Mortgage jargon buster

espc mortgages

1

Standard variable rate mortgage

With a variable rate mortgage payments may go up or down with the lender's standard interest rate. This may change following Bank of England base rate changes.

2

Fixed rate mortgage

A loan where payments are based on a specific interest rate for a predefined length of time. The rate payable will not change during that period regardless of changes to the lender's standard variable rate.

3

Tracker mortgage

Tracker rates are set at a fixed margin usually above the Bank of England base rate meaning payments will always go up or down in line with base rate changes.

4

Repayment mortgage

A loan which allows the borrower to make monthly repayments of capital and interest over an agreed term until the loan is repaid in full.

5

Interest only mortgage

A mortgage with which you pay only the interest charges of the loan each month. You are not reducing any of your capital and so you must repay this in some other way, e.g. an alternative savings plan

6

Buy-to-let mortgage

A loan which is taken out with the intention of renting the property to tenants.

7

Guarantor mortgage

With a guarantor mortgage, either a parent or relative guarantees that they will pay the monthly payment in the event that you are unable to do so.

8

Annual Percentage Rate (APR)

The APR shows the overall annual cost of a loan, taking into account the length of time before the mortgage must be repaid, interest rate and other costs.

9

Loan to value (LTV)

The ratio of the loan amount to the property valuation expressed as a percentage. For example, if a borrower is seeking a loan of £100,000 on a property valued a £200,000, it has LTV rate of 50%.

10

Joint application

A mortgage application that involves more than one person as the borrower.

11

Early repayment charge

A charge that you may have to pay if you pay back part or all of your mortgage early, even if you change to another lender.

12

Overpayments

Some flexible mortgages allow the borrower to pay more than required monthly repayment in order that they can repay the loan in a shorter period thus saving on interest charges.

13

Negative equity

The situation when the amount loaned on a property is more than the market value of the property.

14

Protection

To ensure you and your property are adequately protected you should consider what insurance policies are needed: Building and contents insurance, life and critical illness cover, income protection etc.