returns to the freeholder

### **Legal Completion**

The time at which the legal ownership of the property changes hands. This date will usually be agreed upon at exchange of contracts. This will also be the date at which the mortgage becomes effective (sometimes the mortgage completion date may be a couple of days before this to ensure that the solicitor has funds on the due day).

### **LIBOR Linked Rate**

The London Inter Bank Offered Rate is the rate at which banks lend money to one another. LIBOR changes daily and a LIBOR linked mortgage will normally be adjusted every three months. LIBOR linked rates are usually quoted as X% above LIBOR.

### **Life Insurance**

If you've got a joint mortgage, you'll probably want to take out life insurance - this means the cost of the property will be paid off if one of you dies.

### **Loan to Value (LTV)**

Loan to value is expressed as a percentage and represents the relationship between the size of the mortgage and the value of the property. For example a mortgage of £30,000 on a property valued at £40,000 would be shown as 75% LTV. This is an important figure to look at when considering the various mortgage options as the higher the LTV required the fewer the options.

### **Local Authority Search**

Part of the conveyancing process and carried out by your conveyancer. It gives details of any matters that, from the local council's point of view, affect the property, such as road improvements and details of any planning permission given for the property.

### **Mortgage Deed**

A legal document establishing a mortgage on a property.

### **Mortgage Term**

The number of years over which the mortgage is arranged, up to a maximum of 40 years.

### **Mortgage Valuation**

This is the most basic form of survey and is the minimum required by lenders in order to ascertain the suitability of the property as security for their loan. Although the borrower will normally receive a copy of this report it should not be relied upon as a comprehensive report on the condition of the property. A more detailed report (either a Home Buyers Report or Structural Survey) should be commissioned when considering the purchase of a property.

### **National Association of Estate Agents (NAEA)**

Members are bound by rules of conduct drawn up to protect public interest and are backed by disciplinary procedures. Members must be competent in Estate Agency law, practice and ethics. The NAEA also offers a mediation service. The National Association of Estate Agents, Arbon House, 21 Jury Street, Warwick CV34 4EH.

Tel: 0 1926 496800; [www.naea.co.uk](http://www.naea.co.uk)

### **Negative Equity**

Describes the situation where the value of the property has fallen below the outstanding mortgage debt.

### **OEA**

The Estate Agents Ombudsman Scheme provides an independent service for dealing with disputes between member Agencies and consumers buying or selling residential property in the UK. The Ombudsman is independent, and undertakes to offer a free, fair and speedy review of complaints. Further information is available from the Ombudsman for Estate Agents, Beckett House, 4 Bridge Street, Salisbury, Wiltshire SP1 2LX Tel: 01722 333306; [www.oea.co.uk](http://www.oea.co.uk)

### **Portable**

The ability to move a particular mortgage product from one property to another in the event of a property move. If the mortgage is not 'portable' then moving would involve the payment of early redemption charges even if another mortgage was taken with the same lender.

### **Re-mortgage**

The process by which a mortgage on a property is moved from one lender to another. The new mortgage is used to repay the existing lender and at the same time additional funds may be raised for other purposes

### **Repayment Mortgage**

Also called an Annuity mortgage or Capital and Interest mortgage, your monthly payments gradually pay off your mortgage as well as the interest.

### **Stamp duty**

This is a tax which is levied on the purchase of property. The tax is paid by purchasers and is currently levied at the following rates:

1% of property value £ 60,000 - £250,000

3% of property value £250,001 - £500,000

4% of property value £500,001 and above

The appropriate rate is paid on the whole purchase price and not just the excess applying to that band i.e. a purchase price of £350,000 will attract £10,500 stamp duty, being 3% of £350,000.

### **Structural Survey**

The most detailed type of survey report normally undertaken in connection with a House Purchase. If a Structural survey is opted for then the lender will also need to have a mortgage valuation carried out for their own use and the borrower will be responsible for both fees. An alternative is a Home Buyers Report that will cover both the borrower and the lender. Advice should be taken from a qualified surveyor who will be able to advise on individual properties and circumstances.

### **Term Assurance**

This is life assurance that pays out an insured sum on the death of the policyholder. It is a common method to protect the mortgage in the event of death and to ensure that the mortgage debt is repaid.

## **Valuation**

Arranged by your lender to find out if the property is worth the amount you want to borrow and is suitable to lend a mortgage on.

## **Variable Rate**

This was the traditional way that mortgages were arranged before the concept of fixed rates. A variable rate will fluctuate up and down to reflect the true cost of borrowing. They may be discounted for a period of time.