
Explanation of Mortgage Terms

Early Repayment Charge Details

Lenders sometimes impose charges known as 'redemption penalties' if you pay off your mortgage sooner than expected. This means that if you try to switch to a better deal during the lock-in period, you'll have to pay a penalty to get out of the deal.

Extended Early Repayment Charges

The lender may tie you to your mortgage deal for longer than the term of the special deal you've taken. For example, you enjoy a reduced rate of interest for two years but then find you're locked in for a further three years on their more expensive standard interest rate. This means that if you do try to switch to a better deal during the lock-in period, you'll have to pay a redemption penalty to get out.

Final Revert to Rate

This is the rate you will pay once any introductory rates have finished. It will usually be the lender's variable rate.

How long do you want the deal to last?

If you want certainty for a period of time you can opt for fixed dates. Make sure you check whether a deal lasts for a set period (e.g. 2 years) from the time you start the mortgage as some deals are only offered until a set date for example, until 31st December 2009.

How many years would you like the mortgage to run?

Traditionally, mortgages usually last for 20-25 years. However, lenders are now offering longer terms for those who want to reduce their monthly payments and are prepared to increase the length of time they take to pay back their mortgage. But, don't forget that the longer the term, the more you'll pay in the long run.

Initial Monthly Payments

This shows you how much you'll be paying each month during the period of the introductory rate. Remember that once the introductory rate has finished your monthly payments may increase. Keep an eye on what rate your lender moves you to after the introductory rate has come to an end.

Initial Rate and Period

This is the introductory rate you'll pay for a set amount of time. Once this period is over you'll usually be switched straight on to the lender's variable rate which could be much higher than the introductory rate.

Legal Fees

Some lenders will pay your conveyancing fees for you as part of their offer. You can filter out the mortgage deals that don't pay your legal fees.

No Arrangement Fees

Some lenders will pay your arrangement fees for you as part of their offer. You can filter out the mortgage deals that don't pay your arrangement fees.

Overall Cost for Comparison (APR)

APR stands for Annual Percentage Rate and it should always be quoted to you when you make an application for a mortgage. It's the percentage rate which your loan will cost you overall each year including all charges such as arrangement fees at the start of the mortgage.

Portability

Some mortgages are tied to the particular property that you're buying so, when you move house you have to start all over again with a new mortgage. A portable mortgage does exactly what it says on the tin you take it with you to the new house.

True cost over chosen period

This is the total cost of the mortgage over the period you have chosen. It takes into account your introductory payments, payments after the introductory rate has finished and the costs of things like fees and cash back. This will help you compare mortgages more easily for example, a five year fixed rate compared with a five year discounted rate. as you'll be looking at the overall cost of the amount you're borrowing during your chosen period.

Valuation Fees

Not surprisingly, your mortgage lender will want to know if your prospective purchase is worth at least as much as you want to borrow to ensure they'll get their money back if you default on the mortgage. You usually have to pay for this valuation yourself although some lenders may offer to pay this for you if you switch your mortgage to them.

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