

THE
FAMILY
BUILDING
SOCIETY

A GUIDE TO OUR
FAMILY MORTGAGE
CRITERIA

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A guide to our Family Mortgage lending policy criteria

Introduction

This document outlines a summary of the current lending terms which apply to our **Family Mortgage** products. Please note that this is not our full lending policy and any specific queries should be referred to a member of our team.

Please note, these lending terms should be read in conjunction with our Family Mortgage brochure and the mortgage product summary which will outline any requirements specific to individual mortgage products.

Summary

Broadly, our approach is to assess the maximum loan amount available under our standard lending criteria by taking income, less any unsecured outgoings, and assessing whether the proposed new mortgage is affordable.

Where an applicant is seeking a loan which exceeds our standard maximum loan to value of 75%, additional security is required in the form of another property and / or savings account(s) which can be provided by a family member and must have sufficient equity to cover the excess. In these circumstances the Society takes a charge over the additional security being provided (property and / or savings) to provide additional security. The total of the secured borrowing, due to all lenders across all security, inclusive of the guarantee, must not exceed 75% of the total value.

Please note: family member(s) providing additional security are not liable for the entire mortgage debt and are therefore not required to make monthly payments in the event of the borrower(s) defaulting. However, in the event of a shortfall on disposal of the property, whether this is a voluntary sale or a sale following default and subsequent possession, the family member(s) will be proportionately liable for any shortfall not met by the borrower(s), up to a maximum of the value of the additional security provided.

Purpose of borrowing

- Purchase of property
- Additional borrowing can be considered for home improvements.

Status

We will accept a maximum of four borrowers and additional security provided by parents, siblings, parents' siblings (aunties or uncles) or grandparents.

Additional security – property

Where applicable, we will accept up to two properties as the additional security for the mortgage. If the additional security property is jointly owned then both owners must be party to our security.

Additional security – Savings

Where applicable we will accept up to four savings accounts as additional security for the mortgage. These can be used to 'offset' the interest on the mortgage – please see product guide.

Foreign nationals

In order to be considered for a loan, foreign nationals must have permanent/indefinite rights to reside in the UK.

Where an applicant is a foreign national from a country outside of the European Economic Area (EEA) we will require proof of nationality through sight of a certified copy of the applicant's passport. Certification is acceptable by a person within an organisation which is covered by Money Laundering Regulations such as a bank or building society, solicitor or financial advisor.

Foreign currency mortgages

The Family Building Society does not accept foreign currency mortgages. For example, if your income is in Euros, but you want to get a mortgage in the United Kingdom, where the currency is Sterling.

Identification of borrower and family members

We will require satisfactory proof of identity and verification of current UK address for both the applicant and those providing additional security.

Impaired credit

Where an applicant has an impaired credit history we may consider this on an individual basis. However, we will not consider if any of the following circumstances have occurred:

- Arrears on any mortgage, a credit arrangement such as a credit card, secured or unsecured loan within the last two years, where the cumulative amount overdue at any point reached three or more monthly payments
- One or more County Court Judgments (CCJs), with a total value greater than £500, within the last three years
- An ongoing Individual Voluntary Arrangement (IVA) or bankruptcy order at any time within the last three years.

Please contact a member of our team to discuss before proceeding.

Income – lending is based against the borrower’s income only

The following forms of income will be accepted:

- **Employed:** confirmed annual salary plus guaranteed overtime / bonus elements allowed up to 100% and non-guaranteed elements up to 50%
- **Self-employed:** net profit.

We may also accept investment income depending on circumstances. Income which is totally reliant on Benefits will not be considered.

Any financial commitments will be deducted from the net annual income or net profit.

Income verification

Where an applicant is **employed**, confirmed annual salary plus half of regular overtime / bonuses will be accepted. The most recent original P60 and last three months’ original pay slips will be required.

Where applicants are **self-employed** and have more than a 33% financial stake in a business, their proportion of net profit for the most recent year is accepted. The most recent SA302 or online HMRC Self-Assessment Return can be accepted showing:

- The Tax Calculation, showing the customer’s self-reported income and the HMRC calculation of the tax due on that income and;
- The Tax Year Overview, showing the total tax due and how much the customer has paid in tax.

Alternatively the latest audited accounts (prepared by a Certified or Chartered Accountant) may be accepted to determine whether the income to be used appears reliable.

An accountant’s reference or other corroborative information may be required.

Mortgage term

Minimum: 5 years

Maximum: 40 years

Where the mortgage term extends beyond retirement age, applicants will be asked to provide evidence of how the loan will continue to be affordable in retirement and the mortgage term may be limited.

Maximum loan to value

The maximum loan, without additional security, is 75% of the purchase price or property value – whichever is lower, subject to confirmation of status and satisfactory credit history.

The maximum loan, **with additional security**, is 95% of the purchase price or property value – whichever is lower. Confirmation from the lender of the outstanding mortgage balance on any additional property provided as security may be required.

Applicants must be able to provide a minimum of 5% deposit. If someone gifts the deposit we will need to see a Deed of Gift as confirmation.

Property type

The main property must be:

- Of standard construction, located in England or Wales, and be either freehold or leasehold subject to a minimum of 50 years unexpired remaining on the lease at the end of the mortgage term.

We can accept up to two properties as the additional security for the mortgage. If the additional property is jointly owned then both owners must be party to the transaction.

We will not accept:

- Isolated properties, farms, small holdings, or properties where animals are grazed
- Shared ownership
- Houses in multiple occupation (HMOs)
- Properties with commercial use.

Where the property is a flat, we will require a suitable lease to be in place. We will not normally accept a flat when it is:

- A new build
- Above a commercial premises (however see 'Properties above commercial premises' below)
- Ex-local authority / Housing Association
- Above four stories high
- A studio flat
- Freehold.

Properties above commercial premises

These can be considered subject to the valuer's comments. Specific consideration will be given to the location of the property and adjacent businesses. The property must be located in a desirable area with good demand and should be readily saleable. The proximity of the commercial use must not affect the quiet enjoyment of the property.

The property must be self-contained, having separate access, and must be on a separate title to the commercial premise. Properties which are over, adjacent to or in very close proximity to a café / restaurant / take-away, pub, bar, club or any property where the use is likely to cause a nuisance or which may involve hazardous materials will not be considered. The commercial premises must not be owned by the potential borrower as this would have legal implications in the event of repossession. This is not an exhaustive list and every case will be considered on its own merits.

If you have any further questions on standard or non-standard construction, or if you are unsure about whether we will consider the type of property in question, please contact a member of our team.

Minimum property value

The minimum acceptable property value or purchase price (whichever is the lower) is £120,000. This will apply to the property and any additional security provided.

Application fee

For full details about our application fees please visit familybuildingsociety.co.uk/applicationfees

In addition, if an additional property is to be used as security, a valuation will be required for which an additional fee of £75 is charged. This fee is payable on application and is non-refundable.

Liability and legal advice

Family members are not liable for the mortgage debt under a Deed of additional security as any charge on the additional security will be restricted to only the amount secured. They are therefore not required to make monthly payments in the event of the borrower(s) defaulting. Where a family member chooses to make monthly payments this will have no impact on the extent of their liability to the Society. However, in the event of a shortfall sale following default, the family members will be liable for any shortfall not met by the borrower up to the value of the additional security taken.

Prior to completion of the mortgage, the additional security provider will be required to obtain comprehensive independent legal advice regarding the impact of providing such security in this mortgage contract. This may be from a Solicitor or Licensed Conveyancer from the same firm as the firm acting for the applicants, but not the same person acting on the applicant's behalf. The applicant is responsible for the fees incurred.

Where additional security is to be taken, the applicant will be responsible for the additional costs incurred arising from the registration of the Legal Charge to be secured on any additional security property, and should seek details of these additional costs from the legal representative.

Life cover and income protection

There is no requirement to purchase life assurance or other protection products. However it is in the applicant's interest to review their financial planning when taking out a new mortgage to ensure that they have adequate protection against the impact of involuntary unemployment, accident or ill-health. For joint applications the Society may need to consider whether the proposed mortgage is affordable should one applicant predecease the other.

Capital repayments and redemption

Early redemption of our standard variable rate mortgage, in full or in part by capital repayment, is allowed at any time, without notice or Early Repayment Charge. Redemptions can be arranged within five working days of receipt of request.

Other mortgage products will each have specific Early Repayment Charges. The conditions will be stated in the product summary sheet and in the mortgage offer or product switch illustration.

Solicitors

Due to the potential complexity of the security being taken, the Society will instruct its own solicitors to act on its behalf and we will cover the cost.

All products are subject to change or withdrawal without prior notice.

The Family Building Society reserves the right to refuse any application submitted.

**THE MORTGAGE WILL BE SECURED ON YOUR HOME.
YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP
REPAYMENTS ON YOUR MORTGAGE.**

For customer enquiries please contact our dedicated New Business Team:

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