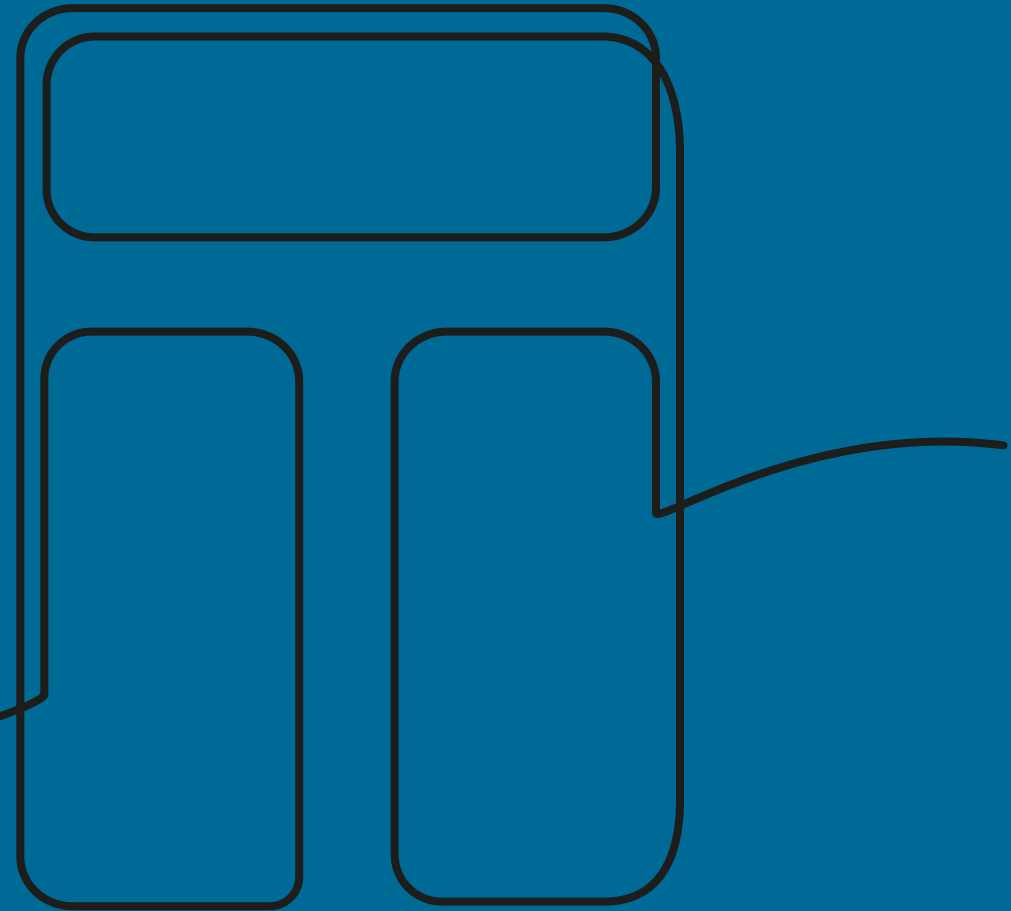


# MORTGAGE JARGON BUSTER



## **MORTGAGE JARGON BUSTER**

We understand that mortgages can be confusing, so we try our best to avoid using jargon wherever possible.

However, to help you make sense of the most commonly used words and phrases in the home purchase process we've created a jargon buster to help – terms are listed alphabetically.

If you need any additional help ask your mortgage advisor when making an application!

### **ARRANGEMENT FEE**

A fee sometimes charged by your mortgage provider for arranging your mortgage. These are usually payable up front or can be added to the final loan amount. Find out early on whether this applies to your mortgage.

### **ANNUAL PERCENTAGE RATE OF CHARGE (APRC)**

The APRC shows the total amount of interest you will have to pay over the course of a loan/ mortgage (including all costs and charges). It is broken down into rate per year.

### **BUILDINGS INSURANCE**

This covers the structure of your building (roofs, windows, walls etc.) as well as permanent fixtures (baths, toilets etc.) but does not cover the contents (TVs, furniture etc.).

### **BUY-TO-LET**

A mortgage that is used for those who wish to purchase a property to rent out on a long-term basis to tenants.

### **CHAPS TRANSFER FEE**

The Clearing House Automated Payment System (CHAPS) is a British company which offers same-day sterling fund transfers (it's essentially a bank to bank transfer for high value amounts that are time sensitive).

### **CHARGES AND FEES**

Most lenders will charge administration and other fees for mortgage-related services. Details of our fees and charges are available in the general information and charges section of our website.

### **COMPLETION**

Completion is the point at which the property you are purchasing legally becomes yours.

### **CONSENT TO LET**

If your mortgage is arranged on a residential basis, you would need to obtain permission from your mortgage provider if you decided to rent the property out. This is known as Consent to Let and your mortgage provider may charge you for this service.

### **CONTENTS INSURANCE**

A contents insurance policy would cover your possessions against damage or theft.

### **CONVEYANCING**

The legal process of transferring a property from one owner to another. A conveyancing solicitor or licensed conveyancer will deal with the majority of the legal paperwork and administration in relation to your house purchase.

## **CREDIT SEARCH**

A credit search is when a mortgage provider carries out a search on your name and address with a credit reference agency to help them understand more about your credit history. Each time a search is performed it is noted on your credit record to let other organisations know that information about you has been requested.

## **DEBT CONSOLIDATION**

A loan taken in order to repay existing outstanding debts.

## **DECISION IN PRINCIPLE (DIP)**

When you are looking to buy a house, it is possible to gain a 'Decision in principle' (sometimes referred to as an Agreement in principle). This is when a lender will look at your income and financial situation and tell you how much they would be prepared to lend you subject to lender checks. This can then allow you to search for properties within your budget.

## **DEPOSIT**

The funds that you are using to purchase the home. This will be the difference between the price of the property and mortgage amount.

## **DISCOUNTED VARIABLE RATE**

This type of mortgage offers a discount on a lender's standard variable rate (SVR) for a set period of time, typically two or three years.

## **EARLY REPAYMENT CHARGES**

If you repay your mortgage early, or make an overpayment of more than your overpayment allowance, an early repayment charge may be payable.

## **ENDOWMENT POLICY**

An endowment policy is a life insurance contract designed to pay a lump sum on maturity or on death of the policy holder. This is designed as a repayment vehicle to repay an interest only mortgage.

## **ENERGY PERFORMANCE CERTIFICATE (EPC)**

A document outlining how energy efficient a home is on a scale of A-G, with 'A' being the most efficient and having lower fuel bills. Every house on the market must have one included in their Home Information Pack.

## **EQUITY**

The difference between the value of your property and the total amount of mortgage secured against it. Made up of the deposit you paid towards the house.

## **EXCHANGE OF CONTRACTS**

Once the seller and buyer exchange contracts, the deal becomes legally binding.

## **EXECUTION ONLY**

An execution-only mortgage means you are personally selecting a mortgage that is right for you. You are not receiving any advice or recommendation from the lender.

## **FINANCIAL CONDUCT AUTHORITY (FCA)**

The Financial Conduct Authority is responsible for the regulation of firms' conduct and ensures the appropriate level of protection for consumers.

**FIRST CHARGE**

A legal charge used to secure the main mortgage. A lender with a first legal charge over a property has a first call on any funds available from the sale of the property. See also: second charge.

**FIRST TIME BUYER**

An individual who has not previously owned a property.

**FIXED RATE**

This type of mortgage means that the interest is you pay on your mortgage is fixed for a specified period of time. This means that your monthly repayments will remain unchanged until the period ends.

**FREEHOLD**

A freehold tenure means that you own the property AND the land it sits on.

**GIFTED DEPOSIT**

Your deposit – either in part or full – is paid (gifted) by a loved-one.

**GUARANTOR**

With a guarantor mortgage, a parent or close family member guarantees the mortgage debt. This means that if the buyer misses their mortgage repayments the guarantor will have to cover them. This can often increase the amount a First Time Buyer can borrow.

**GROUND RENT**

If you are a leaseholder, you may have to pay a ground rent to the owner of the land your property stands on. This fee is not typically very high.

**HELP TO BUY**

A government equity loan scheme designed to make more affordable homes available to all buyers. The Help to Buy scheme is relevant to specific newly built properties only. See our Help to Buy page for more information.

**HOLIDAY LET**

A mortgage which enables the applicant to purchase a UK property that will be let out as holiday accommodation on a short-term basis.

**HOME MOVER**

A person selling one property and purchasing another property.

**INTEREST**

Interest is money paid by a borrower to a lender for a mortgage or a similar liability. Interest rates charged by mortgage lenders are usually influenced by the Bank of England base rate.

**INTEREST-ONLY MORTGAGE**

An interest only mortgage enables cheaper monthly payments on a mortgage but no debt is being repaid. At the end of the mortgage term the lender is still owed the amount borrowed and you would need to have a plan to repay this when the mortgage term ends.

**EUROPEAN STANDARDISED INFORMATION SHEET (ESIS)**

A document that lenders use to set out the important information and details of their mortgage products, for example rate and monthly costs.

**LAND REGISTRY**

Land Registry registers the ownership of property across England and Wales.

**LEASEHOLD**

As a leaseholder, you own the property but not the land on which it stands. You should find out how long is left on the lease before purchasing as once the lease expires, the ownership of the home reverts to the owner of the land - the freeholder.

**LOAN-TO-VALUE (LTV)**

Lenders will consider the loan amount you have applied for as a percentage of the purchase price or valuation figure (whichever is lower). This is known as 'loan to value' (LTV). The lower the LTV, the larger the deposit and the greater stake you will have in your home. For example, if a property is valued at £100,000 and you have a £80,000 loan, the LTV is 80%.

**LOCAL AUTHORITY SEARCH**

Part of the conveyancing process when you buy a property. It gives details of any matters which, from the local council's point of view, affect the property. It reveals any proposed changes to the local area, such as road improvements, and details any planning permission given for the property.

**MORTGAGE DEED**

The Mortgage Deed is the legal document that states that you and the lender have agreed to use the property as a security to protect the mortgage.

**MORTGAGE TERM**

The length of time over which a mortgage is repaid.

**MORTGAGEE**

A more formal term describing the bank or building society that is lending the mortgage.

**MORTGAGOR**

Another term for a borrower.

**NEW BUILD**

The definition of a 'new build' means a property that has not been occupied since construction.

**OVERPAYMENTS**

When more than the normal, agreed monthly payments are made. Overpayments made to a mortgage allow it to be repaid earlier.

**PART INTEREST-ONLY, PART REPAYMENT (PART & PART) MORTGAGE**

This is a mortgage that is split between two repayment methods, interest only and repayment. This means that you will repay part of the mortgage balance as repayment and the other part as interest only. This will reduce your monthly repayments and your mortgage balance at the end of your term will be reduced, although you will still have an amount of the capital to pay back.

**PORTABLE MORTGAGE**

If a mortgage is 'portable', it can be transferred from one property to another, subject to the normal mortgage checks being carried out at the time of transfer (sometimes referred to as 'porting' a mortgage).

**PRUDENTIAL REGULATION AUTHORITY (PRA)**

The Prudential Regulation Authority (PRA) is responsible for the supervision and regulation of banks, building societies, and other financial firms.

**PROPERTY VALUATION**

When a mortgage is applied for, you may be asked to pay a valuation fee to cover the cost of valuing the property. See the general information and charges page on our website for more information.

**REDEEM / REDEMPTION**

To pay off the outstanding balance of a mortgage in full.

**REDEMPTION ADMIN FEE**

A fee charged by the lender for the administration work involved in redeeming a mortgage.

**REMORTGAGE**

Moving a mortgage from one lender to another or borrowing against a property owned outright (unencumbered).

**REPAYMENT (CAPITAL & INTEREST) MORTGAGE**

The regular repayment is made up of some of the amount borrowed plus interest every month. It means the mortgage will be repaid in full by the end of the term providing all payments are maintained in full and on time.

With a repayment mortgage you gradually pay off the amount you borrowed over the term of the loan (the 'capital'), together with interest.

**REPOSSESSION**

Repossession is a term used to denote a financial institution taking back an object or property that was either used as collateral or rented or leased.

This is when a lender takes possession of a property used as security against a mortgage as a result of a borrower defaulting on their mortgage.

**REPRESENTATIVE EXAMPLE**

Lenders are required to provide you with a representative example for each product listed. This is provided to allow you to make an informed choice when considering which mortgage product is best for you. The mortgage amount, term and repayment method used in the representative examples below are based on the average mortgage held with the lender.

**RIGHT TO BUY**

The Right to Buy scheme allows council tenants with at least 5 years' tenancy to purchase their home with a significant discount.

**SECOND CHARGE**

A Second Charge mortgage is a secured loan that allows the borrower to use equity in their existing property as security for the lender. The primary mortgage taken out by a borrower is known as a "First Charge", so these secondary mortgages are referred to as "Second Charges".

**SHARED OWNERSHIP**

An affordable home ownership scheme allowing a buyer to purchase a share in a property initially.

**SOLICITOR (OR LICENSED CONVEYANCER)**

A conveyancer is a solicitor who specialises in the legal aspects of buying and selling property, or conveyancing.

**STAMP DUTY LAND TAX (SDLT)**

This is a tax on the purchase price of land and buildings. When you buy a property or take on a lease, you may have to pay SDLT. For more information, visit the HMRC website.

**STANDARD VARIABLE RATE (SVR)**

A Standard Variable Rate is a type of variable rate mortgage and is a lender's default rate when a fixed or variable rate deal comes to an end, typically after 2-5 years.

**TITLE DEEDS**

These are legal paper documents showing the chain of ownership for land and property. They also detail boundaries and rights of way.

**VALUATION REPORT**

A basic property survey for mortgage purposes. This is less comprehensive than both a Homebuyers Report and a Full Structural Survey. The Basic Valuation Report includes the type of property, construction type, market value, insurance re-instatement value and general condition of the property. A fee may be payable for this report.

**VARIABLE RATE**

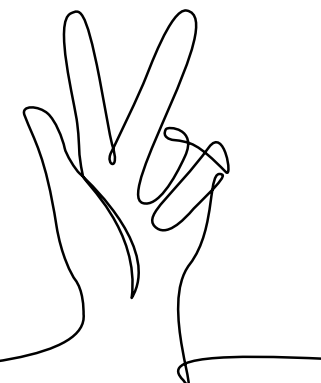
The variable rate is the basic rate of interest charged on a mortgage. This may change in reaction to market conditions resulting in your monthly repayments going up or down.

**VENDOR**

The person selling the property.



**Teachers**  
Building Society



Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Reg number 156580.