GLOSSARY OF TERMS

FIXED RATE This is a mortgage where the interest rate is fixed at the start of the term for a period of years. During that time the monthly payment will not change providing you do not miss any of the payments or pay less than the amount due to the lender.

TRACKER A tracker mortgage is a type of variable rate mortgage. It follows the Bank of England base rate during a specified period, so your repayments can vary – go up or down. The interest rate you pay on tracker mortgages is variable and is an agreed percentage above the Bank of England's base rate. As the base rate rises and falls, your interest rate will track these changes, and this will affect your monthly payments accordingly.

DISCOUNTED RATE A discounted mortgage is a mortgage where the interest rate is set a certain amount below the lenders Standard Variable Mortgage rate (SVR). This could be for either a set period or the whole of the mortgage term. The SVR is the interest rate set by your lender, which it can raise or lower by any amount, at any time. However, a discounted mortgage is a type of variable-rate mortgage meaning the amount you pay could change from month to month.

OFFSET An offset mortgage is a type of mortgage that is linked to a savings account taken out with the lender. The money in your savings isn't used to pay off your mortgage. Instead, it's used to lower the total interest you'll be charged on your repayments each month. This can either make your mortgage repayments cheaper or reduce the term of your mortgage but, you won't earn any interest on those savings your mortgage is 'offset' against. Lenders 'take away' the amount in your savings account from how much you owe on your mortgage. You'll only pay interest on what's left.

STANDARD VARIABLE RATE (SVR) A standard variable rate (also known as Standard Mortgage Rate or SMR) – is the standard interest rate offered by a mortgage lender. It's the rate your mortgage reverts to after the end of the initial deal unless you chose another deal with the lender or remortgages to a new lender.

REPAYMENT MORTGAGE (CAPITAL & INTEREST) A capital and interest mortgage (often called a Repayment Mortgage) is the most common type of mortgage being offered at the moment. With this type of mortgage, you'll make monthly How to present and confirm your mortgage advice 18 repayments for an agreed period of time (known as the 'term' of the mortgage) until you've paid back both the capital and the interest. This means that the amount you owe will get smaller every month and, as long as you keep up the repayments, your mortgage will be repaid in full at the end of the term.

INTEREST ONLY When you take out an interest-only mortgage, your monthly payments pay back the interest on what you've borrowed, rather than the sum itself. At the end of the term, you pay back the full amount outstanding in one lump sum.

PORTING This feature allows you to move the product you currently have over to a new property if you move house. The interest rates and monthly payments will remain the same after the house move although any additional money you borrow to purchase your new home will be subject to the rates and lending criteria available at the time you apply for the mortgage to be ported.

EARLY REPAYMENT CHARGE (ERC) This is a charge made by a lender if you repay all your mortgage or part of it before the date at which the initial deal ends. The amount of the charge can be found on your illustration and will vary depending on how early in the term you make the repayment.

REMORTGAGE Remortgaging is the transfer of a mortgage from one lender to another. You continue to live in the same house, but your monthly payments are made to a different lender. The purpose of Remortgaging is often to obtain a more favourable interest rate when your current deal has expired, but it may also be used to raise additional funds – for home improvements, to repay other debts etc.

PRODUCT TRANSFER A product transfer mortgage is a remortgage with your current mortgage lender. It involves switching to a new mortgage deal with them when your current deal runs out.

LOAN TO VALUE (LTV) LTV or Loan-to-Value is a ratio of the size of your mortgage loan compared to the value of the property and expressed as a percentage.

ANNUAL PERCENTAGE RATE OF CHARGE (APRC) APRC shows you, as a percentage, the annual cost of your mortgage over its lifetime. It brings together all the charges (such as fees) plus the interest rate on your initial deal and the interest rate you'll be charged when your deal expires. How to present and confirm your mortgage advice

GUARANTOR MORTGAGE A guarantor mortgage (also known as a family-assisted mortgage) is a mortgage deal where another person agrees to take on responsibility for your repayments in the event that you can't pay. That person is known as the 'guarantor' and is usually a family member or close friend of the mortgage applicant.

DEBT CONSOLIDATION Debt consolidation is the act of taking out a single loan to pay off debts. You can use a secured or unsecured loan for a debt consolidation