Jargon Buster

Mortgages

A

Agreement in principle
Is the first step in the mortgage process and gives an indication as to how much money you can borrow for your mortgage. It is a credit check ran by a lender and is often required by the Estate Agents in the early stages of the mortgage process.

Annual Percentage Rate of Charge (APRC)
Shows the cost of a mortgage over its lifetime.

Arrangement fee
Also known as a product fee, this is the fee your lender would take for arranging your mortgage.

B

Base rate
Is the interest rate a central bank, such as the Bank of England, will charge other banks to borrow money.

Buy-to-let
Is a property purchased for the main purpose of renting it out to someone else.

C

Capital
Refers to the money loaned by a lender to purchase a property.

Capped Rate
Limits the amount of interest that can be charged on monthly mortgage payments.

Conveyancing
Is the legal transfer of property from one person to another.

D

Deposit
Is the lump sum of money you pay up front when buying a property.

E

Early repayment charges
Are the fees that may need to be paid if you decide to end your mortgage deal before the product end date, or if you overpay on your mortgage by more than the lenders allowance.

Equity
Refers to the amount of your property that you own.

Equity release
Is a way of releasing cash from the value of your home without having to sell the property.

F

Fixed-rate mortgage
Is a type of mortgage where a specific interest rate is secured for a certain period of time.

Freehold
Refers to a property where you purchase and own both the building(s) and the land that they are built on.

G

Guarantor
Is someone who guarantees to pay a mortgage, loan or rental agreement in the event that a borrower defaults on their payments.

H

Help to Buy
Was a government scheme that helped first-time buyers get on the property ladder with just a 5% deposit. It closed to new applications in October 2022.

Help to Buy ISA
Is a type of savings account to help save for a property whereby, if certain targets are met, the government will top up by 25%.

I

Interest-only mortgage
Is a type of mortgage where a borrower pays the interest on the amount borrowed and not the capital (until a later date).

L

Land registry
Is a government register that holds an up-to-date record of the legal ownership of land and property.

Leasehold
Refers to a property that you will own for a certain period of time but not the land. This is particularly common with flats.

Loan to value
Refers to the size of the mortgage compared with the value of the property being mortgaged.

M

Mortgage deed
Is the legal document stating the agreement between you and your mortgage lender.

Mortgage term
The selected number of years it will take you to repay the mortgage.

P

Portable mortgage
Being able to transfer your current product on an existing property to another property. The advantage of this is not paying early repayment charges to your existing lender (as you’ll remain with them).

R

Remortgage
When you apply for a new mortgage product (for the current property) with a different lender.

Repayment mortgage
A type of mortgage when the borrower repays both the capital and the interest on the mortgage.

Right to Buy Scheme
Is a policy to help eligible council and housing association tenants to purchase their rented home at a discounted price.

S

Shared ownership
Is when someone buys a percentage of a property and pays rent on the remaining share, typically to a housing association.

Stamp duty
Is a tax that might need to be paid when purchasing a house depending on your circumstances and the property value.

Standard variable rate
Is a rate that you'll be moved on to when your existing mortgage ends, unless you switch to a new product.

T

Tracker mortgage
Is a variable rate mortgage whereby the interest rate is linked to the Bank of England base rate, meaning your monthly repayments could increase if the interest rate goes up.

V

Valuation survey
Is an inspection/survey of a property to determine its value.

Variable rate mortgage
Is a type of mortgage that does not have a fixed interest rate. Therefore, the interest rate, and in turn your monthly repayments, can go up and down.