

# Guiding you through the homebuying process

## Homebuyers guide. Things to consider when buying a home.

### Introduction to mortgages

Whether you are buying your first home, moving house or even looking to buy a property to rent out, Leek United can provide a mortgage that is right for you.

You may just be looking to improve your existing property or perhaps move your mortgage from your existing lender. If so, we can help.

Here we explain the different mortgage schemes available through the Society, how the process works and help you to understand the jargon associated with mortgages.

#### To be eligible for a Leek United mortgage you need to be:-

- a resident in the UK
- aged 18 or over (age 21 or over for Buy-to-let)
- employed, self-employed or retired
- earning a regular income or receiving a pension
- creditworthy (satisfactory credit with no pay day loans in the last 3 years, and also confirmation that you have no defaults/CCJ's or adverse credit)
- purchasing or remortgaging a property in England (including Isle of Wight) or Wales

#### How much can you borrow?

We provide a fully advised mortgage service, which means that the mortgage you apply for is affordable and appropriate to your current and future circumstances. To do this, our Qualified Mortgage Advisers will carry out a comprehensive interview with you.

An income and expenditure analysis will be completed for all mortgages on properties that you live in or intend to live in. For this we will need details of your income and your monthly household expenditure, including current credit commitments.

If you are self-employed the income will be based on the latest net profit/average net profit, over the last 2 years.

We will potentially lend up to 95% of the purchase price or the valuation of the property, whichever is lower. Certain high percentage loans may be subject to payment of a Higher Lending Charge (HLC) (although this HLC is often paid by us for you, see page 5 for more information). This covers the Society against any loss when selling your property should you fail to keep up the mortgage payments.

# Explaining other elements of mortgages

## Standard Variable Rate (SVR)

The standard variable rate, usually known as the SVR, is a variable rate of interest. This means that your payments can go up or down. Each lender sets their own standard variable rate to reflect market conditions and it is at the lender's discretion as to when this changes.

## Fixed Rate Mortgage Product

This type of mortgage sets the interest rate that you will pay for a given period of time, providing you with the stability of knowing exactly what your monthly payments will be for that period. Once the fixed rate period has ended the mortgage will automatically revert to the Society's standard variable rate (SVR) applicable at the time. However, prior to the end of the fixed rate period we will contact you to inform you of any other products we have available for you to transfer over to. We aim to make this process as straightforward with as little cost as possible.

## Discount Mortgage Product

This type of mortgage provides a discount off the Society's standard variable rate for a specified period of time. As our standard variable rate can change at any time, this means that your mortgage interest rate can also change and therefore your monthly payments could increase or decrease accordingly. Once the discounted rate period has ended the mortgage will automatically revert to the Society's standard variable rate (SVR) applicable at the time. Prior to the end of the specified discounted period, we will contact you to inform you of any other products we have available for you to transfer over to. We aim to make this process as straightforward with as little cost as possible.

## Tracker Mortgage Product

This type of mortgage directly tracks the Bank of England base rate. When there is an increase or decrease in the Bank base rate, the tracker rate of interest will also increase or decrease. Once the tracker rate period has ended the mortgage will automatically revert to the Society's standard variable rate (SVR) applicable at the time. Prior to the end of the specified tracking period, we will contact you to inform you of any other products we have available for you to transfer over to. We aim to make this process as straightforward with as little cost as possible.

## Flexible Mortgage Product

This type of mortgage can offer you greater control of your finances by allowing the option of overpayments and payment holidays.

## Offset Mortgage Product

An offset mortgage product is where you have a savings account and a mortgage account with the same provider. The interest you earn on the cash savings are used to reduce the amount of mortgage interest you're charged.

## Consumer Buy to Let

This type of mortgage is for individuals who may have inherited a property or used to live in a property which is now to be rented out. It is for those who are 'accidental landlords' due to circumstances, rather than those who either own or wish to purchase an Investment Property for business purposes.

# Explaining other elements of mortgages

## Investment Property Loan (Buy to Let mortgage)

This type of mortgage is especially designed for individuals who either own or wish to purchase an investment property which they intend to let out on a residential basis. These include where a customer:

- uses the mortgage to purchase a property with the intention of renting it out.
- has previously purchased the property with the intention of letting it out and neither the customer nor a relative has lived in it.
- already owns another property that has been let out on the basis of a rental agreement.

## Term

The agreed term is the length of time your mortgage repayments are spread over and depends on many factors, including - your age, anticipated retirement date and also your budget. The term of the mortgage impacts on the monthly payments and therefore it is very important to ensure you have thought about how much you would be comfortable setting your monthly payments at.

The mortgage term can be adjusted to ensure the monthly payments fit within your budget.

Naturally, by having a longer mortgage term this will result in your monthly payments being lower as they are calculated over a longer period of time, however this will also result in you paying more interest. If you were to have a shorter term then your monthly payments would be higher but you would pay back less interest.

# What type of repayment method is available?

A mortgage loan has two main elements: the capital, which is the amount of money you borrow, and the interest, which is charged on the capital outstanding until you have paid it back.

## Capital and Interest Repayment

A type of mortgage where, each month, you pay both the interest on the mortgage and an element towards repaying the capital borrowed. The outstanding balance reduces each month (assuming regular payments are made) until the mortgage is completely repaid at the end of the mortgage term.

## Interest Only

A type of mortgage where, each month, you only pay the interest on the outstanding mortgage balance. As no capital repayments are made during the term, the capital balance is outstanding and must be repaid in full at the end of the mortgage term from a separate source, such as an investment plan.

With this type of mortgage it is your responsibility to make sure an appropriate repayment strategy is in place and maintained so that funds are available to pay off the mortgage at the end of the term.

Some mortgages have a combination of these repayment types and are often referred to as 'Part and Part Mortgages'.

# What to consider when comparing products

## Calculation of Interest

The Society calculates interest on all of its mortgages on a daily interest basis i.e. on the actual balance outstanding at the end of each day.

## APRC (Annual Percentage Rate of Charge)

The annual percentage rate of charge (APRC) is the total cost of the loan expressed as an annual percentage. The APRC is provided to help you compare different mortgage offers and is calculated using assumptions about the interest rate. If part of your loan is a variable interest rate loan, the APRC could be different from that quoted if the interest rate for your loan changes.

It takes into account the initial rate of interest, any other charges applicable e.g. valuation fee, application fee, some solicitors costs and the amended rate when a discount or fixed rate period ends i.e. if the mortgage were to revert to the standard variable rate at the end of the agreed product term.

We will also provide another figure to reflect the volatility of interest rates and to illustrate if these were to increase, what impact this would have on your mortgage payments and for you to think about whether this will be affordable to you in the future. The figure used considers the highest that the Bank of England base rate has been within the last 20 years and our current standard variable rate. This will illustrate to you the true rate of interest charged over the whole period of the loan if this occurred. This will be detailed in your mortgage illustration.

## Early Repayment Charge

An Early Repayment Charge may be payable if the mortgage is repaid in full or in part, before a set date, for example during a discounted or fixed rate period. Please see the product terms and conditions for the product you have selected to review any charges applicable.

## Cashback and other incentives

With some products you may receive a cash lump sum (cashback) when you take out the loan. Other incentives may include free valuation or free legal fees. Please see the product terms and conditions for the product you have selected to review any cashback or incentives.

## Overpayment facilities

This is a useful way of reducing the amount of interest payable on your mortgage. Some products provide an overpayment facility of 10% of the original amount borrowed in any 12 month period, without incurring an early repayment charge. You can make overpayments either on a monthly basis by increasing your direct debit to a higher amount than the minimum required payments, or you could make a lump sum payment of up to the 10% allowance all at one time. For mortgage products with no early repayment charges there are no limits applied to overpayments. As our interest is calculated on a daily basis it is more beneficial to make your overpayment sooner rather than later in the month as this will result in less interest being paid back.

## Portability

Some products may be portable. This means that you can retain the benefits of the product even if you wish to move house, without incurring an early repayment charge. You can transfer the balance from your current mortgaged property to a mortgage secured on another property. The terms and conditions that applied to the mortgage product will continue until the end of the Early Repayment Charge period. Please note that portability is subject to the new mortgage application meeting our responsible lending criteria at the time of your new enquiry.

# What costs are involved?

**There are various other costs to consider when buying a property such as:**

## **Stamp Duty**

This is a Government Tax charged on purchases over a certain value.

## **Valuation fee**

This will depend on how detailed an inspection you require. A standard mortgage valuation report is a basic assessment of the condition and value of the property and is purely for the benefit of the Society. However, you may decide to have a more thorough HomeBuyer Report or a full buildings survey carried out. Although more expensive, they may reveal existing or potential defects in the property that a standard mortgage valuation would not pick up before you commit yourself to the purchase.

We will consider a mortgage on most properties providing the valuer confirms that it is suitable security.

## **Legal fees**

You will need to use a solicitor or licensed conveyancer (someone authorised to carry out the legal work associated with house buying) to handle all the legal proceedings up to and including completion of the mortgage.

## **Application fees**

These are normally payable when you submit your formal application to us. We will inform you of the cost at the outset.

## **Higher Lending Charge (HLC)**

If you need to borrow more than 80% of the purchase price/valuation of your residential property, the risk to the Society is higher than normal and you may be asked to pay a higher lending charge, although this HLC is often paid by us for you. This higher lending charge may be used to arrange additional security in the form of indemnity insurance and it is calculated on the amount of the loan compared to the valuation or purchase price, whichever is the lower.

Please note: The higher lending charge does not replace your commitment to repay the whole of the mortgage loan.

We will only claim if you fall significantly behind with your mortgage payments and we have to repossess, sell the property and incur a shortfall. If the claim does not cover all the shortfall owed to the Society you will have to pay any amount owing. The insurer is entitled to reclaim from you any money it has paid to the Society.

## **Other costs**

When calculating the amount you can afford to purchase your new property, bear in mind that you will have one-off costs associated with your move – such as removal costs, possibly estate agents fees, plus any repairs and decoration you feel are necessary. There are also various insurance packages you will need. Buildings insurance is compulsory and other insurances you should consider include life, contents, critical illness and income protection.

Please see our 'Tariff of Mortgage Charges' for details of our charges.

# What costs are involved? (continued)

## Early Repayment Charges

An Early Repayment Charge may be payable if the mortgage is repaid in full or in part, before a set date, for example during a discounted or fixed rate period. Please see the product terms and conditions for the product you have selected to review any charges applicable.

## When will your mortgage payments start?

For any new lending all of our mortgage illustrations assume that your mortgage will legally complete on the 1st of the following month. During that first month, we will only ask you to pay the initial interest charged i.e. the amount of interest payable for the remaining days of that month. Depending on the date that your mortgage actually completes, the figure may be different to that stated within the mortgage illustration.

Your monthly direct debit will then be taken from your account on the following month, on whichever date you have selected for your direct debit (either the 1st, 15th or 27th). Please note that you will pay more interest if you choose to make your monthly payment on a day later than the 1st of the month. When interest rates or mortgage payments change we will inform you at least 7 days before the change becomes effective and if you have opted to pay by direct debit, this will automatically collect the new amount from your bank account on the agreed date.

## Consequences of not keeping up repayments on your mortgage

Should you experience financial difficulties, please contact us as soon as possible to allow enough time for us to discuss the options available to you. We will review your financial circumstances and may be able to arrange a new payment plan with you. We will always try to work with you to reach a suitable solution, however, there is always the consequence that if you do not keep up repayments on your mortgage then your home may be repossessed.

# What insurances will you require?

## Buildings Insurance

The Society, in conjunction with Royal & Sun Alliance Insurance Plc<sup>1</sup>, can offer you a free no obligation quotation. Please be aware that it is not compulsory to take out any insurance policy arranged through the Society. It is however, a condition of the mortgage that you have suitable buildings insurance in place. If you decide to arrange your own insurance independently and without the assistance of one of the Society's Home Insurance Specialists, prior to completion the Society will need to be satisfied that the insurance cover meets its minimum requirements, details of which are available on request.

<sup>1</sup>Home insurance is underwritten by Royal & Sun Alliance Insurance plc (No. 93792). Registered in England and Wales at St. Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

## Life/Critical Illness Cover/Income Protection Cover

At Leek United, we believe in helping people plan ahead, to ensure their homes and family are protected in the best possible way. But with so many products and services out there, it can be difficult to know where to start. That's why we have teamed up with Wren Sterling<sup>2</sup>, a leading national firm of independent advisers who cover all aspects of independent financial planning, to help you every step of the way.

Wren Sterling provides a personal, one-to-one service, and will talk through your personal needs.

To book an appointment, simply contact your local Leek United branch, or visit [leekunited.co.uk](http://leekunited.co.uk)

<sup>2</sup>Leek United Building Society is an introducer to Wren Sterling for investments, pensions and protection. Wren Sterling is a trading name of Wren Sterling Financial Planning Limited, which is authorised and regulated by the Financial Conduct Authority. Registered No. 665653. Registered office: 13-19 Derby Road, Nottingham NG1 5AA. Registered in England No. 09157918. [www.wrensterling.com](http://www.wrensterling.com)

# New products for existing borrowers

When your mortgage product comes to an end, as an existing customer, you will have the opportunity to transfer to another mortgage product. You may choose from the range of mortgage products available at that time which are designed specifically for existing mortgage customers, subject to terms and conditions.

## Difficulty in meeting mortgage payments?

Should you experience financial difficulties, please let us know as soon as possible so that we can try to help you. We will aim to agree a suitable repayment plan to help you to improve your financial circumstances.

To see how we may assist you, please visit our website: [leekunited.co.uk/mortgages/financial-difficulties](https://leekunited.co.uk/mortgages/financial-difficulties) or call us on: **0800 783 0847**

## Additional borrowing

You may be eligible to apply for additional borrowing on your mortgage for the purpose of home improvements or to raise money to buy a car, go on holiday etc. (sometimes referred to as capital raising), subject to the Society's lending criteria at the time of your enquiry. Any additional funds you borrow will result in an increase in either your monthly payments or the term of the mortgage. If you would like to discuss this option further to see if you are eligible, please contact our pre-qualifying mortgage team on **0808 169 6682**.

# A guide through the mortgage maze

## 1. How much can you borrow?

Call our Direct Mortgage Team on 0808 169 6682 to see how much you can borrow and receive a Mortgage Decision in Principle.

## 2. Where do you want to live?

Decide where you want to live - think in terms of location, facilities, old or new, size and re-saleability.

## 3. Make an offer

Find a suitable property in your price range and make an offer to the estate agent (subject to contract).

## 4. Ask a solicitor

Consult a solicitor about the legal requirements.

# A guide through the mortgage maze (continued)

## 5. Do the paperwork

We will provide you with a Mortgage Illustration<sup>3</sup> which clearly sets out the details of the specific mortgage that you are interested in. You can then complete a mortgage application form. A valuation will be arranged and you may be asked to pay a fee for this. If you would like your own report on the value and condition of the property, you should consider a HomeBuyer Report or a full building survey. Provided you are able to afford the mortgage, your credit status and property valuation is satisfactory, we will issue a binding mortgage offer. The offer would only be withdrawn where there has been a material change in the circumstances relating to the offer or where false or inaccurate information has been provided. We will also give you a 10 day reflection period to enable you to consider your offer, make comparisons and assess the implications of accepting it and taking out the mortgage. Your solicitor will also receive a copy of the offer and will deal with the legal work and prepare the contract for signature.

## 6. Pay a deposit

When you sign/exchange contracts, you will have to pay the deposit. Exchanging contracts is the point at which you are legally obliged to buy the property and the current owners are legally obliged to sell it to you.

## 7. Completion date

The solicitors will arrange a completion date with you for the purchase/remortgage of the property. We will then send the mortgage monies to your solicitor.

## 8. Move in!

Complete the purchase, obtain the keys, move in and open the champagne!

## Charges

Charges will apply to some of the services provided by the Society, please refer to our 'Tariff of Mortgage Charges'.

## Mortgage Statements

In January each year we will provide you with an annual mortgage statement detailing all the transactions on your account. These statements should be retained in a safe place.

## Advice

If, during your mortgage you need any advice or wish to make changes to the mortgage term or repayment method, please do not hesitate to contact one of our Qualified Mortgage Advisers who will be happy to help or call us on **0808 169 6682**.



# <sup>3</sup> Explanations to accompany your Mortgage Illustration

## **Main features of the loan section**

This section confirms the total amount payable taking into account all of the interest payable. This assumes that:

- 1) you maintain your monthly repayments.
- 2) you do not make any overpayments during the agreed term.
- 3) at the end of the chosen product term, your mortgage will automatically revert to the Society's Standard Variable Rate.

## **Interest rate and other costs section**

The annual percentage rate of charge (APRC) is the total cost of the loan expressed as an annual percentage. The APRC is provided to help you compare different offers. The APRC is calculated using assumptions regarding the interest rate. If part of your loan is a variable interest rate loan, the actual APRC could be different from the APRC quoted if the interest rate for your loan changes.

## **Amount of each instalment section**

This section outlines the amount that you will be asked to pay each month for the mortgage. It will highlight what the payments will increase to in the future when any product that your mortgage is currently on ends. If your mortgage is on interest only, this section will remind you that you will still need to pay the capital back at the end of the mortgage term.

This section also refers to how much your monthly payments would increase by if interest rates were to rise. This would be particularly important to note if you have chosen a variable rate mortgage product where the monthly payments could change.

It also refers to what happens if your income reduces as you will still need to pay your mortgage if you lose your job or if illness prevents you from working.

## **Flexible features section**

You may be eligible to apply for additional borrowing on your mortgage for the purpose of home improvements or capital raising, subject to the Society's lending criteria at the time of your enquiry.

## **Other rights of the borrower section**

When we provide you with a binding mortgage offer, we will give you 10 days from the date of the binding mortgage offer to reflect on it before you commit yourself to the mortgage and it can complete. If you want to complete the mortgage, or the variation to your mortgage, within the 10 day reflection period this is acceptable subject to you waiving this right. Your binding mortgage offer will explain how you could waive this right.

# Contact us

As an existing or new customer, getting in touch with us has never been easier.

To talk to us about an existing product or to apply for a new one, use the numbers below, we're just a phone call away.

<b>Mortgages</b>	<b>0808 169 6682</b>
<b>Savings</b>	<b>0808 281 9308</b>
<b>Insurance<sup>1</sup></b>	<b>0800 083 3783</b>
<b>Financial planning<sup>2</sup></b>	<b>To discuss Financial Planning you can consult with a Wren Sterling financial adviser at any one of Leek United's 12 branches.</b>

<sup>1</sup>Home insurance is underwritten by Royal & Sun Alliance Insurance plc (No. 93792). Registered in England and Wales at St. Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

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**If you would like this in a different format, such as braille, large print or audio, please contact us.**

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Branches throughout Staffordshire, Cheshire, Shropshire and Derbyshire.

A member of the Building Societies Association.

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Mortgages are subject to status and not available to persons under 18. Mortgage products are only available for properties in England and Wales and borrowers must also be UK residents.

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[leekunited.co.uk](http://leekunited.co.uk)

