

THE  
**FAMILY**  
BUILDING  
SOCIETY

*I have  
savings  
that need  
to work  
harder*

*And I want a  
better deal on  
my mortgage*

**OFFSET MORTGAGE**  
PUT THE MONEY YOU SAVE  
TO BETTER USE

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# THE FAMILY BUILDING SOCIETY'S OFFSET MORTGAGE.

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The mortgage will be secured on your home.

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

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Offset mortgages are different to traditional mortgage arrangements, but the difference brings distinct advantages to those who hold savings that they would like to put to better use. In particular, offset mortgages may be suitable for those who have to put aside money for specific purposes but do not need to use it right at the present time, for example savings put aside for a wedding, special birthday or the self-employed who need to regularly save in order to pay tax twice a year.

# HOW OFFSETTING WORKS

YOU MAY NOT BE AWARE OF HOW AN OFFSET MORTGAGE WORKS, IN WHICH CASE YOU COULD BE MISSING OUT ON A GREAT OPPORTUNITY TO BENEFIT FROM LOWER MONTHLY PAYMENTS OR REDUCE THE TERM OF YOUR MORTGAGE, SAVING £1,000s IN INTEREST PAYMENTS.

## STANDARD MORTGAGE

With a traditional mortgage you take out your mortgage and pay a set amount each month. For a repayment mortgage, that amount is made up of a contribution towards paying back the mortgage and an amount to pay the interest on that mortgage. The amount you pay can vary whenever the interest rate goes up or down.

## OFFSET MORTGAGE

An offset mortgage works in a similar way except for the inclusion of an extra feature, a savings account is attached to the mortgage arrangement. Any money placed in the savings account is automatically deducted from the amount of the mortgage on which interest is charged.

### This means you can enjoy one of two distinct benefits

If you borrowed £200,000 and held £40,000 in our Offset Saver account, you are only charged for the interest which would be due on £160,000. That means by maintaining your payments at the agreed level you are effectively paying back more of your mortgage each month and that can have a dramatic effect on how quickly your mortgage is paid off.

Alternatively, you can decide to benefit from lower monthly payments. This won't pay off your mortgage any quicker, but will make your monthly payments lower.

In addition, you can overpay your mortgage regularly each month or from time to time and that extra credit can be used to reduce your payments at a later date.

## STANDARD MORTGAGE

### INTEREST DUE ON £200,000

With a standard mortgage, interest is charged on the full £200,000 amount of the mortgage.

## OFFSET MORTGAGE

### INTEREST DUE ON £160,000

With an Offset Mortgage, interest is due only on £160,000 as £40,000 in savings has been offset against the £200,000 mortgage.

**£40,000 SAVINGS**

£200,000 MORTGAGE

### Representative example

A mortgage of £71,000 payable over 13 years on a discounted variable rate for 2 years at 2.45% below our variable Managed Flexi Mortgage Rate and then on our variable Managed Flexi Mortgage Rate, currently 4.64%, would require 23 monthly payments of £523.40 and 133 monthly payments of £594.61, plus one initial interest payment of £128.04.

The total amount payable would be £92,778.37 made up of the loan amount plus interest of £20,249.37, an application fee of £430 which includes the valuation fee, a product fee of £999 and a mortgage exit fee of £100.

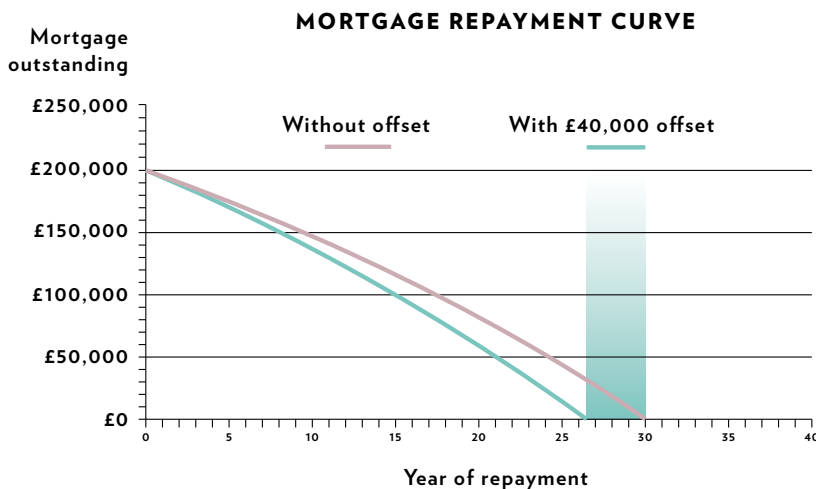
**The overall cost for comparison is 4.4% APRC representative.**

## OPTION 1: TERM REDUCTION

With this option, your offset savings help you to pay your mortgage off earlier. However, offsetting won't have an impact on your monthly mortgage payments. Instead, the interest you save by offsetting your savings means you pay more of the mortgage back each month. Your mortgage balance should reduce faster, and you may be able to pay your mortgage off early.

### TERM REDUCTION EXAMPLE

MORTGAGE AMOUNT	£200,000
OFFSET AMOUNT	£40,000 (20%)
MORTGAGE RATE	2.19%
TERM (YEARS)	30 (MAX 40)
PAYMENT	£758.39
<b>REPAID EARLY AFTER 26 YEARS</b>	



In this example, the mortgage will be repaid **four** years earlier, saving you **48** payments of **£758.39**. In total that's **£36,402** less to repay. Plus, unlike a regular savings account, you pay no tax on the money held in an offset account. The future tax treatment of offset savings accounts may vary.

## OPTION 2: PAYMENT REDUCTION

With this option, you will be using your offset savings to benefit from lower monthly mortgage payments now, but you won't pay off your mortgage any sooner. Interest saved each month will be used to reduce the amount of your next month's mortgage payment, so the more savings you offset, the lower your monthly payment will be.

In this example you use your savings to benefit from lower monthly payments immediately. Your mortgage balance and remaining mortgage term will not reduce any quicker than if you were on a traditional non-offset mortgage.

### PAYMENT REDUCTION EXAMPLE

	WITH AN OFFSET SAVER ACCOUNT	WITHOUT AN OFFSET SAVER ACCOUNT	MONTHLY SAVING
MORTGAGE AMOUNT	£200,000	£200,000	
OFFSET AMOUNT	£40,000 (20%)	£0	
MORTGAGE RATE	2.19%	2.19%	
TERM (YEARS)	30 (MAX 40)	30 (MAX 40)	
<b>PAYMENT</b>	<b>£685.39</b>	<b>£758.39</b>	<b>£73.00</b>
REPAID AFTER	30 YEARS	30 YEARS	

The above diagrams use interest rates which are for illustrative purposes only. Use our online [Offset Mortgage Calculator](https://familybuildingsociety.co.uk/offset-calculator) ([familybuildingsociety.co.uk/offset-calculator](https://familybuildingsociety.co.uk/offset-calculator)) to see how much interest you could save or how many years you could shave off your mortgage term.

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# THE BENEFITS OF OFFSETTING

## BUILT IN FLEXIBILITY

If you are able to pay more than the agreed amount each month, either occasionally or on a regular basis, the extra money also reduces the mortgage amount on which interest is charged. We keep track of the amount overpaid separate from the money you are offsetting, and you can use some or all of this credit later on either for a payment holiday, to reduce the regular payment for a while, or to draw back in a lump sum.

This flexibility means you can build up a credit position at times when you have spare money and draw this back when you need it later, benefiting from lower interest costs in the meantime. If you decide to draw the money back, we will require the written authority of all borrowers to make a repayment. This money will be repaid to the bank account from which the monthly mortgage payments are made, or to another account provided we receive an original statement for the nominated account, issued within the last three months and showing the borrowers' full names.

Keeping these overpayments separate from your offset savings avoids mixing them with the money in the Offset Saver account which may be earmarked for specific purposes.

You can also repay some of the mortgage at any time. These lump sum repayments can't be repaid to you at a later date but they immediately reduce the balance that interest is charged on.

## EFFECTIVE USE OF YOUR SAVINGS

If you hold a reasonable amount in savings accounts, you will have noticed that the returns over the last few years have been less than sparkling. As a general principle, the interest rate you pay for borrowing money will tend to be higher than the rate you receive from saving money. So, if you could move your savings to count against your mortgage, you would effectively be earning interest on that money at the rate you are charged for your mortgage and the interest saved can help to pay off your mortgage earlier.

What's more, as your offset savings are linked to your mortgage they are no longer producing interest, which is subject to income tax, making the impact on your mortgage even more significant.

*“You’d effectively be earning interest on that money at the rate you’re charged for your mortgage”*

## EFFECTIVE USE OF YOUR FAMILY’S SAVINGS

Our Offset Mortgage could also help parents lighten the financial burden for children. For example, children who are looking to move out and buy their own home. By putting some of their savings in an Offset Saver account, family members can give first time buyers or other types of borrower(s) a headstart to paying off their mortgage. We allow up to four Offset Saver accounts to be linked with each Offset Mortgage.

By ‘family member’, we mean the borrower’s parents, grandparents, aunts, uncles, brothers and sisters all could help, if they are able to.

If you receive financial help from family members with an Offset Saver, they could withdraw the money without notice if they need to. It’s important to remember there is no guarantee how much or for how long they may be able to help offset your mortgage.

## EXTRA HELP IF YOU ARE SELF-EMPLOYED

An increasing number of families now contain at least one member who has chosen to become self-employed. For some, this is to create a better work / life balance, others work in trades or professions where self-employment is already the norm and as technology advances, more flexible working arrangements just make sense.

### USE TAX MONEY TO PAY YOUR MORTGAGE

Many self-employed workers have to pay their taxes at set times during the financial year. For most, this is at the end of January and the end of July. That means for the rest of the year you may be putting aside enough money to settle your tax bill when the due date arrives.

If you had an Offset Mortgage, you could accumulate your tax money in the Offset Saver account linked to your mortgage. As a result, for a large proportion of the year your tax money can be working to reduce the amount of your mortgage you pay interest on, to help you to repay your mortgage sooner.

It’s as simple as that – making the most of money you would not really have been able to put to any other use could help you pay off your mortgage earlier. And by moving other savings into your Offset Saver account, you could make an even more significant difference.

The money in your Offset Saver account is not locked away and can be accessed without notice or penalty.

### PERSONAL UNDERWRITING

As a self-employed professional, you may also find that getting a mortgage is a lot less straightforward and not all lenders are able to accept the new reality of today’s earning patterns. We treat all mortgage applicants as individuals, personally underwriting each case rather than relying on a credit score to determine whether we would be happy to offer a loan. For self-employed customers this means that we could, depending on your individual circumstances, accept just one year’s accounts to support an application instead of the standard three years required by most lenders.

WE TREAT ALL MORTGAGE APPLICANTS AS INDIVIDUALS, PERSONALLY UNDERWRITING EACH CASE RATHER THAN RELYING ON A CREDIT SCORE.





“The savings I set aside for tax can help reduce my interest payments”

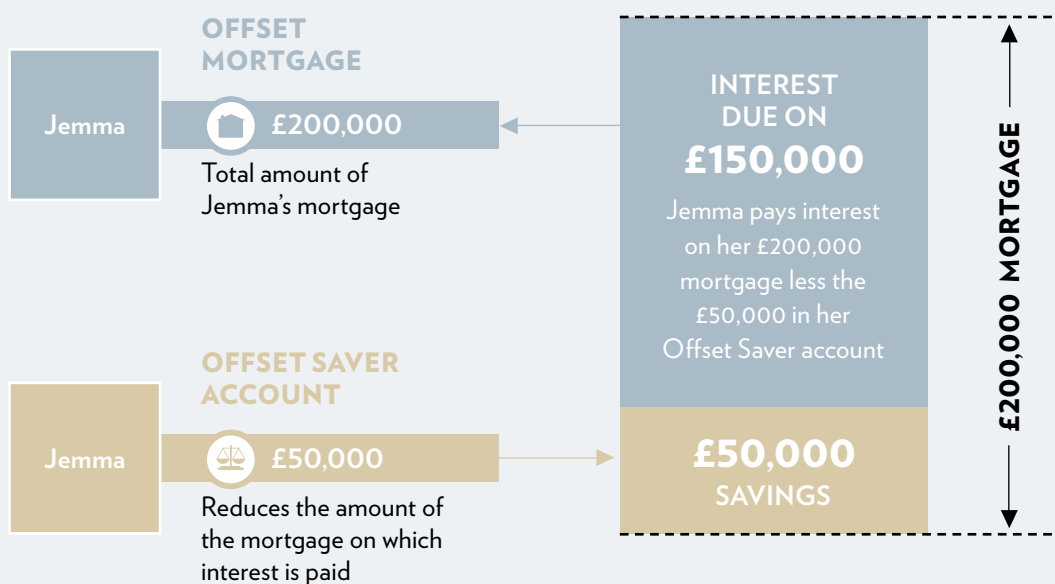
## JEMMA'S STORY

JEMMA DAWKINS SET UP HER BUSINESS AS A MARKETING CONSULTANT TWO YEARS AGO. AS AN EXPERIENCED MARKETING PROFESSIONAL SHE HAS ESTABLISHED CONTRACTS WITH FOUR BUSINESSES, PROVIDING HER WITH REGULAR WORK.

Over the last two years she has been able to earn at a higher level than when she was employed. She is now thinking about potentially expanding to take on an assistant to handle some of the smaller projects she has been given.

When it comes to getting a mortgage however, she has found herself penalised by the relatively short time her business has been running and the fact that her income, whilst reliable, comes in on a project by project basis rather than nice and neatly every month. When the money does come in, Jemma knows she will need to put aside roughly £30,000 across the year to meet her tax bill. That money can build up in her Offset Saver account. Including a transfer of savings, on average Jemma is able to offset the interest on £50,000 of her mortgage each month.

## HOW IT ADDS UP FOR JEMMA



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## QUESTIONS YOU MAY HAVE

### A ONCE MY MORTGAGE COMPLETES CAN I CHANGE MY OFFSET OPTION?

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You can choose to change between term reduction and payment reduction at any time provided this is no more than once a calendar month. Changes requested up to the 25th of a month take effect the following month; changes requested after this take effect a month later.

### B DOES MY CHOICE AFFECT MY PAYMENT DATE?

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The Offset Mortgage payment reduction option requires a direct debit collection date that falls on or after the 15th of the month.

If your mortgage completes before the 15th of the month then after the first direct debit has been taken, the date for subsequent direct debits will need to be changed to fall on or after the 15th of the month. If you have completed on or after the 15th day then no action needs to be taken.

### C WHEN AND HOW DO I HAVE TO NOTIFY YOU OF MY CHANGE IN OFFSET OPTION CHOICE?

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You can notify us any time you wish, by phone, in writing, or by secure message via our Online Service. For requests received up to the 25th of a month, your direct debit amount will be changed on the 1st of the following month. For example, if you notify us on 20 January, your direct debit amount will change for your February payment. In this example your new direct debit date will be changed to fall on or after 15 February, however you can specify any date from the 15th until the end of the month.

### D ARE THERE ANY FEES?

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Yes, there are fees charged for the Offset Mortgage. You'll find details of the fees on our website.

### E WHAT ACCOUNT DO SAVINGS NEED TO BE DEPOSITED IN?

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The account that is linked to the borrower's mortgage is an Offset Saver account. Family members who wish to contribute can open and close accounts during the life of the mortgage. However, the borrower(s) must open an Offset Saver account and keep it open for the term of the mortgage, until it is redeemed, or until they switch to a non-offset product, whichever is sooner.

### F WHAT IF I NEED ACCESS TO MY OFFSET SAVINGS?

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You can take money out of your offset account at any time, subject to keeping a minimum balance of £100. Of course the money taken out will no longer offset your outstanding mortgage. Only the money held in the account will count to reduce interest payable for the mortgage.

### G WHAT ARE THE MAXIMUM AND MINIMUM BALANCES I CAN HAVE IN MY OFFSET SAVER ACCOUNT?

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The minimum you can start offsetting with is £100 and you can offset up to 100% of the mortgage amount.

You will be charged no interest at all for the months where 100% of the mortgage is offset by savings. Please remember that no interest will be paid on amounts held in the offset savings accounts linked to your mortgage even if the total exceeds 100% of the mortgage.

### H ARE MY SAVINGS IN THE OFFSET SAVER ACCOUNT PROTECTED?

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Eligible deposits with the Society are protected by the FSCS. This savings product is covered by the FSCS.

### I COULD OTHER FAMILY MEMBERS HELP ME BY DEPOSITING THEIR SAVINGS IN MY ACCOUNT?

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Yes, other family members can open an Offset Saver account linked to your mortgage to help reduce interest due. Including your own account, up to four savings accounts can be linked to an Offset Mortgage. Parents, grandparents, aunts, uncles, brothers and sisters all qualify to open an account. Eligible deposits with the Society are protected by the FSCS. This savings product is covered by the FSCS.

### J HOW MANY BORROWERS CAN APPLY FOR AN OFFSET MORTGAGE?

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Up to four borrowers can be involved in an Offset Mortgage, so long as they meet our lending and affordability criteria and at least one of these must meet eligibility criteria. Our lending criteria is available on request, or you can download it from our website [familybuildingsociety.co.uk/mortgages](http://familybuildingsociety.co.uk/mortgages)



#### **K** IS THERE A CHARGE IF I PAY OFF MY MORTGAGE EARLY?

When you first take out the mortgage, you will receive a discounted rate for a period of time. If you repay your mortgage in full during this period there will be an Early Repayment Charge. After the period of the discount, your rate will revert to the Family Building Society's variable Managed Flexi Mortgage Rate. Once this comes into effect, there will be no charge for early repayment.

#### **L** CAN I OVERPAY?

Whether you choose to reduce your term or reduce your monthly payments, you can also make lump sum repayments and / or regular monthly overpayments to reduce the mortgage balance. There is no limit on the amount you can pay off in any one year.

#### **M** CAN I UNDERPAY IF I NEED TO?

Yes, with our prior agreement you can underpay or take payment holidays equal to the value of overpayments you have built up earlier in the mortgage term.

#### **N** WHAT IS THE MINIMUM MORTGAGE AMOUNT?

We will lend up to 80% of a property value, subject to a minimum mortgage amount of £45,000 and a minimum property value of £120,000.

#### **O** CAN I INCREASE THE AMOUNT I BORROW?

Yes, the facility to increase your mortgage is available after six months at the rates which apply at that time – where different interest rates apply to different parts of the mortgage, the highest interest rate will be offset first.

#### **P** WHAT IF I WANT TO MOVE?

If the new property meets our lending criteria, you will be able to transfer your Offset Mortgage to it. You may also be able to increase your Offset Mortgage to afford a more expensive property as long as you continue to meet our affordability and eligibility criteria.

#### **Q** HOW WILL I KNOW HOW MUCH MONEY HAS BEEN PLACED IN THE OFFSET ACCOUNTS ATTACHED TO MY MORTGAGE?

You are able to view your own Offset Saver, plus all of the accounts attached to your mortgage at any time by logging onto the Online Service. You will only be able to transact on your own Offset Saver(s), however you can view the total balance(s) in all other attached accounts.

**THE MORTGAGE WILL BE SECURED ON YOUR HOME.**

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

**FOR MORE INFORMATION CONTACT YOUR MORTGAGE ADVISER.**

**ALTERNATIVELY, TELEPHONE OUR FRIENDLY AND HELPFUL TEAM WHO CAN GUIDE YOU THROUGH YOUR OPTIONS.**

**03330 140140**

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This brochure can be provided in alternative formats on request.



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