Cheatography

Mortgage Jargon Glossary Cheat Sheet

by Dave Child (DaveChild) via cheatography.com/1/cs/31164/

General Mortgage Glossary

Agreement in principle	A document from a lender indicating they may, based on the information they've received, be able to offer that much as a mortgage to the borrower.
Arrangement fee	A fee from the lender to cover their costs for arranging the mortgage.
Arrears	Arrears means money owed to the lender which has not been paid on time.
Booking fee	A fee from the lender to cover their costs for arranging the mortgage.
Broker	An adviser who can help you arrange a mortgage.
Buy-to-let	A property the borrower intends to let out instead of live in.
Capital	The money you borrow to buy a property.
Conveyancing	The legal process of buying or selling property.
Deposit	The amount of money the borrower puts forward to buy the property, which together with the capital should add up to the total purchase price.
Early repayment charge	A fee the borrower pays to repay some or all of the mortgage early.
Equity	The amount of the property that the borrower owns outright. The value of the property less the amount outstanding on the mortgage.
Equity release scheme	A system allowing people to take some of the equity out of their home.
Freehold	The property owner also owns the land the property stands on.
Gazumping	This is when an offer has been accepted by the seller, but a second (higher) offer is made and the seller accepts that instead.
Guarantor	A third party who agrees to pay the mortgage payments if the borrower does not.
Higher lending charge	This is an additional fee charged by some lenders if the LTV is very high.

General Mortgage Glossary (cont)

Intermediary	An advisor who can help arrange a mortgage.
Land Registry	The official body responsible for maintaining details of property ownership.
Leasehold	The property owner does not own the land the property stands on.
Loan-to-value	The percentage of the value of the property that is being borrowed.
Monthly repayment	The amount the borrower pays each month to the lender.
Mortgage deed	The official contract between the lender and borrower covering the terms of the loan.
Mortgage term	The length of time the borrower will owe money to the lender, if they do not make any early repayments.
Negative equity	This is when the value of the property drops enough that the amount outstanding on the mortgage is less than the value of the property.
Portability	This is where the borrower can transfer their mortgage to a new property without arrangement or early repayment fees.
Repayment vehicle	Part of interest-only mortgages, where the mechanism by which the capital is to be repaid is specified.
Service charge	The fees charged by the freeholder to the owner of a leasehold property.
Stamp duty	A tax on property sales, charged by the government.
Tie-in period	The length of time for which the borrower would incur an early repayment fee if they attempted to remortgage with another lender.
Underwriter	The person or organisation which approves the borrower's mortgage.
Valuation survey	A survey by the lender to confirm the property is worth enough to secure their loan.

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Published 4th March, 2022.
Last updated 14th March, 2022.

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Interest Rate Terms

APR	A rate designed to help understand the cost of borrowing, including charges as well as interest.
Base rate	An interest rate set by the Bank of England, on which tracker and standard variable rates are usually based.
Capped rate	An upper limit above which the interest on a mortgage is not allowed to rise.
Collar	A lower limit below which the interest on a mortgage is not allowed to fall.
Discounted rate	A rate, typically for a defined period, which is lower than the standard interest rate of the mortgage.
Fixed rate	An interest rate which does not change.
Standard variable rate	An interest rate which changes, typically based on something like the Bank of England base rate.

Types of Mortgage

Cashback mortgage	A mortgage where the initial loan includes some cash as well as the loan for the property.
Current account mortgage	All debts and balances combined into one, so the borrower's balances offset and reduce your debts.
Discounted-rate mortgage	A mortgage where the rate is lower than the lender's standard rate.
Endowment mortgage	A type of interest-only mortgage where the balance is paid at the end of the term via an investment.
Family offset mortgage	A mortgage which allows family members to use their savings to offset the interest accrued by first-time buyers.
Fixed-rate mortgage	A mortgage where the interest rate stays constant for a set period.

Types of Mortgage (cont)

Flexible mortgage	A mortgage which allows the borrower to overpay or underpay, or take a payment holiday.
Interest-only mortgage	A mortgage where the borrower only pays the interest on the loan, with the balance still being due at the end of the term.
Joint mortgage	A mortgage with more than one borrower (for example, a married couple might take a joint mortgage together).
Lifetime mortgage	A mortgage where the balance is repaid upon the borrower's death.
Offset mortgage	The mortgage and savings are treated as a single entity, so your savings serve to reduce the interest on your mortgage.
Remortgage	A new mortgage a borrower takes out without moving house, often to improve the interest rate they are paying.
Repayment mortgage	A mortgage where the borrower pay off the interest and the loan each month (as opposed to interest-only).
Sub-prime mortgage	A mortgage offered to someone who doesn't reach typical credit requirements for a mortgage.
Tracker mortgage	The interest rate will follow the Bank of England base rate at a set level above it.
Variable-rate mortgage	The interest rate will follow the standard rate offered by the lender.

Insurance Terms

Buildings insurance	Insurance that covers damage to the structure of the property.
Contents insurance	Insurance that covers damage to the contents of the property.

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Insurance Terms (cont)

Mortgage payment protection insurance	Insurance that covers the borrower for a time in the event they cannot make mortgage payments.
Rebuild cost	The cost of rebuilding your home if it is destroyed.

Government Buyer Help Schemes

Help to Buy	One of several government schemes designed to help buyers, including guarantees, ISAs, and equity loans.
Help to Buy ISA, Lifetime ISA	A savings vehicle in which the government will add a bonus to money saved each year.
Right to Buy scheme	Intended to allow those in social housing to buy their homes.
Shared ownership	Where the borrower buys a share of the property, with their housing association owning the remainder.
Starter Homes Initiative	Discounted homes for first-time buyers under 40.

Acronyms and Initialisms

AIP	Agreement in principle. A document from a lender indicating they may, based on the information they've received, be able to offer that much as a mortgage to the borrower.
APR	Annual Percentage Rate. The cost of the mortgage on an annual basis.
BTL	But-To-Let. A type of mortgage intended for people who are borrowing so they can buy a property they intend to let out instead of live in.
CAM	Current Account Mortgage. All debts and balances combined into one, so the borrower's balances offset and reduce their debts.
CCJ	County Court Judgement. When debts go to court, a CCJ may be issued, and that remains on a credit report for six years.
DIP	Decision in principle (see *AIP* above)

Acronyms and Initialisms (cont)

CI	Critical Illness. Related to insurance a borrower can take out to cover them if illness makes them unable to work.
ERC	Early Repayment Charge. The penalty fees incurred by repaying some or all of the mortgage early.
LTV	Loan-to-Value. The percentage of the value of the property that is being borrowed.
MPPI	Mortgage Payment Protection Insurance. Insurance that covers the borrower for a time in the event they cannot make mortgage payments.
RIO	Retirement Interest Only. A retirement mortgage where the borrower only pays interest and the loan is repaid on the death of the borrower.
RTB	Right to Buy. A government scheme allowing people to buy social homes.
SVR	Standard Variable Rate. This is the typical interest rate when not in a fixed or discounted period.

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