Mortgages

Mortgages explained

with effect from 1 October 2016

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Contents

About this booklet

This booklet sets out all the information that you may need to know about a mortgage, how it works and what the process involves. It also tells you what happens once your mortgage is set up and how your mortgage will be administered.

Getting all the information you need

In addition to this booklet, please read:

Mortgage product leaflets - these tell you everything you'll need to know about our mortgage products if you are buying a new home or switching your mortgage to Newbury Building Society without moving home (remortgage).

Tariff of charges - details the charges applying to services you may require during the life of your mortgage.

If you need any further help, please contact your local branch.

This booklet is not part of our legal arrangements with you. The contents are to help you understand what a mortgage is and how the process works. Our legal arrangement with you will be contained in the mortgage offer, the mortgage conditions, the loan terms and any other document referred to in these as being part of the legal contract.

If you need any further help, please contact your local branch. Branch details can be found on our website at www.newbury.co.uk

Rates correct at time of publication.

The mortgage contract

What is a mortgage?

A mortgage is simply a loan, obtained by using property as security. As very few of us can afford to buy our homes outright, many of us at some stage of our lives will require a mortgage. Taking on such a large commitment is probably the most important financial decision you are ever likely to make.

Who is responsible for a mortgage?

If you take out a mortgage on your own, then you are responsible for it. If you are taking out a mortgage with another person then both of you are 'jointly and severally' responsible for it. This means that each borrower is responsible for ensuring the mortgage and each payment is paid.

If, at any time during the mortgage term, one of you wants to be released from your joint mortgage contract (due to separation, for example) then you must contact us. We will ask the remaining borrower to complete an application form so we can assess your status and decide if you can take sole responsibility for the mortgage.

If a party to your mortgage dies, the mortgage is automatically transferred into the name of the remaining borrower. We will need to see the death certificate if your mortgage is held in joint names.

Interest rate options

There are many different types of mortgage products available in the market place. We may offer one or more of these options - please see our current mortgage product range. The main types fall into the following categories:

Variable rate

A variable rate mortgage has an interest rate that can fluctuate. If the mortgage interest rate falls, your monthly mortgage repayment reduces but if the mortgage interest rate goes up, so does your monthly repayment. All lenders have a standard variable mortgage interest rate on which they base their variable mortgage products. We will decide when to increase or decrease this standard rate, usually (but not always) based on the movement of the Bank of England's base rate.

Discounted rate

With a discounted rate mortgage, the lender's standard variable mortgage interest rate is discounted for a specified period of time. The discounted rate could be a set amount for a specific term or be 'stepped', for example a 2% discount in year one and a 1% discount in year two. The interest rate will vary as our standard variable mortgage rate moves up or down but the amount of discount will remain the same.

Fixed rate

A fixed rate mortgage has an interest rate which stays the same for a set period of time. During the fixed rate period your monthly repayments stay the same. At the end of the fixed rate period the interest rate will change, usually to our Standard Variable Rate (SVR). Fixed rate mortgages are usually taken out by people who need to budget or believe general interest rates are likely to increase. However, if our standard variable mortgage interest rate falls below the fixed rate level, then you will still continue to pay at the fixed rate and may therefore pay more.

Tracker
Tracker rates are another form of variable interest rate, usually linked to the Bank of England's base rate. The interest rate is usually a specified percentage above or below the Bank of England's base rate for a specified period of time.

Capped rate
With a capped rate mortgage, the interest rate has an upper fixed limit for a specified period, known as a 'cap'. A variable interest rate applies to this type of mortgage. If the variable rate exceeds the capped rate, you benefit by paying the capped rate. If the variable rate falls below the capped rate, you pay the variable rate.

Flexible
Many mortgage lenders today offer a more flexible approach to mortgage borrowing by, for example, allowing mortgage overpayments, offering daily interest charging or even allowing payment holidays, where the borrower has built up enough surplus credit that would allow a payment holiday to take place. Please note some mortgages will have a charge for repaying part or all of your mortgage early, known as an Early Repayment Charge (ERC).

Please check for our rates and availability in branch or online at **www.newbury.co.uk**

Mortgage costs

You need to be aware of the costs connected to a mortgage. The following costs relate to buying your home, switching your mortgage without moving home and the ongoing administration of your mortgage.

What are the one-off costs involved in taking out a mortgage?

Legal fees
If you are buying your home, the fee paid to your solicitor covers all legal work involved in transferring the ownership of the property to you. This is called 'conveyancing'. This fee will often be a percentage of the cost of the home being purchased.

A Local Search is undertaken to check for plans for building and/or development of the land near to the property that may affect its value. A bankruptcy search is carried out on you to ensure you are not bankrupt and therefore unable by law to borrow. A separate fee is charged for each search. Land registry fees are paid in order to register you as the new owner of the property and to register our mortgage on the Land Registry's Charges Register.

For remortgages, a fee is paid to your solicitor to act in removing the existing lender's mortgage and adding our mortgage to the Charges Register. Your solicitor will also carry out a Local Search and bankruptcy search (as above).

Your solicitor's fees are paid on completion of the mortgage and must be paid from your own funds (fees for searches are usually paid up front). Some mortgage products may offer a 'free legals' benefit where we carry out the legal work for you using Title Insurance (see page 14 for more details).

Stamp Duty land tax (SDLT)
You will pay a Government tax called 'Stamp Duty' if the property you are buying costs from £125,001. Currently, Stamp Duty is payable at the following rates (please check these rates are still valid):

All property in the UK (Residential)

Purchase price/lease premium or transfer value	% of purchase price
£0 - £125,000	0%
£125,001 - £250,000	2%
£250,001 - £925,000	5%
£925,001 - £1,500,000	10%
£1,500,001 and over	12%

For example, a property purchase price of £270,000 would incur 'Stamp Duty' of £3,500 as shown in the table below:

Purchase price band	Amount applicable	% of purchase price	Stamp Duty payable
£0 - £125,000	£125,000	0%	0
£125,001 - £250,000	£125,000	2%	£2,500
£250,001 - £925,000	£20,000	5%	£1,000
			Total = **£3,500**

'Stamp duty' is paid on completion of the mortgage and is normally paid as part of your solicitor's overall bill. You do not pay 'Stamp Duty' when you remortgage your home.

All property in the UK (Additional residential properties)
From 1st April 2016, a higher rate of stamp duty applies to all purchases of additional residential properties costing £40,000 or over, in England and Wales. The higher rates will be 3 percentage points above the current SDLT residential rates. They will be charged on the portion of the value of the property that falls into each band.

Band	New additional property SDLT rates
£0* - £125k	3%
£125k - £250k	5%
£250k - £925k	8%
£925k - £1.5m	13%
£1.5m+	15%

*Transactions under £40,000 are not subject to the higher rates.

For example, an additional residential property purchased for £200,000, would incur 'Stamp Duty' of £7,500 as shown in the table below:

Purchase price band	Amount applicable	% of purchase price	Stamp Duty payable
£0* - £125k	£125,000	3%	£3,750
£125k - £250k	£75,000	5%	£3,750
			Total = £7,500

Estate agency fees

If you are selling a property you will usually employ an estate agent to help you sell it. The fees charged cover services such as advertising your home and negotiating with buyers. This fee is usually paid when the purchase money has been received by your solicitors. An estate agent may charge around 2% of the selling price and it is normally agreed before you appoint them. You could decide not to use an estate agent and sell privately which will be at a much lower cost but may be more difficult.

Mortgage application fee

Some lenders will charge a fee which is payable as part of the cost of the product.

Mortgage arrangement fee

Some lenders will charge a fee to arrange your mortgage for you. This is to cover the cost of the administration associated with assessing your application and setting up your mortgage account.

Valuation fee

A basic standard mortgage valuation is an inspection carried out by a valuer to make sure that the property is suitable security for the loan required. The amount of the fee is based on the purchase price or estimated value. The mortgage valuation is carried out for our purpose but we will give you a copy of the report. Some mortgage products may offer a free mortgage valuation, but if you would like a more detailed report there will be a supplement to pay.

A Homebuyer's Report is a more detailed alternative to a mortgage valuation that will give you a more comprehensive guide to the condition of your property. It is normally suitable for properties less than 100 years old.

Unless the mortgage product you choose specifies otherwise, our fees for a basic mortgage valuation and Homebuyer's Report are:

£ Market Value	£ Basic Valuation Fee	£ Home Buyers Report (Including the Basic Valuation Fee)
£100,001 to £150,000	200	450
£150,001 to £200,000	225	500
£200,001 to £250,000	250	550
£250,001 to £300,000	275	600
£300,001 to £400,000	350	700
£400,001 to £500,000	400	800
£500,001 to £600,000	450	900
£600,001 to £700,000	550	1000
£700,001 to £800,000	600	1100
£800,001 to £900,000	650	1200
£900,001 to £1 million	700	1300
£1,000,001 to £1.2 million	800	1500
£1,200,001 to £1.4 million	900	1650
£1,400,001 to £1.6 million	1000	1750
£1,600,001 to £1.8 million	1100	1900
£1,800,001 to £2 million	1200	2000

For properties with an estimated value of over £2 million, a fee will be negotiated. VAT is not chargeable on valuations/surveys. Once the Valuer has carried out the valuation/survey, the fee cannot be refunded.

If you are arranging a commercial mortgage, a different valuation fee will apply. Please ask us for details.

A full building survey is a thorough and complete inspection of the property done to your specification. If you would like a full building survey, we will give you the names of some local surveyors who you can contact to give precise instructions and negotiate a price.

If your property is subject to a reinspection or revaluation prior to release of the mortgage funds, there will be a fee charged for this. Please refer to our Tariff of Charges document for a full list of our charges.

Higher lending charge

A higher lending charge is paid when a mortgage is more than a certain percentage of the purchase price/valuation of the property (whichever is the lower of the two), as specified by the lender. In our case, a higher lending charge is due where the loan is more than 75% of the lower of the purchase price/valuation. The fee is calculated on the portion of the mortgage loan above this percentage.

The higher lending charge is used to purchase insurance (indemnity) cover from an insurance company and is therefore sometimes called a 'mortgage indemnity fee'. This cover allows us to lend a higher percentage of the property value by covering the increased risk of loss associated with this level of borrowing.

You can add the fee to the mortgage (depending on size of the mortgage and the value of the property) or it can be deducted from the loan amount on completion. Sometimes the cost of the fee is covered as part of the mortgage product.

If a mortgage is in arrears and the property is subsequently repossessed, the sale proceeds may not be enough to cover the outstanding mortgage debt plus all costs associated with the property sale. In these cases we would call upon the insurance policy to cover the loss. It is important to note that the insurance policy protects the lender, not the borrower. Once the monies have been paid out to the lender, the insurance provider can then recover the loss from the borrower (whose property has been repossessed) to recoup the funds.

How is the interest on my mortgage calculated?

All our mortgages are charged interest on a daily basis on the total amount outstanding on the mortgage. As monthly repayments (and any overpayments) are made to the mortgage, they reduce the balance immediately and therefore the interest charged. The only exception to this is on lifetime mortgages, where we charge interest on an annual basis.

For interest purposes, we will treat your payment as cleared funds on the day that it arrives. Direct debit payments will be credited to your account on your requested payment date. Standing orders will be credited to your account on the day we receive them from your bank. Depending on how your bank transfers the money, this could be 2-3 days after leaving your bank account.

Some lenders charge interest on an annual basis. This means that interest for the full year is charged annually on the balance outstanding and individual repayments during the year do not affect the balance on which interest is charged until the beginning of the next year. Annual interest increases the APRC on repayment mortgages and incurs higher monthly repayments.

What is an Annual Percentage Rate of Charge (APRC)?

The Annual Percentage Rate of Charge (APRC) is an industry-wide method of comparing interest rates and charges for credit between lenders, so that you can make an informed decision on the price implications of your mortgage. Lenders are required to show an APRC whenever a 'published rate' is shown.

The APRC is a single rate that takes into account the costs of setting up the mortgage, the interest rate applied over the mortgage term and how that interest rate is charged (annually, monthly or daily).

It is important to look at the APRC because it reflects the true cost of a mortgage over the long term. For example, some lenders may offer a good introductory rate but charge a higher than average standard variable mortgage interest rate at the end of it, which will increase the overall cost and therefore the APRC.

What other costs may I incur during the life of my mortgage?

- **Administration fees**
  We have a general Tariff of Charges for services that are outside the basic administration of your mortgage account. As a mutual society, we believe it is unfair to penalise our existing members as a whole by absorbing the cost of these 'extra' services into our mortgage and savings rates. We will give you a Tariff of Charges leaflet before you take out your mortgage with us and provide you with a further copy if any of these fees change during the lifetime of your mortgage.

- **Early Repayment Charge (ERC)**
  You can repay your mortgage at any time during the term. We will charge interest up to the date you repay your mortgage.

  Sometimes, if you repay your mortgage early, in full or in part, an additional charge may be made to compensate us for the mortgage not running its full term. This charge is called an 'Early Repayment Charge'. Early Repayment Charges are usually attached to preferential interest rates. If you have an Early Repayment Charge, it will be detailed in mortgage product literature, your Key Facts Illustration (KFI) and your mortgage offer.

Buying a home

The buying process can be broken down into a number of key steps:

Agreement in principle

When you decide to buy a property, you may want to know how much you can borrow and whether or not you qualify for a mortgage. We will look at your income and commitments and tell you an amount we would be prepared to lend you. This agreement is 'in principle' and means the details you give us will need to be verified when you apply for your mortgage.

We will issue a Key Facts Illustration (KFI), which will give you detailed information of the mortgage product we recommend you to have. All lenders have to supply a KFI before you make your mortgage application.

Newbury Building Society operates a 'mortgage certificate' service, whereby you apply for your mortgage before you have found your new home. We can let you know a figure that we are prepared to lend you based on the information you provide. This is subject to a satisfactory valuation of the property you choose and satisfactory status enquiries.

We confirm our commitment on a mortgage certificate, which you can show your estate agent when you've found a property. When you've found your new home, we will value it and providing the valuation is satisfactory, we will give you a formal mortgage offer. The process is speeded up because we are assessing your status whilst you are looking for your home.

Finding a suitable home

You can find property advertised in estate agents, property papers, local and national newspapers and on the internet. There are a number of things you need to consider, such as: property style; what is the area like? What local schools are like? If there is adequate storage and will you be able to sell the property when you want to move? Draw up a checklist of things to consider.

Mortgage application

When you have found a suitable property and agreed a purchase price with the seller, a mortgage application is made to us. The application form is used by us to assess your suitability for the mortgage you have requested. We will verify any details you have given us by carrying out various status enquiries, such as a credit search, confirmation of income etc. We will do our best to keep the process efficient by asking for written verification from you where possible e.g. seeing your mortgage statements rather than writing to your lender.

Valuation

A mortgage valuation is an inspection carried out by a valuer to make sure that the property is suitable security for the loan required. The mortgage valuation is carried out for our purpose but we will give you a copy of the report. A valuation is carried out on every mortgage application and is usually instructed at the same time as the status enquiries are made. If you would like a more detailed report, please tell us.

Mortgage offer

Once we have approved your mortgage, a mortgage offer will be made to you. This document will explain the exact terms and conditions of the mortgage contract between you and Newbury Building Society. At the same time as sending you your offer, we will send a copy to your solicitor. The solicitor may have already started the legal process (see 'what are the one-off costs involved in taking out a mortgage?' on page 5).

Legal process

Once you have received the mortgage offer the legal documentation can be completed. Your solicitor will draw up a legal contract for you and the seller to sign. The signing of the contracts is called 'exchange of contracts'. A deposit (usually 5% or 10% of the property price) is payable at this time. Once exchange of contracts has taken place, you are legally committed to buy and the seller is legally committed to sell. If either you or the seller try to back out at this stage, legal action could be taken and you may lose your deposit. At this point you should ensure your property is insured, as it is your responsibility.

When everything is in order you will sign a mortgage deed, which is the legally binding contract between you and us detailing the terms of your mortgage. At this stage the completion date is agreed, when the property becomes yours and you can move in.

Completion

Completion is the point at which the mortgage deed is signed and executed and all its conditions come into effect.

At this stage your solicitor sends a certificate to us requesting the monies to be released for the purchase. This certificate is called a 'Certificate of Title' and includes the date the solicitor requires the monies to be sent. Before we enter into a formal contract with you, certain information must be confirmed by your solicitor, which will also be recorded within the Certificate of Title. Your solicitor will confirm that the:

- Person selling has a right to do so;
- Property is what it purports to be;
- Property is free from 'encumbrances' that may affect its saleability e.g. new roads, local industrial developments etc; and
- Property title is good and marketable and free from defects.

This confirmation provides us with the knowledge that the property can safely be accepted as security for the loan. We then arrange for the monies to be sent to the solicitor on the day before completion and confirm to you the monthly payments required on the mortgage. As the money for your purchase is sent by telegraphic transfer to your Solicitor a day prior to completion, to ensure it is there in time for completion to take place, interest will be charged from that date rather than the date the purchase is legally completed.

Switching your mortgage without moving home (remortgage)

The remortgage process can be broken down into a number of key steps:

Agreement in principle
There are a number of reasons why you may choose to remortgage but usually it is to reduce your monthly payments or to raise money for a specific purpose. When you decide to remortgage, you will need to know whether or not you qualify for the size of loan required. We will look at your income and commitments and tell you an amount we are willing to lend you. This agreement is 'in principle' in that the details you give us will need to be verified when you come to apply for your remortgage.

We will issue a Key Facts Illustration (KFI), which will give you detailed information of the mortgage product we recommend you to have. All lenders have to supply a KFI before you make your mortgage application.

Mortgage application
When you have found a suitable property and agreed a purchase price with the seller, a mortgage application is made to us. The application form is used by us to assess your suitability for the mortgage you have requested. We will verify any details you have given us by carrying out various status enquiries, such as a credit search, confirmation of income etc. We will do our best to keep the process efficient by asking for written verification from you where possible e.g. seeing your mortgage statements rather than writing to your lender.

Valuation
A mortgage valuation is an inspection carried out by a valuer to make sure that the property is suitable security for the loan required. The mortgage valuation is carried out for our purpose but we will give you a copy of the report. A valuation is carried out on every mortgage application and is usually instructed at the same time as the status enquiries are made.

Mortgage offer
Once we have approved your mortgage, a formal offer of mortgage will be made to you. This document will explain the exact terms and conditions of the mortgage contract between you and Newbury Building Society. At the same time as sending you your offer, we will send a copy to your solicitor. The solicitor should have already started the legal process.

Legal process
With remortgages, in most cases, we can carry out the legal work for you using Title Insurance. Title Insurance is an indemnity policy, issued in our name, that guarantees the validity of our mortgage and protects against various risks that could arise during the remortgage process eg. inaccuracies in existing title documentation. The advantage of this is that it is usually cheaper than a solicitor and makes the process more efficient. Please ask us about the cost of this service.

Completion
Completion is the point at which the mortgage deed is signed and executed and all its conditions come into effect.

This confirmation provides us with the knowledge that the property can safely be accepted as security for the loan.

We then arrange for the monies to be sent to the solicitor or lender (where title insurance used) on the day before completion and confirm to you the monthly payments required on the mortgage. As the money for your remortgage is sent by telegraphic transfer a day prior to completion, to ensure it is there in time for completion to take place, interest will be charged from that date rather than the date the remortgage is legally completed.

Approving your mortgage

There are various factors to consider when approving your mortgage application. The information below tells you how we come to a decision about lending you the money to buy your home or switch your mortgage to us from another lender.

How much can I borrow?

Income

The amount you can borrow is generally based upon your income and the reason for your borrowing. We look at your gross annual basic salary and apply an income multiple to determine how much we can lend you. Our income multiples do change from time to time, depending on market conditions. Currently they are:

Household income	Single income multiplier	Joint income multiplier
More than £25,000	4.5x	4.5x
Up to £25,000	4x	4x

Other income

We will include up to 50% of any regular overtime, commission and/or bonus you receive in addition to your basic salary, when calculating your overall income. We take into account whether this additional income is longstanding and of a regular nature and also consider its proportion to your basic salary.

If you have a car allowance, we will add the whole amount to your gross annual basic salary to calculate your overall income.

PAYE applicants:

For PAYE applicants we will assess your income for mortgage borrowing using your basic gross salary. In addition (if this applies) we will add the following:

- 100% of car allowance.
- 50% of regular/permanent bonuses and overtime (to be confirmed by employer/ P60s).
- Mortgage subsidies/housing allowances or large town allowances (if permanent part of income).

Self-employed applicants:

For self-employed applicants we will assess your income for mortgage borrowing using the following:

- Average of the last two years' net profit (assuming profit is similar or rising).
- Three years' accounts, prepared by a chartered or certified accountant or two years' accounts prepared by a chartered or certified accountant plus one years' projected income.

Affordability

We take a responsible approach to lending to ensure that you are not overstretching yourself, so we will take into account your loans and other outgoings when considering how much we can lend to you.

All credit commitments, such as school fees and car loans, must be deducted from gross income prior to multiplication.

How do you decide whether to approve my mortgage or not?

Amount of deposit

We will consider the loan amount you have applied for as a percentage of the purchase price or valuation figure (whichever is lower). This is known as the 'Loan to Value' (LTV). The lower the LTV, the larger the deposit and the greater stake you will have in your home. For example, a £150,000 mortgage on a house valued at £200,000 would mean an LTV of 75%.

There is a maximum loan amount we will lend depending on the LTV, repayment method (e.g capital and interest or interest only) and type of property. These limits can vary depending on market conditions. Check with us for current limits.

Credit history

It is important to us that you have conducted any current or previous credit agreements satisfactorily. In order for us to do this, we need to look at a number of things: your previous mortgage payment record; payment of rent to landlord; payment of other credit cards, loans etc. We do this by carrying out a credit search using a credit reference agency.

The information we receive relates to financial information registered at current and previous addresses. The 'credit search' will detail any credit agreements and highlight county court judgements, property repossessions, defaults and arrears. The credit reference agency will keep details of the search we make.

In order to receive credit information, we have to release payment information (positive and negative) on our borrowers on a monthly basis. The data supplied is available to other lenders and may be taken into account in future applications for credit.

If you apply for a mortgage jointly with another person, a financial association will be created at the credit reference agency and will continue to be taken into account in future credit searches for either or both of you.

Employment status

We need to ensure that you are in stable employment and are able to keep employment. We will look at your type of work; the stability of the industry you work in; your length of employment; type of contract e.g permanent, fixed term, temporary and whether you have any employment gaps.

What is a guarantor?
A guarantee is a written promise in which one or more persons, the guarantor(s) (the person giving the guarantee), agree(s) to be responsible for the present or future debt of another. The guarantee protects the lender should the borrower default. The guarantor (as party to the mortgage) will have access to mortgage account details.

The most common situations involving guarantees are where parents guarantee the debts of their child. As a guarantor, you should always seek professional advice on the commitment you are undertaking.

Property type
We generally accept all properties in England and Wales of conventional construction (e.g. brick and tile). We do not normally lend on ex-Local Authority flats/maisonettes (houses are acceptable), freehold flats/maisonettes, timber or concrete properties.

Leasehold properties must have a lease with an unexpired term of 55 years more than the mortgage term, and an overall minimum term of 85 years. Flats must be in blocks of no more than six storeys. If there are more than six storeys, it must be referred to us for initial approval.

Properties built in the last ten years must have the benefit of an NHBC certificate or equivalent. All loans on properties in inner London are restricted to 60% loan to value (LTV).

Repaying your mortgage

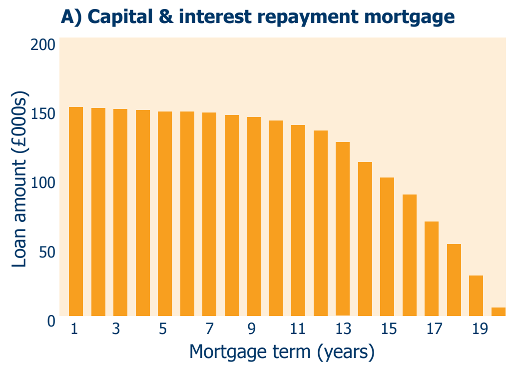
What repayment options are available?
Your mortgage can be arranged over a period of 5 to 35 years, depending on your personal circumstances and the type of mortgage you choose. There are two standard ways to repay a mortgage:

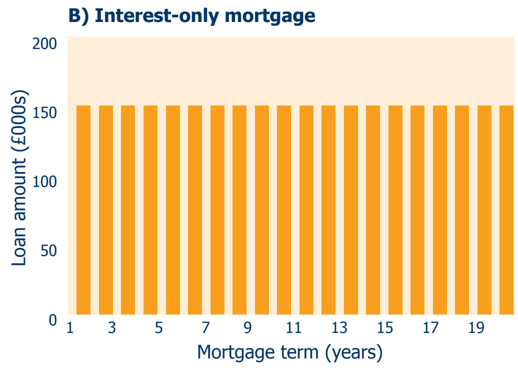
Capital & interest repayment
The monthly mortgage payment is made up partly of a sum to repay a proportion of the amount borrowed (capital) and partly of a sum to repay the interest.

Given that a higher proportion of capital will be 'owed' in the early years of the mortgage, the interest element of the monthly payment is higher than it is in later years.

As the mortgage term progresses and the amount of capital owed begins to decrease, the proportion of the monthly mortgage payment representing interest decreases. This means that as the term progresses on a capital and interest repayment mortgage, the sum paid each month towards the capital becomes greater and the amount towards interest reduces (see graph A below). Providing all repayments are made, it is guaranteed that the loan will be repaid at the end of the term.

We strongly recommend that you to take out life assurance (mortgage protection policy) to ensure your mortgage is repaid if you should die during the mortgage term.





Interest-only mortgage
The monthly mortgage payment consists of an amount sufficient to pay just the interest due on the full amount of the loan (for the full term). You pay none of the outstanding capital and at the end of the mortgage you may still owe the amount you originally borrowed (see graph B above). The capital element of the loan will normally be repaid at the end of the term using some form of repayment strategy. It is your responsibility to ensure that a repayment strategy is in place, or have some other way of repaying the mortgage at the end of the mortgage term. You also need to ensure any repayment strategy is reviewed regularly to ensure it is on target to repay your mortgage at the end of the term.

You need to be aware that if you surrender an investment policy, such as an endowment, early then there could be adverse financial consequences, depending on the type of investment and your personal circumstances.

Interest only mortgages are only acceptable where there is an alternative source of capital repayment. Where the repayment strategy requires the borrower to make regular payments from income, we will assess affordability taking the cost of the repayment strategy into account.

There are various types of repayment strategies; we will accept the following, although this is not an exhaustive list:

- Regular savings into an investment product.
- Sale of other assets, such as property/land owned.
- Periodic repayment of capital from irregular sources of income (such as bonuses).
- Sale of mortgaged property, where there is a credible strategy because of downsizing.

Where regular savings are being made into an investment product, we will require evidence of this. The following table details what is acceptable and the evidence we will require:

Repayment strategy	Evidence required	Assessment method
Endowment policy	Copy of latest projection statements dated within the last 12 months.	Endowment companies will present three growth rates to an investor. We will accept 100% of the projected amount using the middle figure.
Stocks and Shares ISAs (UK), Unit and Investment Trusts, Investment Bonds	Copy of latest statements dated within the last 12 months.	The current value must be at least £50k and the value must cover at least 80% of the interest only amount.
Stocks and Shares	Copy of latest statements dated within the last 12 months.	The current value must be at least £50k and the value must cover at least 80% of the interest only amount.
Pension (UK)	Copy of latest statements dated within the last 12 months.	Maximum of 25% of the current fund value can be used.
Sale of second home (UK) or other property asset	Property details, proof of ownership, evidence of amount of any outstanding mortgage by way of credit search or latest mortgage statement dated within last 12 months.	We will use 80% of any equity towards the interest only amount. We will use the borrower's estimated value of the property, which we will check for reasonableness.

As with capital and interest repayment, life assurance is strongly recommended to ensure repayment of the outstanding capital should you die during the term. On some repayment vehicles this is automatically included.

How do I make monthly payments?
We operate a direct debit system for monthly repayments. We will debit your bank account by the amount required as detailed in your mortgage offer, plus any payment of home insurance purchased through us. If the interest rate changes on your mortgage, we will automatically amend the direct debit amount, so you do not need to do anything. We will tell you at least 10 days in advance of any change to your direct debit payment.

Can I reduce or repay my mortgage early?
Yes, you can reduce or repay your mortgage at any time. However, early repayment of all or part of a mortgage may have financial consequences depending on the mortgage product you take (see product terms and conditions for details).

If you repay your mortgage early, in full or in part, an additional charge may be made to compensate us for the mortgage not running its full term. This charge is called an 'Early Repayment Charge'. Early Repayment Charges are usually attached to preferential interest rates. If you have an Early Repayment Charge it will be detailed in mortgage product literature, your Key Facts Illustration (KFI) and your mortgage offer. We will charge interest up to the date you repay your mortgage.

A capital repayment is usually an amount larger than the minimum required monthly payment, in our case an additional payment of £1,000 or more. If you make overpayments to your mortgage, your registered monthly repayment will change more than expected, as overpayments are taken into account. Your mortgage term will remain the same. If you want to reduce your mortgage term, we ask that you make a capital repayment and advise us that you want to reduce your mortgage term. We will make the necessary adjustments to your mortgage account.

A minimum capital/overpayment of £1,000 must be made before an adjustment can be made to the monthly payments or the term of the mortgage. Overpayments of less than £1,000 immediately reduce the interest charged on your mortgage and your monthly payment will be recalculated at an interest rate change. If the sum of the overpayments made exceeds £1,000 we can recalculate your payment or amend your term at your request.

As all our mortgages are charged on a daily interest basis, any repayments, overpayments or capital repayments will immediately reduce the interest charged on your mortgage (subject to cheque clearance). Overpayments need to be made by standing order or cheque in addition to the registered monthly payment by direct debit.

Can I take my mortgage with me when I move home?
Generally a mortgage product is 'portable'; which means that the terms and conditions of your current mortgage can be transferred to the mortgage on your new home. All our products are portable. If there is an Early Repayment Charge on your existing mortgage, your new mortgage needs to be for at least the same amount as the old one to avoid payment of a charge. If you do borrow less, you only need to pay a proportion of the Early Repayment Charge. You still need to complete an application form because the mortgage is based on a new property and is subject to your current status and valuation.

Borrowing extra on your mortgage

You can borrow more money by taking out a further advance with us at a later date. This kind of loan usually does not require a solicitor. Most people borrow extra money to do home improvements but we can lend for other purposes, for example a purchase of a second property or to repay other loans.

Home Insurance

Buying a home is one of the biggest financial commitments you will make, so protecting that investment is a must. We think this is so important that we make it a condition of your mortgage that you have buildings insurance in place and maintain at a sufficient level throughout the mortgage term. If you are buying a leasehold property, the arrangements for buildings insurance are normally covered in the lease. Buildings insurance covers the bricks and mortar of the property and the fittings, for example, sanitary ware. Buildings insurance should commence at exchange of contracts for house purchases because that is when you are legally committed to buying the property.

We strongly recommend contents insurance. Although not compulsory, your home is characterised by the items you put in it, so you should want to protect these too. Typical examples of areas covered by this policy include carpets, curtains, televisions etc.

Cover for buildings and contents insurance can usually be upgraded to include accidental damage to the property and its contents, so if you damage an item the insurance company will replace it.

We ask you to complete an insurance declaration form when you apply for your mortgage.

Financial difficulties and changes in circumstances

Before buying a property or raising money on your home, it is important to consider your income and outgoings to ensure you can afford your mortgage repayments now and in the future. It is difficult to predict what may happen in the future but you should look at mortgage repayments based on our standard variable mortgage interest rate and above to see what the impact would be.

We will give you an illustration of mortgage costs based on our standard variable mortgage interest rate when you apply for your mortgage.

You should also consider how you would pay your mortgage if you are ill or made redundant. You can protect yourself and your family by taking out cover to pay your mortgage in the event of death, accident, illness and unemployment.

If your circumstances change during the term of your mortgage it may affect your ability to repay. If you do experience difficulties, please contact our Customer Support department as soon as possible on 01635 555700 and we will deal with you sympathetically and positively.

Other things to consider when applying for a mortgage are:

- Mortgage payment protection insurance (MPPI)
- Life insurance and income protection

For more information on what to do when you can’t pay your mortgage please visit the Money Advice Service at **www.moneyadviceservice.org.uk** or call them on **0300 500 5000.**

Buy to Let

Buying a property to let is a specialist area and very different to buying a home for yourself. Speak to letting agents in the area in which you are looking to buy to find out whether there is a demand for rental properties and how much income you can expect. The agent should be able to tell you the most popular types of properties to let and areas for tenants.

Investment return

Whatever your reasons are for buying to let, you will want to make a return on your investment. You will therefore need to know what factors may have a positive or negative impact on your investment. There is no guarantee on the level of investment return you will receive. The type of property, furnishings, tenant, agent and economic conditions all affect the level of rent achieved.

What are the risks?

Demand for rental property can fluctuate and, of course, the value of your property could fall or rise. If rental demand falls then you may have periods where your property remains empty. There could be other reasons why you may not be able to rent your property, for example, if the rent is set too high or the location is wrong. There is also a commercial risk in becoming a landlord, that is why it is important to do your research before entering the landlord market.

What tenants are acceptable?

In general terms, we accept employed persons, couples and family units. We do not lend to landlords who have Department of Work and Pensions (formerly DSS) tenants or students because the risk is different and generally higher.

How do I find a tenant?

Most lettings agencies offer a service to find tenants. They will advertise your property, conduct viewings and undertake referencing of prospective tenants. Once the contracts are signed, you take over management of the tenancy, or you can sometimes pay an agent to also do this for you.

If you ask an agent to manage your property, they should be a member of ARLA (Association of Residential Letting Agents). You will normally pay 10 to 15% of your gross rental income to a letting agent to manage your property but they will know the local rental market, help you find suitable tenants, draw up tenancy agreements, collect rent and notify your lender if tenants change.

Which properties are acceptable?

The property you choose must be suitable for letting, in an area where there is a good demand for rented property. We do not lend on freehold or ex-local authority flats or multi-occupancy properties. Freehold houses and leasehold properties (with at least 55 years remaining at maturity of the mortgage and overall minimum term of 85 years) are suitable.

You will need to protect the value of the property through up keep and maintenance. For leasehold property, you will need to adhere to valid requests from the freeholder and/or its managing agent.

What are the tax implications?
We cannot advise you on this because we are not specialists and the tax implications will depend on your particular circumstances. Rental income is taxable. We advise you to get professional tax advice from a tax specialist.

The tenancy agreement
You and your tenants will need to sign an assured shorthold tenancy agreement of six or twelve months. The terms within the agreement will protect both parties. You may wish to seek legal advice about the clauses contained in the tenancy agreement. You can get details of ARLA registered agents by telephoning ARLA on **0844 387 0555** or visiting their website **www.arla.co.uk**.

Is there anything else I need to know?
You need to be aware of your legal responsibilities as a landlord. This includes repairs to the property, compliance with fire safety regulations and the safety of gas and electrical appliances. You will need to ensure you have adequate buildings insurance in place.

You may also want to take legal advice on landlord and tenant law to familiarise yourself with the do's and don'ts of letting a property. We advise you to read the Buy to let guide produced by the Council of Mortgage Lenders (CML) which can be found on their website www.cml.org.uk. For details of our buy to let mortgage products, please refer to our Buy to let product leaflets.

If your mortgage payments are not maintained, we may appoint a receiver of rent.

Other useful sources of information:

- The National Landlords Association (NLA)
- The Residential Landlords Association (RLA)
- The Association of Residential Letting Agents (ARLA)

Commercial lending
Commercial lending is a specialist area and commercial mortgages are available to you if you would like to purchase or remortgage a commercial property within our local lending area (check with your local branch or visit our website for full details).

We lend to a variety of businesses from sole traders through to partnerships and limited companies.

Each case is considered on its individual merits and so terms will vary according to your business background, experience and the security you offer. The types of security we will consider are:

The property you are buying or remortgaging will be required as security and we will take a first legal charge over it. If you are able to offer another property as security, we may consider this.

- Light industrial units
- Nursing/residential homes
- Small hotels/guest houses
- Stables/catteries/kennels
- Doctors/dentists/healthcare surgeries
- Shops/offices
- Public houses/restaurants
- Private leisure/health clubs
- Housing associations

What else do I need to know?
If you are taking out a mortgage with Newbury Building Society, you should refer to the Society's Rules,which give details of membership.

Data Protection
We comply with the Data Protection Act 1998. When we collect personal information from you, we will explain why we need it, how we will use it, who we might disclose it to and what your rights are. We ask for your signature to show your consent. We process data fairly and lawfully and ensure that it is kept secure and confidential. We ask you to help us keep data accurate and up to date.

We may disclose personal information:

- Where required by law or public duty;
- With your consent;
- If in your legitimate interests;
- To regulatory authorities, auditors, any other body having a legal right to the information; and
- Anyone you appoint to administer or operate your account.

We may disclose personal information to other third party processors where necessary controls are in place e.g. to transmit and collect money, distribute statements and rate change notices, resolve IT issues, develop and test new software. We will tell you before we record any telephone conversations. Our application forms ask if you wish to receive marketing from us. With your consent we sometimes contact you to keep you informed of products, services and special offers that we feel may be of benefit to you. These communications could relate to mortgages, savings or other financial services. This is important because personal circumstances and financial needs change and what may not be appropriate for you now, may be appropriate in the future. If you do not wish to receive this type of information, you can let us know at any time. We will remind you at least once every three years that you can ask not to receive this. This reminder may be contained in customer newsletters or other literature that we send. We do not pass personal details to third parties for marketing purposes.

Financial Services Compensation Scheme (FSCS)

The FSCS provides protection if an authorised mortgage firm is unable to pay claims against them. The main area of mortgage business that could give rise to a claim, relates to suitability of advice for a customer's circumstances at the time. The FSCS will only pay for financial loss incurred. The maximum level of compensation for claims against firms declared in default on or after 1 January 2010 is 100% of the first £50,000 loss, per person, per firm.

The cost of the Scheme and compensation payments are funded by contributions from the businesses covered by the Scheme. The rules covering the scheme are very detailed. Information about the Scheme is available on the FSCS website www.fscs.org.uk or telephone 0800 678 1100.

Lending area

Our lending area may vary on certain products, therefore please check with your local branch or visit our website for full details.

Complaints policy

We want to satisfy our customers every time but we realise that sometimes things go wrong. If you are not satisfied with any aspect of our service, then let us know and we will do our best to put things right.

We have an internal complaints procedure, which tells you how we deal with complaints. A copy of our complaints procedure is available on our website (www.newbury.co.uk) or from any of our branches.

It is our intention to settle all complaints promptly and fairly. Most complaints we are unable to settle may be referred to the Financial Ombudsman Service. Before your complaint can be referred to the Financial Ombudsman, it must have been through our internal complaint procedure.

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