

LANGUAGE OF MOVING OR RE-MORTGAGING



You may find the whole business of Moving Home or Re-Mortgaging is surrounded by jargon. This is the language which professionals use to describe technical transactions. When all this jargon is put together, it can be quite mystifying to people who are not involved in the business on a day-to-day basis. What follows is a list of some of the most commonly used terms in England and Wales and their meaning in everyday language.

➤ ABSOLUTE TITLE

Absolute ownership of property.

➤ ABSTRACT OF TITLE

A summary of all previous dealings in the property including sales, charges and easements.

➤ A.I.P.

Agreement In Principle. This does not mean that a prospective buyer has a mortgage agreed – it is simply that the preliminary checks have been undertaken and they have been confirmed, in principle, as being eligible for a mortgage subject to finding a suitable property.

➤ APR (ANNUAL PERCENTAGE RATE)

The true rate of interest payable on any sum borrowed. The APR reflects the total amount payable over the term of the mortgage and will include any costs related to the loan such as arrangement fees and other charges.

➤ ARRANGEMENT FEE

Certain mortgage lenders charge an administration fee for arranging a mortgage. In many cases, this fee (or part of it) is not refundable even if the purchase does not go ahead.

➤ BRIDGING LOAN

A short-term loan to buy a new property before the purchaser has sold his or her existing property. This can be arranged over an agreed period of time specified at the outset (Closed bridging) or for an unspecified period (open bridging).

➤ BUILDINGS INSURANCE

The insurance cover to protect the home purchased (the actual bricks and mortar) from damage caused by a wide range of risks such as fire, storm etc. The terms of the contract are confirmed in the policy document.

➤ BUILDINGS & CONTENTS INSURANCE

Many companies now offer a combined buildings and contents insurance, protecting the home as well as the contents. The terms of the contract are in the policy document.

➤ CASH BUYER

The buyer has no existing property to sell in order to finance this purchase and is not reliant upon having a mortgage.

➤ CHAIN

A chain is the term normally used to describe a series of interdependent house moves. When completed the last of these is not dependent upon the sale of a property to finance the next one or simply the last property of the chain may be vacant or the owners may not be buying on.

➤ CHARGE

A charge is the security a lender has over the house to safeguard the money it has lent. If the lender, a building society for example, takes a charge over a property the lender can exercise the right to cover the outstanding debt, by selling the property if the borrower fails to observe the terms of the mortgage.

➤ CHARGE CERTIFICATE

The document of title to a mortgage on registered land.

➤ COMPLETION

The end of the process of buying a house. Completion occurs when money transfers from the purchaser (via a lender in most cases) to the seller. It is usually followed immediately by the purchaser moving into their new home. The estate agent's invoice is now due for payment.

➤ CONTRACT

In the context of house purchase, the contract is the legally binding agreement between the buyer and the seller.

➤ CONVEYANCING

The process of transferring legal ownership of property – including the land, if a freehold property – from the current owner to a prospective purchaser.

➤ COVENANTS

Covenants are restrictions sometimes contained within the deeds to the lease of a property, for example, the prohibition of parking caravans or boats on modern estates. Covenants reserve the right for other people to use the property, e.g. rights of drainage.

➤ DEEDS

The Deeds or Title Deeds are the documents which signify the ownership of a property. Lenders will normally require the borrower to deposit the deeds with them during the repayment period.

➤ DEPOSIT

There are two types of deposit which can be involved on the purchase of property. The first type is a pre-contract deposit, given by the buyer, as an indication of an intention to buy the property and is held by the estate agency on behalf of the buyer. It is refundable upon request. The second is a contract deposit held as 'stake' money by the buyer's solicitor. Normally it is 10% of the sale price of the property and is not refundable once exchange has taken place.

➤ EQUITY

Equity refers to the new value of a mortgaged property after the outstanding mortgage has been deducted.

➤ EXCHANGE OF CONTRACTS

By the time contracts are exchanged, the process of buying a house is almost complete. It is the transaction whereby signed contracts for both buying your new home and selling your old home are transferred between solicitors either physically or by telephone. The exchange of contracts is legally binding. After exchanging contracts, the buyer cannot pull out without incurring considerable expense.

The seller can enforce the contract against the buyer, that is to say, compel the buyer to buy the property, however this is rare. Normally the purchaser will be forced to pay all the seller's costs in reselling the property and will forfeit the full 10% deposit. This is the time for the buyer to insure both the house and his or her life.

➤ FREEHOLD

If a buyer purchases a freehold property, he or she acquires the property (actual bricks and mortar) and the land on which the property stands.

➤ GAZUMPING

It means the seller of a house accepts a higher bid for the property after agreeing terms (accepting and offer) from another would-be buyer.

➤ GROUND RENT (LEASEHOLDERS ONLY)

Payments to the freeholder (the ultimate owner of the property) required under the terms of a lease.

➤ INTEREST

Interest is the charge made by the mortgagee for lending the borrower the funds for purchasing the property.

➤ JOINT LIFE

An insurance term referring to life cover arranged for two people, often to cover a joint mortgage.

➤ LAND REGISTRY FEES

Fees payable to register the evidence of ownership of a property with the Land Registry. The fees are set by the Government and are payable by the buyer.

➤ LEASEHOLD

In the case of leasehold properties, for example some flats, the buyer purchases a lease which guarantees the right to occupy the property for a set period, rather than buying the actual bricks and mortar. Leases can be of varying lengths, but new leases are typically for 99 or 999 years.

➤ MORTGAGE REDEMPTION

The act of terminating the agreement by payment of the outstanding amount. A fee may be charged according to the lenders terms. Some lenders waive this fee if sufficient notice of termination is given.

➤ MORTGAGE

A legal agreement by which a sum of money is lent on the security of property, land etc. If the borrower fails to observe the terms of the mortgage, the lender retains the right to take possession of the property.

➤ MORTGAGE INDEMNITY GUARANTEE PREMIUM

A single premium insurance policy to cover the additional risk to the lender, where a loan equal to a high percentage of the value of the property is taken out. Although this policy covers the lender not the borrower, the borrower pays the premium.

This premium often goes under different names, depending on which company the mortgage is arranged through.

➤ MORTGAGE OFFER

A formal offer stating that an advance will be available from a building society or bank for the purchasers of the specified property. This is normally valid for 3-6 months.

➤ OFFER

An offer is effectively a bid by a prospective buyer. In England and Wales acceptance of an offer does not constitute a legally binding contract.

➤ POLICY

The documentation received when life cover is effected outlining the terms of the contract between the life/lives assured and the insurance company.

➤ POWER OF ATTORNEY

In some cases, a buyer or seller will grant power of attorney to someone, usually (but not always) a legal representative. This person will have the power to sign the documents on behalf of the buyer or seller. Power of Attorney is very useful when either the buyer or seller is out of the country, so that the documents can be signed without excessive delays. It is also useful if the seller is elderly or ill.

➤ PRELIMINARY ENQUIRIES

Written questions sent by the purchasers solicitor to the seller to find out information about the property, e.g. owner of fences, availability of gas and electricity, inclusion of fixtures and fittings in the sales, proposed date of completion.

➤ PREMIUM

When a mortgage is effected, the borrower will usually take out policies to protect against death, serious illness or unemployment. The premium is the money paid for this cover and is normally payable monthly.

➤ REGISTERED LAND

Land registration is now compulsory for all transfers of land. When land is registered it makes life easier for the conveyancer, as a

search of the Land Registry confirms beyond doubt the quality of title and any conditions attached to it.

➤ RETENTION

Part of the mortgage advance may be retained by the lender. This happens when the Valuer has identified areas that require further investigation and repair. The amount of the retention reflects the cost of the repair work and specialist reports will be required in order to obtain accurate quotes. A full retention may be made if the repairs are extensive or of a structural nature. Once the work has been completed the lender will invariably re-inspect prior to releasing the funds retained.

➤ RIGHTS OF WAY (OR EASEMENTS)

Any Rights of Way or Easements will be contained within the title deeds.

➤ SEARCHES

The enquiries made by the buyer's solicitor of the local authorities into matters affecting the new house. These are designed to highlight details of the grants which may be available, new roads that are to be built, new housing estates planned etc.

➤ SECURED LOANS

Once a borrower has built up some equity in a property, this can be used as security for a further loan. If the borrower returns to the principle lender to seek further money, it is referred to as a Further Advance. If the borrower approaches a different lender to replace the existing mortgage with a new, and probably larger mortgage, this would be called a re-mortgage. If a further loan, to be secured on the property, is sought from a lender other than the original mortgagee – in addition to the original mortgage – this would be called a Second Mortgage.

➤ STAMP DUTY

This is the tax paid by the purchaser of a property to the Government, currently based on the following rate: 1% of the purchase price on any property bought for more than £120,000 3% for properties over £250,000 and 4% for properties over £500,000.

➤ SURVEY & VALUATION

An assessment made by a surveyor of the condition of the property in question. There are three different types of survey and valuation report.

(i) Report and valuation for mortgage assessment:

The most common option and offers.....

a limited inspection of a property on behalf of the lender. All lenders insist on a survey to satisfy themselves of the value of the property. The Valuer inspects all readily accessible aspects of the property and provides a written report. This means that roof space, drains etc. are not inspected. If the Valuer has reason to believe that there is a serious defect, he or she may recommend a further report. Purchasers should not rely upon this report given its limited scope, and should have a more detailed report carried out if required.

(ii) Report and Valuation for house buyers. **This is a more comprehensive option.....** and is more detailed than the basic valuation. It should give you a general opinion on the quality and condition of the property, concentrating on significant defects only in a concise pre-printed report format, including a valuation. As a guide the report is not however generally suitable for the following

- properties built prior to 1919
- large properties with a floor area in excess of 2000 sq ft
- non traditional forms of construction
- properties clearly in a poor condition.

(iii) Structural Survey

The most comprehensive type of report and is the most expensive.

The report is based upon a thorough examination of all accessible parts of the building and can be targeted to specific features. It is suitable for all properties, irrespective of age, size or construction. This report should highlight major problems and any potential trouble spots. It does not normally include a valuation..

(i) would be conducted on behalf of the lender, although the buyer is normally responsible for payment, (ii) or (iii) would be conducted at the direction of the buyer, although sometimes it is wise for (iii) to be commissioned by the seller.

➤ TITLE

The ultimate ownership of a property, evidence by the Deeds. Even if the Deeds are lodged with the lender, ownership will rest with the borrower.

➤ VALUATION

See survey and valuation

➤ VENDOR

The official term for the owner of a property being offered for sale, also called the seller.

Please note that the above definitions are an attempt to make terms with complex legal meanings understandable – they are not intended as full legal definitions. If you are in any doubt as to the precise meaning of a term, you should seek legal advice. Moreover, Scotland operates under a different legal code regarding the buying and selling of property. The above is not relevant to buying or selling property outside England and Wales.

