

# Property Finance Jargon Buster



Our Property Finance Jargon Buster is a list of common terms and simple explanations for words you may come across on our website, application forms and other documents. The list is organised alphabetically to help you find what you need quickly and easily.

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| <b>Acquisition and Rent</b>                         | The Shariah-compliant alternative to a conventional repayment (capital & interest) mortgage   |
| <b>Account Settlement Fee</b>                       | An account settlement fee is payable at the end of the Purchase Plan to cover the Bank's legal and administration costs (either at the end of its full term or on any earlier settlement date)  |
| <b>Additional Acquisition Payment (AAP)</b>         | An additional payment, above the standard monthly payment and often known as a 'lump sum' payment, made to buy more of the Bank's share in the property, helping you increase your ownership faster   |
| <b>Additional Finance</b>                           | This finance is in addition to your original home finance agreement, increasing the overall finance amount  |
| <b>Application Fee</b>                              | A non-refundable fee charged for assessing and processing your home finance application, even if your application is unsuccessful or you withdraw it  |
| <b>Arrears</b>                                      | Missed payments on your home finance agreement  |
| <b>Buildings Insurance</b>                          | Covers the structure of your property against risks like fire, flood or storm damage and must be in place before Completion   |
| <b>Buy-to-Let Purchase Plan</b>                     | A Shariah-compliant home finance option for buying a property to rent out, rather than to live in   |
| <b>Completion (Date)</b>                            | 'Completion' is where ownership of the property legally transfers from the seller to the buyer. The 'Completion Date' is the date when the legal transfer of ownership is either proposed or completed  |
| <b>Conveyancer</b>                                  | A licensed solicitor or legal specialist who handles the legal process of your property purchase or sale  |
| <b>Conveyancing</b>                                 | The legal process involved in buying and/or selling property, including searches, contracts and the transfer of ownership   |
| <b>Credit File, Credit Report or Credit History</b> | A credit file, also known as a credit report, is a detailed record of your credit history, including your debts, payments, and other financial information. Credit files are held by Credit Reference Agencies  |
| <b>Credit Reference Agency</b>                      | A Credit Reference Agency is an independent company that collects and stores information about individuals' credit history, including their payment history   |
| <b>Decision in Principle (DIP)</b>                  | A Decision in Principle (DIP) is a preliminary indication from the Bank as to how much property finance we may be willing to provide. It is not a formal offer of finance, so you will still need to make a full finance application before a formal offer can be issued  |
| <b>Deed</b>   | The legal document that confirms ownership of the property  |
| <b>Deposit</b>                                      | Your upfront contribution towards the property cost   |
| <b>Diminishing Musharaka</b>                        | In Shariah finance, the process of buying an increasing share in the property is called Diminishing Musharakah. Musharakah means 'joint venture', an Arabic term that can be used to describe this type of property finance arrangement. Under this structure, the customer's share in the property increases over time with each acquisition payment as the Bank's share decreases   |
| <b>Early Redemption Charge</b>                      | <p>This may be charged if your product has an Early Redemption Charge. The fee covers our administrative and operational costs in connection with your Purchase Plan and is payable if, during a Fixed Rental Rate Period:</p> <ul style="list-style-type: none"> <li>- You make an Additional Acquisition Payment that exceeds your Purchase Plan terms and conditions, including full settlement of finance; or</li> <li>- You transfer to a different product</li> </ul> |
| <b>Energy Performance Certificate (EPC)</b>         | A legal document showing how energy-efficient a property is, rated from A (most efficient) to G   |
| <b>Equity</b>                                       | The difference between the amount outstanding on your property finance and the current market value of the property   |

# Property Finance Jargon Buster (Continued)



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| <b>Exchange of Contracts</b>                         | The point when the buyer and seller legally commit to the property sale and the deposit is paid   |
| <b>Finance to Value (FTV)</b>                        | The percentage of the property's value that the Bank is financing. This would be known as the Loan to Value, or LTV, on a conventional mortgage   |
| <b>Fixed Rate</b>                                    | A set rental rate that will remain fixed during the specific period   |
| <b>Fixed Term Period or Fixed Rental Rate Period</b> | The agreed period during which the rental rate remains fixed  |
| <b>Forbearance</b>                                   | In relation to finance, our Forbearance policy reviews on a case by case basis where a customer may not be able to meet their financial obligation  |
| <b>Gifted Deposit</b>                                | A financial gift given to you by a family member, towards your deposit for the property purchase cost   |
| <b>Green Home Finance Products</b>                   | Our Green Home Finance Products offer a discounted rental rate for homebuyers that are purchasing or refinancing a more energy efficient home, with an EPC rating of A or B   |
| <b>Guarantor</b>                                     | A guarantor is a person who guarantees to pay your monthly property finance payments if you are unable to   |
| <b>Home Finance Agreement</b>                        | The formal contract between you and the Bank outlining how the property is financed   |
| <b>Home Purchase Plan</b>                            | A Shariah-compliant alternative to a conventional mortgage where you and the Bank jointly purchase the property. Once all your payments are made, full ownership transfers to you   |
| <b>House in Multiple Occupation (HMO)</b>            | A House in Multiple Occupation (HMO) is a property rented out where three or more people, forming more than one household, live together and share facilities like kitchens, bathrooms, or toilets                                      |
| <b>Key Facts Illustration (KFI)</b>                  | A document that explains the full costs and features of a property finance product. Also known as a Financial Information Statement (FIS) for home purchase plans   |
| <b>Leasehold</b>                                     | Leasehold is a form of homeownership where you own the property but not the land it stands on. You have a legal agreement (a lease) with the freeholder (the owner of the land) that allows you to occupy the property for a set period |
| <b>Legal Fees</b>                                    | Fees paid to a solicitor or conveyancer for undertaking the legal work involved in buying and/or selling a property   |
| <b>Monthly Rental Payment</b>                        | Your regular monthly payment for your Home Finance Agreement  |
| <b>Multi-Unit Freehold Block (MUFB)</b>              | A Multi-Unit Freehold Block (MUFB) is a single freehold property that contains multiple, self-contained residential units, each with its own entrance, kitchen, bathroom, and living space  |
| <b>Negative Equity</b>                               | When a property is worth less than the amount of finance outstanding  |
| <b>Offer of Finance or Finance Offer</b>             | A document which contains the full terms of the finance offered   |
| <b>Outstanding Balance</b>                           | The remaining amount owed on your property finance  |
| <b>Product Fee</b>                                   | A product fee (where applicable) forms part of the cost of the product and may be a flat fee or a percentage of the finance amount  |
| <b>Property Survey</b>                               | A detailed inspection of the property's condition   |
| <b>Property Valuation</b>                            | An assessment to check that the property is suitable security for the Bank and to confirm its value is worth the agreed price   |
| <b>Redemption (of finance)</b>                       | Fully paying off your home finance, ending your agreement with the Bank   |
| <b>Refinance</b>                                     | Switching your property finance from your existing provider to a new provider. In conventional finance this is referred to as a remortgage  |
| <b>Reinspection Fee</b>                              | A charge for revisiting the property to confirm that any works identified have been made  |

# Property Finance Jargon Buster (Continued)



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| <b>Rent Only</b>              | The Shariah-compliant alternative to a conventional interest only mortgage. Your payment only covers the Rent on the Bank's share in the property, and no acquisition payments are made                           |
| <b>Rental Rate</b>            | The percentage rate to show how much Rent you pay on the Bank's share of the property   |
| <b>Rental Top Up</b>          | This is where your personal income may also be taken into consideration when assessing affordability for Buy-to-Let finance   |
| <b>Re-valuation Fee</b>       | If your property valuation expires or the application requires an additional valuation, this fee covers the new valuation we need to do   |
| <b>Shariah-compliant</b>      | Financial activities which conform to a set of principles, derived from Islamic teachings, which encourage fair play and ensure that financial affairs are handled responsibly                                    |
| <b>Stamp Duty</b>             | Stamp Duty Land Tax (SDLT) is a tax paid to the Government when buying a residential property in the UK, the amount depending on the value of the property. In Wales, this is known as Land Transaction Tax (LTT) |
| <b>Standard Variable Rate</b> | Our default rental rate which may be charged after the initial finance deal ends, unless you choose a new product   |
| <b>Tariff of Charges</b>      | A list of all fees and charges that may apply during the lifetime of your property finance agreement  |
| <b>Term</b>                   | The length of time over which the finance is to be paid   |
| <b>Valuation Fee</b>          | The fee charged by the Bank to arrange a valuation of the property to be financed   |

**YOUR HOME MAY BE AT RISK IF YOU DO NOT KEEP UP  
THE PAYMENTS ON YOUR HOME PURCHASE PLAN.  
YOUR RENTAL PROPERTY MAY BE AT RISK IF YOU DO NOT KEEP  
UP THE PAYMENTS ON YOUR BUY-TO-LET PURCHASE PLAN.**

Buy-to-Let products fall outside the scope of regulation by the Financial Conduct Authority. All applications are subject to status and our Finance criteria. Gatehouse Bank plc is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Financial Services Register number: 475346. Gatehouse Bank plc is incorporated and registered in England and Wales. Registration number 06260053. Our registered office is The Helicon, One South Place, London, EC2M 2RB