Mortgage Terminologies

Agreement in Principle – A document from a mortgage lender confirming that you will be able to borrow a certain amount. You can use this to prove to a seller that you can afford to buy their property. (Also referred to as a Decision in Principle)

APR (Annual Percentage Rate) **–** The overall cost of the mortgage, including the interest and fees. It assumes you will have the mortgage for the whole term.

Arrangement Fee – A set-up fee for your mortgage. Most lenders will allow you to add this fee to the loan, but this will mean you pay interest on it for the whole mortgage term.

Arrears – If you go into arrears, this means you have 'defaulted' at least once on your mortgage repayments, i.e. you have missed a month's payment. Contact your lender as soon as possible if you think you may go into arrears.

Base Rate – A rate of interest set by the Bank of England, which tracker mortgages and standard variable rate mortgages usually follow.

Booking Fee – A type of mortgage set-up fee.

Broker – This is us. We will source and ultimately arrange the mortgage for you. We will answer any question you may have regarding the mortgage process.

Buildings Insurance – Insurance that covers you for damage to the structure of your home. A lender will require you to have this in place when you take out a mortgage. (We can quote and arrange this for you)

Email: clive@cliveingram.com Tel: 01702 201802

Buy-to-let – A buy-to-let property is bought with the sole intention of letting it to tenants. Most mortgage lenders offer special buy-to-let mortgage deals for this purpose.

Capital – The amount of money you borrow to buy a property.

Cashback Mortgage – With this type of Mortgage, your lender gives you a certain amount of cash on completion. (We would factor this into our research to see if it is the best deal for you or not)

CCJ (County Court Judgement) **–** These are made against you for non-payment of debt and could make it harder for you to get a mortgage.

Conveyancing – The legal process you must go through when you buy or sell a property. This can be done by a Solicitor or licensed Conveyancer.

Current Account Mortgage – Your mortgage, credit card, loan debts and your current/savings account balances are combined into one account. Your credit balances offset your debts, so you only pay interest on the difference. These are usually more expensive than conventional mortgages.

Deposit – This is the amount you are required to put down yourself towards the cost of the property. The minimum deposit you will usually need is 5%, but the cheapest deals are available to people who can pay a deposit of at least 40%.

Discounted-rate Mortgage – A discounted-rate deal is one where the interest rate you are charged is a set amount less than your mortgage lender's standard variable rate (SVR). (For example, if the lender has an SVR of 5.5% and the discount is 1%, you will pay 4.5%)

Early Repayment Charges (ERC'S) – Penalty fees you have to pay if you want to leave your mortgage during a specified period, usually the period of the initial deal. (For example, if you were on a 5 year fixed interest mortgage and wanted to leave after 2 years, a fee would almost certainly be payable)

Equity – The amount of the property that you own outright i.e. your deposit plus the capital you have paid off on your mortgage.

Family Offset Mortgage – Used by family members (usually parents) who want to help first-time buyers get onto the property ladder. Their savings are balanced against their child (or family member)'s debt, so the amount they owe and pay in interest is reduced.

Fixed-rate Mortgage – The mortgage interest rate stays the same for the initial period of the deal, which can be anything from 1 to 10 years. This means you can be sure of exactly what you will be paying on your mortgage each month, as your rate won't go up – or down – with the Bank of England base rate.

Flexible Mortgage – A flexible mortgage deal allows you to overpay, underpay or even take a payment holiday from your mortgage. This can help pay off your mortgage early and save money on interest, but flexible mortgages are usually more expensive than conventional ones.

Freehold – You own the building and the land it stands on.

Gazumping – When an offer has been accepted on a property, but a different buyer then makes a higher offer, which the seller accepts.

Guarantor – A third party who agrees to meet the monthly mortgage payments if you are unable to. Most common with first-time buyers.

Help to Buy – A Government scheme aimed at helping people get on to the property market. It is predominantly offered on new build homes in the form of an Equity Loan (interest free for 5 years) and Shared Ownership. Find more information on these schemes here www.helptobuy.gov.uk.

Interest-only Mortgage – You only pay the interest on your mortgage each month, without repaying any of the capital loan itself. The idea is that you build up enough money to be able to pay off the mortgage at the end of the term in other ways – for example through investing in stocks and shares, pension endowment or the sale of another property.

Intermediary – A person who acts as a link between people in order to try and bring about an agreement. So, this is us and we are the intermediary between you and the lender.

Joint Mortgage – A mortgage taken out by two or more people. This might be used if you buy a house with a partner or friend and can also be used by parents who want to help their children buy a property.

Land Registry – The official body responsible for maintaining details of property ownership.

Leasehold – You own the building but not the land it stands on and only for a certain period (anything up to 999 years). You may find it hard to get a mortgage if there are fewer than 70 years left on the lease on the property you want to buy.

Loan-to-value (LTV) – The size of your mortgage as a percentage of the property's value. The cheapest deals tend to be available to people who are borrowing 60% or less.

Monthly Repayment – The amount you pay your mortgage lender each month. If you're on a repayment mortgage (the most common kind), the payment will cover a percentage of your mortgage plus interest.

Mortgage Deed – A formal contract between lender and borrower, outlining the legal obligations of the borrower and the rights the lender has if the borrower fails to make a repayment.

Mortgage Term – The amount of time you are taking the mortgage out for – 25 years, for example.

Negative Equity – When the value of your home falls to a level that is below the amount remaining on your mortgage.

Offset Mortgage – An offset mortgage links your mortgage with your savings and sometimes your current account. Your credit balances are offset against your mortgage debt, so you only pay interest on the difference, while also paying off the capital.

Portability – A portable mortgage allows you to transfer your borrowing from one property to another if you move, without paying arrangement fees.

Remortgage – The When you change your mortgage without moving house. You can do this to save money, to change to a different type of mortgage or to release equity from your home.

Repayment Mortgage - You pay off the mortgage interest and part of the capital of your loan each month. Unless you miss any repayments, you are guaranteed to have paid off the mortgage by the end of the term.

Repayment Vehicle - Required by lenders if you take out an interest-only mortgage, this is the means by which you're intending to pay off your mortgage at the end of the term - for example, another property, or a stocks

Right to Buy Scheme – Originally intended to enable tenants of council houses to buy the homes they lived in; this is now being opened up to housing association tenants too.

Service Charge – The fee paid to a managing agent for the ongoing maintenance of a leasehold property.

Shared Ownership – You buy a share of a property (usually between 25% and 75%) and pay rent on the remaining share, which is owned by the local housing association. You can find more information here www.helptobuy.gov.uk/shared-ownership.

Stamp Duty (SDLT) – Stamp duty land tax (SDLT) is payable when you buy a property for more than £125,000 (or £40,000 if it is a buy-to-let property or second home). First time buyers purchasing their first home for £300,000 or less will pay no SDLT. Where the purchase price is over £300,000 but does not exceed £500,000 they will pay 5% on the amount above £300,000.

Standard Variable Rate (SVR) – The default mortgage interest rate that your lender will charge after your initial mortgage deal period ends. This could be higher or lower than your original rate.

Tie-in Period – This is the period during which you are 'locked in' to your mortgage deal. You will have to pay an early repayment charge if you leave your mortgage during this period.

Tracker Mortgage - The interest rate on your mortgage tracks the Bank of England base rate at a set margin above or below it.

Valuation Survey - Lenders always carry out a valuation survey to check whether the property is worth roughly the amount you are paying for it.

Variable-rate Mortgage – The interest rate on your mortgage can go up or down according to your lender's standard variable rate.

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