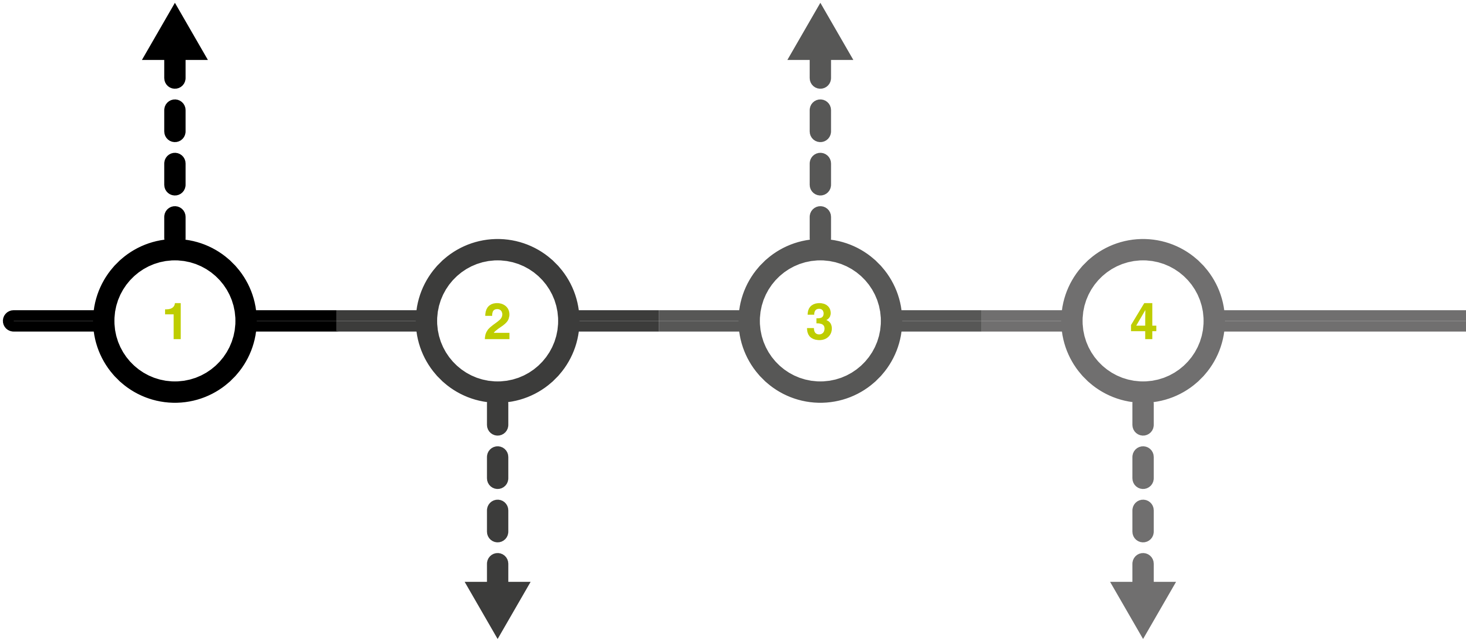
ARRANGING YOUR MORTGAGE
GLOSSARY OF TERMS USED

Arranging a mortgage shouldn’t be a complex, daunting process.

We want you to understand every step of the process. Throughout the advice journey, you will receive a number of documents. Your Adviser will explain what these are, but to help you further, we’ve put together a glossary of terms you can refer back to at a later date.

The house buying process and mortgage advice journey applicable may be different in other areas of the UK.

YOUR MORTGAGE ADVICE JOURNEY



1. Your Adviser will provide an explanation of their fees and services.

2. Help us understand your personal circumstances, your needs, and objectives.

3. Your Adviser will explain different mortgage repayment methods and product types which will help you decide what's right for you.

4. You will be asked to provide evidence of your identity, income, and expenditure. Your Adviser may also need other documentation from you, which they will confirm.

   Once your Adviser has your evidence of income and expenditure, they will complete their affordability checks.

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5

Your Adviser will research which product will best suit your needs and objectives from a range of lenders. You will receive a Mortgage Illustration confirming all of your mortgage details.

6

An application will be made for a Decision in Principle (DIP) to the recommended lender. This will indicate if they are able to offer you the mortgage you need.

7

If the DIP indicates the lender is likely to accept your application, a full application form will be completed and submitted.

8

Your Adviser will confirm their recommendation to you in writing. You will receive a Recommendation Letter confirming what has been recommended and why.

9

Your lender will issue you with a Mortgage Offer confirming the terms on which they are willing to lend.

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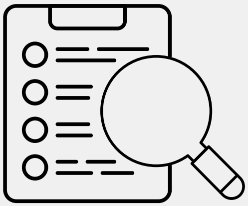
DOCUMENTS YOU MIGHT EXPECT TO RECEIVE;

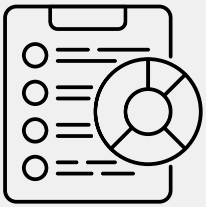
OUR FEES AND SERVICES

Sometimes referred to as the Disclosure Document – This confirms the services your Adviser will provide, the cost of the advice given, what regulatory protections you have, and if you're not happy, how to complain. It will also refer to where you can find out how your data will be used.



FACT FIND

Your Adviser will need to ask you some questions about your personal and financial circumstances. Both factual and aspirational information will be gathered so we have a comprehensive view of your circumstances in order to recommend the most suitable product to meet your needs and objectives. The answers to these questions will be recorded in what is known as a 'Fact Find'.



MORTGAGE ILLUSTRATION

A mortgage illustration is the document that you receive from your mortgage lender explaining all the essential points regarding your proposed mortgage i.e. how much have you borrowed, for how long, any associated fees and importantly, what your monthly repayment is going to be. This document is also sometimes referred to as the European Standardised Information Sheet (ESIS)

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APPLICATION

You may not receive a copy of the Application but can request one if you wish to see it. This will contain the important information your Adviser will give to the lender to help them decide if they can make a mortgage offer to you. It is important that all of the information is accurate.

RECOMMENDATION LETTER

You will receive a Mortgage Recommendation Letter which will tell you all the important features of your new mortgage and why they've been recommended in line with your requirements. It's really important you read the letter and understand the recommendation made. It only takes a few minutes to read and then can be stored away safely for future reference if you ever need to come back to it.

MORTGAGE OFFER LETTER

When the Lender has agreed your mortgage, they will issue you with a Mortgage Offer Letter. This means they have completed all of their checks in relation to both you and your property and are happy that you meet their lending criteria. The offer will be similar to the illustration, but in more detail, including any further terms and conditions. It is really important you take time to read and understand this before completion of the mortgage.

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During the mortgage process your Adviser will ask you some questions about your personal and financial circumstances. They will also ask your thoughts around what you feel is right for you. This will enable your Adviser to use their knowledge to recommend the most suitable product / solution to meet your needs.

When arranging a mortgage there might be language and terms used that you are not familiar with, your Adviser will help to break these down, but this glossary should also help explain any terms and 'jargon' so you fully understand what's been recommended and how this meets your needs.

REPAYMENT METHODS

A mortgage payment has two parts, the 'capital' which is the money you borrow from the lender, and the interest, which is the charge made by the lender for the money you have borrowed. The repayment method is the way in which you will pay back the monies borrowed from your lender. There are three main ways this can be done, detailed below.

CAPITAL REPAYMENT

The most common type of repayment method, particularly for residential mortgages (when you are buying a house to live in). With this type of mortgage, your monthly payments will consist of both capital and interest, meaning your mortgage being repaid by the end of its term, provided that you make the required monthly payments when due.

INTEREST ONLY

If you opt for an interest only loan, your monthly payments will only cover the interest on the amount you borrowed. The amount of your loan (capital) will not reduce and the outstanding amount will be repayable in full at the end of the mortgage term. This means it's important for you to have a plan to pay off the loan at the end of the term, and you are responsible for putting in place and maintaining a credible repayment plan i.e. an investment. If you do not have the funds to repay the mortgage at the end of the term, you may be forced to sell your property. **Your Adviser will not be able to give you advice on any investment.**

PART AND PART/SPLIT MORTGAGES

This means part of your loan is interest only and the balance will not reduce and will need to be repaid in full at the end of the mortgage term. The repayment element will be repaid in full provided you make the required monthly payments when due Please see above definitions for further information.

TYPES OF MORTGAGE RATE

There are different mortgage products available to you which your Adviser will talk you through, here's a brief summary.

TRACKER RATE

The interest rate is linked to a base rate during the initial rate period. This means your monthly repayments could go up or down. Should you choose to leave your Lender during the initial rate period or make an overpayment which falls outside of the limit set by the Lender, you may have to pay a penalty. This is known as an 'Early Repayment Charge'. A tracker mortgage may suit you if you have room within your monthly budget to meet repayments if interest rates go up but would also like to benefit from possible reductions in rates. It is not a good choice if your budget won't stretch to meet higher monthly payments.

VARIABLE RATE

A variable rate is an interest rate which can move up and down at any time in line with the Standard Variable Rate (SVR) of interest, set by the lender, meaning your monthly mortgage payments may go up or down to match this. The Lender is less likely to penalise you should you decide to switch mortgage details or pay off your mortgage in part or full. Many lenders won't offer their standard variable rate to new borrowers.

FIXED RATE

This type of mortgage allows you to budget as your payments will not change during the initial, agreed period. That means even if interest rates go up, your payments won't increase during the fixed rate period confirmed in your Mortgage Offer. At the end of the period, you will usually revert to the Lender's variable rate (see 'variable rate' to understand what that would mean for you). Should you choose to leave your Lender during the fixed rate period or make an overpayment which falls outside of the limit set by the Lender, you may have to pay a penalty. This is known as an 'Early Repayment Charge'.

DISCOUNTED RATE

A discounted rate works similarly to a variable rate mortgage in that the interest rate can move up and down at any time, meaning your monthly mortgage payments may go up or down to match this. The difference is thata discounted rate is reduced by a certain percentage below the lender's standard variable rate. At the end of the period, you will usually revert to the Lender's variable rate (see 'variable rate' to understand what that would mean for you). Should you choose to leave your Lender during the initial rate period or make an overpayment which falls outside of the limit set by the Lender, you may have to pay a penalty. This is known as an 'Early Repayment Charge'. Discounted rate mortgages can give you a gentler start to your mortgage, at a time when money may be tight. However, you should be aware that when the rate ends your payments may increase.

FLEXIBLE MORTGAGES

A flexible mortgage gives you more flexibility than a standard mortgage. These schemes offer options in terms of the repayment of your mortgage; you can overpay, underpay and maybe even take a repayment holiday. Exact features differ between Lenders and your Mortgage Illustration will detail these.

Flexible mortgages are usually offered on a fixed or tracker basis (see above definitions) so it is likely that the Lender will apply a penalty should you choose to leave during the initial period or make an overpayment outside of the limits set by the Lender.

CAPPED AND COLLARED RATE

Some lenders offer variable, tracker or discounted products that have a pre-defined upper 'cap' or lower 'collar' that the rate will not breach when rates go up and down.

OFFSET MORTGAGES

An offset mortgage is linked to your savings account. Your savings aren't used to repay the mortgage but the interest you earn on your savings is used to reduce the amount of interest you are charged for your mortgage borrowing each month, meaning your payments can reduce. For example, if you borrowed £200,000, but had £50,000 in savings, you would only be paying interest on £150,000, and you would still have access to your savings if needed. Offset mortgages are generally more expensive than standard deals but can be a good choice if you have surplus savings.

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE OR ANY OTHER DEBT SECURED ON IT.

JARGON BUSTER

Helping you get to grips with the terms that may come up throughout your mortgage process with our comprehensive A-Z jargon buster.

ADVISOR'S FEE

Your Adviser will explain how they will be paid for arranging your mortgage. The exact details will be shown within the initial Disclosure Document (also known as 'Our Fees and Services') you receive and confirmed in your Mortgage illustration.

AGREEMENT IN PRINCIPLE (AIP)

Sometimes known as a Decision in Principle, this document will tell you how much you could borrow from a lender based on information you've shared with them. If you are purchasing a property, an AIP/DIP may be required by your estate agent to show them you are in a position to put an offer in on a property.

Please note an AIP is not a mortgage offer, it is a lenders way of confirming they are happy to accept an application.

APRC (ANNUAL PERCENTAGE RATE OF CHARGE)

APRC shows you the total cost of a mortgage, including fees and interest, over the entire term of the loan, assuming that you remain with the same mortgage and do not switch lenders.

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ARRANGEMENT FEE/ APPLICATION FEE

You may be charged an arrangement/ application fee when taking out a mortgage. This is the fee you pay for the lender to secure the rate. You can choose between paying the arrangement fee upfront or adding it to the mortgage. It will cost more to do the latter as you will pay interest on it. Your mortgage Adviser will be able to talk you through and advise which option is best to meet your needs and priorities.

BANK OF ENGLAND BASE RATE

The ‘Base Rate’ is the rate the Bank of England charges other banks and lenders when they borrow money. The base rate influences the interest rates that many lenders charge for mortgages.

COMPLETION

Completion occurs after exchange of contracts. When you ‘complete’, your mortgage starts, all remaining money is transferred from buyer to seller and you can pick up the keys to your new property.
When you remortgage, completion is the process of replacing your existing mortgage with a new one.

CONVEYANCING

The legal work involved in selling and buying property. It ensures that ownership is transferred from one person to another.

Your solicitor will provide you with a list of the fees and charges that will be associated with the transaction.

CO OWNERSHIP – NORTHERN IRELAND

There are two schemes available which allow you to buy between 50% -90% of a property. You pay rent on the unowned share.

DISBURSEMENTS

Disbursements are the fees paid by your solicitor, on your behalf, to third parties whilst dealing with the conveyancing process. These may include fees such as Stamp Duty, Land and Buildings Transaction Tax (Scotland) and land registry fees.

DEEDS RELEASE OR EXIT FEE

Some lenders charge a fee to release the deeds of a mortgaged property to you or a new lender. This is usually when the mortgage ends/is repaid and will be documented on your Mortgage Illustration and Mortgage Offer.

EARLY REPAYMENT CHARGE (ERC)

Often referred to as an ERC, this is the amount you will be charged if you pay off your mortgage early or overpay by more than your lender allows. This will be documented on your Mortgage Illustration and Mortgage Offer.

ENERGY PERFORMANCE CERTIFICATE (EPC)

A document which confirms how energy efficient the property is and where improvements could be made.

EQUITY

The amount of your property owned by you. i.e. the total value of your property, less the amount of the mortgage and any other secured loans you have.

EUROPEAN STANDARDISED INFORMATION SHEET (ESIS)

A document provided by the lender explaining the key features and risks of the mortgage contract.

Lenders will present this information in a standardised manner to make it easier to compare products on the market.

EXCHANGE OF CONTRACTS (EXCLUDING SCOTLAND)

This is the point where both parties swap and sign contracts. It is a crucial stage of the house buying process as it is when you become legally bound to buy the property. It is common for exchange of contracts and completion to take place on the same day. Upon exchange of contracts, you as the buyer will be asked to pay your deposit. At this point, you should also arrange for appropriate buildings insurance to be put in place.

FIXED PRICE (SCOTLAND)

When a property is marketed at Fixed Price, the seller is letting prospective buyers know the price that they are hoping to achieve for their property. Whilst this is usually the upper limit, the property can still be sold for more than the advertised fixed price.

FOREIGN CURRENCY MORTGAGE

In the UK this is a type of mortgage where the loan is repaid in a currency other than sterling.

GUARANTOR

The guarantor provides a guarantee that they will repay the amount borrowed if you cannot meet your monthly repayments. They are also liable for the full mortgage debt should you default.

HELP TO BUY MORTGAGE

Help to Buy is a Government scheme to help first time buyers get on the property ladder with just a 5% deposit. You then borrow 20% of the purchase price (40% in London), interest-free for five years. The Government website will provide further information; https://www.gov.uk/ help-to-buy-equity-loan

HERITABLE INTEREST (SCOTLAND)

This means you own the property and the land on which it is built.

HIGHER LENDING CHARGE

Each lender will have a threshold of how much they are comfortable or willing to lend to. If the amount you wish to borrow is greater than that threshold you may incur a higher lending charge. The money from the higher lending charge is often used by the lender to buy an insurance policy which protects itself should you default on the mortgage. In some cases the charge can be added to the loan however you will pay interest on the amount for the term of the mortgage.

HOME REPORT (SCOTLAND)

This document tells you what you need to know about the house you are buying. A Home Report includes three documents; Energy Performance Certificate, Property Questionnaire, and a survey. Please refer to relevant descriptions of each of these within this document.

INTEREST

The money you are charged for borrowing.

JOINT BORROWER SOLE PROPRIETOR

This type of mortgage allows family to help you buy a property. They will be named on the mortgage and may assist with repayments but will not be recorded as a legal owner of the property.

LAND REGISTRY FEE

A fee paid to the land registry to register ownership of a property. This will be handled as part of the conveyancing.

LOW-COST INITIATIVE FOR FIRST TIME BUYERS - LIFT (SCOTLAND)

The LIFT schemes in Scotland allow you to receive between 10% and 40% towards the price of a home if you can't afford to pay the full price yourself (if eligible). You will own the majority share of the property and the government owns the rest. Refer to https://www.mygov.scot/openmarket-shared-equity-scheme/how-it-works for full details.

MISSIVES (SCOTLAND)

A series of letters sent between both your and the seller's solicitor. These letters are used to negotiate the conditions you have, so you can both come to an agreement. Once both parties are happy with the conditions, a 'concluding missive' will be written. The concluding missive is a binding contract between the buyer and seller.

MORTGAGE TERM

A mortgage term is the length of time that you pay back your mortgage.

NOTE OF INTEREST (SCOTLAND)

When you've found a property you want to buy, your solicitor or conveyancer will register a 'note of interest' with the seller's agent. This is a way of your solicitor letting the seller's solicitor/estate agent know that you are interested in purchasing their client's property.

OFFER OF ADVANCE

The formal offer of a mortgage from a lender.

PORTABLE

This means your lender will let you move your mortgage product on to a new property if you move home during the initial agreed product period, as long as you meet their criteria.

PRIVACY NOTICE

A privacy notice confirms how we collect, use, store, and share personal information. Your Adviser will be able to provide a copy of this or confirm how you can access it via their website.

PROPERTY QUESTIONNAIRE (SCOTLAND)

This document is completed by the sellers to provide potential buyers with helpful information that they'll need to know about the property should they become the new owners. This may include details such as the property's Council Tax band, any Local Authority notices served on it, details of any alterations made and the parking situation

RENT TO OWN (NORTHERN IRELAND)

A scheme that allows you to rent a new build property for up to three years, receiving 20% of your rent back to help you save a deposit.

RENT TO OWN (WALES)

A scheme that allows you to rent a new build property for between two and five years, receiving 25%-50% of any increase in the property value to help you save a deposit.

RIGHT TO BUY

The Right to Buy scheme helps council tenants buy their home at a discounted price.

SEALED BID (SCOTLAND)

Once you have noted your interest in a property, you are able to submit a sealed bid. Essentially, this means a written bid placed in a sealed envelope. The sealed bid is not opened until the stated date (deadline/closing date), at which time all bids are opened together when the seller will choose the buyer.

SETTLEMENT (SCOTLAND)

This is the last step in buying a home. This is when ownership passes from the seller to the buyer, and the balance of the sale price is paid. The seller sets the settlement date in the contract of sale.

SHARED EQUITY LOAN

Shared equity allows you borrow additional money towards your deposit by way of an equity loan. You can either pay back the equity loan in installments or in full when you come to sell the property. The equity loan is linked to the value of the property as a percentage so if your property grows in value, the amount you owe will also increase. Please note not all properties can be purchased using this method.

SHARED OWNERSHIP

A Shared Ownership Mortgage helps you get on to the property ladder, allowing you to buy a percentage share of the property. You'll pay a mortgage on your share, then pay rent on the rest.

STAMP DUTY LAND TAX (SDLT)

When you buy a property, it is likely you will need to pay Stamp Duty. The amount you pay will vary depending on the purchase price of the property and the type of property you are buying fro example, your primary residential property, second property, investment property etc). You may need to speak to an independent tax / legal specialist if advice is required in this area as mortgage advisers are not qualified to give tax advice.

TENURE

This confirms how a piece of land is held by the owner. There are typically two types of tenure as noted below.

FREEHOLD

If you buy your property on a freehold basis, this means you own the property and the land on which it is built. Most houses are freehold but some might be leasehold which is explained later on.

LEASEHOLD

If you buy your property on a leasehold basis, this means you own the property for a fixed period of time but not the land on which it is built. The land itself is owned by the Freeholder. You'll have a legal agreement with the landlord (sometimes known as the 'freeholder') called a 'lease'. This tells you how many years you'll own the property along with any terms and conditions you've agreed to. With a leasehold property you will usually have to pay ground rent which is set out in your lease.

TITLE BURDENS (SCOTLAND)

Title burdens are conditions attached to owning the property ranging from where rubbish bins can be put to more serious restrictions on how the property can be used and altered.

TITLE DEEDS

The legal documents which set out the ownership of a property. The title deeds to a property with a mortgage are usually kept by the mortgage lender and will only be given to you once the mortgage has been paid in full, usually at a cost.

VALUATION / SURVEY

There are many options available when buying a property or remortgaging a property. Lenders will want to know the value is appropriate so the options range from a basic mortgage valuation which is for the lender's own purposes confirming the property provides security for the loan, up to a full structural survey, which will be a more detailed examination of the property. Any areas of concern may require additional investigation.

OTHER TYPES OF LENDING

You may have alternative needs and your Adviser will confirm if they are able to advise you in these areas, or if they will refer you to a third party specialist who will give you the advice. Your Disclosure Document/Our Fees and Services document will confirm which areas your Adviser can help you with.

BUY TO LET

A Buy to Let mortgage is when you buy a property with the intention of letting it out. Whether you're an experienced landlord or just starting out in the Buy to Let market, your requirements are likely to be different from that of somebody looking to purchase their main home.

Your mortgage Adviser will not be able to give advice about any potential tax liabilities or expected rental income and it is important you seek advice from appropriately qualified persons.

BRIDGING FINANCE

A bridging loan is a type of loan that is secured on your property and can be used where you need to borrow money for a short period. Bridging finance can be used in a variety of circumstances to provide short term finance solutions until a more permanent form of finance can be arranged. You should be aware that this type of loan is typically more expensive than a standard mortgage.

EQUITY RELEASE KNOWN AS A LIFETIME MORTGAGE

A lifetime mortgage allows you to borrow money secured against your home with the option to roll up the interest due until you sell the property, go into long-term care or die. Where interest is rolled up into the loan instead of being repaid each month, you should be aware that this compounds over the lifetime of the mortgage, and could reduce the inheritance your beneficiaries could otherwise receive. This type of mortgage is only available for persons aged 55 and over.

SECOND CHARGE LOANS

Simply put, this is a second mortgage sometimes known as a 'Secured Loan'. You keep your existing mortgage in place and take a second mortgage with another lender which means you will be making two mortgage payments each month, one to each lender. A Second Charge Mortgage is usually an option for people who need to raise additional money but have high early repayment charges on their existing mortgage should they exit the contract early. You should be aware that these types of mortgages are usually more expensive.

PROTECTING YOUR HOME, HEALTH, LIFE AND LOVED ONES

Your Adviser will guide you through the various ways to protect your home, health, life and loved ones. Please request a copy of the protection glossary which will explain this in more detail.


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