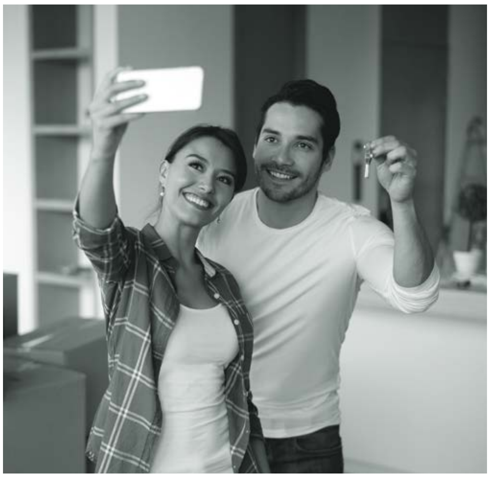
THE FAMILY BUILDING SOCIETY

A place of our own



THE FAMILY MORTGAGE

HOW FAMILIES CAN HELP THE NEXT GENERATION BUY A HOME

GLOSSARY OF TERMS

This aim of this glossary is to provide you with a clearer understanding of the language used within our mortgage literature.

For more information on terms please refer to our A to Z jargon buster at *familybuildingsociety.co.uk/mortgage-jargon-buster*

Additionally check out our mortgage guides for more information on getting a mortgage at *familybuildingsociety.co.uk/mortgage-guides*

Annual Percentage Rate of Charge (APRC) – Also known as 'Cost for comparison'. This is the annual cost (as a percentage) of a mortgage across its whole term, taking into account any charges that relate to the cost of borrowing, such as interest rates and fees.

Arrears – When a mortgage payment has not been paid by its due date. Missing a mortgage payment can negatively impact your credit rating, and missing several payments could also lead to your mortgage lender repossessing your property. If you are experiencing payment difficulties, please contact us as soon as possible.

Application Fee – This is the upfront fee that is paid to process the mortgage application. This is paid when you apply for the mortgage and is non-refundable.

Cashback – An incentive offered to mortgage applicants for certain products, where they can receive some money back.

Collateral Charge – This is a legal agreement between your family member and the Family Building Society. It's when a family member agrees to let the Society use their property as additional security for your loan.

Deposit – The amount of money you put towards the price of the property you are buying, usually referred to as a percentage of the total purchase price. Each bank or building society will offer different mortgage products depending on the percentage of deposit you have.

Early Repayment Charge (ERC) – A fee you may be charged if you repay some, or all of your mortgage balance before the end of an agreed term. Early Repayment Charges usually only apply during a specified period.

Family Security Account – A savings account which is designed to provide additional security for a family member who does not have a sufficient deposit to meet our standard lending criteria. Family members can place money into this account, which acts as security for a set time period, whilst earning interest.

Fixed rate mortgage – A mortgage where the interest rate charged is fixed for a set period, usually between two and five years. This means that your mortgage payments will stay the same each month throughout the fixed rate period.

Follow on rate – This is our base lending rate for our Owner Occupier mortgages. You'll be moved onto this rate once your existing mortgage product ends, unless you choose to switch to a new mortgage product. Follow on rates are typically more expensive than alternative mortgage products.

Loan to Value (LTV) – The size of your mortgage loan divided by the value of your property. For example, if you're buying a £100,000 property with a £10,000 (10%) deposit, you'll need a 90% LTV mortgage.

Mortgage term – The total length of time that the mortgage will last for. Most mortgage terms are between 5 and 35 years. A mortgage term is different to a mortgage product period, which is usually 2 to 5 years

Mortgage Valuation fee – A fee paid to a chartered surveyor to estimate how much a property is worth.

Negative equity – A property is in negative equity if it's worth less than the mortgage secured on it and it's normally caused by falling property prices.

Product Fee (arrangement fee) – The main fee we charge for arranging your mortgage.

Product switch/transfer – At the end of your mortgage product period, you can switch to another mortgage product with the same lender. You may also be able to switch to a new mortgage product before the period finishes (for example after 4 years into 5 year fixed term) if a more attractive mortgage product becomes available. However, this may result in additional charges such as Early Repayment Charges.

Repayment mortgage – A mortgage has two parts, these being the money you borrow (known as the capital), and the interest charged by the lender on the amount you have borrowed. With a repayment mortgage, you'll make monthly payments for an agreed term, until you have paid back both the capital and interest. This means that, as long as you keep up with the repayments, your mortgage will be repaid in full at the end of the mortgage term.

Representative example – An example of the costs associated with a mortgage, based on the mortgage lenders typical borrowers. This will show the monthly repayments, the total amount to repay, including the amount of interest, and any fees there are to pay. This allows you to make an informed choice when considering which mortgage product is best for you.

Security through property – If your family want to help you to buy a home but aren't able to give you a gift or loan, they can still help by providing security through their own home. Family members can give extra security in the form of a Collateral Charge over some of the value of their own property.

Stamp Duty Land Tax – Stamp Duty Land Tax is a tax, paid by the buyer, on land and property transactions in England, Wales and Northern Ireland. For more information, please refer to *gov.uk/stamp-duty-land-tax*

FROM THE CHIEF EXECUTIVE

MARK BOGARD CHIEF EXECUTIVE OF FAMILY BUILDING SOCIETY

"We don't want to be just Family Building Society. We want to be your Family Building Society"

Getting a mortgage used to be simpler. You got a job and you worked hard. After a few years of saving, you applied for a mortgage. In today's economy, it's not always enough to work hard. Young adults, even those with high-paying jobs, are struggling to meet the cost of living and working. Of course, the price of property is another challenge.

Because of this, they're living longer in rented accommodation than ever before. Many are having to move back home to save money. Today's young buyers need help from somewhere.

We know from talking to young people that, for many, help won't always come from traditional mortgages. Parents often want to help but young adults would rather soldier on than do anything that might take money out of their parents' retirement pot.

Family Building Society believe that first time buyers and growing families looking to make their next move deserve all the help they can get. We were one of the first lenders to allow family members help their family by providing a contribution towards their children's deposit through the equity built up in their own home and/or from their savings. This allows borrowers to increase their buying power, making buying a first home more affordable.

The Family Mortgage gets borrowers on to the property ladder sooner, and it keeps family members in control of their money and assets. And because it's a formal arrangement, everyone knows where they stand.

Mark Bogard

MARK BOGARD
Chief Executive

A MORTGAGE BUILT AROUND YOUR FAMILY

For many young adults, couples, and families, saving for a deposit can feel out of reach as they juggle to meet the cost of living. Increasingly family members are stepping in to help. However, while many are willing to provide support, they need to weigh up their own finances before giving money towards a large deposit.

WHAT IS THE FAMILY MORTGAGE?

The principle behind the Family Mortgage is simple...

Borrow up to 100% of the property value, with little or no deposit!

The Family Mortgage has been designed to support the younger generation and help make buying a home possible. It allows family members to use their savings and/or equity in their property as security for the borrower's mortgage, instead of gifting money. This gives the borrower the option to either provide a deposit or not, depending on what they have available.

The Family Mortgage is a five year fixed rate product.

HOW IT WORKS

Family members can provide security in one of two ways or a combination of both provided the total security, plus any initial deposit, adds up to 20% of the value of the property the borrower is buying. Family members can:

- Place their savings into our Family Security account and earn interest
- Allow the Family Building Society to take a Collateral Charge over their property for the amount needed to make up the 20%.

The security supports the mortgage until the end of its fixed rate.

See how much security you'll need and what your mortgage payments could be on our Family Mortgage calculator *familybuildingsociety.co.uk/family-mortgage-repayment-calculator*

WHO CAN PROVIDE SECURITY?

Family members who can provide security include the:

- Borrower' parents, grandparents, siblings or uncles and aunts.
- Step relations in these roles are also acceptable.

Family members must be a resident in the UK and if using property as security must own their property.

AFTER FIVE YEARS – WHAT HAPPENS NEXT?

The security provided by family members can be released and the borrower is able to move onto a standard mortgage product. This is subject to the payments on the Family Mortgage being up to date and no demand having been made by us for repayment of the Family Mortgage.

Please see our FAQ section in this document which provides more information.

To find out more visit our website
familybuildingsociety.co.uk/family-mortgage

HOW THE FAMILY MORTGAGE CAN HELP

Benefits for borrower(s)

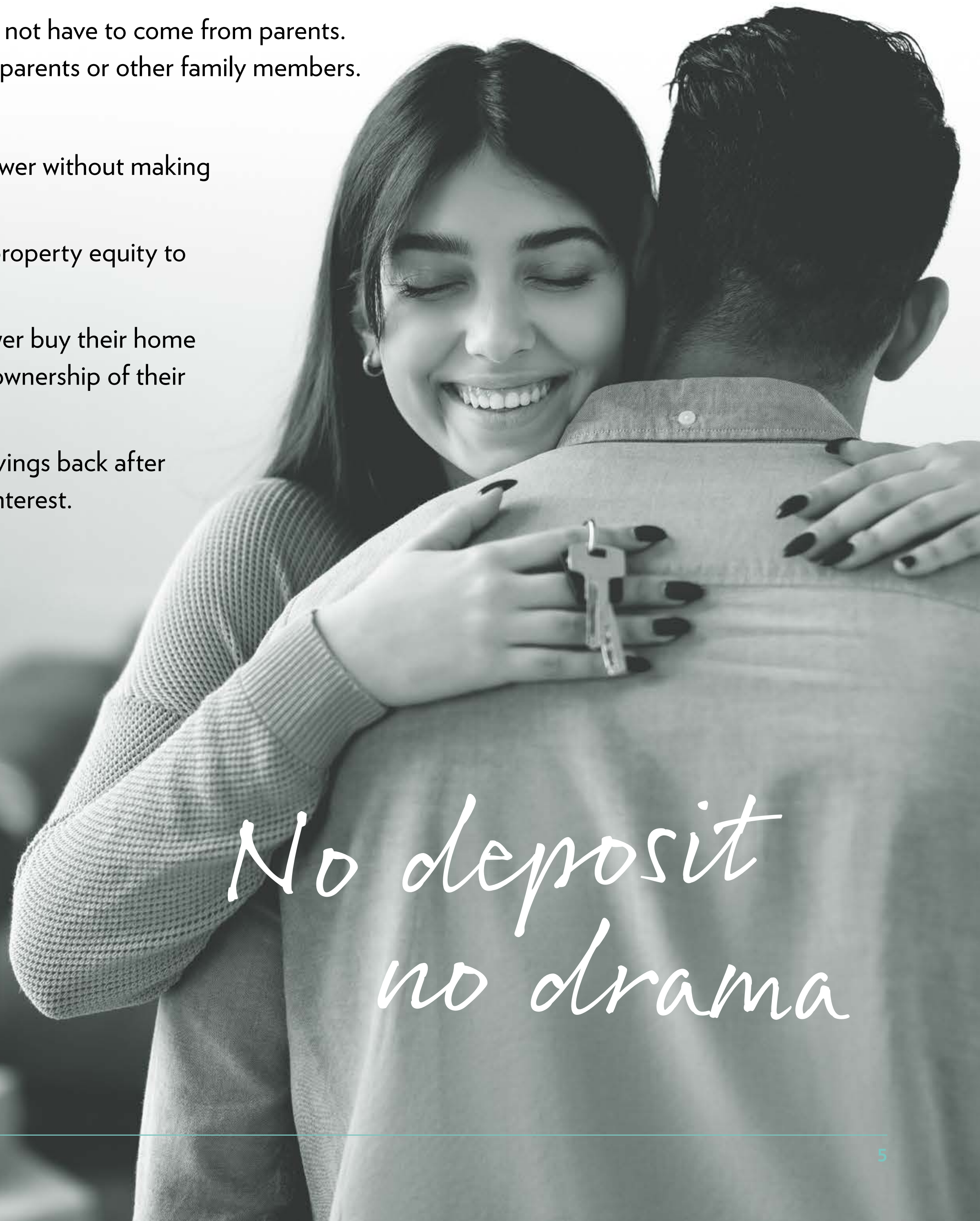
- ✓ Borrow **100%** of the property value, up to **£750,000**
- ✓ Buy their home sooner without the need for a borrower deposit
- ✓ Borrow over a longer term (up to 40 years), to keep monthly mortgage repayments lower
- ✓ Fixed interest rate for five years for peace of mind.

Benefits to family member(s)

Family support does not have to come from parents.
It may include grandparents or other family members.

They may:

- ✓ Support a borrower without making a gifted deposit
- ✓ Use savings or property equity to provide security
- ✓ Help the borrower buy their home while retaining ownership of their own assets
- ✓ Receive their savings back after five years with interest.



THE FAMILY MORTGAGE SECURITY OPTIONS

The Family Mortgage allows family members to provide security for the borrower's mortgage in two ways — or a combination of both.

OPTION 1

Family Security Account

- Family members place their savings into a **Family Security Account** which earns interest
- The savings acts as security for five years
- Accounts can be opened individually for each supporting family member, or opened jointly, with up to two family members named per account
- A maximum of four accounts can be opened.

OR

OPTION 2

Security Through Property

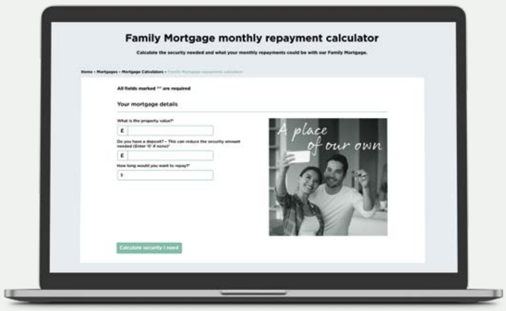
- A family member provides a '**Collateral Charge**' over some of the equity in their own home. This acts as the security
- Ideal if they don't have spare cash to gift or give away
- The Collateral Charge remains in place for five years
- If the family member moves home the Collateral Charge can be transferred to their new property
- Up to two properties can be used as security.

COMBINATION OF BOTH OPTIONS

Family members can combine savings and property equity to help, all in one solution

TRY OUR ONLINE FAMILY MORTGAGE REPAYMENT CALCULATOR

See how much security you'll need and what your mortgage payments could be:



familybuildingsociety.co.uk/family-mortgage-repayment-calculator

HOW THE FAMILY MORTGAGE COULD WORK FOR YOU

Property Value
£350,000

Borrower(s)
No deposit to contribute.
Requires 100% mortgage of **£350,000**.
(If the borrower has a deposit, it must total 20% of the value of the property, when combined with family security)

Family member(s)
Provides additional security worth 20% of the property value.
Total security needed: **£70,000**.

Savings as security
£70,000

OR

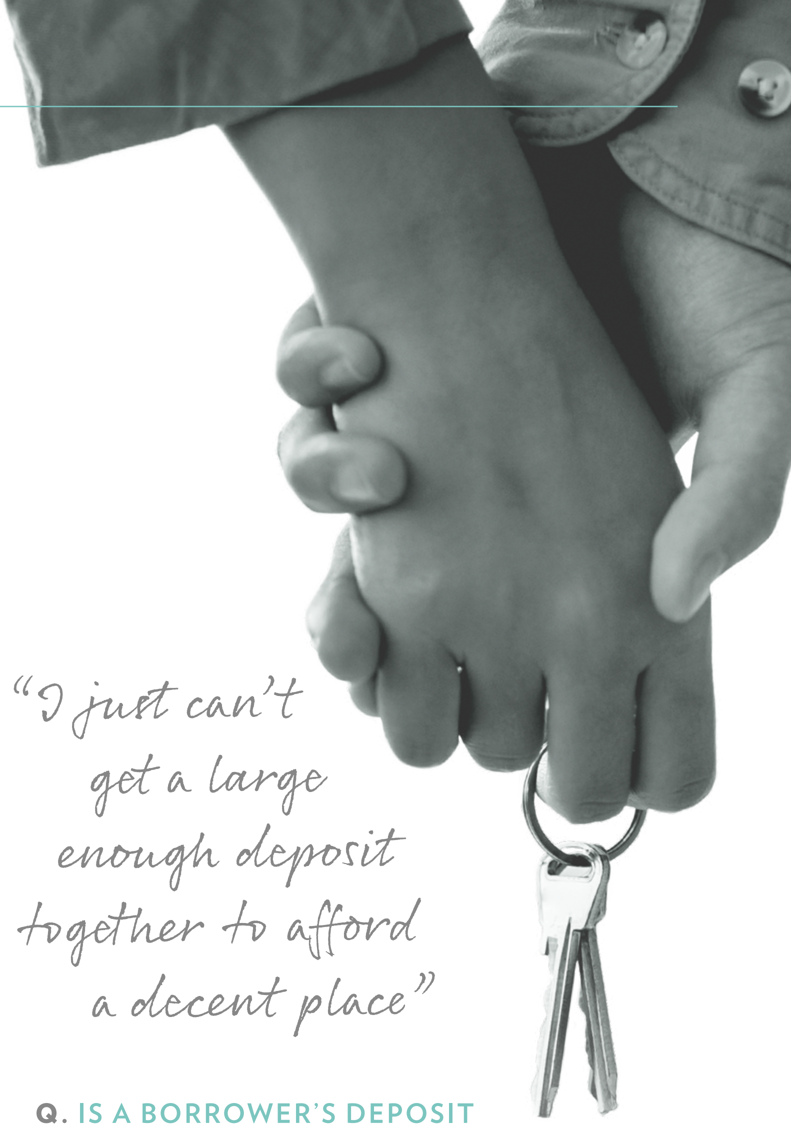
Property as security
£70,000

COMBINATION OF BOTH OPTIONS

A combination of both savings and property may be used as security.
The total security in this example must equal **£70,000**.

+ = £70,000

FREQUENTLY ASKED QUESTIONS



"I just can't get a large enough deposit together to afford a decent place"

Q. WHO OWNS THE PROPERTY?

- The borrower is the legal owner of the property
- Family members who provide support do not have rights to the borrower's property.

Q. WHAT IS THE MINIMUM AND MAXIMUM LOAN AMOUNT I CAN BORROW?

- The minimum loan amount is £96,000
- The maximum loan amount is £750,000
- Lending criteria can be found on *familybuildingsociety.co.uk/lending-criteria*

Q. DO I HAVE TO BE A FIRST TIME BUYER?

No, the Family Mortgage isn't only for first time buyers. If you already own a home and need some help to move to a bigger or different property, you can still apply.

Q. CAN MORE THAN ONE FAMILY MEMBER HELP?

Yes.

- Up to four individual Family Security Accounts can be opened with savings used as security
- We'll accept up to two properties as the security for the mortgage. If the property is jointly owned, then both owners must consent to this arrangement.

Family members' liability

- Family members are liable for the value of the security they provide
- Liability is proportionate to each family member's contribution whether it's property or savings
- All family members will be required to take independent legal advice
- Provided mortgage payments are kept up to date and there is no other significant breach of the mortgage, after five years the security is released.

Q. IS A BORROWER'S DEPOSIT NEEDED FOR THE FAMILY MORTGAGE?

No, a borrower's deposit is not required as the family security can be used to support the mortgage.

If the borrower has a deposit, the combined value of the borrower's deposit and the family security must not exceed 20% of the property's value.

Examples of this are:

No deposit = 100% loan with 20% savings and/or property security required

5% deposit = 95% loan with 15% savings and/or property security required

10% deposit = 90% loan with 10% savings and/or property security required.

Q. WILL FAMILY MEMBERS HAVE TO PAY ANY CHARGES?

Yes. If using property as security, a valuation will be required to determine if there is enough equity in the family member's property to add a Collateral Charge. They will also be required to obtain independent legal advice, for which they will be charged a fee. Independent legal advice is also recommended for family members providing savings as security.

Q. WHAT IS A COLLATERAL CHARGE?

A Collateral Charge occurs when a family member agrees to let the Society use their property as additional security for your loan. This arrangement can help you access the loan you need while giving everyone peace of mind that the loan is supported by additional security. However, it's important that all parties fully understand how it works and the responsibilities involved.

Q. CAN MONEY BE RELEASED BEFORE THE FIVE YEARS IS UP?

No. The security remains in place for five years, unless the borrower pays the mortgage back in full. Early Repayment Charges (ERCs) apply.

Q. WHAT HAPPENS AFTER FIVE YEARS?

The security provided by family members is released subject to the following conditions:

- The borrower's mortgage payments are up to date
- The borrower hasn't missed any monthly payments in the last 12 months
- The borrower hasn't fallen behind by the equivalent of two monthly payments at any time in the past two years
- We haven't asked for repayment of the mortgage in accordance with its terms and conditions. This will only occur if there is a serious breach that is unrelated to making the monthly payments, such as the borrowers ceasing to use the property as their main residential home.

If the above conditions are not met, the family member's security could be at risk. For example, we may need to repossess and sell the borrower's property and potentially use any security provided by family members, in order to repay the loan.

Family members will be required to obtain independent legal advice before entering into the arrangement, to ensure they understand their responsibilities.

Q. WHAT WOULD HAPPEN IF THE BORROWER WANTED TO SELL THEIR PROPERTY DURING THE TERM OF THE FAMILY MORTGAGE?

If the borrower's property is sold for less than the outstanding mortgage balance (negative equity), the family member(s) may be required to cover any shortfall, up to the value of the security amount. All family members must obtain independent legal advice.

Q. WHAT HAPPENS IF A FAMILY MEMBER PROVIDING SUPPORT DIES?

The death of a security provider doesn't change the Family Mortgage arrangements. The estate of the deceased person remains bound by the terms of the Family Mortgage and the charge given over savings and/or property remains in place. Family members must obtain independent legal advice.

Q. ARE THERE ANY RESTRICTIONS ON THE TYPE OF PROPERTY I CAN BUY?

Your mortgage adviser will be able to confirm this with you, as we do have some restrictions, but as a general rule we accept properties of a standard construction in England and Wales that are valued at over £120,000. If you have any questions or aren't sure if the type of home you want to buy will be accepted, please give us a call or read our lending criteria. Further information can be found on *familybuildingsociety.co.uk/lending-criteria*

Q. WHAT HAPPENS IF THE BORROWER WANTS TO MOVE HOME?

Any move will be subject to a review of the Family Mortgage and the security arrangements in place at that time.

Q. WHAT IF THE FAMILY MEMBER PROVIDING THE SECURITY AS PROPERTY WANTS TO MOVE HOME?

If the family member moves home the Collateral Charge can be transferred to their new property – there may be some fees to transfer this charge.

HOW TO APPLY FOR A FAMILY MORTGAGE?

Our family friendly team of qualified Mortgage Advisers are able to guide you through the mortgage application process. We'll start by asking questions based on the your circumstances, so we can build a mortgage that fits.

At the same time, we'll also explore how family members might be able to support the mortgage. Family members' income and assets are not used to assess your affordability.

Alternatively, if you already have a financial adviser, they may be able to help you.

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

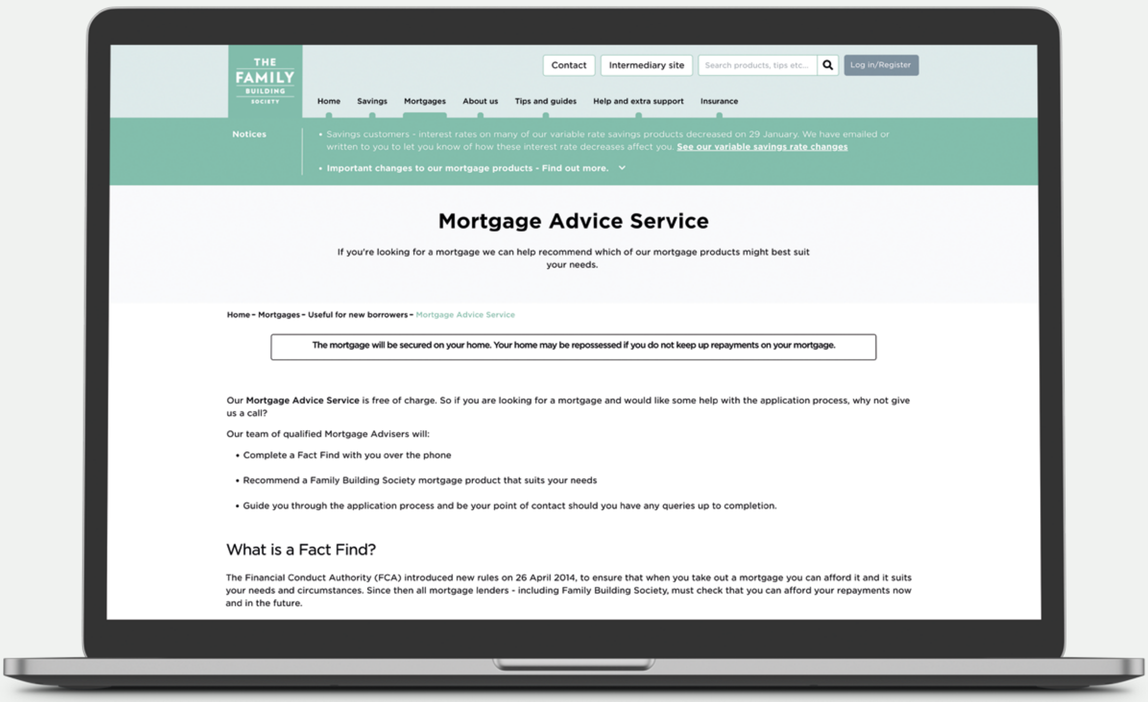
REQUEST A MORTGAGE APPOINTMENT

If you're interested in the Family Mortgage, then please get in touch.

CALL: 03330 140140

EMAIL: *newbusiness@familybsoc.co.uk*

VISIT: *familybuildingsociety.co.uk/mortgage-advice-service*



WHO WE ARE

Family Building Society is a trading name of National Counties Building Society which has been securely looking after people's money and helping homebuyers since 1896.

THE FAMILY BUILDING SOCIETY

As we don't have any shareholders, this means we don't pay dividends. Instead, our profits are put back into the Society, to benefit you, our Members.

At Family Building Society, we believe that families who work together across the generations deserve savings and mortgage choices that are backed by excellent personal service and innovative products.

We pride ourselves on delivering good outcomes for our customers and are proud to be recognised for the hard work we do. Take a look at our recent awards and achievements on *familybuildingsociety.co.uk/our-awards*

Find out more about our innovative savings accounts and mortgages, built for today's families.
Call **03330 140140** or go online to ***familybuildingsociety.co.uk***

FOR MORE INFORMATION CONTACT YOUR MORTGAGE ADVISER.

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

03330 140140
FAMILYBUILDINGSOCIETY.CO.UK

If you need this document in an alternative format please call us on **03330 140140**.

To find out more, please contact our New Business Team:

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