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MORTGAGES AND INSURANCE

Mortgage Jargon Buster

Navigating the mortgage process can be overwhelming, especially with all the industry-specific terms that get thrown around. This guide is designed to demystify common mortgage jargon, helping you to better understand your options and make informed decisions about your mortgage.

A-Z of Mortgage Terms

Agreement in Principle (AIP)

An AIP is a statement from a lender indicating how much they might be willing to lend you based on your financial situation. It is not a guarantee that a lender will lend you the amount stated, but it can be helpful when house hunting as it shows sellers you're serious about buying. It can also help make the mortgage application process quicker when you put in an offer.

APR (Annual Percentage Rate)

APR is a broad measure of the total cost of borrowing money over a year. It not only factors in interest, but also any fees (such as administration or mortgage broker fees) and other charges you have to pay to secure the loan. It can help you see a true comparison of mortgages, incorporating all the costs – not just interest rates.

Arrangement Fee

This is a fee charged by lenders for setting up your mortgage. It can either be paid upfront or added to your mortgage balance. Please note that if it is added to your mortgage balance, you will pay interest on it.

Bank Rate / Base Rate

Bank Rate or Base Rate is set by the Bank of England and influences the interest rates lenders charge. If Bank Rate rises, your mortgage payments might increase if you have a variable rate, discount, or tracker mortgage.

Capital and Interest Mortgage

Also known as a repayment mortgage, this type of loan requires you to pay both the interest and part of the capital (the amount borrowed) each month, ensuring the mortgage is fully paid off at the end of the term.

Completion

Completion is the final stage of the homebuying process, where the property legally changes ownership. Your solicitor will have requested the funds from your mortgage lender ahead of this day, so they are available to complete the transaction.

Conveyancing

Conveyancing is the legal process of transferring property ownership from the seller to the buyer. It involves preparing and handling all the requisite legal documents and can be managed by a solicitor or licensed conveyancer.



Deposit

The deposit is the amount of money you put down upfront towards the purchase of a property. A higher deposit may result in a lower interest rate on your mortgage.

Early Repayment Charge (ERC)

An ERC is a penalty you might have to pay if you repay your mortgage earlier than agreed, typically during a fixed or discounted rate period. Some mortgages will allow you to overpay by a certain percentage without triggering the ERC (typically 10%), which can help reduce the amount of interest you pay and bring down your mortgage term.

Equity

Equity is the portion of the property's value that you own outright, calculated as the difference between the property's market value and the amount you still owe on your mortgage.

Exchange

When both parties swap and sign the contracts. The point where you as the buyer will be asked to put down your deposit. This is a crucial stage of buying a home. Once the contracts are signed, you will be legally bound to buy the home.

Fixed-Rate Mortgage

With a fixed-rate mortgage, your interest rate stays the same for a set period, usually between two to five years. This means your monthly payments remain stable, regardless of changes in Bank Rate. This gives homeowners welcome financial stability, but does mean they would miss out on lower payments if interest rates drop during the fixed period.

Freehold

You own both the property and the land it stands on.

Interest-Only Mortgage

With an interest-only mortgage, you only pay back the interest on the loan each month. At the end of the term, you must repay the capital, often through savings or investments.

Leasehold

You own the property but not the land it is built on for a specific number of years. Flats are usually owned on a leasehold basis.

Lender

A mortgage lender is the organisation that provides you with the monies for a mortgage. Usually this is a bank or a building society.

Loan-to-Value (LTV)

LTV is a percentage figure representing the size of your mortgage compared to the value of the property. For example, a £150,000 mortgage on a £200,000 property would have an LTV of 75%. Lower LTV ratios typically attract better mortgage rates.

Mortgage Term

This is the length of time over which your mortgage is to be repaid. Terms typically range from 10 to 30 years, although 40-year terms are now becoming more common.

Overpayments

Overpayments are additional payments you can make towards your mortgage balance over and above the monthly payments stipulated in your mortgage contract. This can potentially reduce the term of your mortgage and save on interest.



Porting

Porting allows you to transfer your existing mortgage to a new property without paying an early repayment charge, often retaining the same terms and conditions. It isn't always possible to port your mortgage; we can look into it on your behalf and let you know whether it is an option for you.

Remortgaging

Remortgaging involves switching your mortgage to a new deal, either with your existing lender or a new one. It's often done to get a better interest rate or to release cash from your property (for example, for home improvements).

Stamp Duty

Stamp Duty Land Tax (SDLT) is a tax you pay when purchasing a property exceeding certain value in England and Northern Ireland. The Scottish and Welsh equivalents are Land and Buildings

Transaction Tax (LBTT) and Land Transaction Tax (LTT), respectively. The amount you pay depends on the property's value. Rates are lower for first-time buyers, while there is a surcharge for people purchasing additional properties.

Standard Variable Rate (SVR)

SVR is your lender's default interest rate, to which your mortgage will revert once a fixed, tracker, or discount deal comes to an end. It can change at any time, usually following changes in Bank Rate and is typically higher than rates available through mortgage deals.

Tracker Mortgage

A tracker mortgage has an interest rate that follows the Bank of England's Bank Rate, plus a set percentage. Your payments will increase or decrease in line with Bank Rate changes.

Valuation Survey

A valuation survey can be carried out to ensure the property is worth the price you're paying. It is different from a more detailed homebuyer's report or structural survey; unlike these, a valuation survey will not provide insights on the property's condition or structural integrity.

Finding a mortgage – how we can help

We search the market on your behalf and recommend the most suitable deal for your circumstances, to fit your financial situation and property goals.

•**Independent advice** – we provide unbiased advice on a range of mortgage products from various lenders, ensuring you get the most suitable deal for your individual circumstances. We also have access to deals you wouldn't be able to find on your own.

•**Market insight** – we have in-depth knowledge of the mortgage market and can help you understand the pros and cons of different mortgage types, such as fixed-rate, variable-rate, and tracker mortgages. We are also able to adapt quickly as the mortgage market changes.

•**Application support** – our experience means we know which lenders are best suited to your particular circumstances. We help you to prepare your mortgage application, increasing your chances of approval by presenting your financial situation in the best light.

Your home may be repossessed if you do not keep up repayments on your mortgage.

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