

## Getting Started: Preliminary Steps

- **Agreement in Principle (AIP):** A document from a lender confirming how much they might lend you, based on initial checks.
- **APR (Annual Percentage Rate):** The total cost of your mortgage each year, including interest and fees, shown as a percentage.
- **Credit Score:** Anyone who borrows money or takes credit has a credit score, and lenders use it to assess 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):** A fee for paying off your mortgage early during a fixed or introductory deal.
- **Interest Rate:** The percentage paid to the lender for borrowing money, influenced by the base rate.
- **Loan-to-Value (LTV):** The percentage of the property's value you're borrowing – lower LTVs get better deals.
- **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:** This type of mortgage is linked to your savings; you pay interest only 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:** This type of mortgage involves monthly payments that include both interest and repayment of 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 lender's default rate after your initial deal ends – often higher and changeable.
- **Valuation Fee:** A fee paid to the lender to assess the property's value for mortgage purposes.

## Property and Ownership Types

- **Building Survey:** A detailed inspection of a property's condition and structure is helpful for older or non-standard homes.
- **Chain:** A series of property transactions that depend on one another to proceed.
- **Freehold:** You own the property and the land it stands on outright.
- **Gazumping:** When a seller accepts a higher offer after agreeing to one.
- **Guarantor:** Someone who agrees to repay your mortgage if you can't.
- **Higher Lending Charge:** A fee applied when borrowing a high percentage (e.g. 90%) of a property's value.
- **Leasehold:** You own the property but not the land, usually for a set term, and may pay ground rent.
- **Land Registry:** Government body that records land and property ownership.
- **Transfer of Equity:** Adding or removing a person from the property title.

## Insurance and Protection

- **Contents Insurance:** Covers your belongings against theft, damage, or loss.
- **Indemnity Insurance:** Covers specific legal issues with a property, such as missing paperwork.
- **Mortgage Insurance:** A broad term that may refer to insurance products designed to help cover your mortgage payments in specific scenarios, such as loss of income or death.
- **Life Insurance** pays a lump sum to your loved ones if you die during the policy term. It is often used to pay off a mortgage.
- **Critical Illness Insurance:** Pays a lump sum if you're diagnosed with a serious illness (e.g. cancer, heart attack, stroke) covered under the policy – helping cover mortgage payments or living expenses.
- **Income Protection Insurance:** Provides a regular income if you're unable to work due to illness or injury, usually a percentage of your salary, to help you keep up with bills like your mortgage.

## Legal and Conveyancing Process

- **Conveyancing:** The legal process of transferring property ownership.
- **Contract Exchange** is when both parties are legally committed to the sale.
- **Completion:** The final stage of buying a home, when ownership is legally transferred
- **Deeds:** Documents that confirm property ownership.
- **Deposit:** The amount you pay upfront towards the purchase, often 5–25%.
- **Repossession:** When a lender takes back a property due to missed mortgage payments.
- **Searches:** Checks by your solicitor to uncover issues like planning restrictions or flood risk.
- **Stamp Duty Land Tax (SDLT):** A tax paid on property purchases over a specific value in England and Northern Ireland.

*This glossary was accurate as of 08/04/2025 and is intended as a general guide. Mortgage terms and conditions can change, so please consult a professional for the most current advice.*