Title:
Financial Terminology: Jargon Buster A - E

Word Count:
1330

Summary:
A

1. Account holder
The person who has a personal loan account.

2. Advance
The mortgage loan itself is called the advance.

3. APR (Annual Percentage Rate)
An interest rate designed to show you the total annual cost of getting credit. It should include all the interest and charges payable by you as a condition of taking the loan. Where taking Payment Protection Insurance is a condition of taking the loan, this should also be included in the APR. The typical APR is ...

Keywords:
finance,debt consolidation,secured loans,unsecured loans,mortgages,remortgages,bad credit,advice

Article Body:
A

1. Account holder
The person who has a personal loan account.

2. Advance
The mortgage loan itself is called the advance.

3. APR (Annual Percentage Rate)
An interest rate designed to show you the total annual cost of getting credit. It should include all the interest and charges payable by you as a condition of taking the loan. Where taking Payment Protection Insurance is a condition of taking the loan, this should also be included in the APR. The typical APR is the APR that 66% of customers applying for the providers credit card can expect to get.

4. Applicant
You become an applicant when you complete and submit an application form for a personal loan.

5. Applied or nominal interest rate
The rate used to calculate the interest due on your mortgage.

6. Arrangement fee
The fee payable to the loan provider by you (the applicant) to open the account.

7. Arrears
Mortgage payments which have not been paid and are overdue.

B

1. Bank of England base rate
The Bank of England sets or reviews their interest rate on a monthly basis and this is the main factor influencing interest rates charged by mortgage and other lenders.

2. Buildings insurance
Covers your actual building(bricks and mortar) and is usually required as soon as you exchange contracts on your house.

C

1. Capital
The amount you owe excluding costs and any interest outstanding.

2. Capital and interest mortgage
This is when your monthly payments go to pay off the outstanding mortgage in addition to the interest on the mortgage. At the end of the term you will have no more to pay. Also called a repayment mortgage.

3. Capped rate
This is a mortgage where a maximum interest rate is agreed which the rate cannot go above. This deal lasts for a set period of months or years. Should the variable rate go below the maximum, the pay rate falls with it.

4. Cashback

An amount, either fixed or a percentage of a mortgage, which you can opt to receive when you complete your mortgage. The lender will likely claw back this money through a higher interest rate.

5. Charge-off
The removal of an account from a loan provider's books. When an account is charged off, the loan provider absorbs the outstanding balance as a loss. Charge-off is also referred to as Write-off.

6. Closing administration charge
A final charge made by the lender to cover their administration costs when a mortgage is fully repaid.

7. Completion
This is end of the mortgage process, when the contracts are signed, all questions have been answered and the keys are handed over and the funds transferred. Happy moving!

8. Consumer Credit Act (CCA)
The Act which defines how personal loans may be advertised, and what rules need to be followed by loan providers in the presentation of loan features such as the interest rate and typical APR that are applicable. The Act also covers the information that needs to be available to the consumer such as product terms and conditions.

9. Contents insurance
Insurance that covers your personal belongings

10. Contract
A contract is a binding agreement between two and more parties. In the context of house buying, a contract is signed by both the buyer and the seller and then 'exchanged' between the respective solicitors, at which point the house sale is binding on both sides.

11. Conveyancing
The legal work involved in the sale or purchase of land.

12. Credit Reference Agency (CRA)
An agency that gathers and maintains information on the debts and repayment records of individuals and businesses. CRAs prepare reports that are used by personal loan providers to view an applicant's credit history. There are two such agencies for consumer credit in the UK - Experian and Equifax.

13. Credit scoring

The process by which your credit worthiness is checked. Weights or 'scores' are associated with your personal attributes, such as your income and the time spent at your current address. These 'scores' are added to give a total credit score. Each total credit score is associated with a prediction of how likely a person with that score is to default. The loan provider then checks this score against the minimum required to be accepted for their loan, determining whether they accept you or not.

D

1. Debt consolidation
The process of combining all outstanding debts in one loan account. For example, you may have an existing loan with a balance of £2,500, a credit card balance of £1,000 and a store card balance of £500. These could all be consolidated into one loan of £4,000. The purpose is usually to lower monthly repayments, through either lower interest rates on the new loan, or lower repayments from an extended repayment term, or both.

2. Default
Non-payment of an account according to the terms of the loan agreement. If you are declared in default, your account may be subject to higher interest rate and other charges. Failure to keep up with repayments may result in the fact being registered at the two main consumer credit agencies in the UK- Experian and Equifax. This may reduce your chances of obtaining credit in the future. If the loan is secured against your home, your home may also be at risk.

3. Deferred payment
Delayed payment. Also referred to as a deferred start, this facility allows you to delay the date on which the first repayment is due. The deferred period could be from one to three months, meaning a loan opened on the 1st January may not require repayments to start until 1st April.

4. Deposit
The deposit paid towards the total price of the property, normally payable at exchange of contracts.

5. Direct debit
Apre-authorized debit on the payer's account initiated by the payee. Most loan providers would require you to set up a direct debit to make the monthly repayments on the loan.

6. Discounted rate

This is where the lender makes a guaranteed reduction off the standard variable rate for an agreed period of time. After the period ends, the borrower will go onto the Standard variable rate. often used by loan providers as an added incentive to apply for a loan.

7. Drawdown date
The date when the contracts have been completed and the mortgage starts.

E

1. Early repayment charge (ERC) / Early settlement penalty
The charge payable to some loan providers should the loan be repaid in full before the full term of the loan has expired. For example, an arranged loan over 36 months may incur an ERC if it is repaid after 24 months, or any point before the 36 months has been reached. The average ERC can amount to the equivalent of 2 months interest.

2. Early redemption charges
Redemption is when the borrower pays off the capital and the interest on the mortgage and thus has full rights to the property. Early redemption fees are the charges incurred for paying off the mortgage early, either to buy the house outright or when you re-mortgage. Always ask about these before you take out a mortgage.

3. Endowment
Endowments are life assurance policies with an investment element designed to pay off the outstanding capital on an interest-only mortgage. There are a few types of endowments, such as 'with profits', 'unitised with profits' and 'unit-linked'. in the 1980s, these were sold to customers by salesman who promised that they would be guaranteed to pay off the mortgage at the end of the term. This is not the case, and many endowment holders are having to bump up their premiums.

4. Equity
In housing terminology, equity is the difference between the value of the property and the money owed on the property. So if the property is valued at £200,000 and you owe £150,000 on the mortgage, you have equity of £50,000. If you sold at that moment, you would receive £50,000. Should the value of the home be less than the mortgage outstanding then you are in negative equity. Not to be confused with the stock market use of the word "equity", which is completely different.

5. Exchange of contracts

In England and Wales (not Scotland), the point when both buyer and seller are legally bound to the transaction.