Blue Strawberry
Financial Services

A MORTGAGE
TERMINOLOGY GUIDE

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FIRST TIME BUYERS
A MORTGAGE TERMINOLOGY GUIDE

First-time buyers are often faced with lots of jargon and unfamiliar terminology, so we thought we'd round up some of the most common terms and phrases into one handy guide.

A

Agreement in Principle - *A document from your mortgage provider telling you how much They might be prepared to lend you. Also known as a 'Decision in Principle'.*

APR - *The amount you pay each year to borrow money. This reflects the interest on your loan and all other charges.*

Arrears - *Money that's owed and should already have been paid.*

B

Base Rate - *The interest rate set by the Bank of England (BBR), which is used as the benchmark by other financial providers when they are setting their charges. This can have an impact on mortgage interest rates if the BBR moves up or down.*

Balance Outstanding - *The amount you still have to repay on your mortgage.*

Bridging Loan - *A loan lent by your bank or other lender to cover the gap between two transactions, such as buying a property before your current home has been sold.*

Broker - *A specialist who can give you professional advice on mortgages. Some brokers work in estate agencies, while others may be independent.*

Building Survey - *When you're buying a property, the buyer might want to arrange for a surveyor to inspect the building to identify any faults, structural problems and any other potential issues. This is different from the survey carried out for a mortgage valuation, which is carried out by the lender.*

Buildings Insurance - *An insurance policy covering the cost of repairing or rebuilding your home if it suffered serious damage in a storm, fire, flood all other disaster.*

C

Collateral - *An asset that can be used as a guarantee against a loan.*

Completion - *When the sale has been completed and you've become the legal owner of the property.*

Completion Date - *The date when the legal process of buying a house has been completed, the documents and funds have been distributed to the right people and the estate agent is told to give you the keys to the property.*

Contents Insurance - *An insurance policy covering the items that aren't attached the property, such as furniture, appliances and personal possessions, in case they're accidentally damaged or stolen.*

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Contract - *An agreement between the buyer and seller outlining the terms and conditions of the sale. This will be drawn up by your Conveyancer or Solicitor.*

Conveyancing - *The legal transfer of property from one owner to another.*

D

Deeds - *A legal document stating who owns a property.*

Deposit - *The amount of money to buy it is contributing to the purchase price. Usually a mortgage covers the rest.*

Depreciation - *The amount of properties value declines by.*

Disbursements - *Extra charges that arise while you're buying the property, such as Land Registry fees, search fees, land and Building Transaction Tax and stamp duty. This money will be given to your Conveyancer or Solicitor and they'll pay it to the relevant parties on your behalf.*

Draft Contract - *An early version of your contract, covering details such as the agreed sale price of the property, the address and the names of the seller and buyer.*

E

Early Repayment Charge (ERC) - *If you switch to a different mortgage or pay off your mortgage while you are still in the ERC period, you may have to pay a sum to your lender. Some mortgage products have no ERC period.*

Equity - *The value of your property minus the amount that's outstanding on your mortgage.*

Exchange of Contracts - *The point at which contracts are exchanged and you're legally committed to completing the purchase.*

F

Freehold - *And arrangement that gives you outright ownership of the property and the land it is standing on.*

Fixed Rate Mortgage - *A home loan with a fixed interest rate for a specific period, usually two, three or five years.*

Fixtures and Fittings - *Fixtures are items that are fixed to the property, such as walls, and fittings are items that aren't attached, such as furniture.*

Full Structural Survey - *A comprehensive report on the condition of the property, looking at everything from the roof and walls to the plumbing, electrical wiring and drains. This could be crucial for anyone purchasing an older property.*

G

Gazumping - *When a seller accept an offer from a buyer, but then accepts a higher offer from somebody else.*

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Guarantor - *Somebody who guarantees to pay someone else's loan or mortgage if they can't afford to. For first time buyers, this is often a parent.*

H

Help to Buy - *A government scheme set up to help anyone struggling to save a deposit, such as first time buyers who feel priced out of the housing market.*

Higher Lending Charge - *A fee charged by some mortgage providers if you take out a large mortgage, due to the larger risk this may carry for a lender.*

Home Buyers Report - *A report outlining the general condition of a property to identify if there are issues such as subsidence and damp that could mean repairs are needed in the future.*

I

Instruction - *When a seller appoints an estate agent to put their property on the market.*

Interest Rates - *The percentage of your mortgage that you pay your lender in exchange for borrowing the money.*

J

Joint Mortgage - *A joint mortgage with more than one person named, such as a husband and wife.*

L

Land Registry Fees - *A Fee to the Land Registry that must be paid when you registered that you're the owner of a property.*

Lease - *A contract that means you can occupy a property for a specific period of time, and will probably have to pay ground rent to the freeholder every year.*

Loan-to-Value (LTV) - *The ratio between the value of the loan you've taken out and how much the property is worth.*

Local Authority Search - *An application to the local authority for details on any issues that may affect buying or selling a property. This could include the property being situated in the conservation area, subject to a tree protection order of being a listed building.*

Lump-sum Reduction - *Where you pay off a large part of your mortgage early.*

M

Mortgage - *A type of loan that lets you borrow money from the lender to pay for a property. The loan is secured against your property and you will need to make monthly payments to pay back the loan over the agreed terms. If you can't keep up with the scheduled repayments, the lender has the right to start repossession proceedings.*

Mortgage Offer - *The formal offer given by a mortgage provider detailing how much they will lend you.*

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Mortgage Valuation - *The ratio between the value of the loan you've taken out and how much the property is worth.*

N

Negative Equity - *Is the value of your property falls to less than the amount you owe on your mortgage.*

O

Offer - *A nonbinding bid made by somebody wants to buy a property.*

Off-plan - *A property hasn't yet been built, and only detailed plans for it currently exist.*

Offset Mortgage - *A homeland linked to your savings, where they are used to reduce the amount of mortgage interest you pay.*

P

Part Exchange - *Where are you tried the value of your current property against a newbuild house.*

R

Repossession - *A mortgage lender can look to repossess your home if you can't maintain the repayments on your mortgage. However, this tends to be a last resort if you and your mortgage lender can come to an agreement to get back on track with your repayments.*

Redemption - *The process of paying off all or part of your mortgage, along with other related fees.*

Repayments - *The amount you have to pay back each month to your mortgage provider.*

S

Sale Agreed - *The buyer has made an offer that's been accepted by the seller of the property, but this is only a verbal agreement and not contractually binding.*

Searches - *When your Solicitor or Conveyancer works with the local authority to find out any information that may be relevant to a new owner, such as a local development plans.*

Stamp Duty - *a tax you must pay when you buy a new property that is set by the government.*

Standard Variable Rate (SVR) - *A lenders SVR is the rate you will go on to once any initial fixed or tracker rate ends. Your mortgage broker can advise you on the best options as your fixed or tracker comes to an end.*

Subject to Contract - *The property owner has accepted an offer made by a buyer, but it's not yet legally binding as no paperwork has yet been completed.*

T

Title Deeds - *Legal documents that prove you are the owner of a property or piece of land.*

Tracker Rate - *A mortgage with a variable rate, which usually tracks the base rate set by the Bank of England.*

V

Valuation Survey - *A mortgage lender will always carry out a valuation survey to check whether the property is worth roughly the amount you're paying for it. You should always have your own survey done to check for structural problems.*

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