

# LIDIERTH FINANCIAL

THE KEY TO YOUR FINANCIAL FUTURE

CASTLEHILL CENTRE  
CASTLEHILL  
CARLOW.

t 059 91 37122

f 059 91 37446

e: [john@lidiertthfinancial.ie](mailto:john@lidiertthfinancial.ie)

e: [shirley@lidiertthfinancial.ie](mailto:shirley@lidiertthfinancial.ie)

w: [www.lidiertthfinancial.ie](http://www.lidiertthfinancial.ie)

## Jargon Buster

-A-

### **Annuity Mortgage**

Also known as a Repayment mortgage - every month over a defined number of years, you pay back a portion of the money you've borrowed (capital) along with the interest. The mortgage is fully paid off at the end of the term.

### **Annual Percentage Rate (APR)**

APR calculates the total interest to be paid over the whole term of the mortgage and includes any charges or arrangement fees to be paid as well as the main interest rate.

### **Appreciation**

Any increase in the value of the property.

### **Approval in Principle (AIP)**

An approval in principle or AIP is simply an indication of the amount of money that a bank or lending institution is likely to lend a potential borrower to purchase a home. The approval is based on a sample of information provided by you, the customer. While an AIP is certainly a useful tool, in that it provides you with an indication of the amount of money that you could potentially spend on the purchase of a home, *an AIP is NOT an approval for a mortgage and it should not be taken as such by a potential borrower*

### **Auction**

Sale of a property to the highest bidder, whom, on winning the bid is legally bound to buy the property. It is important to have mortgage approved and 10% of purchase price ready to pay on completion of bidding during auction process.

### **Arrears**

The payment(s) due when a mortgage payment is not made by the due date. A property may be repossessed if the owner fails to keep up repayments.

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## **-B-**

### **Bridging Loan**

This is a temporary loan used to provide finance when you are purchasing a house and the sale of your current property is not complete. It is repaid from the sale proceeds of the existing property. Bridging loans are very uncommon nowadays and can be difficult to negotiate with a bank.

### **Building Survey**

This is a survey carried out on a property outlining in great detail the physical condition of the property. It is highly recommended that anyone thinking of purchasing a home should get a building survey carried out by a qualified professional (eg an Engineer or Architect).

### **Buildings Insurance**

This is an insurance policy to pay the costs of repair to or rebuilding of the property in the event of fire, flood, storms etc. Buildings insurance must be in place in order to draw down a mortgage.

### **But to Let (BTL) - See RIP**

An investment property purchased to rent out rather than live in.

## **-C-**

### **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.

### **Capital**

Also known as the Principal - the original amount of money borrowed on which interest is calculated.

### **Capital Gains Tax**

CGT in general is tax placed on any increase on the value of an asset from the time you bought until the time you sold it. A gain on the disposal of a principal private residence including grounds of up to one acre is exempt, provided the house had been occupied by the individual as his/her only or main residence during the individual's period of ownership.

### **Collateral**

Your home, property or some other asset used as security for a loan.

### **Completion**

This is when all legal transactions have taken place and the ownership of the property is legally passed to the buyer.

### **Contents Insurance**

Cover for the contents in a home, which can include cover against loss or damage of some personal possessions outside the home. Typically this would include furniture, curtains & carpets, all electrical appliances, personal possessions and clothing. Effectively everything in your home which is not part of the fixtures and fittings.

### **Conveyancing**

The legal work involved in buying or selling a property.

### **Cost per Thousand**

This is the cost of mortgage repayments for each thousand euro borrowed. It is generally expressed in monthly terms. It is calculated based on the bank's standard interest rate and the term of the mortgage.

### **Credit Search**

A check the lender makes with a specialist company, such as the Irish Credit Bureau, to find out whether you have a record of not paying loans, credit card bills etc. Full details are available on their website: [www.icb.ie](http://www.icb.ie)

**-D-**

### **Deeds of Title**

The legal document that evidence the owner's legal entitlement to the property.

### **Deposit**

A sum of money (usually 10% of the property value) paid by the buyer on exchange of contracts.

### **Debt Consolidation**

This is taking all of your existing loans, such as car loans and personal loans, and amalgamating them into one larger but easier to manage loan, repaid over the term of your choice and usually at a lower mortgage interest rate. This can result in lower monthly repayments BUT it may cost you more to repay than if you paid over a shorter period.

### **Default**

This is where the terms and conditions of the mortgage are broken. Usually it is failure to make repayments on the loan.

### **Depreciation**

Any decrease in the value of the property.

### **Disbursements**

Expenses paid by the solicitor on behalf of the purchaser i.e. administration, post, courier etc.

### **Drawdown**

Following the exchange of contracts, the bank draws down the loan fund and sends them to the solicitor who receives them on your behalf in order to purchase the property.

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## **-E-**

### **Endowment Mortgage**

Repayments consist of a portion to cover the interest on the loan and also a portion that pays into an endowment policy with a Life Assurance company. The intention is that at the end of the term of the loan the proceeds of the life assurance policy will be sufficient to clear the principal amount borrowed with a possible tax-free surplus. These mortgages are very rare nowadays due mainly to poor previous returns from the endowment policy.

### **Equity**

This is the difference between what the property is worth and the amount owed on the mortgage.

### **Equity Release**

This is when you increase your mortgage amount to release positive equity.

## **-F-**

### **First Time Buyer**

A person who has not previously bought or built a house anywhere in the world, including Ireland, and who is purchasing the property as their principal place of residence.

### **Fixed Interest Rates**

This is an interest rate set for an agreed period e.g. 2 or 3 years. At the end of this period, the rate will automatically convert to the current variable rate or the customer has to the option to re-fix again for a further period at the rates then available.

### **Folio**

This is a document describing; the property registered and refers to a plan on the Registry maps; the registered owners; any burdens (charges, right of way) which may affect the property.

### **Freehold**

This is a form of legal ownership of a property. It is absolute outright ownership without payment of any rent and any limit of time.

## **-G-**

### **Guarantor**

Someone who agrees to pay the borrower's debt if they should default on repayments.

### **Gazumping**

The practice where a seller, having already accepted an offer from one buyer, accepts a higher bid from another buyer before the exchange of contracts.

**-H-**

### **Home Bond**

A guarantee on new property which protects the purchaser against the builder going bankrupt, major building faults and usually gives protection for ten years.

**-I-**

### **Interest Only Mortgage**

A type of mortgage whereby only interest is paid throughout the term of the loan (or part term if specified). The original amount of the loan (together with any accrued or unpaid interest) will have to be repaid on or before the end of the mortgage term.

### **Income Protection Policy**

A type of insurance policy which pays out if your income is reduced or stopped because of redundancy, sickness or accident.

### **Indemnity Bond (MIG)**

An insurance premium which may have to be paid if the amount being borrowed is over 75% of the value of the property. The indemnity bond is a once off payment and in recent years has been paid by the mortgage company. Not required anymore.

**-L-**

### **Land Registry**

The Land Registry is the State institution responsible for maintaining and updating the register of all properties in Ireland with registered titles. A solicitor registers the buyer as the new owner of the property, which can cost between €100 and €850.

### **Leasehold**

A leasehold title is a right of possession, but not ownership, of a property under the terms of a lease, for an agreed period of time, with the payment of rent.

### **Letter of Offer**

When a mortgage application is approved the buyer will receive a formal loan offer that sets out the conditions of the loan. The solicitor will receive a copy of the Letter of Offer with a request to proceed to the legal formalities.

### **Lien**

A legal claim against an asset which is used to secure a loan and which must be paid when the property is sold. This is generally cash deposits offered.

### **Listed Building**

This is a building that has specific architectural or historic interest which in general has a lot stricter planning criteria for alterations than a non-listed building. Your local authority will have a list of all such buildings in your area.

### **Letter of Indemnity (LOI)**

In order to clear the funds for a mortgage your lending institution will require evidence that your home is insured, this is known as a letter of indemnity. This is easily arranged through your broker.

### **Letter of Serviceability (LOS)**

Some institutions will lend funds to a self employed applicant on the basis of a letter of serviceability completed by their accountant. A letter of serviceability basically states that the borrower can afford to repay amount he wishes to borrow over the term requested

### **Loan to Value (LTV)**

This expresses the mortgage as a percentage of the value of the property.

## **-M-**

**MIG** - See Indemnity Bond.

### **Mortgage Protection**

This is an insurance policy that will cover the repayments on the loan in the event of death, an accident and could include serious illness. By law a mortgage protection insurance policy must be in place to draw down a mortgage.

### **Mortgage Interest Relief**

This is tax relief that you could previously claim on mortgage interest payments (also known as TRS - tax relief at source). This relief is no longer available since withdrawn by Revenue a number of years ago

## **-N-**

### **Negative Equity**

When the value of the property has fallen below the outstanding mortgage debt.

## **-O-**

### **Owner-Occupier**

A term used to describe a person who owns and lives in their own property, which is their sole or main residence.

### **Overpayment**

A mortgage repayment bigger than one needed to meet the loan's minimum requirements. This can help reduced the term of the mortgage. If you have chosen a Fixed Interest making an overpayment is not always possible during the fixed term. This varies between lenders and your broker will advise.

## **-P-**

### **Planning Permission**

To build a house in Ireland, planning permission from your local authority is a requirement before building commences.

### **Principal Dwelling House (PDH) (or Principal Private Residence)**

Where the property being purchased is occupied by the borrower as their principal place of residence.

### **Private Treaty**

This is a method of selling a property or piece of land where offers are made directly to the seller or his estate agent.

## **-Q-**

### **Quotation**

An illustration provided by an insurance company to show the costs of insurance cover, before you buy it.

## **-R-**

### **Redemption**

When the mortgage is paid off in full including interest to date and all charges.

### **Registry of Deeds**

This is the first statutory system of registering the ownership of land and other interests, such as mortgages and was founded under the Registry of Deeds Act, 1707.

### **Re-mortgage**

This is the process of switching a mortgage from one lender to another, often for a more competitive rate. The new mortgage is used to pay the existing lender and at the same time new funds can be raised for other purposes.

### **Rent-A-Room Scheme**

This scheme allows the owner rent a room and earn up to €7,620 a year tax-free. This will not affect mortgage interest or stamp duty relief entitlements.

### **Residential Investment Property (RIP) - see Buy to Let**

### **Retention**

A condition of a mortgage where the lender holds back a portion of the loan, pending work to be carried out by the borrower. The specific details will be outlined in your loan offer.

### **Rider**

An amendment to an insurance policy that modifies that policy by expanding or restricting its benefits or excluding certain conditions from coverage.

## **-S-**

### **Searches**

A solicitor carries out searches on the property to establish if the seller has a legal right to sell the property and to determine whether there is anything that might affect the title of the property.

### **Security**

Where the property is pledged to secure the mortgage.

### **Stamp Duty**

This is a government duty, which is charged on a purchase deed and assessed on the market purchase prices of a property. There are tiered rates of duty depending on the size and price of the property.

### **Structural Survey**

This is a survey, carried out by a qualified surveyor, to confirm the structural soundness of a property.

### **Split Rate**

This is where you can set a portion of the mortgage at a fixed rate and the balance at a variable rate.

## **-T-**

**Tax Relief At Source (TSR)** - see Mortgage Interest Relief.

### **Title Deeds**

The chain of legal documents showing who owns a property. They also contain other information such as planning permissions affecting the property and certificates confirming that all taxes payable on the property e.g. inheritance tax, have been paid in full.

### **Title Insurance**

Title Insurance is an alternative to the traditional solicitor's investigation of title. It is an insurance policy that protects the bank's interest against any defects in the title of the property. It is mainly used when 'Switching' your mortgage. With title insurance in place, the mortgage switching process can be carried out a lot faster.

### **Tracker Rate**

This is a variable interest rate that tracks the European Base Rate with a margin that is fixed for the full term of the loan. These rates are no longer available.

## **-U-**

### **Underwriting**

The process of analysing a mortgage application to determine the amount of risk involved. It includes a review of the potential borrower's credit history and a judgement of the property value.

### **Undertaking**

This can mean a condition of a mortgage where the borrower is obliged to carry out certain things. It can also mean a condition of a mortgage where the borrower is obliged to carry out certain works within a specific period of time following completion of the mortgage. In legal terms it is a legally binding promise that a borrower's solicitor gives to the lender to have all security documents signed by the borrower and to certify that the borrower's title to the property is good and marketable.

-V-

### **Valuation**

This is carried out by a Valuer (appointed by the Mortgage Company) who will assess the value of property and to ensure that it is worth at least its asking price for mortgage purposes.

### **Variable Base Rate**

This is a mortgage interest rate that can change over the term of the loan depending on the rates of the European Central Bank, meaning the monthly payments can go up or down in a given period.

### **Vendor**

The term used for the seller of the property.

-Y-

### **Yield**

The amount of income an investment delivers after deduction of charges (not tax) expressed as a percentage of the amount invested.