



# Guide

150 Terms Every  
Buyer, Seller and  
Landlord Must  
Know

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property

Does it sound like everyone is speaking Greek when the topic of property, buying, selling or letting comes up?

Are you confused by all the terms, or perhaps never heard some of them at all before? Do the acronyms make you nervous? This guide aims to help you understand property jargon and terminology!



## ACCEPTANCE

A document you sign and hand back to the mortgage lender to confirm you want to accept its offer.

## AGREEMENT IN PRINCIPLE (AIP)

A document from a mortgage lender that confirms it will lend you a certain amount based on your earnings and usually a credit search and credit score. An AIP will help prove to a seller you're a serious buyer.

## ANNUAL PERCENTAGE RATE (APR)

Often misunderstood, an APR is the total percentage cost of the loan every year. So, that includes interest as well as any additional fees.

APRs are a legal requirement when advertising financial deals like credit cards and mortgages.





## APPRAISAL

An old-fashioned word meaning an estimate of a property's current value according to an estate agent or surveyor.

## ARRANGEMENT FEE

A fee charged by some lenders to cover the administration of arranging a mortgage. They often apply to deals with special rates, such as fixed rates or trackers.

## ARREARS

Often misunderstood, an APR is the total percentage cost of the loan every year. So, that includes interest as well as any additional fees.

APRs are a legal requirement when advertising financial deals like credit cards and mortgages.

## ASKING PRICE

The price a seller is hoping to achieve for their home.

## ASSIGNMENT

A fee charged by some lenders to cover the administration of arranging a mortgage. They often apply to deals with special rates, such as fixed rates or trackers.

## AUCTION

Method of sale whereby a property is sold to the highest bidder. If the reserve price (the minimum the owner is willing to sell the property for) is not reached, then it remains unsold.

## BANK RATE

Interest rate set by the Bank of England every month (also known as base rate or simply interest rate). If the rate you pay on your mortgage is variable, it may be affected if the bank rate changes.



## BRIDGING LOAN

A high-interest temporary loan that offers short-term access to money, so you can buy a property before selling your existing home, for example.

## BUILDINGS INSURANCE

An insurance policy that covers any structural damage to your property from events such as a fire or flooding. If you need a mortgage, building insurance will normally be a condition of the loan.

## BUILDING SURVEY

Formerly known as a structural survey, a Building Survey is a detailed report on the construction of a property. It's the most comprehensive survey you can buy and is suitable for listed buildings, older or unusual homes or ones you intend to completely renovate.





## **BUYER**

Straightforward. The person who is buying a property (also known as the purchaser).

## **BUY-TO-LET**

## **MORTGAGE**

A mortgage designed specifically for buying a property that will be rented out, usually for investment purposes.

## **CAPPED RATE**

Interest rate set by the Bank of England every month (also known as base rate or simply interest rate). If the rate you pay on your mortgage is variable, it may be affected if the bank rate changes.

## **CAPITAL**

The amount of money put into either buying a property or paid as a deposit.

## CHAIN

Most people need to sell their current home to be able to afford to buy the next one, and the people they sell it to need to sell their home as well. This is what is meant by a 'chain' and if one link pulls out, the whole chain can collapse.

## CHARGE

The 'hold' a lender has over the equity in your home.

For example, if you owe £40,000 and fail to keep up repayments, you can be forced to sell your home to repay the debt.

## CHARTERED SURVEYOR

A surveyor, accredited by the Royal Institute of Chartered Surveyors (RICS), who is employed to carry out a survey on a property.

## COMMISSION

The fee payable to an estate agent – typically a percentage of the property price.





## COMPLETION

Completion is when you can move in! The sale of the property is finalised and the legal transfer of ownership passes from one party to another.

## COMPULSORY PURCHASE ORDER

Often referred to as a CPO, a Compulsory Purchase Order allows local authorities to purchase property regardless of whether the owner wants to sell. However, the CPO must demonstrate how the purchase would benefit the public and adequately compensate the homeowner.

## CONDITION OF SALE

Terms defined in the contract which set down the rights and duties of both buyer and seller.

## CONDITION REPORT

A clear 'snapshot' of the condition of your potential purchase. It's the most basic level of survey you can buy and is suitable for new-build homes and properties in good condition.

## CONTENTS INSURANCE

An insurance policy designed to cover any loss or damage to your possessions such as furniture, tech and appliances. It's not essential but is often a good idea whether you own your home or rent.

## CONTRACT

This is the binding document both the buyer and seller sign to complete the sale or purchase of a property. It can also be known as an agreement.





## CONVERSION

Changing a property or room from one use to another. For example, converting a church into a home, converting a house into flats, or converting a loft into a bedroom.

## CONVEYANCER

The person who handles the legal and administrative process of transferring the ownership of a property from one party to another. They'll need to be suitably qualified and licensed – such as a solicitor or property lawyer.

## CONVEYANCING

The name for all the legal work involved in transferring the ownership of a property from one party to another.

## COVENANT

Legal requirement which you'll find incorporated in the title deed (or lease) requiring the owner to do (or NOT to do) something in relation to the property.

## CREDIT REPORT

A record of a someone's ongoing and repaid debts. Credit reports are held (but not determined) by a credit reference agency such as Experian or Equifax. It's a good idea to view a copy of yours before applying for credit so you can see what the lender sees ahead of time.

## DECLARATION OF TRUST

An agreement drawn up by the conveyancer sets down 'who gets what' if the property is sold or one owner buys out the other.

It's a good idea for cohabiting couples or friends buying together.





## DEEDS

Legal documents proving ownership of a property or land. They may contain mortgages and leases, conveyances, contracts for sale and wills. They are also known as Title Deeds.

## DEPOSIT

The money you'll need to pay upfront when buying a home. Typically, an initial 10% is payable on exchange of contracts and the remainder is paid at completion. However, if you are taking a 95% mortgage, you'll only need to put down 5% at exchange.

## DETACHED

Refers to a property that stands alone and has no shared walls with an adjoining property.

## DEFAULT

When a borrower fails to make the agreed payments. Usually this applies to a mortgage, but can apply to any kind of loan.

## DEVELOPMENT

Properties that have been newly built or have recently undergone a sizeable refurbishment.

## DISBURSEMENTS

Fees that are paid by the solicitor on behalf of the buyer. These range from stamp duty and local authority searches to money transfer fees.

## DOER-UPPER

An older property in need of some maintenance.

## DOWNPAYMENT

The amount paid by the buyer to the seller on exchange of contracts to secure a property – usually 10% of the purchase price. Also known as a deposit.





## DUPLEX

A flat that is split over two floors.

## EARLY

## REDEMPTION CHARGE

Often abbreviated to ERC, this is the financial penalty you'll be charged to terminate a mortgage deal early – for example, in year three of a five-year fixed mortgage.

## EASEMENT

Right granted to someone other than the owner of a property, such as a right of way over land or a right to maintain services under land.

## EDWARDIAN

Properties built between 1901 and 1910 during the reign of King Edward VII. Typical features include red brickwork, wooden doors with stained glass windows, elegant carved wooden porches, sash windows, dark wood floors, and decorative fireplaces.

## END-OF-TERRACE

The last house in a row of similar houses that are joined together.

## ENDOWMENT MORTGAGE

An interest-only mortgage that is combined with monthly payments into an endowment policy. The loan is paid off in a lump sum at the end of the term. Endowments have received bad press in recent years as many fell well short of their forecast value.

## ENERGY PERFORMANCE CERTIFICATE (EPC)

A certificate that details how efficiently a property uses energy with a ranking between A-G (with A being the most efficient). It will also provide an estimation of energy costs and offer suggestions on how to improve your efficiency. An EPC is legally required for properties being marketed for rent as well as for sale.





## ENGROSSMENT

The final version of a document (usually a deed or statute) prepared by a solicitor.

## EQUITY

The portion of the property value without a mortgage or loan secured against it. It comprises any increase in the value of your home, as well as your deposit and the capital you have paid off the loan.

## EQUITY RELEASE

A type of scheme which allows you to release some of the equity in your property through either a lifetime mortgage (where you borrow against a percentage but the loan's not repaid until you die) or a home reversion plan (where you sell a percentage). Only available to the over-55s.

## ESTATE AGENT

The person who advertises and arranges viewings of a property on behalf of the seller and will help guide the sale through to completion. Fees are usually charged as a percentage of the selling price, although online agents offer upfront packages.

## EXCESS

The agreed fixed sum that you'll have to pay if you make a claim on an insurance policy.

## EXCHANGE (OF CONTRACTS)

The point at which signed contracts confirming the intention to transfer ownership between buyer and seller are physically exchanged. At this stage the parties become legally bound by the terms. You'll have to pay the deposit (typically 10% of the purchase price) at this point and if you then pull out of the deal you will be forfeiting this money.





## FIRST TIME BUYER

The point at which signed contracts confirming the intention to transfer ownership between buyer and seller are physically exchanged. At this stage the parties become legally bound by the terms. You'll have to pay the deposit (typically 10% of the purchase price) at this point and if you then pull out of the deal you will be forfeiting this money.

## FIXED RATE MORTGAGE

A mortgage deal that comes with an interest rate that's 'fixed' for an initial defined period, typically for two, three or five years.

## FIXTURES & FITTINGS

The non-structural items in a property that should be listed as included in a sale, although there may be negotiations about what exactly that includes.

## FLOORPLAN

A drawing that helps establish the dimensions of a property (although it may not be done to scale).

## FLYING FREEHOLD

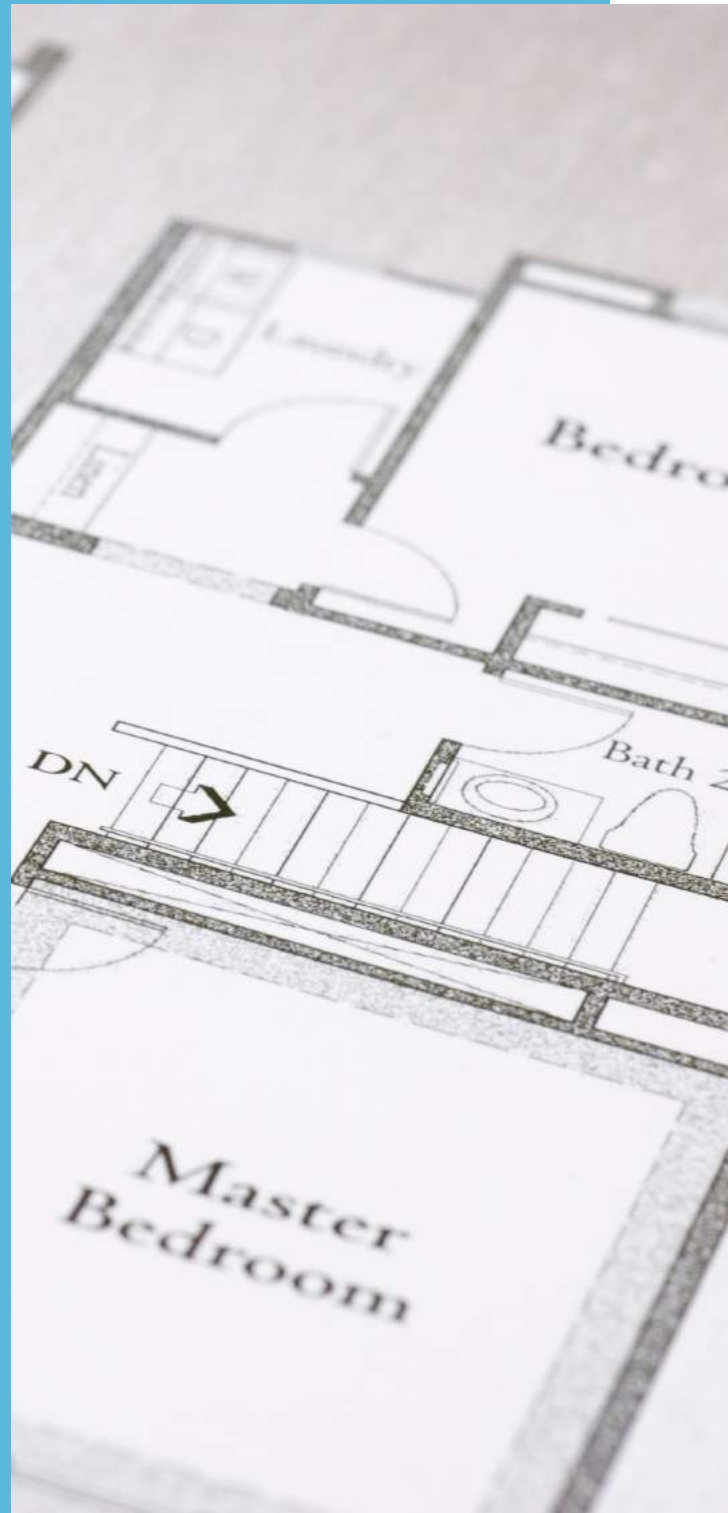
When part of a freehold property overhangs or underlies another freehold, such as when a room is situated above a shared driveway or a balcony extends over another property.

## FREEHOLD

If you own the freehold, you own the building and the land that it stands on outright indefinitely.

## FURTHER ADVANCE

Extra money provided by a lender to a borrower and secured on the property as part of the mortgage debt. This may or may not be at the same interest rate.





## GAZUMPING

When a seller has agreed an offer in principle on a property but later accepts a higher offer from another party.

## GAZUNDERING

When the buyer has made an offer that has been accepted but then subsequently reduces the offer just before exchanging contracts.

## GEORGIAN

Homes built between 1714 and 1830 during the reigns of King George (I to IV). Typical features include stucco fronts, tall sash windows and ceilings with decorative plasterwork.

## GROUND RENT

An annual fee paid by the leaseholder to the freeholder of the property. Often between £50 and £200 a year.

## GUARANTOR

Some mortgages require borrowers to appoint someone who will be responsible for their debt should they fail to pay. In some cases, tenants may also appoint a guarantor, so the landlord can be assured of receiving rent.

## HELP TO BUY

Help to Buy is a government scheme aimed at helping people with small deposits to buy their first home or move up the property ladder by providing an equity loan of up to 20%. It only applies to new-build properties. The current scheme is available until March 2021 when it will be replaced by a different one which will last until 2023.





## HELP TO BUY ISA

The Help to Buy ISA closed on 30 November 2019 to new applicants. It is a tax-free savings account designed to give first-time buyers saving for a deposit a cash boost. For every £200 saved into a Help to Buy ISA, the government will throw in an additional £50. The maximum bonus you can receive is £3,000, which would apply to savings of £12,000. So if you are a first-time buyer saving for a deposit of up to £15,000, you'll be able to reach your target faster.

## HOME BUYER REPORT

A report carried out by a surveyor on behalf of a buyer to assess the value and condition of a property and highlight any major defects. It is a more comprehensive survey than a Condition report, but not as extensive as a Building survey. The HomeBuyer report is suitable for most modern and older homes in a reasonable condition.

## HOUSES IN MULTIPLE OCCUPANCY (HMO)

If a home has at least three tenants which form more than one household and the toilet, bathroom or kitchen facilities are shared, it's classed as a HMO.

Examples include a house split into separate bedsits, hostels and shared accommodation for students.

## IMPROVEMENT GRANT

A grant given by a local authority towards the cost of repairing or improving a property.

## INDEPENDENT FINANCIAL ADVISOR (IFA)

Looking for help with your finances? An independent financial adviser offers unbiased and unrestricted advice from the whole of the market. They'll also have to tell you upfront how they charge.





## INSTRUCTION

When a property owner asks an estate agent to market their property for sale.

## INTEREST

That unavoidable part of a mortgage or loan. Expressed as a monthly fee or annually (see APR), it is the fee charged by a lender to the borrower as compensation for the loss of the asset (usually either cash or consumer good). Interest is calculated as a percentage of the amount borrowed or the amount outstanding.

## INTEREST-ONLY MORTGAGE

Mortgage where only the monthly interest charges are repaid initially. The mortgage amount itself i.e. the 'capital' is not paid off. The full mortgage must be repaid at the end of the term, though often through an ISA, endowment policy or pension plan. This type of mortgage has become more difficult to obtain since the Mortgage Market Review in 2014.

## JOINT AGENTS

Two estate agents jointly instructed by a seller to market a property.

## JOINT TENANTS / TENANCY

Equal holding of a property between two or more persons. If one party dies, their share passes to the survivor(s).





## LAND REGISTRY

The government department responsible for recording ownership of land in England and Wales. Searches will be requested from the Land Registry by conveyancers as part of any property transaction.

## LAND REGISTRY FEES

Set fee paid to Land Registry to register ownership of a property.

## LEASEHOLD

Ownership and right to occupy a property by way of a lease agreement for a given period, usually subject to an annual payment of rent to the owner of the freehold. Leases are normally long term, ranging from between 90 years and 999 years. Short leases are unattractive to mortgage lenders, with anything lower than 60 years likely to be difficult to mortgage.

## LENDER

Institution that lends funds to assist the borrower with a property purchase.

## LENDER'S LEGAL FEE

Fees incurred by the lender in arranging a mortgage that are passed on to the borrower.

## LISTED BUILDING

Building that has been registered as being of special interest and has preservation orders on it. Listed buildings cannot normally be altered or extended without permission from the local council.

## LOAN-TO-VALUE (LTV)

Percentage indicating the ratio of a mortgage loan on a property to its market value.





## LOCAL AUTHORITY SEARCH

Checks carried out by the solicitor with the local council regarding any future development issues that might affect a property and/or the surrounding area.

## MAINTENANCE CHARGE

Charge to a tenant or leaseholder made by a landlord to cover costs of maintaining a property. Depending on the property, this can include keeping the communal areas such as hallways and garden well maintained. Also known as a service charge.

## MAISONETTE

A property that is part of a larger building, but has its own private entrance. Can either be on one floor or split-level.

## MORTGAGE

Long-term loan obtained from a bank or building society which is used to fund the purchase of a property where the property is held as security. You will need to prove an income and a good credit score.

## MORTGAGE DEED

Document containing the terms and conditions of a loan secured on a property.

## MORTGAGE INDEMNITY

### GUARANTEE (MIG

Fee levied by lenders to protect them against the borrower defaulting. They are very rarely, if ever, charged now.

## MORTGAGE TERM

The period over which a mortgage will be repaid. Traditionally this was 25 years, but depending on age this can go up to 30.





## MORTGAGE VALUATION

Report commissioned by the lender to assess property value and determine the maximum amount to be loaned on the property. Not to be confused with a survey.

## MULTIPLE AGENCY

Where two or more estate agents are instructed by a seller to market a property. Normally only the agent who introduces a successful purchaser is paid.

## NEGATIVE EQUITY

When the market value of a property falls below the outstanding mortgage loan balance.

## NHBC (NATIONAL HOUSE BUILDING COUNCIL) SCHEME

A guarantee offered on some newly built homes for structural defects occurring within a specified time after construction.

## OFFER

Indication from a potential buyer of a willingness to purchase a property at an indicated price. An offer is not legally binding in England and Wales and can be withdrawn or changed at any time prior to exchange of contracts.

## OPEN MARKET VALUE

Price that a property would be likely to achieve if it were available for sale.

## PIED-A-TERRE

Literally translates to 'foot on the ground' but normally refers to property that is kept for temporary or occasional occupation. They are often used for part of the working week or year as a secondary residence.

## PRELIMINARY ENQUIRIES

Initial set of questions from the buyer's solicitor regarding a property that must be answered by the seller prior to exchange of contracts.





## **PREMIUM**

Amount payable on an insurance policy, usually paid monthly.

## **PRIVATE TREATY**

The traditional means of buying and selling property, ie, where the price and sale terms are negotiated directly between the seller and purchaser or their estate agent.

## **PURCHASER**

The person (or people) buying a property. Also known as the buyer.

## **PROBATE**

When the owner of a property dies and leaves the property in their will, probate is the official process for proving the will is valid. For inheritance tax purposes the property may need to be valued and this is typically carried out by the district valuer who represents the Inland Revenue. Contracts cannot be exchanged on a property until probate has been granted.

## REDEMPTION

Completion of the full and final repayment of a mortgage.

## REDEMPTION FIGURE

Amount required to fully repay a mortgage including interest and any penalties.

This may incorporate an early redemption charge.

## REPAYMENT MORTGAGE

Mortgage with monthly repayments consisting of capital (the amount you borrowed) combined with interest. It has become the most common type of mortgage since the Mortgage Market Review was introduced in 2014.

## REPOSESSION

If you fall behind in your mortgage repayments the lender can take possession of the property that secures the loan. If you live in your property you will be evicted.





## RETURN ON INVESTMENT

The amount you get back in comparison to the amount you put into an investment.

## RESIDENTIAL PROPERTY

Property occupied for private or domestic purposes.

## RIGHT TO BUY

A government scheme that allows eligible council tenants in England to buy their home at a discounted price.

## SEARCHES

Your solicitor will make enquiries to the local authority and Land Registry to ensure there aren't any matters that will adversely affect the property or the surrounding area. Searches typically cost between £250 and £300 and the money will need to be transferred to the solicitor early on in the buying process.

## SECURITY

Property used to secure the mortgage loan.

## SELF-BUILD

The process of building your own home. If you are a builder then this can be taken literally, but for most people this involves choosing builders, architects and surveyors to undertake the work.

## SELLER

The person who is selling the property. Also known as the vendor.

## SEMI-DETACHED

A type of property where one side wall is shared with an adjoining property.

## SHARE OF FREEHOLD

If you are buying a flat with a share of the freehold, you become part of the group of people or company that make decisions and organise the maintenance of the building.





## SHARED OWNERSHIP

The option to buy a share of a property (between 25% and 75%) from a housing association. You'll then pay an 'affordable rent' on the share of the property you don't own.

## SOLE-AGENCY

Where a seller instructs one agent exclusively to market their property.

## SOLE SELLING RIGHTS

Where one estate agent has exclusive rights to market a property and is entitled to a fee regardless of how the property is sold.

## SOLICITOR

A professionally qualified legal expert who will prepare the documents on behalf of the buyer or seller throughout the process of purchasing a property. Responsibilities include conducting searches, collecting funds and arranging and overseeing the exchanging and completion of contracts.

# STAMP DUTY LAND TAX

The tax paid to the government by a buyer on the purchase of a property. Rates vary.

# STAMP DUTY HOLIDAY

A temporary pause of SDLT payments up to a set threshold. Until 31 March 2021 there was a stamp duty holiday in England and Northern Ireland on all properties up to £500,000.

## STANDARD VARIABLE RATE (SVR) MORTGAGE

A type of mortgage where interest rates vary at the discretion of the lender based on market conditions. If you have a mortgage deal with a discount rate, at the end of the discounted period it will revert to a standard variable rate.





## STRUCTURAL SURVEY

See Building Survey – the new name for a structural survey.

## STUDIO FLAT / APARTMENT

A flat with just one principle living area containing both cooking and sleeping facilities with a separate bathroom or shower room.

## SUBJECT TO CONTRACT

A provisional agreement prior to exchange of contracts that is not yet legally binding, so either party can still pull out of the transaction.

## SURVEY

Report on the condition of a property.

## SURVEYOR

Qualified expert who carries out the survey of a property.

## TENANCY DEPOSIT

A refundable sum of money paid to your landlord at the start of your tenancy.

## TERRACED

Property where both side walls are shared with adjoining properties.

## TENANTS IN COMMON

An optional method of shared home ownership (not necessarily in equal shares). If an owner dies, the owner's stake in the property is passed to their heirs, rather than to the other owners of the property.

## TITLE DEEDS

Documents showing the legal rights to ownership of a property.

## TRACKER MORTGAGE

A tracker mortgage usually follows the Bank of England base rate. As a result, your mortgage repayments can go up or down.





## UNDER OFFER

Status of a property from the point at which a seller has accepted an offer until exchange of contracts.

## UK FINANCE (FORMERLY THE COUNCIL OF MORTGAGE LENDERS)

The main trade body (but not regulator) that represents UK mortgage lenders. Members include banks and building societies. UK Finance promotes good practice, collects and publishes data about the mortgage market and liaises with the government.

## UTILITIES

Refers to services such as gas, electricity, water, sewage and broadband.

## VACANT POSSESSION

A property that has been vacated by any previous occupants upon the completion of the purchase.

## VALUATION

Survey conducted by a qualified professional such as a Chartered Surveyor to establish an estimate of the current market value of a property.

## VENDOR

Person who is selling a property. They may also be known as the seller.

## VICTORIAN

Homes built between 1837 and 1901 during the reign of Queen Victoria. They are one of the most common types of period property in the country as a result of the Industrial Revolution. Typical features including red brick façades, bay windows and fireplaces with cast iron hearths.

## YIELD

The income generated from a rental property stated as a percentage of the property value. For example, if a property was bought for £100,000 and rented for £600 per calendar month, the annual yield would be 7.2%.



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