Getting Started: Preliminary Steps

- **Agreement in Principle (AIP):** An AIP can also be known by other terms, such as Decision in Principle (DIP). A mortgage, in Principle, is an agreement from a lender indicating how much they might be willing to lend you based on basic financial information. It's not a guarantee, but it is helpful when house hunting.
- **Annual Percentage Rate of Charge (APRC):** The total cost of the mortgage over the full term, including interest and fees, expressed as a yearly rate.
- **Credit Score:** Anyone who borrows money or takes credit has a credit score, and lenders use it to assess your suitability for borrowing money. A low credit score suggests you have missed payments or arrears. Check your score and try to improve it if necessary.

Financial Terms and Conditions

- **Arrears:** Arrears refer to missed scheduled payments for any credit agreement you have; for example, this could be anything bought on finance, store or credit cards, a utility bill, or a missed mortgage payment.
- **Base Rate:** The interest rate set by the Bank of England influences the interest rates lenders charge.
- **Early Repayment Charge (ERC):** This is a fee you might have to pay if you pay off your mortgage early or pay back more than you're allowed within a fixed rate period. The charge makes up for the interest they won't get because you're paying early. It's essential to check if your mortgage has an ERC and how much it is before you pay extra or change your mortgage.
- **Interest Rate:** The percentage paid to the lender for borrowing money, influenced by the base rate.
- **Loan-to-Value (LTV):** The ratio of the property's mortgaged value percentage. A lower LTV implies a lower risk for the lender and usually results in more favourable interest rates.
- **Mortgage Offer:** The formal offer by a mortgage provider of how much they will lend you.
- **Mortgage Term:** The length of time you have to pay off the mortgage.
- **Mortgage Broker:** A professional who advises on and arranges mortgages.
- **Negative Equity:** This occurs when you owe your mortgage lender more than the value of your property, typically when your home decreases in value.
- **Offset Mortgage:** A mortgage linked to your savings; you only pay interest on the mortgage amount minus your savings. For example, if your mortgage is £200,000 and you have £20,000 in savings, you will only pay interest on £180,000.
- **Product Transfer:** Arranging a new rate or moving onto a new product with your existing lender.
- **Remortgaging:** Arranging a new mortgage for your current home with a new lender.
- **Repayment Mortgage:** A mortgage where your monthly payments are made up of both interest and paying off the capital.
- **Interest-Only Mortgage:** A mortgage where monthly payments only go towards the interest on the loan, with the principal amount to be paid in full at the end of the mortgage.
- **Standard Variable Rate (SVR):** The mortgage interest rate your lender will charge after your initial mortgage deal ends.

- **Valuation Fee:** The fee paid to your lender for assessing the property's value for mortgage purposes.

Property and Ownership Types

- **Building Survey:** A building survey is a thorough inspection of a property's condition, identifying necessary repairs or alterations and providing maintenance advice. It's recommended for older, more prominent, or non-standard properties or if you plan substantial alterations.
- **Chain:** A sequence of linked property purchases, each dependent on the preceding and following transactions.
- **Freehold:** Owning the property and the land it stands on outright.
- **Gazumping:** When a seller accepts an offer from a buyer but later accepts a higher offer from another buyer.
- **Guarantor:** A person who legally agrees and will be liable to pay your mortgage if you cannot.
- **Higher Lending Charge:** A fee that a lender charges for a large mortgage, usually when the loan-to-value figure is above a certain threshold.
- **Leasehold:** A type of property tenure where one owns the property but not the land it stands on, often requiring payment of ground rent.
- **Land Registry:** The UK government department that records land and property ownership.
- **Transfer of Equity:** Adding or removing someone from the title deeds

Insurance and Protection

- **Contents Insurance:** An insurance policy that covers all items in your home.
- **Indemnity Insurance:** Insurance taken out to cover a specific legal issue with a property that can't be resolved.

Legal and Conveyancing Process

- **Conveyancing:** The legal transfer of property from one owner to another, usually carried out by a solicitor or a licensed conveyance.
- **Contract Exchange:** The point at which both parties exchange legally binding contracts, and the buyer pays a deposit.
- **Deeds:** Documents that state who owns the property.
- **Deposit:** The amount of money you pay upfront towards the cost of the property, usually a percentage of the purchase price.
- **Repossession:** If you fail to keep up with your mortgage repayments, the lender can take possession of the property to recoup the outstanding balance.
- **Searches:** Investigations carried out by the conveyancer, including local authority searches, environmental searches, and more, uncover any legal restrictions or issues with the property.
- **Stamp Duty Land Tax (SDLT):** A tax paid on property or land purchases over a certain price threshold in England and Northern Ireland.

This glossary was accurate as of 30/11/2023 and is intended as a general guide. Mortgage terms and conditions can change, so please consult a professional for the most current advice.