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& ASSOCIATES



# First Time Buyers Guide

OUR GUIDE TO BUYING AND PROTECTING YOUR HOME

# Introduction

Buying a home can be a daunting and expensive process. It is one of the most important decisions you will ever make. We hope that this guide, along with our support throughout the process, will ease the stress associated with purchasing a property.

Are you looking to buy your first home? Whether you're a young professional or simply planning for the future and trying to be smart with your money, the information in this booklet, along with support from your dedicated mortgage adviser and administrator, can guide you through the steps to make the experience smoother.

Our mortgage advisers are specialists in working with employees of our corporate partners and we pride ourselves on our customer service levels. Therefore, our aim is always to gain a full understanding of each individual's personal circumstances and requirements. Only by spending the time with you to do so, can we tailor our service to successfully circumnavigate any challenges or hurdles that you may face.

Therefore, the information in this booklet is best used in conjunction with the information provided to you individually, by your adviser.

We also have dedicated guides for Remortgaging and Buy-to-Let. If you need extra support, visit our accessibility page on the website at [www.ccameron.co.uk/accessibility](http://www.ccameron.co.uk/accessibility).



# Borrowing to purchase your home

## WHAT IS A MORTGAGE?

The loan you take out to pay for your property purchase is called a mortgage, which is secured against your home. This means that if you do not keep up your payments to the lender, your home could be sold in order for the lender to recover the money that you owe them. Mortgage Loans are generally offered at lower interest rates, over longer time periods than other types of loans.



# Affordability

## HOW MUCH CAN YOU BORROW?

Lenders decide how much they are willing to lend you, by carrying out affordability tests. These take into consideration:

- Your income, which can also include part or all of any regular bonuses and commission payments, depending on the lender.
- Your outgoings and existing commitments, including utility bills, loans, credit card balances, childcare costs, travel expenses, school fees, etc.
- Your credit history.
- How much deposit you have available.

You will need to find out how much you can borrow before you make an offer on a property. Some lenders are able to work out what they will lend you before you find a property - this is called an Agreement in Principle (AIP) or Decision in Principle (DIP), which some estate agents will ask to see before allowing you to view a property.

Once you decide on a property to purchase, your adviser can recommend a suitable mortgage product for you. They will then tell you what documentation will be needed to support your application and can submit the application on your behalf.

Our team of dedicated mortgage administrators will then track the application and keep you updated on progress, all the way through to you picking up your keys.

The monthly repayment amount that you will be committed to make, depends on the interest rate chosen, whether you take out an interest only or capital repayment mortgage (more information opposite) and how long the term of your mortgage is. Mortgages usually have a term between five and forty years, depending on your current age and planned retirement age. Mortgages should ideally be paid back over the shortest term affordable, as this keeps the overall cost down, with the minimum interest paid.

The above factors will help your adviser to filter out products and lenders that are not relevant or suitable for your individual circumstances and preferences. They will then recommend the most appropriate product and lender to suit you.

## DEPOSIT

Usually, you'll need to save a minimum of 5% of the property value, meaning you'll borrow the remaining 95%. The new government-backed mortgage scheme helps first-time buyers or current homeowners secure a mortgage with just a 5% deposit.

## JOINT MORTGAGE SOLE PROPRIETOR

Some lenders can offer mortgages where another person joins the mortgage with you in order to use a second income for the affordability. But unlike a normal joint mortgage, where you would both have a claim of ownership on the deed of the property, with this type of mortgage, the joint mortgage holder has no legal interest in the property. This means if they already own their own home, it will not trigger any additional second home stamp duty charges. However, this person will need to seek independent legal advice as they will have no ownership over the property and the lenders may work to the age of the eldest applicant.

# Types of Mortgages

## REPAYMENT MORTGAGES

With a repayment mortgage, your monthly payments include both the interest amount charged as well as an additional sum which goes towards reducing the amount you owe. This means that each month you are paying off a small part of your mortgage debt.

**Advantages:** you can see your mortgage amount outstanding reducing, and providing you maintain the required payments, you will also have the certainty that your mortgage will be repaid at the end of the mortgage term.

**Disadvantages:** in the early years of your mortgage the majority of your monthly payments go on interest so the amount you owe will not be reduced by very much.

## INTEREST ONLY MORTGAGES

Interest only mortgages are now only offered under very strict criteria and are unavailable to the majority of clients. With the exception of buy-to-let mortgages, which are often taken out as interest only, rather than repayment. With this type of mortgage, the amount you owe is not repaid from the monthly payments as this only covers the interest amount. Therefore you are not reducing the amount outstanding and the full amount borrowed will need to be repaid at the end of the mortgage term. Therefore, you will need to evidence a repayment strategy.

**Advantages:** if your repayment strategy performs well you could pay off your mortgage earlier than a repayment mortgage, or at the

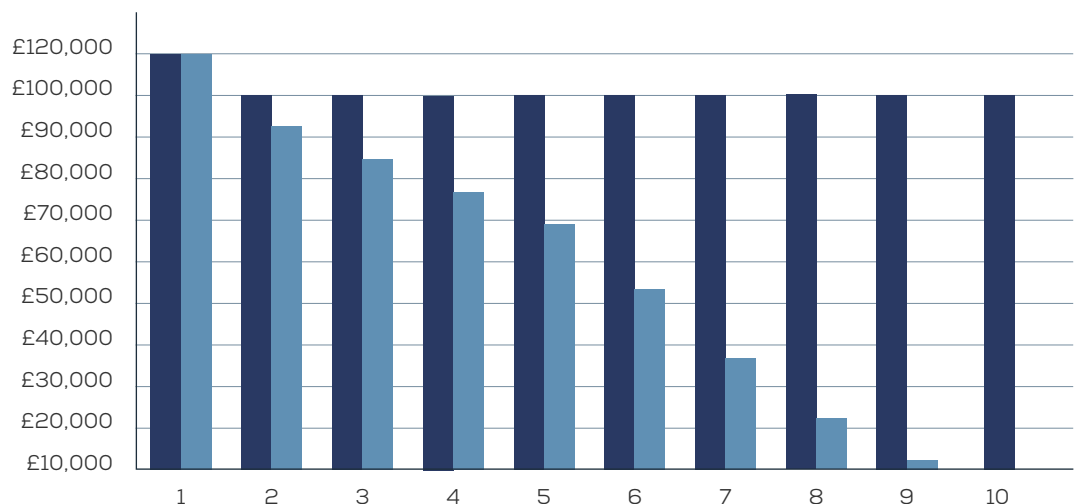
end of the mortgage term you could have a lump sum available after the outstanding mortgage loan has been repaid, to use as you please.

**Disadvantages:** very few investments or savings plans are guaranteed to repay your mortgage in full. If there is a shortfall you will be responsible for paying the difference. Your mortgage provider can demand payment and they will charge you interest on any outstanding balance.

**You should discuss the risks with your adviser and make sure you are comfortable with them.**

### REPAYMENT VS INTEREST ONLY MORTGAGE

£100,000 loan outstanding over mortgage term of 10 years





# Types of Products

There are many different mortgage interest rate options and interest rates vary between products and lenders. Interest rates on buy to let mortgages are typically higher than residential rates. Below is an overview guide of the types of options available, however, a full discussion with your adviser is needed to ensure you choose an option to suit your circumstances.

## STANDARD VARIABLE RATE (SVR)

This is a standard interest rate that can go up or down in line with market rates, such as the Bank of England's base rate. SVR is the lenders' main variable interest rate, meaning that when the existing deal on your mortgage ends, your loan will automatically revert to your lender's Standard Variable Rate.

### Advantages:

- You have more flexibility as you are not tied to a product and can usually repay your mortgage without incurring any early repayment charges.

### Disadvantages:

- Your monthly payments can go up or down which can mean it is difficult to budget. SVR rates are typically higher than the lenders' fixed or tracker mortgage rates, so you could be paying more than necessary.

## FIXED-RATE

If you choose a fixed rate mortgage, your monthly payments will stay the same for a set period of time (usually 2, 3, 5, 7 or 10 years). At the end of the fixed rate period, your interest rate will usually revert to the lenders Standard Variable Rate (SVR) which may not be the best rate available to you, so we would recommend you speak to your adviser 6 months before the fixed rate tie-in period ends, to ensure you have a new mortgage product in place and don't pay more than you need to.

### Advantages:

- You will know exactly how much your payments will be each month for a set period of time.

### Disadvantages:

- Your monthly payment will stay the same for a set period of time, even if other interest rates decrease i.e the Bank of England base rate.
- If you want to repay your loan early, there could be an early repayment charge.

# Types of Products

## TRACKER

With a tracker rate mortgage, your interest rate will be linked to a rate such as the Bank of England base rate for a set period of time. This means your monthly payment may go up or down.

### Disadvantages:

- Some lenders impose a collar, which means the interest rate won't fall below a certain level, even if the rate it is tracking continues to reduce.
- Your monthly payments can go up or down, which can make budgeting difficult.
- If you want to repay your loan early, there could be an early repayment charge.

## OFFSET MORTGAGE

An offset mortgage is generally linked to a main current account and/or savings account which are all held with the same lender.

Each month, the amount you owe is reduced by the amount in these accounts before working out the interest due on the loan. This means as your current account and saving balances go up, you pay less mortgage interest. As they go down, you pay more. Though linked accounts used to reduce mortgage interest payments do not attract interest on the balance.

### Advantages:

- Mortgage payments can be reduced as savings increase, or you may be able to continue paying a higher level and pay your mortgage off early.

- You usually pay tax on your savings. However, if your savings are automatically used to offset your mortgage, you won't pay income tax on these savings. This can be beneficial for higher-rate taxpayers.

### Disadvantages:

- All accounts have to be with one lender/bank.
- You need to have a substantial level of savings.
- If you want to repay the loan early, there could be an early repayment charge.



## RISK WARNING

Interest rates fluctuate and therefore your monthly payments could increase as well as reduce.

Please be aware that some tracker / variable rates have a collar rate applied. In instances where a floor rate is in place, should the base rate fall below this rate you may not benefit.



# Green Mortgage

## WHAT IS IT?

A green mortgage is when a mortgage lender offers the owner preferential terms if they can demonstrate that the property they are borrowing against meets certain environmental criteria. This may include a newly-built home with an environmentally-friendly green roof, solar panels or even a property that has improvements to bring its EPC rating to a higher band.

In other words, a green mortgage describes a mortgage designed specifically for green buildings, or a mortgage where the borrower commits to invest in improving an existing buildings environmental performance.

There are, in essence, three types of green mortgage:

- Lower interest rates for people who buy an energy-efficient home.
- Standard mortgages that offer cash back to buyers who purchase an energy efficient home.
- Mortgages that offer a cheaper interest rate or cashback to buyers who make green home improvements.

With so much awareness around climate change, many people are keen to reduce their impact on the planet and the property market is no different.

## DO YOU QUALIFY FOR IT?

Green mortgages are mortgage products for buyers of environmentally-friendly homes – Whether a home is deemed as environmentally friendly is usually classified by its Energy Performance Certificate (EPC) rating and should be rated B – A+++.

In order to qualify for a green mortgage on a purchase or a refinance, the lender will need to see a copy of the EPC certificate confirming the rating of the property.

However, that doesn't mean owners of homes with a low energy performance certificate rating have to miss out on the green mortgage scheme – lenders can offer green mortgages on older homes too by funding energy-efficient improvements that increase a property's energy efficiency to least a B rating.



# Costs Involved

## How much will my mortgage cost?

<b>APPLICATION / ARRANGEMENT FEES</b>	The costs your lender will charge you for arranging your mortgage.
<b>SOLICITORS FEES</b>	Your licensed conveyancer or solicitor will charge you a fee for their time. You will also need to pay them for the land registry charges and local search fees.
<b>STAMP DUTY LAND TAX</b>	Rate of Stamp Duty Land Tax – SDLT rate
Purchase Price – Residential property	
If you are buying a property valued under £625,000 the stamp duty payable is:	
Up to £425,000	Zero
The next £200,000 (the portion from £425,001 to £625,000)	5%
If you are buying a property valued over £ 625,000 the stamp duty payable is:	
Up to £250,000	Zero
The next £675,000 (the portion from £250,001 to £925,000)	5%
The next £575,000 (the portion from £925,001 to £1.5 million)	10%
The remaining amount (the portion above £1.5 million)	12%
<i>Example:</i>	If you are a first-time buyer and you buy a house for £512,000, the SDLT you owe is calculated as follows:
	<ul style="list-style-type: none"><li>• 0% on the first £425,000 = £0</li><li>• 5% on the final £87,000 = £4,350</li><li>• Total SDLT = £4,350</li></ul>
	<b>Note:</b> The rates above are correct for a sole property purchase in England and Northern Ireland. Buyers in Wales and Scotland will be liable for the Land & Building Transaction Tax (Scotland) or LTT (Wales) instead. Any second property, including Second/Holiday homes or Buy To Let investment property purchases will incur an additional SDLT charge – speak to your adviser for more information on this.

Continued >

# Costs Involved

Continued >

## VALUATION AND SURVEY FEES

You may need to pay for a valuation or survey. The cost will depend on the type of valuation you choose

## MORTGAGE ADVICE FEES

No mortgage advice fees are charged for our corporate clients or their friends/family. In other instances, we reserve the right to charge a fee, which will be explained in full by the Adviser before any application is submitted.





# Costs Involved

We recommend that you complete the table below, with your adviser, in order to approximate the costs involved with your purchase. This should be used as a rough guide only and in some cases the actual amounts of your expenses may be more than the guideline costs. This chart is an indication of your upfront costs. In addition to these, you will need to take into account your monthly mortgage repayments and any insurance payments.

TYPICAL UPFRONT COSTS	ESTIMATE FOR YOUR PROPERTY
Stamp Duty Land Tax	£
Solicitor / Conveyancer Fees	£
Land Registry	£
Mortgage Adviser Fees (if applicable)	£
Lender's Application / Arrangement fees	£
Lender's Valuation Cost	£
Survey Fee	£
Buildings and Contents Insurance	£
Removal Company	£
Other	£
<b>TOTAL</b>	£

## RISK WARNING

If you decide to add fees to your loan, interest will be charged on these amounts. This will increase your monthly repayments and the total amount payable over the term of your mortgage.

# Conveyancing

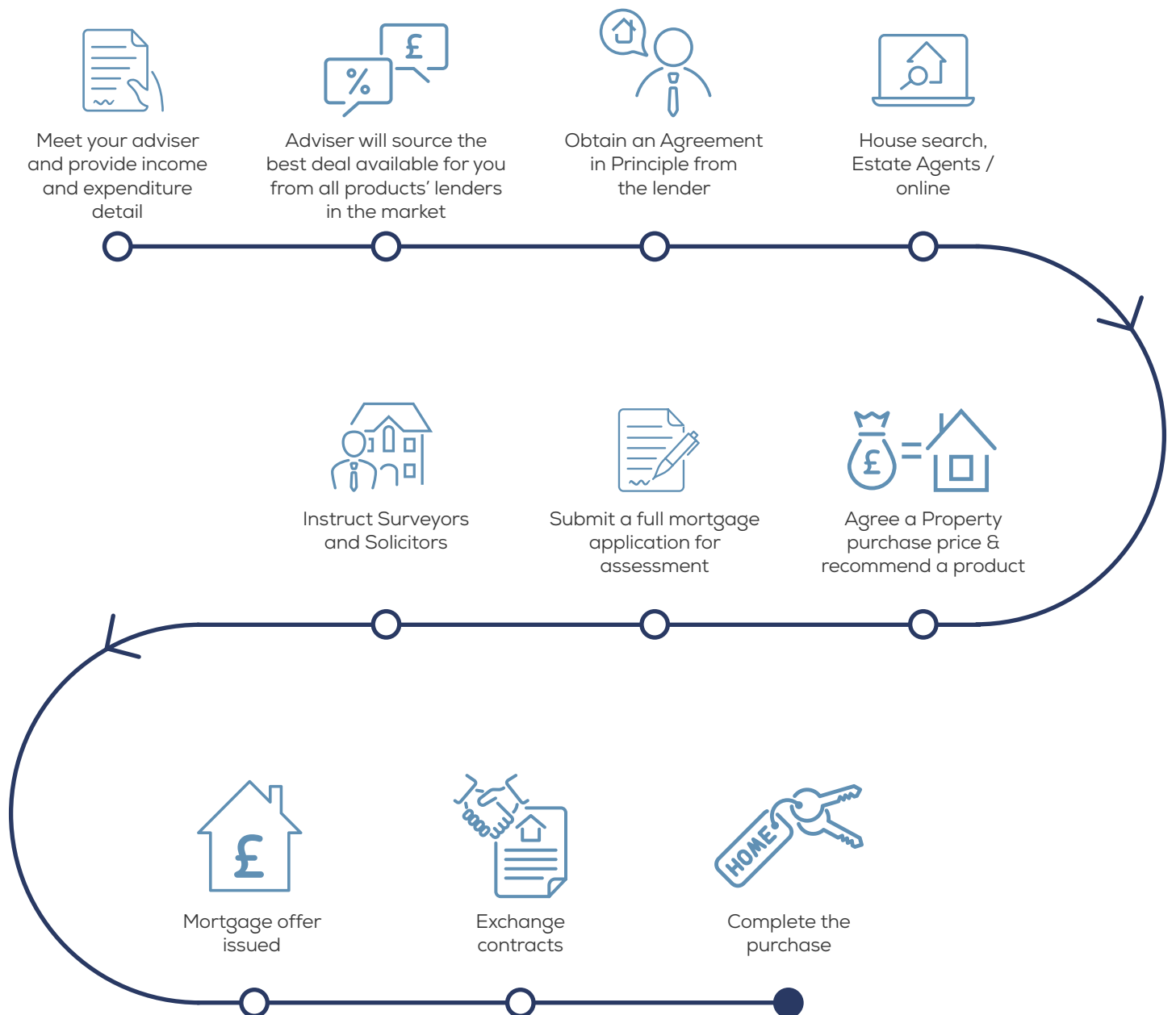
## WHAT IS IT?

When purchasing a property, you will need to instruct a solicitor to perform the necessary legal work. This will consist of, but not exclusive to, legal searches on the property, legal assessment of the management pack if you are buying a leasehold property and conversations with the vendors solicitors to gain a full report on the property you are purchasing.

Some lenders might even offer the incentive of cashback towards legal fees on your first-time buyer mortgage. Often lenders will cover the legal costs when you remortgage.



# Mortgage Process



# Survey

Your mortgage lender will carry out a valuation survey that will look solely at the property's worth – it doesn't cover structural issues and won't highlight any problems with the property, and you may be liable to cover the costs as part of your mortgage product.

How much a property survey costs can vary hugely depending on the type of survey carried out. Remember this is for the lenders' benefit, and they may not share the report with you.

As a house survey is a detailed inspection of the condition of a property, you may prefer also to commission your own report from a qualified surveyor. They would visit the property, carry out an inspection and prepare a report on what they've found.

Home buyers generally have a survey done on a property after their offer has been accepted by the seller, and once their mortgage lender confirms they are happy with their standard survey (however, the process differs in Scotland).

This is for your own purposes only and does not need to be shared with your mortgage provider.

Depending on the property's value and what type of report you go for, this could cost anywhere from a few hundred pounds to over a thousand pounds.

The main survey types are:

## **RICS HOME SURVEY – LEVEL 1**

The RICS Home Survey Level 1 is the most basic survey. It is suitable if you're buying a property built from conventional materials and it is in a seemingly reasonable condition.

It will include a summary of risks to the building and grounds in a clear and high-level report. However, the report will not provide detailed advice or recommendations nor a valuation.

**A RICS Home Survey Level 1 can typically cost between £300-£900.**

## **RICS HOME SURVEY – LEVEL 2**

Also known as a Home Buyer Report, this mid-level survey is a popular choice for most people buying a conventionally built property which is in reasonable condition. It covers everything that a level 1 covers, as well as a report on any roof spaces and cellars.

The report will also include advice and recommendations on any required further investigations and indicative costs for any repairs and on-going maintenance needed. You can also opt for a valuation to be included in a Level 2 report, which will include market value and rebuild costs.

**A RICS Home Survey Level 2 can generally cost between £400-£1000.**

## **RICS HOME SURVEY – LEVEL 3**

This is also known as a 'full structural survey'. If you are buying a very old, dilapidated, listed or unconventional building, or even if you have any concerns over the property, this could be a really useful investment. Although this survey is the most expensive, it is also the most thorough.

As well as the issues highlighted in a Level 2 report, it will also highlight any identifiable risks and causes of potential or hidden defects in areas not inspected. It will outline the likely scope of any appropriate remedial work needed and even explain the likely consequences of non-repair. Plus, you'll get recommendations in respect of the priority and likely timescale for necessary repairs.

**The RICS Home Survey Level 3 can typically cost from £630 to £1500 or even more depending on the property.**



# Useful Checklist

In order to package your full mortgage application, your adviser will need to review some supporting documents. Therefore, it is helpful to collate the following supporting paperwork:

Latest 3 months payslips / 3 years audited accounts or SA302	<input type="checkbox"/>
Latest 2 years P60	<input type="checkbox"/>
Last 3 months statements for ALL bank and savings accounts held	<input type="checkbox"/>
Proof of ID (passport / driving licence)	<input type="checkbox"/>
Proof of address (utility bill dated in last 3 months – not mobile phone bill)	<input type="checkbox"/>
Current visa if a foreign citizen	<input type="checkbox"/>
Details of any prior commitments – e.g., credit card statement / loans statement / existing mortgages balance and account number / car finance statement / HP credit / childcare costs or schooling fees	<input type="checkbox"/>
Proof of deposit – if family members are contributing, you will also need a gifted deposit form	<input type="checkbox"/>

# Moving

## Checklist (property viewing checklist)

Property address		
Asking price	£	
Is the property Leasehold or Freehold? If Leasehold, how long is the lease remaining?		Years
How much are the ground rent and service charges per year?	£	
When was the property built?		
Is there allocated parking? If not, are there any parking charges /limitations?		
Does the property have a shared or private garden?		
Does the property have central heating?		
Does the property have double glazing?		
Are the transport links suitable for your commute?		
Is the area noisy? (hint: visit at different times of the day)		
Where are the nearest shops?		
Where are the nearest schools?		
Is the property tied up in a chain?		
How quickly would the owners like to move?		

**TIP:** Print this page to use for multiple viewings and have a useful comparison tool.





# Insurance

## What kind of protection do you need?

You will need to ensure you have adequate insurance in place to protect yourself, your income and your home, should the unexpected happen. CC&A offers professional advice from a team of dedicated insurance specialists, so that you have the peace of mind of knowing that if anything were to happen to you, your home and family are financially secure.

### LIFE INSURANCE

Life Insurance could be taken out to cover a mortgage debt. If you die before your mortgage term ends, your chosen beneficiaries will receive a lump sum they can use to pay off the outstanding amount on your mortgage, giving them one less thing to deal with at a time of high stress and ensuring they can continue to live in the home when you're gone. It can be taken out as a tax-free lump sum, or as an annual income replacement known as a Family Income Benefit (FIB).

### CRITICAL ILLNESS COVER

Critical Illness Insurance covers you should you succumb to a serious illness (definitions vary from policy and provider. In the event of a claim these defined definitions would need to be met), giving you a one-off lump sum, which dependent on the level of cover you choose, you could use to redeem your mortgage in full, part or to simply provide a significant financial boost when you most need it. It doesn't matter whether you are still able to work or not, your cover will be paid regardless.

### INCOME PROTECTION

If you're unable to work, for example through illness, Income Protection Benefit (IPB) will pay you a tax-free salary until you return to work, or when the policy ends. The advantages of IPB are straightforward: you can receive up to 60 percent of your salary tax-free every month, ensuring you are able to cover your mortgage and other monthly outgoings. There are also low-cost options available, which run for two years.

### PROPERTY INSURANCE

It is a compulsory requirement of a mortgage to have an active Buildings Insurance policy in place. This covers the cost of repairing damage to the structure of a property. Your insurance should cover the full cost of rebuilding your property. You might also want to think about insuring your personal belongings with Contents Insurance. It is always a good idea to put some protection in place against any loss or damage to the things you own. CC&A can put you in touch with general insurance experts.

# Jargon Buster

## AGREEMENT IN PRINCIPLE (AIP) / DECISION IN PRINCIPLE (DIP)

This is a document that is provided by a mortgage lender which can confirm to the seller or estate agent of a property that you are able to borrow a certain amount. Also known as a decision in principle.

## APRC / APR

APRC (Annual Percentage Rate of Charge) is a rate the lender is always required to quote when providing details on a mortgage product. It is a calculation to show the total amount of interest paid over the whole mortgage term.

## ARRANGEMENT FEE

This is a fee charged by mortgage lenders for setting up your mortgage. You can pay this upfront or add it to your overall mortgage. If you were to pick the second option though, you will be charged additional interest on this amount.

## ARREARS

The legal term for a debt that is overdue.

## BASE RATE / BANK OF ENGLAND BASE RATE (BOE RATE)

A rate of interest set by the Bank of England. The base rate influences the interest rates that many lenders charge for their mortgage products.

## BRIDGING LOAN

A bridging loan is a type of short-term property backed finance. They are often used to fund you for a period of time whilst allowing you to either refinance to longer-term debt or sell a property.

## BUILDINGS INSURANCE

Buildings insurance covers the cost of repairing damage to the structure of your property. This is a condition of your mortgage offer.

## BUY-TO-LET

A property purchases with the intention to let it out.

## CAPITAL REPAYMENT MORTGAGE

When your mortgage payments consist of repaying the capital amount borrowed as well as the accrued interest, so that the amount borrowed decreases throughout the term and by the end of the term of the mortgage will be fully repaid.

## CASHBACK MORTGAGE

A cashback mortgage is one where a cash lump sum is paid to the mortgage applicant on completion of the mortgage.

## CCJ

A County Court Judgment (CCJ) is a type of court order in England, Wales and Northern Ireland that might be registered against you if you fail to repay money you owe.

## COMPLETION

The day you collect the keys or for remortgage transactions, when the deal is finalised.

## CONTENTS INSURANCE

Contents insurance covers your possessions in the event of theft, loss or damage, including natural disasters, fires or flooding. It's separate from home insurance, which covers the building you live in, including fixtures and fittings.

## CONSENT TO LET

Enables you to let you a property without switching to a buy-to-let mortgage, terms must be agreed with your lender.

## CREDIT CHECK

A credit check, also known as a credit search, is when a company looks at information from your credit report to understand your financial behaviour.

## CREDIT RATING

A credit rating is an evaluation of the credit risk of a prospective debtor, predicting their ability to pay back the debt, and an implicit forecast of the likelihood of the debtor defaulting.

## CONVEYANCING

In law, conveyancing is the transfer of legal title of real property from one person to another.

# Jargon Buster

## DEPOSIT

A deposit is an amount of money that you pay, which is a percentage of the full cost of the property you want to buy, so that a bank or money lender will give you a mortgage to pay for the rest of the property.

## DEFAULTING

Falling behind on your mortgage repayments.

## DISBURSEMENTS

This is another name given to the extra fees relating to your mortgage.

## EARLY REPAYMENT CHARGES (ERCS)

A fee you may be required to pay if you wish to pay off your loan before the initial period of the deal ends.

## EQUITY

Your equity is made up of your deposit plus what you've paid off on your mortgage. So essentially, the part of your property that you own.

## EXCHANGE OF CONTRACTS

A final agreement between the buyer and the seller of a property, after the exchange of contracts the sale cannot legally be stopped.

## FIXED-RATE MORTGAGE

A fixed-rate mortgage is exactly as it sounds. The mortgage interest rate stays the same or 'fixed' for the initial period of the deal, which can be anything from 1-15 years, most commonly between 2-5. This means that what you pay each month will stay the same for this period.

## FLEXIBLE MORTGAGE

Flexible mortgage product offers flexibility to the structure of your monthly mortgage repayments.

## FREEHOLD

You own the property and the land it's built on.

## FULL STRUCTURAL SURVEY

A detailed and comprehensive look at the condition of a property by a surveyor.

## FURTHER ADVANCE

A further advance is taking on more borrowing from your current mortgage lender. This is typically at a different rate to your main mortgage.

## FIXTURES AND FITTINGS

A fixture is understood to be any item that is bolted to the floor or walls, and a fitting to be any item that is free-standing or hung by a nail or hook.

## GAZUMPING

Make a higher offer for a house than (someone whose offer has already been accepted by the seller) and thus succeed in acquiring the property.

## GREEN MORTGAGE

A mortgage or cashback offered at a lower rate if the home has an A or B rating on the EPC. See what is a green mortgage?

## GROUND RENT

Regular payments made by a holder of a leasehold property to the freeholder/managing agent as required under a lease.

## GUARANTOR

This is a third party who agrees to cover your monthly mortgage repayments if you are unable to. Often a parent or guardian.

## INTEREST-ONLY MORTGAGE

Each month, you only pay off the interest, without repaying any capital from the loan. Therefore, you are required to have another way of paying off the loan when your mortgage term comes to an end.

# Jargon Buster

## HELP TO BUY

The government introduced the Help-to-Buy scheme in 2013. However, applications for the final phase of the scheme closed on 31st October 2022. This initiative is no longer active.

## HIGHER LENDING CHARGE (HLC)

A higher lending charge is a charge made by mortgage lenders in the UK when the loan-to-value ratio of a mortgage is higher than they are prepared to accept at standard rates.

## MORTGAGE ADVISER / INTERMEDIARY / BROKER

The 'middle person' in a transaction. i.e. a mortgage adviser would be an intermediary because they are the person acting between the mortgagee and the mortgagor.

## LAND REGISTRY FEE

The cost to the Land Registry for ensuring the correct charges and proprietorship shows on the title deeds – your solicitor will often deal with this aspect.

## LEASEHOLD

You own the property but not the land it's built on. Commonly, flats and maisonettes are leaseholds, so while you own your property in the building, you do not own the building it is in.

## LEGAL FEES

Fee's payable to your solicitor to carry out the legalities involved with purchasing property.

## LIFE ASSURANCE

Life assurance, often known as term assurance, pays out a lump sum once a policyholder passes away within the policy term (assuming they've met their monthly premiums).

## LIFETIME MORTGAGE

With a lifetime mortgage, you take out a loan secured on your home which does not need to be repaid until you die or go into long-term care.



# Jargon Buster

## LOAN-TO-VALUE (LTV)

The size of your mortgage as a percentage of the property's value.

## MORTGAGE DEED

The mortgage deed is what a borrower signs to accept the mortgage offer and the terms and conditions within it.

## MORTGAGE ILLUSTRATION / KEY FACTS DOCUMENT (KFI)

When a lender or an adviser recommends a mortgage, they have to give you a mortgage illustration document, commonly known as a Key Facts Illustration document, its purpose is to outline in detail the mortgage being recommended.

## MORTGAGE OFFER

A mortgage offer is official confirmation from a lender that it will provide you with a mortgage.

## MORTGAGE TERM

The length of time you are taking out the mortgage for.

## NEGATIVE EQUITY

Negative equity occurs when the value of a property used to secure a loan is less than the outstanding balance on the loan.

## NEW BUILD PROPERTY

A 'New Build' is defined as a property that hasn't been purchased (even if it's been occupied) within two years of being newly constructed, converted or refurbished, including properties bought off plan.

## NHBC

National House-Building Council (NHBC) is the leading home construction warranty and insurance provider for new and newly-converted homes in the UK.

## OFFSET MORTGAGE

An offset mortgage links your mortgage to your savings account. The value of your savings is deducted from the amount you pay interest on, which lowers your monthly payments. With an offset mortgage, you will not earn interest on your savings.

## OUTSTANDING BALANCE

The current outstanding balance required to redeem a mortgage with your current lender.

## PAYMENT HOLIDAY

A Payment Holiday is a feature offered within some mortgage products.

## PLANNING PERMISSION

Permission needed from the local authority to undertake works (whether they be extensive or not) on your property.

## PRODUCT TRANSFER

A product transfer is when you move from your existing mortgage deal to a new one with your current lender.

## REDEMPTION STATEMENT

A Redemption Statement (Red Stat) is a statement a solicitor will request from your existing lender up to a week before your sale or refinance to a new bank to get the most up to date figure of the full mortgage to be redeemed.

## REPOSSESSION

When a property is taken back from a lender when mortgage repayments are not being met by the mortgagor. Always as a last resort.

## RETENTION

Mortgage retention is where the lender holds back some of the funds until you've completed essential works.

## RIGHT TO BUY

Right to Buy is a government scheme designed to help tenants in council housing to buy their homes with often rather large discounts.

## SECURED LOAN

A loan that is secured against an asset such as a mortgage on a property.

# Jargon Buster

## SERVICE CHARGE

A service charge is a fee collected to pay for services related to the primary product or service being purchased.

## SHARED OWNERSHIP

Shared Ownership is an affordable homeownership scheme that makes it easier for first-time buyers to get on the property ladder. Buyers purchase a share of the property, and pay rent on the remaining share.

## STAMP DUTY

When you buy a property in England and Northern Ireland you will have to pay a tax called stamp duty if the property is worth more than £250,000 (or more than £40,000 if it's your second home).

## STANDARD VARIABLE RATE (SVR)

This is the name for the interest rate that your lender will begin charging you after your initial mortgage deal ends.

## SUBJECT TO CONTRACT

Once an offer has been accepted by the seller, then the property is sold subject to contract (STC). This means that although the offer has been accepted, the paperwork is not yet complete. No money will have changed hands yet, so nothing is legally binding and the price can still be negotiated.

## TIE-IN PERIOD

This is the period during which you are 'locked in' to your mortgage deal. You may have to pay an early repayment charge if you leave your mortgage during this period.

## TITLE

The title is a document that gives evidence of legal ownership of property.

## TRANSFER OF DEEDS

A transfer deed is a document used in conveyancing in England and Wales to transfer real property from its legal owner to another party.

## TRACKER MORTGAGE

A tracker mortgage is a type of variable mortgage, which means that the interest rate you pay usually tracks the Bank of England base rate and is subject to change in line with this.

## TRANSFER OF EQUITY

A Transfer of Equity is when a jointly owned property is transferred to one of the existing owners, or when a single owner adds one or more people to the ownership of the property.

## UNDERPAYMENT

When you have paid less on a mortgage than the amount agreed e.g. your monthly repayment with Barclays is £500 but you pay £300 one month. Usually allowed if you have overpaid on the mortgage previously but has to be pre-agreed with the lender.

## UNDERWRITING

The process of document assessment by a lender in order to agree a lending decision on the mortgage.

## VALUATION SURVEY

A valuation survey is what a lender will use to independently confirm the value of the property you wish to purchase.

## VARIABLE RATE

A variable interest rate (sometimes called an "adjustable" or a "floating" rate) is an interest rate on a loan or security that fluctuates over time because it is based on an underlying benchmark interest rate or index that changes periodically.

## VENDOR

A person selling a property.

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