UNDERSTAND KEY WORDS

# MORTGAGE GLOSSARY

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### Annual Percent Rate (APR)
The APR takes into account all fees and charges applied to the mortgage as well as the monthly payments over the life of the loan. The APR helps you compare the true cost of borrowing.

### Arrears
These are any mortgage payments that were due to be paid by you and are now overdue.

### Bank of England Base Rate
This is the rate lenders will use when calculating their interest rates for some products.

### Booking Fee
Mortgage booking fees are charged on some products to reserve the rate. Some products allow you to add the booking fee to your loan. If you choose to add the fee to your loan, the added fee will attract interest over the term.

### Capital Repayment
This is the rate lenders will use when calculating their interest rates for some products.

### Capped Mortgage
The rate will not rise above a certain level for a set period.

### Chain
The line of buyers and sellers who need to complete their property purchases or sales so that you can complete yours. If a transaction in the chain fails, it can effect all the others.

### Completion
The stage in England and Wales where the property ownership finally changes for a purchase.

### Conveyancer
They will check the contract and any legal documents associated with transferring a property from one owner to another. Lenders may not accept your conveyancer choice.

### Credit Score
To help a lender assess an application, it is usual that they will use a form of scoring system to decide whether to accept the application. Different lenders give different levels of importance to your circumstances.

### Deposit
Lenders are no longer happy to take all the risk of buying your new home, and so do not lend 100% of the value of the property. The source of the deposit may come from your current property, savings, inheritance or a gift.

### Discounted Rate Mortgage
Your lender gives you a discount against its SVR for a set period of time. It will normally revert to SVR after the initial period.

### Drawdown
During the completion stage, this is when funds are released from your lender to be used for the purchase.

### Early Repayment Charge (ERC)
An ERC may be charged to clients if they pay off their mortgage during an introductory rate period.

### Equity
This is the difference between the value of your property and the total amount of borrowing secured on it.

### Exchange
This is the stage after which you are legally committed to purchase the new property. Usually deposits will be moved to the vendor’s conveyancer, so if you withdraw from the process you will lose the deposit.

### Fixed Rate Mortgage
The interest rate is fixed by the lender for a set period. It will normally revert to SVR after the initial period.

### Freehold
Owning the freehold of a property, means you own the building and land.

### Gazumping
When a seller accepts a higher offer from another buyer after an initial offer was accepted but before contracts were exchanged.

### Gazundering
When a buyer makes an offer for a property, only to lower it at the later stage. The seller then either has to accept the lower offer or find a new buyer and pay new transaction costs.

### Guarantor
A guarantor takes on some of the risk of you being unable to meet your repayments. The lender will normally require your guarantors to offer their property as security against the guaranteed part of the mortgage.

### Higher Lending Charge
You may have to pay a higher lending charge if you want to borrow more than 90% of the property valuation or the purchase price, if that is lower than the valuation.

### Interest
Interest is the amount you pay when you borrow money. It's expressed as a percentage rate over a period of time.

### Interest Only Mortgage
Payments to the lender cover only the interest on the loan. The total amount of your debt does not reduce over time and the full amount of the loan still has to be repaid to the lender at the end of the term, so you will need to ensure you have that money ready.

### Key Facts Illustration (KFI)
A KFI is a quote that shows the costs and fees for the type of mortgage you're choosing.

### Leasehold
A leasehold building means you can use the property for a certain term, as agreed with the freeholder, this is most common with apartments and flats.

### Let-to-buy
Where you let the home you are currently living in, so that you can facilitate the purchase of your new home. You need to obtain permission to let from your current lender, and they may not agree depending on their appetite for risk. They may also alter the interest rate you pay. You may need to review the market for other options.

### Loan to Value (LTV)
This is shown as a percentage rate, and is the amount of loan compared to the value of the property. Usually the higher the LTV the lower the deposit required because you would be seen as less risk to the lender and a more favourable borrower.

### Mortgage Account Fee
A mortgage account fee is charged for providing and administrating the mortgage. It is payable on completion, however you can defer this fee until the end of your mortgage.

### Negative Equity
This is when a property is worth less than the mortgage on it.

### Offer
You will make an offer for the new property and hopefully that will be accepted. A mortgage offer is normally required by your conveyancer before moving to the next stage. Although extremely rare, in reality, a lender reserves the right to withdraw your offer at any point prior to completion.

### Offset Mortgage
The balance of your savings or current account is subtracted from your mortgage debt, decreasing the net balance on your mortgage and reducing the amount of interest you pay.

### Overpayment
This is when you make a larger payment than your normal monthly mortgage payment, usually to reduce your mortgage term.

### Payment Holiday
A payment holiday is a period of one or more months when you do not make payments on your mortgage, although interest continues to be charged on the mortgage balance.

### Redemption Statement
This is a statement from your current lender on how much you need to pay them to close your mortgage.

### Remortgage
This is when, without moving home, you replace your existing mortgage with a new one - usually to get a better rate. The money you borrow for the new mortgage is used to repay the old mortgage.

### Repayment Mortgage
Your monthly repayments cover both capital and interest on the loan. As the term continues, the amount outstanding on the loan reduces so the full amount of the loan will have been repaid at the end of the term as long as you have maintained payments.

### Standard Variable Rate (SVR)
Your monthly repayments would rise and fall in line with changes in your lender's standard variable rate of interest, not necessarily linked to the Bank of England base rate.

### Surveyors
Surveyors provide valuations and surveys of properties. There are different types of surveyors – from those who provide basic valuations on behalf of mortgage lenders, to those who carry out full structural surveys to highlight any defects in a property.

### Title Deeds
Every property has a document or set of documents called 'Title Deeds'. They show who owns the property. Ownership is now also shown electronically at the Land Registry.

### Tracker Mortgage
During a set period the interest rate tracks the Bank of England's base rate. The interest rate is expressed as base rate + x%. The monthly repayments change every time the Bank of England changes interest rates.

### Underpayment
Underpayment is when you make a mortgage payment that is less than you would normally pay each month.

### Vendor
The vendor is the owner of the property being sold.

**YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.**