



Jargon Buster

Your guide to the Shared Ownership scheme

Annual percentage rate (APR)

The total cost of a loan including all costs, interest charges and arrangement fees which are shown as a percentage rate and easily comparable with mortgage interest rates.

Arrangement fees

The fees charged for arranging a loan.

Authority to proceed (ATP)

A form issued by the Help to Buy Agent, authorising you to proceed with the purchase of a home through the Help to Buy Equity Loan scheme.

Authority to exchange (ATE)

The form issued by the Help to Buy Agent, authorising the legal exchange of contracts when purchasing a home through the Help to Buy Equity Loan scheme.

Basic variable mortgage rate

The mortgage lender's standard rate of interest which may be increased or decreased by the lender depending on economic conditions.

Building survey

A full inspection of the property (formerly known as a full structural survey), conducted by a Chartered Surveyor.

CML

The Council of Mortgage Lenders, which devised the Mortgage Code to ensure lenders treat customers fairly.

Completion date

The day at which all transactions concerning the property's sale are concluded and legal transfer of ownership passes to the purchaser.

Contract

A legal agreement between the seller and purchaser of a property which binds both parties to complete the transaction.

Conveyancer

A qualified individual such as a solicitor or licensed conveyancer who deals with the legal aspects of buying or selling a property.

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Covenants

Rules and regulations governing the property and contained in its Title Deeds or Lease.

Deeds

Legal Title documents proving ownership.

Deposit

A sum of money (usually 5-10% of the property value) paid by the purchaser to their legal representative to hand over on Exchange of Contracts with a developer or Registered Provider.

Easement

A right given to the owner of one property over an adjoining property, such as a right of way.

Early redemption charge (ERC)

A charge made by the lender if the borrower terminates a mortgage in advance of the terms of that particular mortgage. This usually occurs when the borrower has benefited from reduced payments or cash back in the early period of a mortgage.

Equity

The market value of your home (or share in your home) minus the outstanding amount you have to pay on your mortgage.

Equity Loan

A loan given to help purchase a home, where the amount provided is secured as a percentage of equity in the value of the home. The value of the loan relates to the value of the property so the amount to be repaid can increase or decrease.

Exchange of contracts

The point at which signed contracts are exchanged, legally committing the purchaser and seller to the purchase and sale of a property.

Freehold

Where a property belongs to the owner indefinitely.

Ground rent

The annual charge levied by the freeholder to the leaseholder.

Guarantor

The lender may require a borrower to appoint a guarantor who promises to pay the borrower's debt if the borrower defaults.

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HOLD (Home Ownership for people with Long Term Disabilities)

The scheme is for people to buy a home on the open market where there are no Help to Buy homes suitable due to the nature of the disability.

Help to Buy Equity Loan

An equity loan product offering the opportunity to purchase a new home with the help of up to 20% off the full purchase price. The equity loan is interest free for 5 years after which a fee is payable.

Help to Buy Agent

A government appointed agent that provides a regionalised one stop shop for people looking to buy or rent affordable homes.

Homebuyer's survey and valuation

A survey report not as detailed as a structural survey, carried out by a Chartered Surveyor to assess the state of a property and its value.

Housing Association

An independent, not for profit organisation that provides housing for people in housing need.

Independent Financial Advisor (IFA)

A financial professional who will offer unbiased financial advice on what you can afford to purchase/rent and assist you in finding a suitable mortgage product.

Intermediate Rent

A Help to Buy scheme sometimes referred to as discounted rent whereby homes are let at typically 20% cheaper than those on the open market to enable saving for a deposit towards a future home purchase.

Land registry fee

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

Lease

A legal document by which the freehold or leasehold owner of a property lets the premises (or a part of it) to another party for a specific length of time, after which point ownership may revert to the freeholder or superior leaseholder.

Leasehold

The right to hold, occupy and use a property for a fixed period of time at a given price, often for 99 years, for which a ground rent may be payable.

Loan to value (LTV)

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

continued

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www.helptobuysouth.co.uk

Local Authority

Your local council.

Local Authority search

An enquiry by the purchaser's solicitor to the local council regarding any outstanding enforcement or future development issues which might affect a property or immediate area surrounding a property.

Low Cost Home Ownership

A range of Help to Buy schemes offering affordable housing to buy or rent.

Maintenance charge (or service charge)

The cost of repairing and maintaining external or internal communal parts of a building or estate charged to the tenant or leaseholder.

Market value

The price a seller can expect to receive from a purchaser on the open market.

Mortgage

A sum of money advanced by a lender (such as a bank or building society) on the security of a property and repaid back to the lender over a certain period of time eg. 25 years.

Mortgage deed

A legal document relating to the mortgage lender's interest in the property and containing the terms of the mortgage.

Mortgage indemnity guarantee (MIG)

An insurance policy that mortgage lenders may require purchasers to pay for if their loan is above a specified percentage of the purchase price.

Mortgage indemnity premium (MIP)

An insurance policy that protects the lender against default of mortgage repayments. Although the policy benefits the lender, it is the borrower who usually pays the premium.

Mortgage offer

A formal document approving the mortgage that a buyer has requested and detailing the terms and conditions that will apply.

Mortgage payment protection (MPP)

An insurance designed to pay your monthly mortgage for a limited period (usually a year) if you are unable to work through illness, disability or redundancy.

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Mortgage rate

The interest rate as set by the lender to calculate your monthly mortgage payments.

Mortgage Rescue

A government scheme which assists vulnerable home owners who are at risk of repossession to remain in their homes.

Mortgage term

The period of time over which (repayment mortgage) or at the end of which (endowment mortgage) the loan is to be repaid.

Mortgagee

The lender of a mortgage (a bank or building society).

Preliminary enquiries

The initial enquiries about a property put forward to a seller which the seller must answer before the exchange of contracts.

Priority need

Properties are offered to certain groups of people depending on their current circumstances or employment eg. social tenants, MoD.

Redemption

Occurs when a mortgage is fully repaid.

Registered Provider

A provider of social housing registered with the Homes & Communities Agency, formerly known as Registered Social Landlords, encompassing housing associations, trusts, cooperatives and companies.

Rent to Buy

A Help to Buy scheme where properties are new homes for rent, typically between 3-5 years, typically at 20% lower than those on the open market. The expectation is that you will purchase the property on a shared ownership basis at the end of the rental period.

Remortgage

Refinancing a property by either switching a mortgage from one lender to another or by taking out a second mortgage to draw upon any equity gained by a rise in value.

Repossession

When the mortgage lender or other secured lender takes back possession of a property due to non payment of the mortgage.

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Resales

Properties that have previously been lived in and offered on a Shared Ownership basis.

Reservation fee

A fee payable by the purchaser to the developer/housing association to reserve the opportunity to purchase a home. The fee is usually non refundable and deducted from the total amount payable for the property in the event that the purchase goes ahead.

Right to Acquire

Where housing association tenants may have the opportunity to purchase their home. You will have to have been a public sector tenant for 5 years or more and your home must have been built or bought by a housing association with public funds from 1 April 1997 onwards or transferred from a local council to a housing association after 1 April 1997.

Right to Buy

Where some council tenants and tenants of non charitable housing associations may have the right to purchase their current home at a discount price.

Search

A request or enquiry relating to information (concerning a property) held by a local authority or by the Land Registry.

Section 106 Agreement

A legal agreement forming part of the planning permission given by local authorities to developers. Section 106 agreements are legally binding to undertake works, provide additional funding for services or provide affordable housing. This may be by way of setting a restriction that some of the properties have to be for affordable home ownership.

Service charge

See Maintenance charge.

Shared Ownership

Sometimes referred to as part buy part rent, where mainly brand new flats or houses are offered for sale on a part buy/part rent basis through different housing associations. It is possible to purchase shares of between 25% to 75% of the home's market value and you pay a low rent on the remaining share.

Staircasing

The option to purchase additional shares in a Shared Ownership property in 10% tranches or until you purchase the property outright, depending on your lease.

Stamp duty

A government tax payable by the purchaser of a property over £125,000. The tax is paid by buyers of between 1% and 4% depending on the value of the property. Over £125,000 to

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£250,000 - 1%. Over £250,000 to £500,000 - 3%.

Subject to contract

The term used to indicate that an agreement is not yet legally binding.

Tenancy

Temporary possession of a property by a tenant.

Tenure

The conditions on which a property is held (i.e. length of lease).

Title deeds

Documents showing the legal ownership of a property.

Transfer deeds

The Land Registry document that transfers legal ownership from seller to purchaser.

Under offer

The status of a property, when a seller has accepted an offer from a purchaser prior to exchange of contracts.

Valuation

A basic survey of a property by a qualified surveyor to estimate its value for mortgage purposes. Mortgage lenders will insist on this before lending.

Variable base rate

The basic rate of interest charged on a mortgage. This may change in relation to market conditions, meaning monthly payments can go up or down.

Vendor

The legal term used to describe the person selling a property.