THE FAMILY BUILDING SOCIETY

JOINT BORROWER SOLE PROPRIETOR

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 passed its due date and has not been paid. 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.

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 dependent on the percentage of deposit you have.

Discounted rate mortgage – A mortgage product where the interest rate payable is at a percentage discount from the mortgage lender's base lending rate. You will normally pay the discounted rate for a set period, often between two and five years. Discounted rate mortgages are variable, so your payments may go up as well as down. See 'Fixed rate mortgage' for comparison.

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

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.

Further advance – Also referred to as 'additional borrowing'. An additional loan secured against your property, which may be offered by the mortgage lender for a different purpose other than buying the original house. For example, for home extension or renovation works.

Interest-Only mortgage – A mortgage where you only pay back the amount you are being charged in interest each month. The amount of money you borrowed does not go down over the term of the mortgage and you will need to find another way to repay the original loan at the end of the mortgage term. See 'Repayment vehicle' for more information.

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 length of time that have you have to pay back the mortgage. 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.

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.

Repayment vehicle – What will be used to repay an Interest-Only mortgage at the end of the term. Examples of these can include downsizing, sale of another property (in England and Wales only), sale of other assets (for example second home) and existing investments or savings.

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 – When you take out a mortgage, the lender will take your property as security against the loan. This means that if you're unable to pay your mortgage then your property may be repossessed by the mortgage lender.

Stamp Duty Land Tax – Stamp Duty 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*

OUR JOINT BORROWER SOLE PROPRIETOR (JBSP) IS DESIGNED TO GIVE FAMILY MEMBERS THE OPPORTUNITY TO HELP EACH OTHER ACHIEVE THEIR HOUSING GOALS, IN SOME CASES EARLIER THAN OTHERWISE WOULD BE POSSIBLE. THIS LEAFLET WILL HELP YOU TO DETERMINE IF A JBSP ARRANGEMENT IS RIGHT FOR YOUR SITUATION.

HOWEVER, IT'S IMPORTANT TO NOTE THAT THINGS DON'T ALWAYS GO TO PLAN, SO BEFORE APPLYING YOU SHOULD CAREFULLY CONSIDER BOTH THE BENEFITS AND THE DOWNSIDES OF A JBSP ARRANGEMENT, SO PLEASE PAY CAREFUL ATTENTION TO THE IMPORTANT CONSIDERATIONS SECTION ON PAGE 9.

Whether it's taking that first step on the housing ladder, making a step up, carrying out renovations or even helping older members of the family stay in their home if their circumstances change, we're here to help.

Our JBSP arrangement means that borrower(s) can call upon the support of their parent(s), grandparent(s), sibling(s) and aunt/uncle(s) or, in the case of older members of the family, adult children can support their parents if their circumstances change. By pooling family resources in the short term it can enable family member(s) to achieve what they need to much sooner or more easily than if they were to try and do it alone.

The JBSP arrangement can also be used by couples with a Buy to Let property where the owning partner may not have sufficient independent income of their own.

Our JBSP arrangement lets one or two owners plus up to two family members join in the mortgage to support the owner(s). The supporting family members won't be joint owners of the property but they will be counted as borrowers.

We must review all JBSP enquiries before you submit an application, so we'll ensure you're eligible before you have to worry about going through the application process. Plus our normal lending criteria will also apply.

QUESTIONS YOU MAY HAVE ?

LISTED BELOW ARE SOME QUESTIONS YOU MAY HAVE. THESE WILL HELP YOU TO DECIDE IF A JBSP ARRANGEMENT IS SUITABLE FOR YOUR NEEDS AND WHETHER OR NOT YOU MIGHT BE ELIGIBLE.

Note: Where we refer to an 'occupying borrower' (the property owner) and a 'non-occupying borrower' (the person who does not own the property) throughout this document, it's in relation to the property used as the occupying borrower's home.

For Buy to Let, where none of the borrowers will occupy the property, the terms 'owning borrower' (the property owner) and 'non-owning borrower' (the person who does not own the property) will be used.

WHO MIGHT THIS MORTGAGE BE SUITABLE FOR?

People who have a realistic prospect of their income rising in the near future, and in the meantime have the support of qualifying family member(s) who are willing to be non-occupying borrower(s). Older borrowers can call upon the support of their children if they have the means to do so.

Below are some illustrative examples explaining the types of people who would be eligible:

Catherine

Catherine recently lost her husband, and the loss of his pension income means she's currently having difficulty meeting her mortgage payments. She doesn't want to move out of her family home of 30 years, so her son has offered to help her with the mortgage payments so she doesn't have to.

Jack and Angela

Jack and Angela are looking to replace the ageing roof on their property and need to raise the funds to do this. They are currently both on the police 'fast track' scheme, and earn £21,000 now, but their salaries are likely to increase to around £47,000 at the end of the three year scheme. Jack's grandparents have agreed to help them remortgage their home, so that he and Angela can carry out the renovations.

Jane

Jane is a newly qualified teacher who's looking to move closer to her new school. She's found a great property in an ideal location, but her starting salary is not quite enough for her to meet the payments on her own at the moment. Her father is keen to help, and offers his support with funding in the short-term, as he knows her salary is likely to increase significantly over the next few years.

Louise and Graham

Louise and Graham moved into Louise's flat two years ago. Graham has been letting out his old flat since then and has recently started his own business. His tenants recently left and Graham wants to remortgage his flat to borrow some extra money to refit the kitchen and bathroom before letting again, but needs support from Louise to join in the mortgage.

If you or your family are eligible for a JBSP, it's important to remember a mortgage is a long-term commitment. Therefore, all individual borrowers will be responsible for their share of the payment of the mortgage, even if their personal circumstances changes.

This means if the occupying owner is unable to make their mortgage payments, the non-occupying borrowers are liable for the repayments. If they can't afford to pay the full amount, then the property is at risk of being repossessed.

WHO WOULD NOT BE ELIGIBLE TO APPLY FOR THIS MORTGAGE?

Anyone who has no income of their own, or whose current level of income is less than £20,000. There should be scope for the occupying borrower(s)' income to reach a suitable level to support the loan on their own. The only exception would be if a working adult helped his or her parents as occupying borrowers.

A student with great career prospects and parents who are willing to help them get their first home, would not be eligible for a JBSP arrangement as they currently have no income of their own.

WHO CAN HELP ME GET A JBSP ARRANGEMENT?

Up to two family members can support a JBSP arrangement as non-occupying borrower(s). Family members can be parents, grandparents, siblings, or aunts/uncles, however for a reverse JBSP arrangement supporting non-occupying borrower(s) are limited to adult children helping their parent(s). For a Buy to Let property you can also get support from spouse(s) or partner(s).

HOW MANY APPLICANTS CAN THERE BE?

Up to two occupying borrowers can be assisted by one or two non-occupying borrowers, for example a young professional couple applies to be the occupying borrowers supported by one set of their parents. Similarly, a working adult could help his or her parents who would be the occupying borrowers.

In Buy to Let cases there will be one owning borrower and one non-owning borrower.

WHO WILL MAKE THE MORTGAGE PAYMENTS?

The monthly mortgage payment has to come from a bank account in the name of at least one of the borrowers, but it doesn't have to be the occupying borrower(s). For Buy to Lets it doesn't have to be the owning borrower.

IS THIS AVAILABLE FOR BOTH PURCHASE AND REMORTGAGE?

Yes, but for remortgages any additional funds being borrowed over the amount of the existing mortgage can only be used to buy out another owner or where essential home improvements are necessary.

IS THIS AVAILABLE ON AN INTEREST-ONLY BASIS AS WELL AS REPAYMENT?

Yes, although we do have some restrictions.

- The repayment vehicle must be held in the names of the borrowers on our mortgage, although not all the borrowers need to be named.
- We will not accept a repayment vehicle

that is held jointly between a borrower and a third party. For example, if a child and one parent were on our mortgage, we would not accept a repayment vehicle in the name of both parents.

WHAT'S THE MAXIMUM LOAN TO VALUE (LTV)?

The maximum LTV is 90% for Owner Occupier mortgages and 75% for Buy to Let mortgages.

WHICH PRODUCTS ARE AVAILABLE?

For Owner Occupier mortgages we have a designated range of products specifically for JBSP. For Buy to Let a JBSP arrangement is available on our standard product range.

WHAT ARE THE MINIMUM AND MAXIMUM LOAN AMOUNTS?

- Minimum: £45,000
- Maximum: £1,000,000

WHAT'S THE MAXIMUM AGE LIMIT FOR APPLICANTS?

Standard age limits apply for repayment mortgages. If any amount of the loan is on an Interest-Only basis, the mortgage must finish before the anticipated retirement age of the eldest supporting (non-occupying) borrower or age 70, whichever is sooner.

HOW IS AFFORDABILITY CALCULATED?

In all cases, the standard affordability test is used. This includes the committed expenditure of all households, such as council taxes, loans, credit cards, etc. Additionally, mortgage costs and rent will be taken into account for all borrowers, including non-occupying borrowers.

When you contact us initially to assess your eligibility, as part of this we'll calculate the affordability based on your circumstances, so we'll help you to work this out.

WILL I HAVE TO PAY SOLICITORS FEES?

Yes, for both buying a property and remortgages you will need to pay the fees. If you choose one of our owner occupier fees assisted remortgage products we'll contribute towards your legal costs. For more details please refer to the relevant mortgage Product Summary sheet.

WILL I NEED TO GET LEGAL ADVICE?

Whether you're an occupying borrower or a non-occupying borrower we think it's important that you all seek legal advice so you understand the potential implications of the JBSP arrangement, before taking out the mortgage. However, it's only a condition of the mortgage for the non-occupying borrower(s) to seek separate independent legal advice. This may be from a solicitor or licenced conveyancer from the same firm acting for the occupying borrower(s), but not the same person acting on the occupying borrower(s) behalf. You are responsible for paying the fees for this advice. This is in addition to any solicitors fees arising as part of the purchase or remortgage transaction.

WHO OWNS THE PROPERTY?

Only the occupying borrower(s) will be listed as the owner(s). The non-occupying borrower(s) only contributes to the repayment of the mortgage but does not benefit from ownership of the property.

This means if the occupying borrower(s) fails to make their mortgage payments, the non-occupying borrowers(s) will be liable for the repayments and potentially won't be entitled to recover any of that money back, if the property has to be sold because they do not legally own it.

WHOSE NAME WILL APPEAR ON THE MORTGAGE?

The names of all borrowers will be listed.

HOW LONG DOES THE JBSP ARRANGEMENT LAST FOR?

The non-occupying borrower(s) can be removed from the JBSP arrangement when the occupying borrower(s) are able to fully support the mortgage by their own means. After you contact us we'll undertake an affordability test to establish if this is possible.

Protection Insurance

Taking out any mortgage is a big commitment, but with a JBSP arrangement other people may be dependent on your income, or you may be dependent on theirs, so you might want to consider taking measures to help minimise the risks.

To speak to us about any of the following call us on **03300 244618**:

- Life Insurance
- Critical Illness
- Family Income Benefit
- Income Protection
- Whole of Life
- Over 50s Life Cover

IMPORTANT CONSIDERATIONS

A borrower ("you") is any person who has agreed to be responsible for the mortgage, whether or not you also occupy or own the property. Where there is more than one of you, **you are all collectively and individually responsible for the mortgage**. This means we can enforce our rights against any one of you individually or against all of you together. This includes the commitment to (a) make the monthly mortgage repayments and (b) repay the outstanding mortgage balance, if any, at the end of the mortgage term, on voluntary sale of the property or in the event of repossession. It also includes other commitments such as the insurance and maintenance of the property.

You've agreed to be a borrower to this proposed mortgage, but not all of you will be named on the Title as an owner of the property. As a result there are some things you may wish to consider before taking out the mortgage:

1. Not all of you will be living in the property. Those of you who will be should carefully consider the fact that your ownership and occupation of the property is reliant on the contributions to the mortgage payments continuing to be made by the borrowers who will not be living at the property.
2. Any borrowers who will not be living at the property or listed as an owner must take separate independent legal advice in regards to your responsibility under the mortgage. This will be a condition of your Mortgage Offer.
3. A mortgage is a long term commitment so please consider how your circumstances may change in the future, and how that could impact your ability to support this mortgage.
4. Changes to health or illness may require additional expenditure and may create problems with your ability to maintain payments.
5. If one of you loses their job or faces a reduced income, the others will have to make up that person's contribution to the mortgage payments. This will apply even if you do not occupy or own the property.
6. The death of the owner(s) will leave the rest of you with the responsibility to make mortgage payments against a property that you may not own or wish to finance or that may need to be sold.
7. Only families with stable relationships should consider a JBSP. A dispute between you may result in one or more of you wishing to stop contributing towards the mortgage payments. This would not absolve you of your personal liability to the Society to pay the mortgage, and the occupier(s) should be aware that it is them that would ultimately lose their home (unless they can afford to meet the entire repayment themselves). A cost to remove a family member's name off the mortgage is also applicable.
8. Being party to a mortgage, even if you don't own the property, may affect your ability to borrow with other financial institutions. Your financial commitment under a mortgage will appear within future credit searches.

FOR MORE INFORMATION CONTACT YOUR MORTGAGE ADVISER.

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

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