

Free Report
Property Terms Explained

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Ronan Property Services

Cost Effective House and Property Solutions

If you are thinking of buying or selling your property you are bound to come across some or all of the following terms. Understanding these can be very stressful and confusing. Listed below are the terms that are generally used in the property finance industries which are explained in everyday language that is easier to understand.

Disclaimer: This guide is for information only and should not be relied upon as definitive. Details have been obtained from various sources and although we have done everything possible to ensure that it is correct, we cannot accept responsibility for it or guarantee its accuracy. This is because processes and laws change frequently, and may vary dependant upon personal circumstances. You are welcome to use the information provided, but should always obtain confirmation of specific details and get independent specialist and legal advice.

A

Acquisition Cost

The cost of the purchaser acquiring a property, including stamp duty, legal & finance fees and any additional expenses

Annual Percentage Rate (APR)

APR stands for Annual Percentage Rate of charge. You will have seen this term expressed when looking for a mortgage or other financial products such as credit and store cards. APR takes into account,

- the interest rate that you must pay,
- the length of the loan and the payment frequency,
- other associated fees added to the loan,
- any compulsory insurance premiums such as payment protection insurance.

Generally the lower the APR, the better the deal is for you.

Arrears

If you have fallen behind with your mortgage payments you are in arrears. Mortgage lenders have procedures for tackling payment difficulties. If you have already fallen behind your mortgage lender may suggest ways to pay off the arrears. However if you can not meet these extra payments then your mortgage lender may decide to start action to repossess your property. If this is the case do not delay as the problem will not go away and you will lose your home if you try to ignore it. Click the Repossession tab on our website www.speedypropertybuyers.co.uk to see how we can help you to resolve the problem.

AST Assured Shorthold Tenancy Agreement. The landlord of the property must provide basic written terms of the agreement within 28 days of the purchaser requesting this in writing.

Auction The sale of a property to the highest bidder.

B

Below Market Value (BMV)

BMV is the term used by companies that offer a speedy solution by buying your property very quickly at a discount which can solve a problem that traditional methods of selling through an estate agent can not. Although a cash offer will be less than the price that an estate agent will market the property at, you need to bear in mind that any offers received will most likely be below that figure and that there will be no fee and legal costs may be paid for you. Click www.speedypropertybuyers.co.uk to see our answer and also by getting your copy of our Free Report on Repossession.

Bridging Loan A temporary loan providing financial cover that allows the purchaser to complete on the purchase of a property before selling an existing property.

Building Survey

This is usually an in depth full structural survey of a property carried out by a chartered surveyor. They will compile a detailed report of any problems or potential problems, structural or otherwise in the property you are proposing to buy. Building surveys are recommended when you are buying a property of an older age that may have potential structural problems and are in need of repair. If the property has been neglected and poorly maintained it is essential that you are aware of this and the costs involved before you actually buy.

Buy to Let The purchase of a property for investment, providing income by rents received from a tenant and capital growth where the property increases in market value.

C

Chain A number of property sales linked together by onward purchases that are reliant on the funds from sale in order to purchase.

Chartered Surveyor

Chartered indicates that the surveyor is a qualified member of the Royal Institution of Chartered Surveyors (RICS). To become a member he has to be suitably qualified.

Completion The remaining balance for the property is paid, legally completing the property to the possession of the purchaser.

Conditions of Sale Details the rights and agreed terms between the seller and the purchaser.

Contract Race When two or more potential purchasers have made offers on a property that are acceptable to the owner. The owner will then exchange contracts with the purchaser that is first to be in a legal and financial position to do so.

Conveyancer A qualified person, i.e. a solicitor who deals with the sale/purchase of a property.

Conveyance

This term indicates the legal involved in buying and selling property including,

1. advising buyers and sellers of their rights and responsibilities, researching legal ownership of properties.
2. drafting of contracts and leases.
3. liaising with mortgage lenders and estate agents.

A conveyancer can either be a solicitor or other legally qualified person who deals with this work.

Covenants Obligations and restrictions relating to a property.

D

Demographic Profile A market segment involving social class bands, age bands and gender bands.

Deposit A percentage of the purchase price of a property paid by the purchaser to the seller at point of exchange. The seller's solicitor holds this until completion.

Developer A person or company that build commercial and residential property.

Dilapidations Any damage or disrepair to a rented property.

Disbursements Fees paid by the solicitor on behalf of the purchaser or seller for stamp duty, search fees, Land Registry Fees, etc.

Discharge Paying off a mortgage.

Draft Contract A preliminary version of the contract used to exchange. This is usually drawn up by the seller's solicitor and sent to the purchaser's solicitor for approval.

Due Diligence A series of assessments to qualify and quantify that rents, values, pricing and discounts are stated accurately.

E

Endowment Mortgage.

Endowment mortgages have been a source of controversy in recent years. They were introduced in the 1980's and a Treasury Select Committee has concluded that as many as 60% may have been mis-sold at the time.

With a endowment policy, as well as making regular payments to cover the interest you also pay into an endowment policy to save up the money to pay off the loan.

This is an insurance policy designed to pay off the mortgage in a lump sum at the end of the loan period. Because of stock market conditions many policies taken out in the 1980's and 1990's are unlikely to pay out the amounts originally estimated. If you have an endowment policy you should have received regular letters over the last few years telling you whether your policy is on track to repay your mortgage.

Equity The difference between the sums achieved on the sale of the property and the outstanding balance on the mortgage.

Exchange This is the point in which the sale and purchase of a property is legally binding. Both parties' solicitors swap contracts containing the agreed price, fixtures and fittings and completion date. The purchaser is now responsible for the building insurance of the property and if either party pull out of the sale, compensation must be paid.

F

Fixed Rate Mortgage.

With this product you pay a fixed rate of interest on your mortgage for a fixed period of time. You will know exactly what amount you will be paying each month. When that period ends you will most likely revert to a variable rate of interest that will go up and down with the bank base rate.

Fixtures and Fittings Any item within a property that is not structural, i.e. curtain poles, light fittings.

Freehold.

If you buy a property outright you will own the property and the ground that it stands on outright. You will have responsibility for all the maintenance and repairs. Unlike leasehold you will not have any ground rent or management charges to pay.

G

Gazumping

This refers to the situation where the vendor accepts a higher offer from someone else after he/she has already promised to sell to you. This could happen in the period before exchange of contracts.

Gazundering

This is when a buyer revises his offer to one less than originally agreed immediately before contracts are due to be exchanged.

Gifted Deposit This is when a developer contributes part of the deposit on a property.

Gross Price The market value/price before any discount.

Ground Rent An annual charge paid by the leaseholder to the freeholder.

H

HMO A House of Multiple Occupancy. Renting a property to more than one person under separate contracts. This usually applies to low income tenants, i.e. students or DHSS tenants.

Home Buyers Report Details an inspection of a property (though not as detailed as a full structural) carried out by a Chartered Surveyor and a valuation along with supporting comparable evidence.

Hotspot An area/region that has been shown as experiencing rising property prices.

Home Information Packs (Hips)

On 1st August 2007 the government introduced reforms that changed the way that we buy and sell homes in England and Wales. After the change of government in 2010 they were suspended with immediate effect from 21st May 2010.

I

IFA Independent Financial Advisor. A professional qualified to give financial advice to investors on life insurance, pensions, funds, and other financial products, and who is not tied to any sole financial institution. An IFA may charge clients a fee for their advice or may receive a commission on the products that the client buys. An IFA's recommendations should be solely based on which company and products best suit the needs of the client.

Interest Only Mortgage

With an interest only mortgage you only pay interest on your loan. You also need to make monthly payments into a long term savings plan, so that you can pay off your mortgage at the end of the term. Three types of interest only mortgages are, ISA, endowment and pension.

Inventory A list of the content of a leasehold property and the condition of its content and decorative state. This list is checked at the start and end of a tenancy.

ISA Mortgage

This is one of the three types of interest only mortgages. On top of the need to pay regular payments to pay off the mortgage you also pay into an Individual Savings Account (ISA), enough money to pay off the loan. ISA's are tax- free savings and investment accounts. They have replaced PEP's and TESSA's and are used to save cash and also can be used to invest in stocks and shares.

L

Land Registry Fee The fee paid to the Land Registry to register the ownership of a property.

Lease A legal document that enables the freeholder or landlord to let the property to another party for a specific length of time after which point the ownership reverts back to the freeholder. This normally only applies to apartments and commercial property.

Leasehold

In buying leasehold you buy the property but not the ground that it stands on. It also means that you have ownership for a certain length of time. The lease will stipulate this period and new property is usually for 99 years. You will normally pay a small amount of ground rent annually to the owner of the land. The lease will also state who is responsible for the upkeep and maintenance of the property. It is normal to pay management charges to a management company who will be responsible for upkeep and maintenance plus insurance of the property as a whole. It is not recommended that you buy leasehold property with less than 50 years left on the lease.

Lease Option

A lease option is a combination of a "lease" and an "option". The lease allows our company or one of our associates, to rent the vendors property and to become responsible for the vendors mortgage payments. For more comprehensive information go to our website www.speedypropertybuyers.co.uk and Click on the FREE REPORTS section.

Listed Building A property listed as having historical or architectural importance. Such a property cannot be altered in its exterior, and in some cases its interior, and cannot be demolished, without the consent of a Listed Buildings Officer and possibly English Heritage.

Loan to Value (LTV)

Expressed as a percentage as a percentage, this is the value of your mortgage to the value of your house. For example if your house is worth £300,000 and you take out a mortgage of £150,000 then the LTV is 50%.

Local Authority Search The purchaser's solicitor undertakes an investigation into the local authority and other agencies in order to identify any plans for development that may affect the property and its direct surroundings.

M

Mortgage

This is the name for loan that you have taken out on a property. If you change your loan provider or your method of repayment, then you are re-mortgaging.

Mortgage Broker A third party who facilitates a mortgage between a borrower and a lender. Independent mortgage brokers often have access to the entire mortgage market and are able to recommend the product to best suit the client they are working on behalf of. A mortgage broker will typically charge the client a small fee for their services and also receive a proc (commission) fee from the lender upon completion.

Mortgage (Capital & Interest) A mortgage or loan that requires the borrower to repay the amount originally borrowed plus any interest accrued over the life of the loan. If taking out a capital and interest mortgage, the borrower will fully own the property mortgaged once the loan term has expired and both the interest and capital loan aspects of the loan have been repaid.

Mortgage Deed A legal document recording the mortgage lender's financial assistance in purchase of the property and the terms by which the loan has been agreed.

Mortgage (Interest Only) A mortgage or loan that requires the borrower to repay only the interest charged on the amount of capital outlaid by the lender per term agreed. With an interest only mortgage, the amount of capital owed to the lender is never reduced, but the amount of interest paid per term may vary or be linked to the interest rate.

Mortgage Lender Financial institution lending the money used to purchase property.

Mortgage Offer A document assembled by the mortgage lender formally offering the loan for the purchase of a property and the terms by which the loan has been agreed.

Mortgage Term The length of time by which the mortgage repayments are made.

N

Negative equity

This is where the value of your house has fallen to less than you owe on your mortgage. This is not good and means that you will be unable to move and repay your mortgage until prices start to go up again.

Net Price The discounted price that a purchaser pays for the property.

NHBC Guarantee National House Building Council Guarantee. A certified document that places responsibility upon the builder rather than the owner for any defects of a newly built property. This guarantee is usually for a period of 10 years.

No Money Down Deal The term used to describe a deal where the purchaser is able to buy without the need for a deposit. This typically involves negotiating a discount from market value and the use of a creative financing technique such as the 'bridge and remortgage'. Other forms of No Money Down deals can involve a gifted deposit or cash back upon completion from the vendor to effectively cover the deposit required.

O

Offer A proposal from the purchaser to the seller of a sum of money for the purchase of a property.

Off Plan a property or development that is beyond the planning stage, but before any construction has begun. This also involves an agreement and a subsequent exchange of contracts.

Ombudsman An independent professional body set up to investigate any complaints made against any professionals relating to property, i.e. estate agents, solicitors. Any individual may call upon the assistance of the Ombudsman, but only those who have chosen to become members may be investigated.

P

Pension scheme mortgage

This is an interest only mortgage. In addition to making regular payments to cover the interest on your mortgage, you use part of your pension to pay off the actual loan. This product is best suited to the self-employed and higher rate tax payers.

Property Information Form A form completed by the seller providing answers to any questions raised by the purchaser.

Premium Lease A sum of money paid up front for the rent of a property rather than smaller periodical payments.

Public liability insurance

This is usually included with your buildings and contents insurance. This covers you should anyone on your premises injure themselves be they workmen, visitors or even trespassers?

R

Repayment mortgage

With a repayment mortgage, you make sufficiently high monthly payments to your lender to repay both the interest and the original loan by the end of the loan period.

Repossession When a court order is obtained by a mortgage company to take full possession of a property due to a lack of mortgage repayments.

Rental Void A period where a property is untenanted.

Rental Yield This is the rent that a landlord will receive, expressed as a percentage, against the purchase price of the property. For example, if the rent received is £10,000 and the purchase price of the property is £100,000, then the rental yield is 10%.

Retention When remedial works or repairs are necessary on a property, the mortgage lender will hold back a sum of money until such work has been done.

RICS Royal Institute of Chartered Surveyors – the official body that licenses surveyors.

S

Search During the purchasing process, the purchaser's solicitor will carry out a number of searches relating to the property and its immediate surroundings, i.e. Land Registry Search, Local Authority Search, Water Search.

Secured

A loan or mortgage is secured on your home. means that if you do not keep up the payments, then your lender may repossess your property and sell it to retrieve what they lent to you plus any costs involved in taking this action.

Service (Maintenance) Charge Payment issued by the management company for the repair and upkeep of communal area or buildings both internally and externally. These charges are made to the owners or leaseholders of the properties contained within.

Share of Freehold The tenure of a commercial property or flat. Typically, the division of one large commercial unit or block of apartments results in the creation of leases and leasehold property, with one freeholder who retains absolute right over the property and land. Occasionally, the freehold is divided amongst owners of the individual units within a block of property to result in the granting of a 'share of freehold' for all individual buyers.

SIPP Self-Invested Personal Pension. A type of personal pension giving the policyholder more choice about the investments held than traditional pension policies. With the help of advanced IFA's and easing investment ruling, many investors now chose to hold property within a SIPP, as there are several tax advantages to doing so.

Site A new development either constructed or under construction.

Sitting tenant

This is who has been in the property from before 14th January 1989 and therefore has security of tenure under the previous Rent Act 1977. They have the right to stop in the property even if it changes owners and they can apply to local authority to set a fair rent. Properties with sitting tenants are only worth a fraction of the price that would be obtained by selling it vacant or with a tenant who has an Assured Shorthold Tenancy (AST) issued under the current Housing Act's 1988/96.

Stamp duty

Stamp duty is a government tax that you pay when purchasing property or shares. In the case of property it is called Stamp Duty Land Tax. If you are buying a property as from March 2010, you will only pay stamp duty if the property is over £125,000. You are also exempt from the tax if the property is in a government designated "disadvantaged area". When buying property over £125,000 you will have to pay on a sliding scale which is usually announced in the budget each year.

Current Rates can be found on <http://www.hmrc.gov.uk/sdlit/intro/rates-thresholds.htm> If the value is above the payment threshold, SDLT is charged at the appropriate rate on the whole of the amount paid. For example a house bought for £350,000 is charged at 3%, so SDLT of £10,500 is payable.

Standard variable rate

This is a mortgage where you will be paying back the loan at the lenders standard rate without any special deals or discounts. It is variable meaning that it can go up and down at any time.

Stock Units Properties that are built finished and ready to move into.

Subject to contract

It means that the property is sold but contracts have not yet been exchanged.

Surveyor (Chartered) A professional who is qualified to carry out property inspections.

T

Tenancy The temporary possession of a property by a tenant.

Tenancy Agreement

This legal document sets out the conditions of the rental agreement including those of both the landlord and the tenant. These days it is usually referred to as an Assured Shorthold Tenancy Agreement (AST).

Tenant A person who has temporary possession and use of a property that is owned by another person, the landlord.

Tenure The manner in which the property is owned, i.e. Freehold, Leasehold or Share of Freehold.

Title Deeds

Legal Documents relating to the ownership of the property. They set out such things as boundaries, rights of way, current and previous owners. Also list any charges that have been placed on the property. Deeds are registered with HM Land Registry. A solicitor or a conveyancer will carry out a title search for you to ensure there are no unusual circumstances that need bringing to your attention before you buy the property.

Tracker Mortgage

This is a mortgage that is linked to the Bank of England base rate or another specified base rate. The interest rate will go up and down depending upon the movement of this rate irrespective of the mortgage lender.

Transfer Deed This document transfers the ownership of the property from the seller to the purchaser.

U

Under Offer

This means that the seller has accepted the offer from the buyer, but has not yet exchanged contracts.

Unit A single property – either an apartment or a house.

Unit that will 'wash its face' Where the monthly rental on a property is higher than the monthly mortgage costs.

Unit with a rental shortfall Where the monthly rental on a property is less than the monthly mortgage costs.

V

Valuation The market value of a property as measured by a recognised professional on behalf of a purchaser or lender.

Vendor.

This term means the seller. It is used in legal documents.

Y

Yield The income generated from a property calculated as a percentage of its value.

Check out our [FREE REPORTS](#) section where you will find a wealth of information on various property related subjects.

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If you have property in Europe www.speedypropertybuyers.eu

DATA PROTECTION ACT 1998

Please note that we take the issue of privacy very seriously. Any information that you supply will be used in accordance with the Data Protection Act 1998 and other applicable UK legislation. The data you supply is confidential and will only be used to match your property to an investor/cash buyer for your property. Your personal address and contact details will only be revealed to the cash buyer who has the intention of buying it. Your data will be kept secure and will not be used for any other purpose or disclosed to third parties without your permission.

Updated 31/08/2010

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