Three quarters of homeowners unable to correctly define ‘Remortgaging’: What more could lenders be doing?

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- Trussle reveals jargon confusion as only a third (34%)3 of homeowners or those in the process of buying a home are confident they understand the terminology used in their mortgage agreement
- 61%2 of current and soon to be homeowners didn’t fully review their mortgage agreement before signing, despite it being one of the biggest contractual agreements most ever commit to
- Interactive visual map reveals most mortgage-savvy cities across the UK

15th July 2019: New research1 and interactive visual map from online mortgage broker Trussle, reveals that 61%2 of current and soon to be homeowners in the UK don’t fully review their mortgage agreement before signing it, and half (50%)3 claim they only understand some of the language used in paperwork associated with the house buying process.

Speaking to 2,002 homeowners and those currently in the process of buying a home1 about their understanding of common mortgage jargon, Trussle reveals the true extent of the nation’s knowledge, to discover what lenders could be doing to better inform them.

Almost two thirds (66%)3 of current and soon to be homeowners admitted they don’t understand all of the terminology used in their mortgage agreement.

The research also reveals the key mortgage jargon which most homeowners or those in the process of buying a home were unable to correctly define and therefore need more education on:

1. Remortgaging (76%)4
2. APRC (64%)5
3. Completion (40%)6
4. Mortgage term (37%)7
5. Base rate (27%)8

Remortgaging, the process of switching a mortgage deal before the end of the initial period, is the phrase that most homeowners or those in the process of buying a home don’t understand, with only one in four (24%)4 admitting they know the definition.

This finding suggests that current/soon to be homeowners don’t understand the importance of remortgaging, when in fact, if they don’t remortgage and slip onto their lender’s high-interest Standard Variable Rate (SVR), they risk losing an average of £4,500 a year9.

The research highlights that there are some key mortgage terms which current homeowners or those in the process of buying a home do have a clear understanding of, including those which can have a big impact on their monthly payments:

1. Overpayments (81%)10
2. Credit report (80%)11
3. SVR (76%)12
4. Arrears (75%)13
5. Buy to let (74%)14

With the risk of moving onto your SVR potentially having a huge impact on the amount of money homeowners are paying out each month, it’s great to see that over three quarters (76%)12 fully understood the term.

Homeowners face a number of fees during the buying process. While the majority of respondents knew they were expected to pay for things such as early repayments (55%)15, an arrangement fee (54%)15 and building insurance arrangement (32%)15, nearly a third (31%)14 were not aware they had to pay a solicitor's fee which can typically set homeowners back between £850 and £1,00016.

Perhaps most shockingly, over half (58%)15 of those Trussle spoke to didn’t know they’d be charged for

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missing a payment on their mortgage, suggesting that the industry isn't doing enough to educate and guide borrowers through the whole mortgage process and ensure they're completely aware of all associated fees.

Commenting on the research, Dilpreet Bhagrath, Mortgage Expert at Trussle says:

"Mortgage terminology can be tricky to understand, and it's clear that there's still a lot of jargon in the industry that's misunderstood.

"Buying a home is one of the biggest emotional and financial commitments someone will make in their lifetime. Yet, borrowers are being put at a huge disadvantage by not truly understanding the terminology used in their mortgage agreement.

It's worrying that so many homeowners still don't understand remortgaging, particularly as they risk falling onto an expensive Standard Variable Rate and could waste an average of £4,500 a year on high-interest rates. Across the industry, we need to educate borrowers so they understand what they're getting into and how they can keep their mortgage on track.

At Trussle, we're calling for a Mortgage Switch Guarantee to make mortgages more transparent across the board. We hope that this will increase transparency so mortgage borrowers are treated fairly and have the tools they need to make the right financial decisions. "

To find out more about this research visit:
https://trussle.com/blog/post/introducing-the-uk-mortgage-map-of-knowledge-2019 and to view the interactive map showing the most mortgage-savvy cities, please visit:
https://trussle.com/research/uk-mortgage-knowledge-map-2019

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We've taken extra care to ensure the information provided within this release is presented in a way that's compliant with regulatory requirements. If you have any questions about how to repurpose this information or require any further assistance, please contact Katie Halfhead at Trussle.

About Trussle

Trussle helps people love their journey of owning a home. We're your free online mortgage broker, helping you wherever you are on the ladder. Say goodbye to paperwork, long phone calls, and being left out of the loop. Say hello to a quick, jargon-free, personal service that you can access from anywhere at any time. We'll help you find and secure your mortgage entirely online.

Relax while we ensure you're always on the right deal. We compare your mortgage with the latest deals on the market every day, and we'll alert you the moment it's time to switch to a more suitable deal. That way, you'll never pay more than you should to own your home.

In September 2016 Trussle launched an industry-first partnership with online property portal Zoopla, making it possible to find and buy a home in one seamless experience. Trussle is backed by some of

Europe's leading technology investors including Goldman Sachs PSI, LocalGlobe, Ed Wray (founder of Betfair), Ian Hogarth (founder of Songkick) and Seedcamp.

Trussle is a trading style of Trussle Lab Ltd, which is an appointed representative of Mortgage Advice Bureau Limited and Mortgage Advice Bureau (Derby) Limited which are authorised and regulated by the Financial Conduct Authority.

Your home may be repossessed if you do not keep up repayments on your mortgage.

More information can be found at https://trussle.com

Methodology

1Trussle interviewed 2,002 nationally representative UK homeowners/those in the process of buying a home, using the research agency 4media in May-June 2019. 95% homeowners, 5% in the process of buying a home.

2Source: 4media survey of 2,002 homeowners/those in the process of buying a home, Mqy-June 2019. Q5 Before signing your mortgage agreement did you read the full document? 39% responded ‘Yes, I read the full document before signing’

3 Source: 4media survey of 2,002 homeowners/those in the process of buying a home, Mqy-June 2019: Q4 Are you confident you understand the terminology and jargon used in your mortgage agreement? 34% answered ‘Yes all of it’ 50% answered ‘Yes but only some of it’, 5% answered ‘No none of it’ and 11% answered ‘I’m not sure’ = 66%

4Source: 4media survey of 2,002 homeowners/those in the process of buying a home, Mqy-June 2019: What does the following financial term mean? ‘Remortgage’ 66% answered ‘When you borrow additional money from your lender against your current mortgage amount’, 6% answered ‘When you move home’ and 4% answered ‘Don’t know’ = 76%. 24% correctly answered ‘When you switch your current mortgage lender without moving home’

5Source: 4media survey of 2,002 homeowners/those in the process of buying a home, Mqy-June 2019: What does the following financial term mean? ‘APRC’ 12% answered ‘annual payment rate of credit’, 24% answered ‘annual percentage rate of credit’ and 28% answered ‘don’t know’ = 65%

6Source: 4media survey of 2,002 homeowners/those in the process of buying a home, Mqy-June 2019: What does the following financial term mean? ‘Completion’ 26% answered ‘once you have paid off your mortgage’, 8% answered ‘once you have had a mortgage offer from a lender’ and 6% answered ‘don’t know’ = 40%

7 Source: 4media survey of 2,002 homeowners/those in the process of buying a home, Mqy-June 2019: What does the following financial term mean? ‘Mortgage Term’ 23% answered ‘The time you will pay a set interest rate on your mortgage’, 6% answered ‘The amount of time you have to choose a property to buy after receiving a mortgage offer from a lender’ and 8% answered ‘don’t know’ = 37%

8 Source: 4media survey of 2,002 homeowners/those in the process of buying a home, Mqy-June 2019: What does the following financial term mean? ‘Base Rate’. 15% answered ‘Refers to the minimum rate of interest you will pay on your mortgage’, 2% answered ‘Refers to the maximum rate of interest you will pay on your mortgage’ and 10% answered ‘Don’t know’ = 27%

9Source: Trussle's Mortgage Saver Review February 2018

10Source: 4media survey of 2,002 homeowners/those in the process of buying a home, Mqy-June 2019: What does the following financial term mean? ‘Overpayments’ 81% answered ‘When you pay extra, over and above your minimum monthly mortgage payment’

11Source: 4media survey of 2,002 homeowners/those in the process of buying a home, Mqy-June 2019: What does the following financial term mean? ‘Credit report’. 80% answered ‘A report that provides you with a score based on your financial situation and history’

12Source: 4media survey of 2,002 homeowners/those in the process of buying a home, Mqy-June 2019: What does the following financial term mean? ‘SVR’

76% answered ‘Standard variable rate’

13Source: 4media survey of 2,002 homeowners/those in the process of buying a home, Mqy-June 2019: What does the following financial term mean? ‘Arrears’ 75% answered ‘An account is in arrears if the debt, liability or obligation expected is overdue’

14Source: 4media survey of 2,002 homeowners/those in the process of buying a home, Mqy-June 2019: What does the following financial term mean? ‘Buy To Let’ 74% answered ‘A mortgage for those who wish to rent out their property to someone else’

15Source: 4media survey of 2,002 homeowners/those in the process of buying a home, Mqy-June 2019: Which of the following fees are/could be involved with getting a mortgage/buying a house? 55% answered ‘Early repayment charge’, 54% answered ‘Arrangment fee’, 32% answered ‘Fee for building insurance arrangments’, 42% answered ‘Missed payment fee’= 58% weren’t aware of the fee.

16Data taken from https://trussle.com/mortgages/remortgage

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