

## Jargon Watch: The Language of First Time Buying

Anyone who has ever dabbled in the housing market will know that it can be a real minefield out there, and the complicated lingo associated with buying, selling, mortgaging, or estate agents can be baffling. Just like learning another language, terms for first time buyers can be tricky to get to grips with. It's not surprising then, that research from Skipton Building Society in 2022 found that people admitted to being worried about looking stupid when it comes to understanding and communicating about it, which is really an integral part of the buying process.

Perhaps unsurprisingly, seven in 10 adults polled wished the home buying process was simpler, and just under half are put off moving again due to how complicated and confusing they found things first time around. Yikes. So, what exactly is jargon, how can it be useful and why is it sometimes so tricky?

### What is jargon?

Jargon is any specialised language or terms that are used by a group of people in a particular field, profession or area of activity. Where the word itself comes from is disputed, but it's commonly thought to originate from the Middle English *jargounen* (twittering), itself derived from the Old French *jargon* (chatter of birds). What is sure is that jargon differs from slang (informal vocab) or argots (secretive language) in that it's usually linked to an occupation and consists of technical terms used by members of that profession. That's why it's hard for people outside that circle to understand, mainly because they simply don't need to. Most of the time.

### How is it useful?

Because it's made up of technical or industry terminology, jargon is useful in creating communicative precision and efficiency between members of that industry. What is being discussed can be honed down and spoken about in absolutely specific and finely tuned words, rather than in general terms. It can also bring people together and create a feeling of community by signalling the speaker's affiliation with that specific area - similar to how different social groups use slang to both affiliate and differentiate themselves from others.

### What are the downsides?

On the flip side, the use of jargon can indirectly and deliberately exclude others. It can, in some cases, show that someone belongs to a privileged community, or, particularly when it comes to very technical language, make someone feel less intelligent. This is the most likely reason that four in 10 first time buyers polled, who spent time researching the home-buying process, went talk to their own parents to try and understand housing jargon, while almost a third went to friends with their queries. The industry terminology confused them to such a point, that they had to ask loved ones to decode jargon which many people struggle with. Makes total sense. And in this context, the downside of using jargon is not being able to link together terminology to the very thing you're looking to buy, no wonder we need to bust some jargon in this area.

## The top five terms First Time Buyers want answers to

<b>Conveyancing</b>	Conveyancing is the legal process involved in the transfer of title of the property from the seller to the buyer and the lender taking the mortgage over the property to secure their loan to the buyer.
<b>Indemnity insurance</b>	Buyers may take out indemnity insurance to protect them against future problems associated with the purchase of the property. The conveyancer will usually recommend taking out the insurance if it is required and covers for things such as missing building regulation certification.
<b>Mortgage Decision in Principle</b>	A Decision in Principle (DIP) is an indication from the mortgage lender of how much they may be willing to lend you for your mortgage and many estate agents will insist on seeing evidence as an assurance before putting your offer to the seller. A DIP is sometimes also referred to as an Agreement in Principle (AIP), Mortgage in Principle (MIP) or Mortgage Promise.
<b>Stamp duty</b>	Stamp duty is a tax that you pay to the government when you buy a house. The amount you pay depends on the purchase price of the house (the higher the purchase price, the more tax you will pay). In England, first time buyers pay 0% stamp duty up to a purchase price of £300k. In full, stamp duty is called Stamp Duty Land Tax in England, Land and Buildings Transaction Tax in Scotland, and Land Transaction Tax in Wales.
<b>Gazumping</b>	Gazumping refers to instances you've had your offer accepted by the seller who then pulls out of the agreement having secured a higher offer from another buyer. This can happen at any stage before contracts are exchanged.

## Linguistic expert at Babbel, Ted Mentle, gives some tips for fluency in finance:

### Study the terminology

As with learning anything new, the key is understanding. While things like buying a new house, renting out your place or selling a second property can be stressful, it's certainly worth doing a little research beforehand. Particularly, that is, before you experience being, 'Gazumped' (when a seller pulls out of the agreement), or asked to see proof of a credit check (referring to checks on credit and your credit score required for property buying processes). Try to learn the new terms at your own pace and in bite sized chunks.

### Ask questions

Don't be afraid to admit if you aren't sure on a certain term or notion that comes up when dealing with housing and finance. Estate agents, public bodies and lawyers are used to explaining complicated information and asking questions helps you to better understand what you're dealing with. Know that literally seven in 10 adults wish that buying a house was simpler. You are not alone!

### Keep your options open

With big life decisions such as buying a house, together with the confusion that comes with learning the associated lingo, it can be difficult to know you are making the right decision right away. Our tip is to try and view the bigger picture, learn the language you need to understand the process and ask questions where necessary. Don't rush into something right away, but let your instinct lead you on the way.

### Stay resilient!

As you can see from our jargon busting terminology, the housing market can be unpredictable. Whether you receive a 'mortgage decision in principle' (an indication from a mortgage lender of how much they may be willing to lend you), which could potentially be revoked, or you don't score enough points on your affordability calculator for a certain property, remember that these things are suspect to change and you will get there in the end. Learning and reviewing the lingo in the meantime will help you on your way!

### The bottom line.

While using jargon has its pluses and minuses, no matter which side of the house market fence you sit there are definitely benefits. Brush up on your housing lingo to take at least some of the stress out of buying or selling your home.

## First Time Buyer Jargon Busting Terms

<b>First Time Buyer</b>	A first time buyer is someone who is buying property who has not previously owned property.
<b>Loan to Value</b>	The Loan To Value (LTV) is the proportion of a mortgage compared with a property's value. It's expressed as a percentage, so an £85,000 loan on a £100,000 property would be an LTV of 85%. The LTV you have affects the mortgage rates available to you.
<b>Energy Performance Certificate</b>	An Energy Performance Certificate (or EPC) is a document which sets out the energy efficiency of a property, rated A to G (A being the most efficient). It provides an indication of how much it will cost to heat and power a property and includes recommendations of energy-efficient improvements.
<b>Underwriting</b>	Underwriting is a process carried out by the mortgage lender where the lender will verify your income, assets, debt and property details in order to issue the mortgage offer.
<b>Searches</b>	Property searches are enquiries made by your conveyancer to find out more information about the property you plan to purchase, for example if your property has the relevant planning permissions and buildings regulations approval or might be affected by a compulsory purchase order. It will also check to see if there are any issues with flooding or past mining in the area.
<b>Conveyancing</b>	Conveyancing is the legal process involved in the transfer of title of the property from the seller to the buyer and the lender taking the mortgage over the property to secure their loan to the buyer.
<b>Conveyancer</b>	Someone who is legally qualified to provide conveyancing services - a solicitor, legal executive or licensed conveyancer. Usually the same conveyancer will act for the buyer and the lender, so the conveyancer needs to be on the lender's conveyancing panel.
<b>Mortgage Decision in Principle</b>	A Decision in Principle (DIP) is an indication from the mortgage lender of how much they may be willing to lend you for your mortgage and many estate agents will insist on seeing evidence as an assurance before putting your offer to the seller. A DIP is sometimes also referred to as an Agreement in Principle (AIP), Mortgage in Principle (MIP) or Mortgage Promise.

<b>LISA</b>	A Lifetime ISA, or LISA, is a type of savings account that was designed specifically for people aged 18-39 who are saving for their first home or retirement. Saving into a LISA can give your money a boost because the government adds to your savings, but there are rules around withdrawing your money that you need to know about too. Certain withdrawals incur a 25% government withdrawal charge, and where this applies, you'll get back less than you paid in.
<b>Fixed rate mortgage</b>	A fixed rate mortgage has a rate that stays the same for a specified period of time, meaning you know how much you will pay each month.
<b>Variable rate mortgage</b>	A variable rate mortgage has a rate that can rise and fall at any time. Rate changes can happen for a variety of reasons - some will be decided by your lender. Sometimes variable rate mortgages may be subject to a "floor" (below which the rate can never fall), or a "ceiling" (which the rate cannot go above).
<b>Arrangement fees</b>	An arrangement fee is what you pay for the lender to set up the mortgage. They can vary significantly and can usually be added to the mortgage. Some lenders will choose to apply this fee on application of the mortgage, or on completion.
<b>Chain</b>	A property chain is where a group of home buyers and sellers are connected. If you want to buy a house but you will have to wait until the seller purchases their next home, this is a chain.
<b>Freehold</b>	In a freehold property you own both the property itself and the land that it stands on and there is no time limit to your period of ownership. This generally relates to houses.
<b>Leasehold</b>	If you own the leasehold of a property, you own the property but lease the ground it sits on from whoever owns the freehold, this is common with flats. The lease will be for a fixed period of time, up to 999 years, but can often be extended. For properties in which there are fewer than 70 years left on the lease it may be hard to get a mortgage.
<b>Capital and Interest</b>	Most lenders require First Time Buyers to take their mortgage on a Capital and Interest Repayment basis. This means that your monthly mortgage payment will cover both a portion of the interest owing on the mortgage, and the debt for the house itself (the capital).
<b>Joint borrower sole proprietor</b>	Joint borrower sole proprietor (JBSP) allows someone else to be named on the mortgage, allowing their income to be used, without being a co-owner.
<b>Stamp duty</b>	Stamp duty is a tax that you pay to the government when you buy a house. The amount you pay depends on the purchase price of the house (the higher the purchase price, the more tax you will pay). In England, first time buyers pay 0% stamp duty up to a purchase price of £300k. In full, stamp duty is called Stamp Duty Land Tax in England, Land and Buildings Transaction Tax in Scotland, and Land Transaction Tax in Wales.
<b>Help to Buy</b>	Help to Buy is a government scheme in England and Wales to help first time buyers get a property with 5% deposit and a loan of up to 20% by the government (40% in London). The maximum property value allowed for Help To Buy purchases varies depending on region. The government loan is interest free for the first 5 years, after which you will then start to pay interest on it. This scheme is available until March 2023.
<b>First Homes Scheme</b>	The first homes scheme is a government scheme designed for first time buyers, where you can purchase a property for 30-50% less than its market price (set by an independent valuer). You'll need to have at least 5% of the discounted price available to put down as a deposit, and a mortgage in place for at least 50% of the discounted price. There are eligibility rules surrounding the scheme, for example maximum incomes and maximum purchase prices. The property must be re-sold to someone who is eligible for the first homes scheme for the same discount that you got.
<b>Shared ownership</b>	Shared ownership is a scheme where the buyer can purchase between 25-75% share of the property and rent the remaining share from a housing association. In many cases you can increase your share up to the point where you own 100% of your home; this is known as staircasing. Shared Ownership properties are always leasehold. You will only need a deposit based on the share you are purchasing, allowing people with smaller deposits to get on the property ladder. When budgeting for your Shared Ownership property, you need to budget for both the monthly mortgage payments and the rent.
<b>Indemnity insurance</b>	Buyers may take out indemnity insurance to protect them against future problems associated with the purchase of the property. The conveyancer/solicitor will usually recommend taking out the insurance if it is required and covers for things such as missing building regulation certification.
<b>Gazumping</b>	Gazumping refers to instances where as a potential buyer, you've had your offer accepted by the seller who then pulls out of the agreement having secured a higher offer from another buyer. This can happen at any stage before contracts are exchanged.

<b>Exchange of contracts</b>	This is the stage when you have a legally binding contract between seller and buyer to transfer the legal title to the property. In Scotland this stage is known as Conclusion of Missives.
<b>Completion</b>	The point at which the money is released to remortgage your home or to buy your new home. Your conveyancer will ensure that ownership is transferred to you enabling you to move. This is known as Settlement in Scotland.
<b>Loan-to-income ratio</b>	The loan to income ratio or LTI is calculated based on your total income and varies between lenders. For example, if your total earnings before tax were £40,000 and the maximum mortgage a lender would offer was a loan of £180,000, the LTI would be 4.5 (£40k x 4.5= £180k)
<b>Affordability Calculator</b>	This helps you to work out how much you might be able to afford to pay back on your mortgage, based on your income and outgoings. It is for illustrative purposes only and doesn't provide all the information you need to choose a mortgage. Most lenders have an affordability calculator available on their website.
<b>Early Repayment Charge</b>	An early repayment charge or ERC is the amount a lender will charge you should you repay your mortgage early or make an overpayment that's more than your annual overpayment allowance. They will normally apply during the initial period of your mortgage.
<b>Affordability Assessment</b>	This will be carried out by your broker or lender to review your income and outgoings to determine how much you can afford to pay for your mortgage each month.
<b>Credit Check</b>	Before agreeing to give you a mortgage, a lender will review your credit file, to see what debts you currently have (e.g. credit cards, car finance or phone contracts) and make sure you're managing any debt responsibly