

Jargon buster

A useful explanation of frequently used terms when applying for a mortgage

Buying a property and moving home can be difficult enough even if you have done it before, so you don't want to be confused by the language used during the process. Here's our simple guide to the jargon.

Where a definition includes a **bold** phrase, this means the phrase is included elsewhere in the document.

Additional secured borrowing Sometimes called second charge borrowing. This is where you use your existing property as collateral to borrow more money, by using the equity you have in the property. If your property is sold, this will be paid off after a **first legal mortgage**.

Annual percentage rate of charge (APRC) The APRC is a representative rate that takes into account all charges associated with the setting up the mortgage, the interest rate applied over the mortgage term and how that interest rate is charged (annually, monthly or daily). This allows you to compare the mortgage with other providers.

Bank of England Base Rate ('Bank Rate') This is the rate that is set on a monthly basis by the Bank of England's Monetary Policy Committee. It's the rate the Bank charges for its borrowing, and some mortgage rates are linked to this.

Binding offer This is your mortgage offer. This is confirmation that your application has been checked and approved and is provided after the underwriting stage is complete.

Completion The point at which the mortgage money is released to remortgage your home or buy your new home. Your solicitor or conveyancer will ensure that ownership is transferred to you.

Consumer buy-to-let If you have lived in a property as your main residence or inherit a property that was a main residence, you may choose to let the property. If this is your only rental property and therefore your only rental income, this is called a Consumer buy-to-let.

Disbursements The fees your solicitor has to pay others on your behalf, such as stamp duty land tax, Land Registry fees, search fees.

Electronic transfer This is the method by which your mortgage advance is paid to your conveyancer, solicitor or existing lender.

Equity The positive difference between the value of your property and the amount of any unpaid loans secured against it. For example, if your outstanding loan was £150,000 on a £200,000 property, you would have £50,000 equity.

European Standardised Information Sheet (ESIS) This document must be provided to you by law and shows all the main information you need when choosing a mortgage. You can use it to compare mortgages from different lenders.

First legal mortgage Also known as a first-charge mortgage. This means the loan takes priority over any other borrowing secured on your property. If your property is sold, the first charge will be paid off first.

Foreign-currency lending Lending where, at the start of a new contract, a customer is not a UK resident or relies on income or assets that are not in sterling to repay the mortgage.

Lease A document that grants possession of a property for a fixed period of time and sets out the obligations of the landlord and tenant regarding such things as rent, repairs and insurance.

Loan Sometimes called the advance. This is the actual amount of money that your mortgage provider agrees to lend you.

Loan to value (LTV) This is the value of your loan as a proportion of your property's value. For example, if you were buying a home for £100,000, and had a deposit of £15,000, you would need to borrow £85,000. This would mean you would require a mortgage product that offered an LTV of at least 85%.

Mortgage discharge fee Sometimes called a mortgage exit fee. A fee charged by the lender for releasing the legal charge over your property after you repay a mortgage.

Mortgagee The lender or institution that provides the funds for the mortgage.

Mortgagor The borrower taking out the mortgage.

Portable The process of transferring your current mortgage product to a new property when you move home on a 'like for like' basis. 'Like for like' means where your mortgage balance, mortgage term, mortgage repayment basis, loan-to-value ratio and mortgage type remain the same.

Redemption administration The process of removing the charge on your home after you fully repay the mortgage.

Reflection period This is a period of time that allows you to consider a mortgage offer. It does not affect how long your offer is valid for.

Repayment strategy This is your plan to pay off the capital on an interest-only mortgage when the mortgage term comes to an end. You need to check regularly with your mortgage provider to make sure your plan is still acceptable.

Retention If essential repairs are needed on a property, the lender may hold back some mortgage funds until the work has been completed. It will release these 'retained funds' when the work is finished.

Searches For example, enquiries made at the Land Registry, the Land Charges Register and local authorities to ensure there is nothing to cause concern about the property.

Subject to contract A provisional agreement made between buyer and seller, before exchange of contracts, which allows either side to back out without penalty (England and Wales only).

Term The length of time over which your mortgage loan is to be repaid.

Title The legal right to ownership of a property.

Title deeds The documents showing the ownership of property.

Transfer deed The legal document that transfers ownership of registered land.

Underwriting This describes the process in which an underwriter researches, analyses and quantifies financial risks associated with your mortgage application.

Vendor/seller The person(s) selling the property.