

Home buying language – a glossary of terms

Home selling is full of phrases and terminology that is unfamiliar to all but the seasoned house buyer. That's why we've provided you with a mortgage and moving glossary to guide you through some of the language you are likely to encounter when purchasing an investment property or simply moving home.

A

Additional Security Fee

An up-front, one-off fee paid to the lender to protect them against the borrower defaulting on the loan. Usually charged on mortgages over 75% of the house value. Also known as Indemnity Guarantee Premium and Mortgage Indemnity Premium.

Agents

(See Estate Agents).

APR

Annual Percentage Rate - the true cost of a loan.

B

Bridging Loan

A temporary loan to tide you over when having to buy your new home before selling your current property.

Broker

An intermediary who will give advice and offer a range of mortgages.

Buildings Insurance

Insurance to cover any structural damage to your property.

C

Capital

The sum borrowed in a mortgage.

Chain

This occurs when the seller needs the sale of their property to occur before they can complete the purchase of another property. The same situation may exist for others in the chain. As a result, the whole chain can collapse if one link breaks.

Charge

The term used for the security that the lender relies on when granting a mortgage.

Completion

The point when contracts have been exchanged and ownership legally passes to the buyer.

Contents Insurance

Insurance to cover any loss or damage to your possessions.

Contracts

The legal documents needed to transfer the ownership of property.

Conveyancing

Legal work involved in buying and selling a property.

D

Deposit

Part of the purchase price paid when contracts are exchanged, which is generally 10% of the purchase price.

Direct Lenders

A new form of mortgage lender who deals solely over the telephone or internet.

Disbursements

Expenses paid by the solicitor on behalf of the purchaser.

Discounted Rate

A reduced mortgage interest rate which is subtracted from the Standard Variable rate.

E

Endowment Mortgage

Type of mortgage where monthly payments are made into an endowment – or life assurance policy. The loan is paid off in one lump sum at the end of the loan period.

Estate Agents

Estate agents arrange the sale of property. They advise on price, negotiate between sellers and buyers and coordinate the marketing of a property. They usually offer other optional services such as arranging mortgages, surveys and conveyancing. You are under no obligation to use these services, either as a buyer or a seller.

Excess

The initial sum you have to pay on an insurance claim.

Exchange of Contracts

The point at which buyer and seller are legally bound to the sale and purchase of the property.

F

Failed Valuation Survey

When the lender turns down your mortgage application after reading the surveyor's valuation report.

Freehold

Absolute ownership of property and land.

L

Land Registry

Carried out by the solicitor to register the buyer as the new owner of the property. The land registry authority retains the records of who owns the land.

Lender's Arrangement Fees

Charge passed on to the buyer by the lender for arranging a loan.

Lender's Legal Fees

The fees incurred by the lender when arranging a mortgage. These costs are passed on to the buyer.

Lender's Valuation

A valuation of the proposed property carried out by the lender before agreeing to give out a mortgage. This is only a valuation survey. A separate full structural survey may be needed by the buyer.

Life Assurance

An insurance policy which pays out a fixed lump sum on death of an individual. Life Assurance helps protect from financial difficulties.

Loan-to-Value

A percentage expressing the size of mortgage in relation to the value of the property. For example, property value=£100,000, mortgage size=£90,000, therefore loan-to-value=90%.

Local Authority Search

A search carried out by the solicitor to find out if there are any local authority notices, with respect to the building itself (e.g. has it been condemned?), and the surrounding area (e.g. have plans gone through to build a motorway next to the house?). Also alterations to land use or public rights of way.

M

MIG

Mortgage Indemnity Guarantee (see Additional Security Fee).

Mortgage

A long term loan to fund the buying of a property.

Mortgagee

The lender of a mortgage.

Mortgagor

The house buyer who takes out a mortgage.

Mortgage Deed

The legal charge of the lender until the loan has been re-paid.

Mortgage Indemnity Premium

See Additional Security Fee.

Mortgage Term

Period over which mortgage is to be repaid.

N

National House-Building Council

The NHBC (National House-Building Council), is the standard setting body and leading warranty and insurance provider for new and newly converted homes in the UK. Their aim is to raise the standards of new homes, and to provide consumer protection to new home buyers.

Negative Equity

When the value of your property falls to less than your mortgage.

P

Pension Mortgage

Monthly repayments made up of a) interest on loan and b) contribution to a personal pension scheme. The loan on the property is paid off in one lump sum at the end of the loan period.

Premium

The monthly amount payable to an insurance policy.

Principle

The sum of the loan on which interest is calculated.

R

Redemption

When a mortgage is fully repaid.

Repayment Mortgage

A basic mortgage capital and interest on the loan are paid off in monthly installments.

Repossession

When the mortgage lender takes away your home because you have fallen too far behind on your mortgage repayments.

S

Sole Agent

When a seller chooses only one estate agent to sell their property.

Solicitor

Legal professional who acts on behalf of the buyer in the purchase of a property. The solicitor will check the legal position of the property, carry out a Local Authority Search, Land Registry and oversee the exchange of contracts between the two parties.

Stamp Duty

A government tax. Currently the tax is 1% of the property's value between £125k up to £250k, and 3% on those valued over £250,000 and up to £500k. Those properties valued below £125k are exempt from stamp duty. There are some locations where this is £150k but this depends on the regeneration status of that area.

Structural Survey

A report constructed by the surveyor detailing firstly whether the property is structurally sound and secondly, listing the major/minor defects, (including the necessary work that needs to be done).

Survey

As a new house or apartment will be, in most cases, the most expensive purchase of your life you need to know its condition. So upon applying for your mortgage, you may wish to arrange for a survey of your new home to be undertaken. Similar to an MOT test, a survey will tell you the condition of the property and will give you the peace of mind of knowing exactly what you are buying. There are three types of surveys that you might want done on your new property – a full building survey, which is the most comprehensive; a RICS Homebuyer's Report and a Defect Report, which concentrates on a particular defect specified by the client – for example, a cracked wall.

Surveyor

The person who carries out a structural survey of the property, examining the structure and general state of the property.

T

Term

The period in which a mortgage is taken out.

Title

The legal right to ownership of a property.

Title Deeds

The document which shows the ownership of a property.

V

Valuation Survey

A survey carried out by the lender to ensure that the property's value is not less than the proposed loan. Often the lender will arrange the survey and bill the buyer. This cannot be used as a structural survey.

W

Warranty

A guarantee to accept responsibility for necessary repairs over a specified period of time. The warrantor is usually provided to the new build industry by such organisations as the NHBC.