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## MORTGAGE TERMS

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### AGREEMENT IN PRINCIPLE

A document from a mortgage lender confirming the amount you can borrow. Useful to prove to a seller that you can afford their property.

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### BASE RATE

The Bank of England's base rate is voted by the Monetary Policy Committee (MPC) eight times a year. However, they can make unscheduled changes, if they think it necessary.

This determines what commercial banks pay the Bank of England on their loans and what you pay. Lower base rates are good for borrowers. Higher base rates are good for savers.

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#### CAPPED RATE

If your mortgage deal has a capped rate, regardless of increases to the Bank of England base rate, the interest rate charged by your lender will never exceed the upper capped limit.

#### DISCOUNTED-RATE DEAL

For a set amount of time the interest rate you are charged is fixed at an amount less than your mortgage lender's standard variable rate (SVR).

The SVR is an interest rate set by your lender, which can raise or lower by any amount and at any time. Meaning the amount you pay could change from month to month. The savings you make only applies to the interest that you pay. Good, when interest rates are low but you are at the mercy of the lender's SVR.

#### EQUITY RELEASE MORTGAGE

'Home equity release' lets you access some of your equity (value of your home less any money owed on a mortgage) whilst still living in your home.

When you decide to sell, you pay the home reversion provider their share of the proceeds.

#### FIXED RATE MORTGAGE

The mortgage interest rate stays the same so you know what you will be paying on your mortgage each month.

#### GUARANTOR

A third party, typically a parent or guardian for first time buyers, who agrees to meet the monthly mortgage repayments if you are unable to.

#### HELP TO BUY

An equity loan for first time buyers from the Gov of up to 20% or 40% in London on participating new-build properties up to the value of £600,000.

A minimum deposit of 5% is required and a mortgage on the remaining amount. After 5 years you start paying interest on the gov loan.

#### INTEREST ONLY

You only pay back the interest on the money you've borrowed each month. At the end of the mortgage term, you'll still owe exactly what you borrowed, so it's best your property has gone up in value.

#### JOINT MORTGAGE

A mortgage taken out by two or more people.



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**KILL JOY**

If your mortgage deal has a 'collar', your interest rate will not fall any lower than the specified amount. Meaning you could miss out on any savings a lower rate could bring.

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**LOAN TO VALUE**

(LTV) ratio is an assessment of lending risk that financial institutions and other lenders examine before approving a mortgage. Typically, loan assessments with high LTV ratios are considered higher risk loans - higher interest rates.

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**MORTGAGE REPAYMENTS**

How much you pay each month to your lender

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**NEGATIVE EQUITY**

When the total borrowing secured against your home is greater than its value.

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**OFFSET MORTGAGE**

Savings held in a linked bank account are subtracted from the amount of mortgage that you pay interest on. The greater the savings the less you pay interest on. Should you dip into your savings, the interest payment increases.

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**PORTABILITY**

When you transfer your mortgage from your existing property to a new one without incurring arrangement fees

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**QUESTION EVERYTHING**

There are no silly questions, make sure you are comfortable with everything that is going on.

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**REMORTGAGING**

When you change your mortgage without moving home. Often a good way of saving money if a better deal is out there.

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#### STANDARD VARIABLE RATE (SVR)

If your fixed-term or tracker deal has ended you will be put on the lender's SVR interest rate which could increase your costs. It says to remortgage.

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#### TRACKER MORTGAGE

A home loan where the interest rate you pay is based on an external rate – usually the Bank of England base rate – plus a set percentage.

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#### YOU

You and your lender will create a formal contract, mortgage deed, outlining your legal obligations to the borrower and the rights the lender has if the borrower fails to make a repayment.

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#### VARIABLE-RATE LOAN

The interest rate on the loan changes as the index rate changes, meaning monthly payments could go up or down in line with its movements.

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#### WATCH OUT

Watch out for tie-in periods. You will have to pay an early repayment charge if you leave your mortgage early.

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#### X-RAY

Check the small print. Make sure you understand all the possible variants on the offer before you proceed and any hidden fees.

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#### YOURSELF

Look after yourself. Right to buy – Under the current system, if you are a council tenant and want to buy your home you could receive up to 70% off the purchase price, depending on how long you have lived there.

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#### SEE YOU LOSE

Many presume they aren't eligible for a mortgage or think it will be overly complex. Talk to a professional broker or your bank. You only pay them should you proceed, and they will be able to guide you on what your options are.

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