Mortgage Jargon Buster.

Buying or selling a property can sometimes trap you in a blizzard of jargon. To get you off to a flying start, here's a handy glossary of home moving terms to help get you from Advance to Vendor, hopefully avoiding Gazumping.

A

Advance

The amount you borrow from the lender.

Annual Percentage Rate (APR)

The Annual Percentage Rate (APR) of charge takes into account not just the interest on the loan but also other charges you have to pay, for example, any arrangement fee. You can use this to compare different loan offers from different lenders as they all have to calculate the APR in exactly the same way.

Applied or Nominal Interest Rate

The rate used to calculate the interest due.

Arrears

Mortgage payments which have not been paid as requested and have become overdue.

B

Balance

The amount you owe, after taking payments (credits) and any debits into account.

Bank of England bank rate

This is also known as the Base Rate and is a major factor influencing interest rates charged by lenders.

Buildings insurance

Protects the structure of your home from events such as fire, vandalism, storm or flood. It's an essential part of your mortgage agreement to ensure that you have a minimum level of buildings insurance. Once you've exchanged contracts, you're responsible for the property's building insurance.

Buy-to-Let Variable Rate (BTLVR)

If you have applied for a buy-to-let mortgage with us on or after 1 June 2010, the buy-to-let variable rate is the rate you'll automatically switch to at the end of your deal. At that time, it could be higher or lower than the rate you have been on and may vary over the remaining term of your mortgage.

C

Closing administration charge

A charge made by the lender to cover administration costs when a mortgage is repaid.

Collateral / security

These are the rights you give us over things you own, allowing us the right to sell these if you do not keep to your obligations under our agreement. For a mortgage, this is the property you are buying. The bank has the right to sell this property if you do not keep to your obligations under our agreement.

Combined insurance

Means combining buildings and contents insurance into a single policy. This makes it simpler to manage, with one direct debit and only one insurer to deal with if you need to make a claim.

Completion

The final legal transfer of ownership of the property – when the property becomes yours.

Contents insurance

Protects the contents of your home, such as furniture, appliances and personal items against damage and theft while they are in the home or if they're temporarily away from the home.

Contract

The written agreement between the seller and the buyer of a property to transfer ownership.

Contract race

Where the seller has received two or more offers on the property and will sell to the buyer who is ready to exchange contracts first.

Conveyancer

Solicitor or licensed conveyancer who deals with the legal aspects of buying or selling land or property.

Conveyancing

The legal work involved in the sale and purchase of land or property.

Critical illness cover

Pays a lump sum on diagnosis of a specified critical illness during the term of the policy.

D

Daily interest

Interest is calculated on the balance outstanding at the end of each day. So, when you make a payment, interest is calculated on the new balance straightaway.

Defective title policy

An insurance policy taken out where a defect in the title to the property has been discovered. Where a defect has been discovered, we'd insist on the policy to protect our security.

Deposit

Two deposits may be payable by the buyer:

1. A reservation charge. The buyer pays this as a sign of commitment when they initially agree to buy the property.
2. The deposit. A percentage of the price of the property, paid when contracts are exchanged.

E

Early Repayment Charge (ERC)

A charge payable on certain types of loan if it is repaid or partly repaid within a certain period e.g. during a fixed-rate period or while a discount applies.

Endowment mortgage

Sometimes used to describe an interest-only mortgage supported by an endowment policy.

Endowment policy

A combined life assurance and investment policy often taken out at the start of a mortgage to run for the same term. Premiums are paid by the borrower to a life assurance company, usually monthly. The company invests some of the premium and this investment should grow to provide a lump sum at the end of the policy term (which can be used to repay all or part of the mortgage). The remainder of the premium is invested in a life assurance policy which will pay off the mortgage sooner if the borrower should die.

Equity

The difference between the value of the property and the amount of any loan secured against it.

Essential repairs

Work required on the property before the mortgage loan can be issued.

Exchange of contracts

In England and Wales (not Scotland), the point when both buyer and seller are legally bound to the transaction and at which point the buyer should take out buildings insurance on the property.

F

Final reminder

A letter requesting payment and sent to a customer who is in arrears, before legal proceedings start.

First mortgage payment

This is usually higher than the normal monthly payment because as well as the normal monthly amount, the first payment will include interest from the day that the money is sent to the conveyancer to the end of that month.

Freehold

Outright ownership of the property and the land on which it stands.

Further advance

An additional loan by the lender to the borrower, which may be for any purpose and secured by the existing mortgage deed. Also known as additional borrowing.

G

Gazumping

When the seller, having already accepted an offer but before contracts are exchanged, accepts another, higher offer from someone else.

Ground rent

An annual charge payable by leaseholders to the freeholder.

Guarantor

A person who promises they will pay the borrower's debt, usually if the borrower fails to.

H

Homebuyer's survey

A surveyor's report on a property which is less extensive than a building survey and is paid for by the purchaser.

Homeowner Variable Rate (HVR)

If you have applied for a residential mortgage with us on or after 1 June 2010 and you have chosen a new mortgage product, the Homeowner Variable Rate is the rate you'll automatically switch to at the end of your deal. At that time, it could be higher or lower than the rate you have been on and may vary over the remaining term of your mortgage.

I

Initial interest

The amount of interest charged on your loan from the day that the money is sent to your conveyancer to the end of that month.

Interest-only mortgage

You only repay the interest each month. The original loan amount and any unpaid costs and charges that have been added to the loan will remain outstanding at the end of your mortgage term.

Individual Savings Account (ISA)

The Government's tax-free saving scheme. You can make financial provisions for the future by putting money into any of two types of investment – cash savings or stocks and shares.

Insolvency policy

TSB would insist on an insolvency policy where there has been a sale at an undervalue (where someone has sold their property for less than it's worth). If there is a sale at an undervalue, and the seller is later declared bankrupt, previous transactions are looked at again, and it is possible that a sale at an undervalue would be declared void. We'd therefore insist on the policy to protect our security. An Insolvency Policy may also be required in the case of a transfer and gift as well as a sale.

L

Land Registry Certificate

Provides details of the property including a plan and, if the property is leasehold, a copy of the lease.

Land Registry fee

A fee paid to the Land Registry to register ownership of a property.

Latest completion date

Some mortgage funds are available for a limited period only and usually these mortgages must start by a certain date – the latest completion date.

Leasehold

The right to possession, but not ownership, of a property for an agreed period of time. Ultimate ownership remains with the freeholder.

Lender

The bank/building society where you have your mortgage.

Lessee

The person to whom a lease is granted – the tenant.

Lessor

The person who grants a lease – the landlord.

Life cover

Pays out a lump sum on death. It's often taken out with a mortgage to provide money for the loan to be repaid if the borrower dies during the term. There are two types of life cover: decreasing or level term. Decreasing term assurance is designed to protect a repayment mortgage. With decreasing cover the benefit amount goes down each month in line with the amount outstanding on the mortgage. This type of cover tends to be cheaper than level term assurance. With level term assurance, the premium and benefit remain the same throughout the term of the policy. This type of life insurance is ideal for where the mortgage balance remains the same over the mortgage term; for example, if you have an interest-only mortgage.

Loan to Value (LTV)

The size of a mortgage as a percentage of the lower of the value of the property or its purchase price.

Local authority search

Questions to the local authority regarding plans for new road building, planning permission for any building work previously carried out, connection to the mains sewer, etc.

M

Mortgage

Has a specific meaning in law but has come to mean a loan with property as security.

Mortgagee

The mortgagee is the lender who lends money in return for the mortgage granted by the borrower, who is the mortgagor.

Mortgage account fee

Covers the setting up, routine maintenance and closing down of the mortgage account. It is paid on completion out of part of your loan. We will not charge interest on this part of the loan.

Mortgage payment protection insurance

Pays your monthly mortgage payments, usually for a specified period, if you lose your income through sickness, injury or unemployment. We no longer sell this type of insurance alongside new mortgages. If you would like more information about this type of insurance visit **www.moneyadviceservice.org.uk**.

Mortgage term

The term over which you agree to repay the loan.

N

Negative equity

When the value of the property has fallen and is less than the loan secured on it.

New-build properties

A property which was first occupied less than six months ago.

NHBC guarantee

A 10-year guarantee, provided by the National House Building Council, that the builder will put right serious defects on a newly built property. Premier Guarantee offer a similar guarantee.

No-claims discount

A discount applied to insurance policies if you can prove that you haven't made a claim on a previous policy for a certain period of time.

P

Payment Protection

Insurance which pays your monthly mortgage payments, usually for a specified period, if you lose your income through sickness, injury or unemployment. We no longer sell this insurance alongside new mortgages. If you would like more information about this type of insurance visit **www.moneyadviceservice.org.uk**.

Pension plan

An investment plan which can provide a lump sum and an income after retirement. A pension plan is sometimes used as a way of providing a lump sum to repay the capital of an interest-only mortgage.

Premium

A payment made to an insurance provider for an agreed level of cover. It could be for buildings, contents, payment protection or life cover.

Principal

The amount of the loan on which interest is calculated.

R

Repayment

When a mortgage is repaid. (Also called redemption.)

Remortgage

Repaying one mortgage by taking out another secured on the same property, possibly to take advantage of a particular mortgage product or better interest rate from a different lender.

Repayment mortgage

You pay interest and part of the amount borrowed each month, so your mortgage will be paid off completely at the end of the mortgage term.

S

Standard Variable Mortgage Rate

In most cases if you have applied for a mortgage with us before 1 June 2010, the Standard Variable Mortgage Rate is the rate you'll automatically switch to at the end of your deal. At that time, it could be higher or lower than the rate you will have been paying and may vary over the remaining term of your mortgage. This rate is guaranteed to be no more than 2% above the Base Rate.

TSB

T

Tie in Term

The period of time you would need to remain on certain mortgage terms to avoid an early repayment charge.

Title deeds/title documents

The legal documents which provide proof of ownership of a property.

Transfer deed

A form which provides details of the transfer of ownership to be entered on the Land Registry register.

U

Underinsurance

The gap between what something is worth and what level of cover it has. This can be on any type of insurance policy, from contents insurance – where people don't realise the value of their possessions – to life assurance where someone underinsures the value placed on their life; for example if they were to die or become unable to work.

V

Valuation

An inspection of the property to ascertain its acceptability to the lender as security against the mortgage loan, for which the borrower may have to pay.

Vendor

The person(s) you are buying your new home from.

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

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