

What does it mean?

Glossary of terms

Home ownership fact sheet

There are many words that are specific to property buyers, sellers and lenders. This list is designed to explain some of these words which you will hear or read when looking into home ownership and home loans.

AAPR	The Average Annual Percentage Rate or AAPR is also known as the mortgage comparison rate. This is used to compare the actual interest rate of a loan, taking into account up front and ongoing fees. However, it is based on certain assumptions, which may not all apply to your circumstances.
Agent	An agent is someone who acts on behalf of another person or organisation. A real estate agent acts on behalf of a landlord or owner in the letting or sale of property.
Allotment	When a large area of land is subdivided into smaller pieces, the smaller parcels of land are sometimes known as allotments.
Amortisation period	The length of time the borrower has to repay the loan in accordance with the arranged terms (otherwise known as the loan term).
Application fees	Fees charged to cover the lender's internal costs of setting up a loan.
Appraised value	An estimate of the value of the property being used as security for a loan.
Appreciation	The increase in value of property caused by economic factors such as inflation and market conditions.
Arrears	An overdue amount that has not yet been paid.
Assets	Money, property or goods owned.
Auction	A public sale where the property is sold to the highest bidder.
Body Corporate	A corporation of the owners of units within a Strata building. The owners elect a council responsible for the management of the building and common areas.
Boundary	A line separating adjoining properties.
Breach of contract	Breaking the conditions of a contract.
Bridging finance	Finance obtained over a short period as a prelude to long-term funding. Higher interest rates are usually charged for this form of finance, and it has to be paid back after an agreed time. Some borrowers use bridging finance if they need money to buy a new house while they are waiting for their existing house to sell.
Building inspection	This inspection is generally carried out prior to the purchase of a property to ensure the building is structurally sound. Contracts of sale can be made subject to a satisfactory building inspection.



Building regulations	Rules of a legal or statutory nature by which local councils control the manner and quality of buildings. They are designed to ensure public safety, health and minimum acceptable standards of construction.
Building Society	Institutions operating in a similar fashion to banks. That is, they take deposits and provide loans. Customers are 'members'.
Capital gain	The monetary (financial) gain obtained when you sell an asset for more than you paid for it.
Capital gains tax	An Australian Government tax on the monetary gain made on the sale of an asset (excluding your own residence) bought and sold after September 1985.
Capped loan	A loan where the interest rate cannot exceed a set level for a period of time but can fall in line with market conditions.
Caveat	If a caveat is lodged on a title to land, it indicates that another party other than the owner claims some right over or interest in the property.
Certificate of Title	A document identifying the ownership of land. It shows who owns the land and whether there are any mortgages or other restrictions on it. This document (if issued) is usually held by the lender as security for a loan.
Chattels	Chattels are personal property, such as clothing, appliances and furniture. Chattels include movable possessions which may be included in the sale (e.g. furniture).
Clear Title	A seller has a clear title when there are no restrictions (such as an outstanding mortgage) preventing the sale, and when the seller's ownership of the property has been established.
Commission	The fee or payment made to agents for services.
Comparison Rate	A comparison rate is a tool to help consumers identify the true cost of a loan. It is a rate which includes both the interest rate and fees and charges relating to a loan, reduced to a single percentage figure.
Comparison Rate Schedule	A comparison rate schedule is a list of comparison rates for a range of standard loan amounts and terms for a particular credit product. The standard amounts and terms have been set in legislation and a comparison rate must be provided for all of the listed amounts that are generally available for that credit product.
Contract of Sale	A written agreement outlining the terms and conditions for the purchase or sale of property.
Conveyance	The transfer of ownership of property from the seller's name to the buyer's name.
Conveyancing	The legal process for the transfer of ownership of real estate.
Covenant	Terms and conditions that specify the use of a block of land or a building.
Cover note	A guarantee of temporary property insurance before the implementation of a formal policy.
Credit	Borrowed money or other finance (e.g. hire purchase) to be paid back under an arrangement with a lender.
Credit limit	The maximum overdraft or amount that may be borrowed (e.g. a ceiling on a credit card account) under a financial arrangement.

Credit Union	A cooperative which operates similarly to a bank but is owned and controlled by people who use its services.
Creditor	A party to whom money is owed.
Debtor	Someone who owes money to someone else.
Deed	A legal document that states an agreement or obligation regarding a property.
De facto partner	Either one or two persons (regardless of gender) who are living together as a couple on a genuine domestic basis but who are not married to each other or related by family.
Default	Failure to abide by the terms of a mortgage or loan agreement. A failure to make loan payments (defaulting on the loan) may result in the mortgage holder taking legal action to repossess the mortgaged property (that is, evict the occupants and sell the property).
Deposit	An amount of money normally paid by the buyer at the time of exchanging contracts. Generally, a minimum deposit is 5% to 10% of the total purchase price of a property.
Deposit bonds	Guarantees that the purchaser of a property will pay the full deposit by a due date. Institutions providing deposit bonds act as a guarantor that payment will be made.
Disbursements	Miscellaneous fees and charges incurred during the conveyancing process, including search fees and charges paid to Government authorities.
Discharge of Mortgage	A document signed by the lender and given to the borrower when a mortgage loan has been repaid in full.
Discharge fee	See mortgage discharge fee.
Disposable income	Any income left over after all known expenses have been met (e.g. loan payments, bills).
Draw down	To access available loan funds, usually referring to a staged loan for property constructions, or lines of credit where the limit is set, and the borrower can use the funds as required.
Duty (or Transfer or Stamp Duty)	A State Government tax on financial transactions. For the purchase of real estate, it is calculated according to the property value. It also applies to the amount of the mortgage.
Easement	A right to use a part of land which is owned by another person or organisation (e.g. for access to another property).
Encumbrance	An outstanding liability or charge on a property.
Equity	A home owner's financial interest in a property. Equity is the difference between the price for which a home could be sold and the amount still owed on its mortgage. Equity usually increases as the outstanding principal of the mortgage is reduced through regular payments. Market values and improvements to the property also affect equity.
Establishment fees	Fees payable to a lender to cover the costs of setting up a loan.

Exit / Prepayment fees	Penalties charged by the lender when a loan is paid off before the end of its term. Exit fees generally apply to fixed interest rate loans.
First Home Owners Grant	The Queensland First Home Owners Grant is a Queensland Government initiative to help first home owners to get their new first home sooner. Information on the grant is available at https://firsthomeowners.initiatives.qld.gov.au/
Fittings	Items not intended to be removed from a property on sale (e.g. fixed carpets, lights, curtains, stoves).
Fixed interest	The interest rate charged against the loan is set for an agreed term and cannot increase or decrease during that term.
Fixtures	These are items that would cause damage to a property if removed (e.g. a house, fence etc.). Their removal must be stipulated in the contract of sale and any damage must be repaired by the seller.
Freehold	A dwelling and the land it stands on is owned by the owner until they choose to sell it.
GST	The Goods and Services Tax, implemented on 1 July 2000.
Guarantee	A contract to pay someone else's debt should they default.
Guarantor	A party who agrees to be responsible for the payment of another party's debts should that party default.
Inclusions	Items included with the property (e.g. light fittings, stove).
Instalment	The regular periodic payment that a borrower agrees to make to the lender.
Interest	The fee charged for borrowing money. Interest is usually paid to the lender in instalments along with repayment of the principal loan amount.
Interest only	Usually a short-term arrangement whereby payments are made to cover the interest only, and no principal is repaid.
Interest only loan	A loan where the principal is paid back at the end of the term and only interest is paid during the term. The loans are usually for a short term of one to five years.
Introductory loan rate	A loan is offered at a reduced rate for an introductory period (usually six to 12 months) to new borrowers. Also called a discounted or honeymoon rate.
Investment property	A property purchased for the sole purpose of earning a return on the investment, either in the form of rent or capital gain. The owner does not live in the property.
Joint tenants	Equal holding of a property between two or more persons. If one party dies, their share passes to the survivor/s.
Lease	A document granting a period of tenancy of a property under specific terms and conditions.
Line of credit	A flexible loan arrangement with a specified limit to be used at a customer's discretion.
Loan to value ratio	The ratio of the loan to the value of a property, usually expressed as a percentage. For example, the loan to value ratio of a loan for \$90,000 on a home which is valued at \$100,000 is 90%.

Maturity	The date at which a debt must be paid in full.
Maximum loan amount	The maximum amount that can be borrowed based on an applicants' disposable income, deposit, and the purchase price of a property.
Mortgage	A legal document in which a borrower gives a lender security over a property and enforcement rights against the property to recover a loan.
Mortgage broker	A person or organisation offering to organise or broker loans from a group of lenders.
Mortgage comparison rate	Also known as the true rate or Average Annual Percentage Rate. Used to compare the actual interest rate of a loan taking into account all fees and charges. It is based on certain assumptions which may not be relevant to your circumstances.
Mortgage discharge fee	An administration fee to cover the costs incurred in finalising a loan account.
(Lenders) Mortgage insurance	This insurance is taken out by the lender to cover themselves in the event that a borrower defaults on a loan and the sale of the property is unable to cover the outstanding debt. Mortgage insurance premiums are usually paid by the borrower when the amount borrowed is over 80% of the property value. This contains no protection for the borrower.
Mortgage manager	A company responsible for managing every facet of a borrower's loan. A mortgage manager often sources loans from mortgage originators.
Mortgage offset account	A savings account run in conjunction with a home loan. The interest earned on the account reduces the interest paid on the loan. A 100% offset is where the interest rates earned and paid are the same. A partial offset account is where the interest rate earned on the offset account is only a portion of the rate paid on the home loan.
Mortgage originator	A person who organises a loan from another source (e.g. a mortgage trust fund).
Mortgage payment	A regularly scheduled payment that usually includes both principal and interest.
Mortgage protection insurance	Insurance taken out by a borrower to cover loan repayments in the event that the borrower is not able to meet them through specific events such as serious illness or redundancy. It can also be called income protection insurance. This insurance is not the same as (lender's) mortgage insurance.
Mortgage registration fee	A State Government charge for the registration of a loan.
Mortgagee	The person(s) who lends money to buy property (e.g. banks, credit unions, etc).
Mortgagor	The person(s) who borrows money to buy property.
Passed in	A property is 'passed in' at auction if the highest bid fails to meet the reserve price set by the vendor (seller).
Portability	Where a new property may be substituted as security for an existing loan.
Prepayment	Any amount paid to reduce the principal balance of the loan before the due date or any amount in addition to the minimum repayment.

Prepayment / exit fees	Penalties charged by the lender when a loan is paid off before the end of its term. Exit fees generally apply to fixed interest rate loans.
Prepayment penalty	A fee that may be charged to a borrower who pays off or reduces the amount of a loan before its due date.
Principal	The original loan, or that part of it still owing to a lender.
Principal and interest loan	A loan in which both the principal and interest are repaid during the term of the loan.
Priority Agreement	An agreement between lenders that have a mortgage over the same property. The borrower may sometimes also be a party to the agreement. The agreement sets out the order of payment and amounts that each lender agree they will be entitled to, if a mortgage is enforced.
Real property	Land, with or without improvements (e.g. a house).
Redraw facility	A loan facility whereby you can make extra repayments on your loan and later get back these extra amounts when necessary. There will often be limitations as to how much can be withdrawn and for what purpose.
Refinance	To arrange for a new mortgage, sometimes with a different lender.
Reserve price	Specified minimum price acceptable to a seller at auction.
Searches	Examinations or research tasks usually carried out by solicitors on the purchaser's and lender's behalf to confirm information about the property or the purchaser, prior to settlement.
Security	An asset that guarantees the lender the value of the loan until the loan is repaid in full. Usually the property is offered to secure the loan by way of a mortgage.
Settlement date	Date on which the property officially changes hands.
Solicitors' mortgages	Mortgages offered through solicitors' firms.
Split loan	A combination of loan types forming one loan, such as a partial fixed/variable interest rate loan.
Spouse	Includes a de facto partner.
Strata title	This title gives you ownership of a unit of a larger building as opposed to a separate house. It also entitles you to membership of the body corporate.
Survey	A plan that shows the boundaries of a block of land and the positioning of any building/s on that land.
Tenants in common	The equal or unequal holding of property by two or more persons. If one party dies, their share passes according to their will or the law (not necessarily to the property's other share owner).
Term of a loan	The length of a home loan or a specific portion within that loan.
Title	See Certificate of Title.

Title fees	Payable to the Titles Office for title search, transfer of property ownership, registration of a new mortgage and discharge of an old mortgage.
Title search	Process to ensure that the seller has the right to sell and transfer ownership.
Transfer	A document registered with the Titles Office that confirms the change of ownership as noted on the Certificate of Title.
Unencumbered	A property free of liabilities, encumbrances or restrictions.
Valuation	A report detailing a professional opinion of the property's value. Usually required by the lender.
Variable interest rate	An interest rate that varies according to the marketplace.
Zoning	Statutory descriptions of the allowable uses of land as set out by local councils or planning authorities.

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