

**Abstract Title**

A list of all documents that prove the title to land

**Additional Security Fee**

An up-front, one off fee paid to the lender to protect them against the borrower defaulting on the loan. Usually, charged on mortgages over 75% of the house value. Also known as MIG, Indemnity Guarantee premium and Mortgage Indemnity Premium.

**Airbrick.**

A brick consisting of a grid of wholes inserted at regular intervals in external walls below damp course level providing ventilation to sub-floor timbers. Airbricks are also used to ventilate cavity walls.

**Annual Percentage Rate**

(APR) the total cost of a loan, including all costs, interest charges and arrangement fees shown as a percentage rate and easily comparable with mortgage interest rates.

**Architect's Certificate**

A certificate provided by an architect to confirm their involvement in the design and, more importantly, overseeing the construction of a building. Lenders are unlikely to offer mortgages in the absence of an NHBC guarantee or an architect's certificate.

**ARLA**

The Association of Residential Letting Agents – the professional body governing letting agents in UK.

**Arrangement Fees**

Charged to arrange a loan on certain products. Usually applied to loans where a special interest rate applies e.g. fixed or capped rates.

**Asbestos**

A non-flammable material used in house building, normally in sheet form in garage ceilings, doors etc, where its fire retardant qualities are required. Asbestos is also used in secondary buildings such as garages/conservatories/ guttering/roof tiles. It does however tend to become brittle and has a limited life. Certain types of Asbestos are incurable to health is mishandled.

**Assignee**

The person to whom the right or interest of property is transferred.

**Assignment**

The transfer of ownership of an insurance policy or lease.

**Assignor**

The person who transfers a right or interest of a property to another person.

**Assured Shorthold Tenancy Agreement**

The usual type of tenancy agreement used today.

**Auction**

The sale of a property to the highest bidder.

**Basic variable mortgage rate**

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

**Bankers Draft**

A cheque drawn directly from a bank's funds, and not from an individual account (this means it will be transferred to the recipient's account more quickly) and is often used to move money on exchange.

**Beneficiary / Beneficial Owner**

A person for whose benefit property is being held by trustees, executors or administrators.

**Breach of Contract**

Where one of the parties that was bound by a contract fails to keep to the contract's terms and conditions.

**Bridging Loan**

A temporary loan providing financial cover which allows a purchaser to complete on the purchase of a new property before selling the previous property.

**Building Regulations**

The building regulations govern the erection and the alterations of buildings, and prior to commencement of works an application for approval.

## **Building Survey (formerly full structural survey)**

A full inspection of the property, conducted by a chartered surveyor, who then writes a detailed report including any property defects. Suitable for any house, particularly older properties and those which have been poorly maintained. Also for properties which have been extensively altered or extended, or any property you may wish to alter or extend.

## **Buy To Let Mortgage**

A type of mortgage specifically designed for people buying a property with the intention of letting it out.

## **Capital**

The amount of the loan on which interest is calculated.

## **Capital Gains Tax**

A tax upon the profit realized on the disposal of an asset. Owner occupied properties are under normal circumstances exempt from capital gains tax. A second home which is occupied by a dependant relative living rent free can also be exempt. Property not occupied by the owner may be exempt providing the owner returns home within three years and did in fact occupy the premises prior to the departure. If the absence is due to the requirements of employment then this period can extend to seven years.

## **Capped Mortgage**

Normally agreed for a fixed period of time, many lenders provide mortgages with an upper limit on the interest rate. Thus if the standard interest rate is lower than the upper limit you will be charged the lower rate, but if the standard variable rate is higher you will be charged at the agreed rate.

## **Cavity Wall Insulation**

A type of insulation that is suitable for properties generally build from 1920 onwards, where there is a small gap or "cavity" between the two layers of outside wall of at least 50mm. The insulation fills the gap and is an effective way to save energy and money on your heating, reduce your carbon dioxide emissions (CO<sub>2</sub>).

## **Certificate or Report on Title**

A standard form used by solicitors to request the mortgage or loan funds from the lender.

## **Cesspool / Cesspit**

In rural areas when main drainage is not available one of the methods of disposing of sewage in a large underground container, known as a Cesspool or Cess pit, which is emptied at regular intervals by the local authority (see also septic tank).

## **Chain**

The situation that occurs when a buyer is reliant upon completion of the sale of his existing property, in order to complete on the purchase of his new property.

## **Charge**

A legal term covering a registered claim against a property as a security for money owing. (A loan that is secured against land or property.)

## **Chattels**

A collective term used to describe the contents of a property or personal belongings to the occupant as opposed to the fixtures attached to the building. They are the movable goods.

## **Client's Account**

A separate bank account in which monies not belonging to the estate agent are deposited, quite separately from the normal firms accounts. This usually covers such items as deposits from proposed buyers until such time as the contracts have been exchanged. This is a strict requirement of the Estate Agents Act 1979.

## **CML**

The council of mortgage lenders, which as devised the Mortgage Code to ensure lenders treat customers fairly.

## **Completion**

The point at which all transactions concerning the property's sale are concluded and legal transfer of ownership passes to the buyer. Moving Day!

## **Completion Statement**

A list of all the financial aspects of a transaction. Produced by a solicitor, it sets the costs against the money being received and show whether there is a shortfall to be made up by the client before completion or whether there will be money left over to be paid to the client following completion.

## **Conditions of Sale**

The details which determine the rights and duties of the buyer and seller. These may be national, statutory, or the Law Society's conditions.

## **Conflict of Interest**

This occurs when you are put in a position where you may benefit from more than one earning event in a transaction and it may, therefore, be implied that you have not given impartial advice (e.g. accepting instructions to sell a property on behalf of buyers of an existing clients property, arranging a mortgage on behalf of buyers of an existing clients property, arranging a mortgage on behalf of a buyer or offering surveying services to buyers of a property that your agency is offering for sale). The first two conflicts of interest may be overcome through notifying clients of the circumstances (see estate agents act 1979) but the third cannot and independent surveyors should be recommended. Conflicts of interest may also occur if you have a personal interest.

## **Conservation Area**

An area declared to be of special architectural or historical interest. Properties within conservation areas are the subject of special planning restrictions to ensure that the character of the area is preserved.

## **Contents Insurance**

Insurance to cover any loss or damage to your possessions within the property.

## **Contract**

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

## **Contract Race**

When two parties have made an offer on the same house. The vendor will sell to the first party to exchange contracts, i.e.: it's a race!

## **Conveyancer**

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

## **Conveyancing**

Traditional term for the legal work involved in the purchase and sale of a property.

## **Covenants**

Rules and regulations governing the property, contained in its title deeds or lease.

## **Damp Proof Course**

The main walls of most domestic buildings to go down below ground level to the foundations. Moisture is transmitted from the soil upwards through the brickwork by what is called capillary action. It is obvious therefore that unless this moisture is stopped then internal plaster and decorations will be affected by the damp. Furthermore, once the joists which support timber floors are built into the walls for support then they too could be affected. Most modern day buildings have a layer of PVC inserted into one of the mortar joints about 6 inches above ground level to provide an impervious moisture barrier. Damp proof courses were only introduced in the 1800s and even then only in better quality properties. They were originally formed in slate or bitumen. A large number of properties were not built with damp-proof courses and many systems have been introduced to install damp proof courses into the main walls of property.

## **Deeds**

Legal title documents proving ownership. The deeds will be held by the mortgage lender.

## **Deposit**

A sum of money (usually 10%) paid by the buyer on exchange of contracts.

## **Detached**

Term used to describe a property that stands alone and is separated from all others.

## **Development**

A newly built residence or an older property which has been refurbished and modernised.

## **Dilapidations**

Any disrepair or damage to a rented property.

## **Disbursements**

Fees paid by the buyer's solicitor on the buyer's behalf such as stamp duty, land registry and search fees.

## **Discharge**

Paying off a mortgage.

**Draft Contract**

Preliminary, unconfirmed version of the contract.

**Early Redemption Charge (ERC)**

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

**Easements**

A term given to a right which someone may enjoy over another property such as rights of way. Rights of line or drainage rights. They are expressly created for particular purposes such as having access to a neighbour's land in order to carry out repairs on your own property.

**Endowment Mortgage**

Interest-only repayments combined with monthly premiums into an endowment policy designed to pay off the loan at the end of the term.

**Energy Performance Certificate**

This is a legal requirement that forms part of the HIP, this assesses the energy efficiency and environmental impact of a property.

**Environmental Report**

A report on the land uses of property and its surroundings now and in the past. This will indicate the likelihood of contamination or pollution.

**Equity**

The difference between the value of a property and the amount of mortgage owed.

**Excess**

The initial sum you have to pay on an insurance claim.

**Exchange of Contracts**

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

**Executor**

A person named in a will to be responsible for obtaining probate and settling financial and other affairs on behalf of the deceased.

**Failed Valuation Survey**

When the lender turns down your mortgage application after the surveyor's valuation report indicates the property is not worth the sum sought.

**Fixed Rate Mortgage**

A mortgage in which the interest rate is set for an agreed period of time.

**Fixtures & Fittings (List)**

All non-structural items included in the purchase of a property.

**Flexible Mortgage**

An arrangement whereby you can increase or decrease your mortgage repayments.

**Formal Tender**

This method of sale for land/property is marketed with a date for sale by which purchasers must have submitted a sealed bid which are opened at the allotted time and date. Bidders may be invited to increase their bids, after being informed that a higher bid has been received following the closing date for initial bids. Once an offer has been accepted the sale is legally binding on both parties.

**Freehold**

Technical word for the ownership of the property, meaning that it belongs to the owner without limitation of time.

**Flying Freehold**

When purchasing freehold land one generally tends to own not only the surface of the land but everything underneath it and also the air space above. Occasionally a situation may arise where first floor accommodation forming part of one freehold, is located over ground floor accommodation forming part of another freehold. The first floor freeholder does not therefore own the land beneath the property and he is said to own a 'flying freehold'.

**Gazumping**

This is when a seller accepts a higher offer from a third party on a property that they have already agreed to sell to someone else, but have not yet exchanged contracts. Usually only happens in a rising market.

## **Gazundering**

When a buyer offers the seller a lower offer just before contracts are about to be exchanged. Usually only happens in a falling market.

## **Ground Rent**

The annual charge levied by the freeholder to the leaseholder.

## **Guarantor**

The lender may sometimes require a borrower to appoint a guarantor. This is someone who promises to pay the borrowers debt if the borrower defaults.

## **Home Information Pack**

A now defunct legal requirement needed prior to marketing when selling a house containing five elements: Energy Performance Certificate, Sales Statement, Index, Environmental Search, Local Search.

## **Homebuyer's Survey and Valuation (House/Flat Buyer's Report)**

This is a survey report, which is not as detailed as a structural survey, carried out by a chartered surveyor to assess the state of a property and its value.

## **HMO**

Homes of Multiple Occupancy i.e. more than one family "unit" live in the property.

## **IFA**

Independent Financial Advisor.

## **Indemnity**

Building societies operate in accordance with the building societies act. This provides that the maximum advance they can make on any property without additional security is 75% of the purchase price or the surveyor's valuation for a pre 1919 property and 80% for a post 1919 property. Where a society lends in excess of these percentages this excess is guaranteed by an indemnity policy. A single premium is payable by the applicant when the mortgage is taken out.

## **Individual Savings Account (ISA) Mortgage**

An interest only mortgage linked to an Individual Savings Account fund, which is designed to pay off the loan at the end of the period.

## **Informal Tender**

This method of land sale the land / property is marketed with a date for sale by which purchasers must have submitted an open or a sealed bid. Offer envelopes are opened as they are received. Bidders may be invited to increase their bids, after being informed that a higher bid has been received following the closing date for initial bids.

## **Inheritance Tax**

A tax paid by a person who inherits money or property or a levy on the estate (money and property) of a person who has died.

## **Interest Charges (mortgage)**

The charges that banks make on a loan, calculated as a percentage of the amount borrowed.

## **Interest-Only Mortgage**

There are 2 types of mortgage, interest-only or capital repayment. Interest-only mortgage stays the same throughout the mortgage term. Interest and a premium to an investment vehicle are paid monthly. At the end of the term, the proceeds from the investment vehicle are intended to repay the mortgage. The amount will depend on the performance of the investment vehicle. If you choose an interest only mortgage you will be responsible for ensuring that you have sufficient funds available to repay your mortgage at the end of the term.

## **In-situ**

A phrase used to describe something made or prepared on site rather than manufactured at a factory and transported to the site ready made.

## **Inventory**

A list which describes the condition of furnishings and contents of a leased property at the commencement of the tenancy in order that any dilapidation during the tenancy can be identified.

## **Joint Agents**

The appointment of two estate agents to act jointly in the sale of a property. Normally the commission is shared between both agents irrespective of who introduced the buyer. This differs from multiple agencies where several agents are involved and the commission goes to the selling agent.

## **Joint Tenants**

A form of ownership for two parties whereby if one of them dies, their share of the property will automatically transfer to the remaining party, giving them full ownership (regardless of the terms of the deceased owner's will. See tenants in common.

## **Land Registry Fee**

Paid 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 specified length of time, after the expiry of which ownership may revert to the freeholder or superior leaseholder.

## **Leasehold**

Denotes that the ownership of the property is by way of a lease.

## **Lender's Arrangement Fees**

Charge passed on to the buyer by the lender for arranging a loan.

## **Lender's Legal Fees**

The fees incurred by the lender when arranging a mortgage. These costs are passed on to the buyer.

## **Licensed Conveyancers**

Members of the society of Licensed Conveyancers, based at 55 Church Road, Chancery House, Croydon, CR9 1AF Tel 0208 681 1001.

## **Listed Building**

One officially listed as being of special architectural or historic interest, which cannot be demolished or altered without (local) government consent.

## **Loan To Value (LTV)**

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

## **Local Authority Search**

Procedure whereby a buyer's solicitor makes an enquiry to the local council regarding any outstanding enforcement or future development issues which might affect the property or immediate area.

## **Maintenance Charge (or Service Charge)**

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

## **Maisonette**

A property arranged over more than one floor (ie: a portion of the house).

## **Mortgage**

An amount of money advanced by a lender such as a bank or building society on the security of a property and repayable over a long period.

## **Mortgage Deed**

A legal document relating to the mortgage lenders interest in the property and containing the terms of the mortgage.

## **Mortgage Indemnity Guarantee (MIG)**

An insurance policy that mortgage lenders may require buyers to pay for if their loan is above a specified proportion 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 Payment Protection (MPP)**

This is 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.

## **Mortgage Rate**

The standard variable interest rate quoted by all mortgage lenders which normally varies with the Bank of England base rate. All discounted rates are based on this mortgage rate.

## **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 (i.e.: bank or building society).

**Mortgagor**

The borrower in a mortgage (i.e.: individual homeowners, landlords or businesses who are purchasing their property by way of a loan.

**Multiple Agency**

The appointment of several estate agents to act in the sale of a property. The commission is awarded to the selling agent.

**NAEA**

National Association of Estate Agents.

**NALS**

National Association of Letting Agents.

**Negative Equity**

When the sale price of a property is lower than that outstanding mortgage debt so that despite having sold the property the owner still has a continuing debt.

When the value of the property falls to less than the outstanding mortgage.

**Negotiation**

Is a method by which people work out a mutually agreeable transaction or decision often through compromise while avoiding argument and dispute. Each party will aim to achieve the best possible outcome for their position.

**NHBC Scheme (National House-Building Council)**

A type of building guarantee available on some newly built homes under which defects occurring within a specified time after construction are remedied.

**Offer**

A sum of money that the buyer offers to pay for a property.

**Offer of a Loan**

A formal document approving the mortgage you have requested and detailing the terms and conditions that will apply.

**Ombudsman**

Independent professional bodies who investigate complaints on behalf of customers against, for example, estate agents, solicitors and insurance companies.

**Open Market Value**

The price a property would achieve when there is a willing buyer and willing seller.

**Party Wall**

A wall which separates the properties of two adjoining owners, each of whom has certain rights over the wall. In a semi detached house for instance the party wall would divide the two properties.

**Payment Break**

An option on flexible mortgages that allows you to stop making mortgage payments for up to 6 months.

**Penalties**

Costs that may be incurred if the borrower repays the loan too early or switches between lenders.

**Peppercorn Ground Rent**

A nominal periodic rent usually paid annually.

**Pied A Terre**

A property kept for temporary secondary or occasional occupation.

**Power of Attorney**

A document granting power to some person to act in the name of another. For example a person buying a house may have to go abroad for several months and may leave power of attorney to his solicitor to enable the purchase to proceed in his absence.

**Pre Contract Enquiries**

These are enquiries made often by the buyer's solicitor requesting information on the property for sale prior to exchange. It is at this stage fixtures and fittings to be left or taken are agreed.

**Private Treaty**

The most common form of property sale where a sale is negotiated between a buyer and a seller, where an estate agent may or may not be involved, sales by private auction or tender.

**Preliminary Enquiries**

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

**Premium**

The monthly amount payable for an insurance policy.

**Premium Lease**

Lump sum paid up front as rental for a property.

**Principal**

The sum of the loan on which interest is calculated.

**Probate**

A document which is issued by a court to an executor to show that the will of the deceased has been proved and the executor can distribute the assets.

**Public Liability Insurance**

Insurance which covers injury or death to anyone on or around your property.

**Purchaser**

A person who is buying a property.

**Radon Gas**

A heavy almost inert but radioactive gas found in areas of granite rock strata. Buildings in these areas require special ventilation. Properties in Hereford regularly show as being in an area of radon gas.

**Rateable Value**

This is the sum arrived at by the Inland Revenue valuers in respect of each property on which the local authority levies taxes – rates.

**Redemption**

When a mortgage is fully repaid.

**Registered Land**

Property that is registered at one of the government land registers.

**Re-Mortgage**

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

**Repayment Mortgage**

A mortgage repaid by way of monthly repayments of capital combined with interest.

**Report or Certificate on Title**

A standard form used by solicitors to request the mortgage or loan funds from the lender.

**Repossession**

When the mortgage lender takes possession of your property due to non-payment of the mortgage.

**Restrictive Covenant**

An obligation restricting the use of land which is binding on subsequent owners such as not to keep animals other than a domestic dog or cat or not to hang out washing on Sundays.

**Retention**

Holding back part of a mortgage loan until repairs or specified works to the property are satisfactorily completed.

**RICS**

Royal Institute of Chartered Surveyors. Designatory letters are ARICS and FRICS for associates of fellows, with effect from 1<sup>st</sup> January 2000.

**Right of Way**

A general right of way is a public right to use a road, bridleway or path. It may cross private land. E.g. a public footpath across a field.

**Sealed Bids**

(See informal tender).

**Search**

A request or enquiry for information concerning the property held by a local authority or by the land registry.

**Semi-detached**

A property which is joined to one other house.

**Septic Tank**

When mains drainage is not available normally in rural areas, a private drainage system is the only alternative. This usually takes the form of septic tanks which are brick built chambers sunk below ground level through which the effluent travels breaking down the contents by bacterial action rendering it harmless. The resultant fluid soaks away into the surrounding ground.

**Service Charge**

See Maintenance Charge.



**Sole Agent**

When a seller chooses only one estate agent to sell their home.

**Sole Selling Rights**

One agent has exclusive rights to sell the property solely, even if the owner sells privately or another agent introduces a buyer, the agent with sole selling rights can claim a fee.

**Solicitor**

Legal expert handling all documentation for the sale or purchase of a property. Also called licensed conveyance.

**Stamp Duty**

A tax paid by purchasers of properties with a value in excess of £125,000, of between 1% and 4% depending on value.

**Structural Survey**

See Building survey.

**Studio Flat**

A flat consisting of one main room or open-plan living area incorporating cooking and sleeping facilities and a separate bathroom/shower room.

**Subject to Contract**

Words to indicate that an agreement is not yet legally binding.

**Surveyor**

Professionally-qualified expert who carries out the survey.

**Tenancy**

A temporary possession of a property by a tenant.

**Tenancy Agreement**

A legal agreement designed to protect the rights of the tenant and landlord and setting out all the terms and conditions of the rental arrangements.

**Tenant**

A person who has temporary possession of a property.

**Tenants in Common**

A form of ownership by two or more people in which if one of them dies, their share of the property forms part of their estate and does not automatically pass to the other(s). See joint tenants.

**Tenure**

Conditions on which a property is held (i.e.: length of lease).

**Terraced house**

A property which forms part of a connected row of houses.

**Title Deeds**

Documents showing the legal ownership of a property.

**Transfer Deeds**

The land registry document that transfers legal ownership from seller to buyer.

**Under offer**

The Status of a property for sale, when a seller has accepted an offer from a purchaser but prior to exchange of contracts.

**Valuation**

A basic survey of a property 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 reaction to market conditions, so your monthly payments can go up or down.

**Vendor**

The legal name for a person selling a property.

**Wayleave**

Rights of way granted to enable obligations and duties to be fulfilled (e.g. maintaining pipelines and cables).

**Yield**

Income from a property calculated as a percentage of its value.