

## Glossary of Useful Terms

- **Advance** – mortgage loan.
- **Agreement In Principle** – lender’s pre-acceptance of a mortgage (on certain conditions). It gives an idea on how much you can borrow.
- **APR** – (real) annual percentage rate of your mortgage. It takes into account all costs associated with the mortgage offer. The aim is to provide easier comparison between lenders’ offers.
- **Arrangement Fee** – a fee charged by lenders to cover the work involved in setting up a mortgage.
- **Bank of England Base Rate** – percentage rate set up by the Bank of England .This rate can go up and down, and changes are announced by the Bank of England Monetary Policy Committee.
- **Building Insurance** – insurance against costs of rebuilding property following structural damage, by e.g.: flood, fire or storm. Having property insured is a crucial element, required by each lender.
- **Building Survey** – an inspection of a property, carried out by a qualified technician. A report of the survey will be produced, as the outcome of the inspection. The report gives a comprehensive account of the condition of the property, it indicates any structural damage of the property, and gives a market value.
- **Capped Rate Mortgage** – is a type of a mortgage which secures that the rate will not go above certain level during the specified period.
- **Cashback** – certain mortgage products offer cash back, which means you receive specified amount of money.
- **Closing date** – the date the seller sets to receive offers for their property.
- **Completion** – the day on which a property becomes legally yours.
- **Conclusion of Missives** – Scottish equivalent of exchanging contracts. Solicitors act on your behalf and the contract is legally binding.
- **Contents Insurance** – is a policy which insures household contents against theft and damage.
- **Conveyancer** – solicitor, a legal expert handling the documentation for sale/purchase of a property.
- **Conveyancing** – the legal process involved in buying/selling property.
- **Daily interest** – the method of calculating mortgage interest on a day-to-day basis. It means lenders take into account any changes in the amount owed with daily changes.
- **Deposit** – money paid prior to completion as part of the purchase price of the property.
- **DG** – double glazing.
- **Disbursements** – all the various costs itemised on your conveyancer’s invoice for carrying out the house buying legal work.
- **Discharge Fee** – a fee charged by lenders for releasing their hold over a property. It is paid when the loan is repaid.
- **Early Repayment Charge** – with some products, there may be a charge related to early repayment of the mortgage.
- **Equity** – the difference between the amount owed and current value of the property.
- **Financial Services Authority (FSA)** – is an independent body, which regulates the financial service industry in the UK. Their aim is to help clients become better informed about financial matters.
- **Fixed Price** – is the exact price of the property.

- **Fixed Rate** – a guaranteed rate of interest, which won't change over a set period of time, e.g. for a year, for two years.
- **Freehold** – a form of legal title to land which means absolute right of the owner to the property and to the land it is on.
- **GCH** – gas central heating.
- **Guarantor** – someone who guarantees to repay the mortgage if the borrower cannot or will not for any reason.
- **Household Insurance** – an insurance of both buildings and its contents.
- **Interest-Only Mortgage** – a type of mortgage where throughout its term interest only is paid, but the balance does not reduce.
- **Key Facts Illustration** – it sets out details of the mortgage product that a customer is interested in. All lenders are required to set out the details in the same format, which makes it easier to compare to other products.
- **Land Registry Fee** – it is a fee for registering details in the Land Registry
- **Lender** – a bank or a building society, which can provide you necessary finances (on certain conditions) to purchase a property.
- **Loan To Value (LTV)** – the proportion of the value or the price of the property, that you borrow on a mortgage. For example, a £90,000 mortgage on a house valued at £100,000 would mean a LTV of 90%.
- **Local Authority search** – one of the tasks of the representing solicitor. It gives details of any matters which, from the local council's point of view, may affect the property, e.g. planning permission, road improvements etc.
- **Mortgage** – a loan to aid the purchase of a property.
- **Mortgage deed** – a document, which establishes a mortgage on a property.
- **Mortgage term** – a length of time over which you agree to pay back the money borrowed. This term can be a maximum of 40 years.
- **Negative equity** – it is when the amount owed on a mortgage is greater than the value of the property. It can create a problem when you decide to sell the property.
- **Offers Over** – this is a form of selling the property which allows the seller to choose the best offer at a closing date.
- **Remortgaging** – when there is a new mortgage arranged on a property, with a different lender, and a new mortgage is used to repay the existing one to obtain a better rate of interest.
- **Repayment mortgage** – frequent, monthly payments to pay off the mortgage and its interest.
- **Repo rate** – Bank of England base rate (see: Bank of England Base Rate)
- **Retention** – it is when part of the mortgage loan is held back until satisfactorily completion of any repairs to the property.
- **Stamp duty** – you must pay Stamp Duty Land Tax (SDLT) if you buy a property or land over a certain price in England, Wales and Northern Ireland. How much you pay depends on whether the land or property is residential or non-residential/mixed use. SDLT no longer applies in Scotland. Instead you pay Land and Buildings Transaction Tax when you buy a property.
- **Survey report** – a report, which gives a comprehensive account of the condition of the property. It indicates any structural damage to the property, and gives its market value. There are several ways to find a chartered surveyor. Check your local phone book or Yellow Pages, visit [www.yell.com](http://www.yell.com) or [www.ricsfirms.com](http://www.ricsfirms.com) (search for a 'residential survey') or call the RICS Contact Centre on 0870 333 1600. You can ask your selling agent to contact a chartered surveyor on your behalf if you prefer.

- **Tracker rate** – a variable interest rate directly linked to another interest rate not set by the lender, e.g. Bank of England, over an agreed time, which is stated in the formal offer from lender.
- **Standard Variable Rate** – is based on the Lender's basic mortgage rate. It is usually the rate that customers revert to after a fixed, tracker or discounted product.
- **Under Offer** – the seller has accepted an offer from a buyer, but the legal work has not been completed.
- **Valuation report** – a report, which gives a comprehensive account of the condition of the property. It indicates any structural damage to the property, and gives its market value.