

JARGON BUSTER

Advance

The amount borrowed from a lender.

Annual Percentage Rate (APR)

The total charge for a loan including fees and interest expressed as a percentage.

Buildings Insurance

Covers the home against damage – it is taken out the day contracts are exchanged.

Completion

1. The final legal transfer of ownership of a property – when the property becomes the purchaser's.
2. The start of the mortgage. This is also known as 'drawdown'.

Contents Insurance

Cover for the contents of the home – including furniture, appliances and personal items – against damage, loss and theft.

Contract

The written agreement between the seller and the buyer of a property on transfer of ownership.

Conveyancer

Solicitor or licensed professional who deals with the legal aspects of buying or selling land or property.

Conveyancing

The legal work involved in the sale and purchase of land or property.

Deposit

Two deposits may be payable by a buyer:

1. A reservation charge – the buyer pays this as a sign of commitment when initially agreeing to buy the property.
2. The deposit – a percentage of the price of the property, paid when contracts are exchanged.

Draw down date

The date the mortgage starts.

Early repayment charge

A charge payable on certain types of loan if it is repaid or partly repaid within a certain period e.g. during a fixed-rate period or while a discount applied.

Equity

The amount of money either put into buying a property or the deposit placed on a property. It is also known as capital.

Essential repairs

Work required on a property before the mortgage land can be issued.

Exchange of contracts

The point when both buyer and seller are legally bound to the transaction and at which point the buyer should take out insurance on the property (In the case of some HomeBuy products this will be arranged by the housing association).

First mortgage payment

This is higher than the normal monthly payments, because the lender doesn't collect it until after the loan starts. So, as well as the normal monthly amount, the first payment will include an interest payment for the rest of the month in which the loan began.

Freehold

Outright ownership of a property and the land on which it stands.

Ground rent

An annual charge payment by a leaseholder to the freeholder.

Guarantor

A person who promises they will pay the borrower's debt, usually if the borrower fails to.

Home & Communities Agency (HCA)

Regulating body for housing associations. Implements regional and national housing strategies and invests in the supply and quality of affordable homes.

HomeBuy

Is the term used to describe the products being offered under the Government's Low cost home ownership programme. See the section 'Affordable Housing Choices' for detailed information about the products.

HomeBuy Agent

Is the Government's appointed agent to administer a 'one stop shop' for the Homebuy products described in this guide.

Homebuyer's survey

A surveyor's report on a property which is less extensive than a building survey and is paid for by the purchaser.

Home Information Pack (HIP)

Information the seller has to provide to the buyer about the property. This information has to be ordered from a provider before the property can be marketed for sale. See the section 'Home Information Packs' for detailed information.

Income Multiplier

An income multiple or income multiplier is the formula used to calculate how much a person can borrow. This is also used by the Homebuy Agent to assess how much applicants can afford, when buying a property.

Independent financial advisor

An Independent Financial Adviser's job (IFA) is to help you sort out your financial needs and recommend financial products and services to meet them.

Intermediate housing

Sub-market housing include low cost home ownership schemes, designed to meet the needs of households who cannot access full cost market housing but who can afford more than housing association and council rents.

Intermediate rent

Term used for the rent on intermediate housing. For example this could be 80% of the market rent for a property.

Key worker

A term used by Government to define people who do jobs that are essential to the community, such as fire-fighters, nurses, teachers etc. The full list of keys works can be found on the Homebuy agent's application form.

Land Registry certificate

Provides details of the property including a plan and, if the property is leasehold, a copy of the lease.

Land Registry Fee

A fee paid to the Land Registry to register ownership of a property.

Leasehold

The right to possession, but not full ownership, of a property for an agreed period of time. Ultimate ownership belongs to the freeholder.

Lender

The bank or building society from where a mortgage is obtained.

Lessee

The person to whom a lease is granted – the 'tenant'.

Lessor

The person or company who grants the lease – the 'landlord'.

Life assurance

An insurance policy that pays a lump sum on death. Often taken out with a mortgage, to provide money for the loan to be repaid if the borrower dies during the term.

Low Cost Home Ownership (LHCO)

Low cost home ownership – subsidised housing in the private, owner-occupied sector which is available to people who cannot afford to occupy houses generally available on the open market.

Mortgage

Has a specific meaning in law but has come to mean a loan with property as security.

Mortgagee

The mortgagee is the lender who lends money in return for the mortgage granted by the borrower, who is the mortgagor.

Mortgage term

The term over which a loan will be repaid.

Negative equity

When the value of the property has fallen and is less than the loan secured on it.

NHBC guarantee

A 10 year guarantee, provided by the National House Building Council, that the builder will put right serious defects on a newly-built property. Zurich Municipal and Premier Guarantee all offer similar.

Payment Protection

Insurance which pays your monthly payments, usually for a specified period, if you lose your income through sickness, injury or unemployment.

Section 106

Allows a local planning authority to enter into a legal agreement with a land developer. This agreement often requires them to ensure that the local community will benefit from the homes being provided. This sometimes leads to restrictions on buyers as to their local connection with the area of a particular development.

Service charge

A payment made by an occupier for services provided by a landlord or agent for the maintenance and upkeep of property and communal areas.

Shared ownership

A term used to describe a purchase where the buyer buys part of the property, usually from a housing association, and rents the part not owned. Lessees usually have the option to increase their ownership in the property by buying extra shares until they own the property outright.

Stamp Duty

The tax that is payable on the property. Stamp duty is exempt for properties of less than £175,000. (This is the case at the time of printing).

Title Deeds

The phrase loosely refers to documents establishing ownership of property and on what terms. The title to property is registered at H M Land Registry.

Valuation

An inspection of the property to ascertain its acceptability to the lender as security against the mortgage loan, for which the borrower may have to pay.

Vendor

The person(s) who is selling a property.