

- accrued interest** - *interest that you have earned or incurred which is yet to be paid or charged to your account*
- additional payments** - *extra loan repayments paid to the loan above the minimum repayment amount, paid during the loan term*
- affordability** - *housing affordability is measured by an index which is the ratio of your average household disposable income to the income required to meet the repayments of the loan concerned*
- amortisation period** - *the period of time you have to repay the loan at the agreed rate*
- annual percentage rate** - *the rate of interest being charged per annum (APR)*
- application fees** - *fees charged to cover or partially cover the lender's internal costs for setting up the loan approval for the borrower*
- arrears** – *an overdue amount that has not yet been paid*
- comparison rate** - *also known as the 'true rate'*
- balance sheet** - *a statement at a given point in time, of assets, liabilities and net worth for individuals or businesses*
- basic variable** - *a variable home loan at a reduced rate, generally offers fewer features*
- break costs** - *penalty amount charged when a loan is paid off before the end of the term, generally fixed term loans*
- bridging finance** - *short term loan to cover the financial gap between buying a new property and selling the current property*
- building inspections** - *an inspection that is carried out, prior to purchasing, by a licensed builder to ensure a property is structurally sound*
- capital** - *accumulated wealth*
- capitalising interest** - *when interest that has accrued is added to the total debt rather than being paid when due*
- capital gain** - *the monetary gain received when an asset is sold for more than you paid for it*
- capital gains tax** - *a federal tax charged on the financial gain made on the sale of an asset purchased and sold after Sept 1985*
- capped loan** - *a loan where there is a ceiling on the interest rate, however unlike fixed rate loans, a capped loan interest rate can drop*
- caveat** - *latin word for 'beware', sometimes registered on title deed to indicate that other parties may have financial interest*
- certificate of title** - *property ownership document*
- commission** – *the fee charged or earned by a broker or agent for negotiating a real estate or loan transaction. A commission is generally a percentage of the price of the property or the loan.*

comparison rate – a tool to help consumers identify the true cost of credit. It is a rate which includes the annual percentage rate (interest rate) of a loan as well as fees and charges related to the loan

compound interest - interest that is paid on the accumulated interest as well as the principal amount

construction loan - a loan for the purpose of building a dwelling. Funds can be drawn as required. These drawings are sometimes known as progress payments

consumer credit code - an Act of Parliament governing the relationship between borrowers and lenders

contract of sale – the written agreement between the buyer and seller outlining the terms and conditions for the purchase or sale of property.

conveyancing – is the legal process for the transferral of real estate ownership.

cooling off period – the period when you may legally withdraw from a contract without incurring a penalty

CRAA - Credit Reference Association of Australia holds credit details on borrowers

daily interest - debit interest is calculated on the highest daily balance, credit interest is calculated on the lowest daily balance

debtor - someone who owes money to someone else

debt service ratio – measure of the borrower's capacity to repay

default - failure to meet debt payments by the due date

deposit bonds - used as surety when cash isn't readily available at short notice to pay deposit on a property. Institutions that provide deposit bonds act as a guarantor that the deposit will be made.

disposable income - that is left over after all known expenses have been met

draw down - to access available loan funds, especially referring to lines of credit where the limit has been set and you can use the funds as required

dsr – debit service ration - maximum of applicants wage which will support loan repayments of an agreed term. Usually expressed as a percentage - most lenders set maximum DSR between 30% to 33%.

equity - the percentage or amount of an asset actually owned, (after loan amount has been deducted)

equity loan - a loan secured by the part of the value of an asset (usually a house) which you own, and also known as an equity mortgage

establishment fee - also known as application fee

exit fees - also known as break costs

features - applies to attributes of a loan product eg, redraw facilities, combination loan facility, portability

fixed interest - The interest rate is fixed for an agreed period

garnishee - to legally divert part or all of someone's money or property to a third party

gearing - the ratio of your own money to borrowed funds in an investment

guarantee - a person or entity who agrees to be responsible for payment of someone else's debts

guarantor – person giving the guarantee

holding deposit - refundable deposit paid based on goodwill to complete a purchase

home equity loan - a home equity account gives you a revolving line of credit secured by the value of a property

honeymoon rate - also known as an Introductory Loan, to encourage borrowers at a reduced interest rate for 6-12 months, which generally reverts to a higher than standard interest rate at the end of the term

income statement - a statement of income and expenses for a period, usually on year

interest - can be daily or monthly, fee charged by lender for use of their money or return on deposited funds

interest only loan - a loan where the interest is paid during the term and the principal is repaid at the end of the term. These loans are usually short term loans.

introductory loan - a loan offered at a reduced rate for an introductory period to new borrowers. (Usually for a short time at the beginning of the loan term).

investment loan - where funds are used to purchase an investment property

joint & several liability – when more than one person takes out a loan it requires all the borrowers to be responsible for the loan if there is a default. If anyone defaults all borrowers are responsible for that person's share.

joint tenants - equal ownership of a property where if one party dies their share passes to the survivors

legal fee - may be charged where an outside party is used to prepare bank documentation

lenders mortgage insurance (Imi) - this is a one off payment usually paid at time of settlement and allows the lender to recoup the unpaid principal in the event of default and the borrowers debt is transferred to the Mortgage Insurer

liabilities - someone's debts or obligations

line of credit - flexible loan which has a ceiling where funds can be used at customers' discretion without reapplication

loan agreement – contact between the lender and the borrower which specifies conditions that applies to the loan

loan maintenance fee - lenders loan management fee charged over the life of the loan, also called on-going fee

loan security duty - same as mortgage stamp duty

lo-doc loan - a loan available to applicants who are unable to demonstrate on paper the required income levels to service the loan

lvr – loan to valuation ratio - the maximum amount lenders will approve against the value of a property expressed at a ratio

mortgage - a form of security for a loan usually taken over Real Estate. The lender, as mortgagee, has the right to take the real estate if the mortgagor (borrower) fails to repay the loan

mortgagee - The lender of the funds

mortgagor - the person borrowing the funds in the terms of the mortgage

mortgage originators - a person or organisation marketing numerous loans from a panel of lenders. They offer a service where they will select the best loan or loans for borrowers from this selection.

mortgage discharge fee - administration fee charged by the lender to cover the costs incurred in winding up the loan

mortgage insurance - see lenders mortgage insurance

mortgage offset account - a savings account run in conjunction with a home loan. The interest 'earned' on the account is applied to the interest paid on the loan to reduce the interest payable on the mortgage.

mortgage protection insurance - this covers borrowers' loan repayments in the event that they are not able to honour them through illness or redundancy. (Not to be confused with mortgage insurance).

mortgage registration fee - a state government charge for the registration of a loan, usually around \$100-00

mortgage stamp duty - a state government tax assessed on the dollar value of a mortgage

negative gearing - where the return on an investment is insufficient to meet the interest costs of the loan used to fund the investment

non conforming loans - loans available to applicants who do not meet the criteria for regular lending due to impaired credit history, insufficient income or business start up finance

offset account - see mortgage offset account

ongoing fee - any loan maintenance fee charged regularly over the life of a loan

overdraft - prearranged limit to which a person or entity can exceed the account balance

portable loans - a portable loan allows you to sell your house and move to a new one without having to refinance. Most lenders request that the amount be the same or less than the current loan.

power of attorney – formal appointment where a person appoints another to act as their legal representative

principal - *the total amount borrowed on which interest is paid/charged*

principal & interest loan (p&i) - *a loan where both the principal and interest are repaid during the loan term*

private treaty sale – *a property sale where the buyer negotiates on a price rather than through the auction process*

professional indemnity insurance – *liability insurance cover which protects professional specialists such as lawyers and finance brokers against claims arising from their professional dealings*

professional property valuation – *independent property valuers can be engaged to help you understand the correct market value of a property before negotiations commence or to secure a mortgage*

property title – *an official reference to a parcel of land which records the registered owner of the land and any mortgages, easements or caveats that may apply to the land*

redraw facility - *a redraw facility allows you to make additional repayments on your mortgage and then have access to the additional repayments when necessary*

reserve price – *the lowest price a seller will accept for an item to be sold at auction*

reverse mortgages – *a type of loan available to people who completely own their homes, with repayments not necessary until the borrower sells the property, moves out or title is transferred due to death*

refinancing - *to replace or extend an existing loan with funds from the same institution or another*

residential investment loan - *a loan to purchase a property intended for investment purposes as opposed to owner-occupied*

secured loan – *when the lender has taken a mortgage over property such as a car or house. If it cannot be repaid the lender can take or sell the car or house.*

security - *an asset that is offered to the lender guaranteeing the borrowings until the loan is repaid in full*

settlement date - *the date on which the new owner finalises payment and assumes possession*

stamp duty on loan - *see mortgage stamp duty*

standard variable rate - *The rate which lenders apply to their 'premium' home loan product*

sunset clauses – *allow both the purchaser and builder/developer to terminate the contract if certain conditions have not been met within an agreed timeframe*

switching - *lenders may impose a switching fee where an existing borrower wishes to change from one loan type to another eg, variable to fixed*

tenants in common - *the equal or unequal holding of property by two or more persons. If one party dies, the property is divided according to law.*

term - *the length of a home loan or a specific portion within that loan*

title fees - fees payable to the states Land Title Office for the title search to have transfer of property ownership, registration of the new mortgage and discharge of the old one

trust account – an account separate from own funds in which agent is legally required to deposit all funds collected for clients

unencumbered - a property free of liabilities, encumbrances or restrictions

unsecured loan – applies when there is no mortgaged property, so if the borrower defaults on the repayment

valuation - a report as required by the lender, detailing a professional opinion of the properties value

valuation fee - fee for preparing the valuation report

variable interest rate - a rate that varies in accordance with the rates in the marketplace

wrap loans/vendor finance – vendor finance is an agreement where the owner of a property, often called a 'wrapper' offers finance to the purchaser. This means you are not paying a mortgage but making payments to the seller, similar to rental payments. Vendor finance is also called rent-to-buy, vendor terms, or wrap loans/wrapping.