

# Guiding you through the homebuying process



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

### Introduction to mortgages

Whether you're buying your first home, moving house, or looking to buy a property to rent out, we aim to provide a mortgage that's 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 mortgages available with us, how the process works and help you to understand the jargon associated with mortgages.

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

- a UK resident
- 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 check with no pay day loans, defaults/CCJ's or adverse credit in the last three years)
- 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. This ensures 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 affordability assessment will be completed for all mortgages on properties that you live in or intend to live in. For this, we'll need details of your income and current credit commitments.

If you're self-employed, we'll need a minimum of 2 years' accounts. The income we'll use will either be your latest net profit figure or average net profit over the last two years.

We'll 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

In this section we explain the types of mortgages available. Just before your chosen mortgage product ends, we'll be in touch with details of products we have available for you to switch to. This process is very straightforward and there is no requirement for you to evidence affordability again for a product switch.

## 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. It's at the lender's discretion as to when this changes.

## Fixed Rate Mortgage Product

This type of mortgage sets the interest rate that you'll pay for a given period. This provides you with the stability of knowing exactly what your monthly payments will be for that time. Once the fixed rate period ends, the mortgage will automatically revert to the Society's standard variable rate (SVR) applicable at the time unless you've arranged another product with us.

## Discount Mortgage Product

This type of mortgage provides a discount off our standard variable rate for a given period. As our standard variable rate can change at any time, this means that your mortgage interest rate can also change, meaning your monthly payments could increase or decrease. Once the discounted rate period has ended, the mortgage will automatically revert to the Society's standard variable rate (SVR) applicable at the time unless you've arranged another product with us.

## Tracker Mortgage Product

This type of mortgage directly tracks the Bank of England base rate. When there's an increase or decrease in the Bank base rate, the tracker rate of interest will also increase or decrease by the same amount. Once the tracker rate period has ended the mortgage will automatically revert to the Society's standard variable rate (SVR) applicable at the time unless you've arranged another product with us.

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

## 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. This is as opposed to someone who has purchased the property with the intention of letting it out. People with a Consumer Buy to Let mortgage are, therefore, considered 'accidental landlords' due to circumstances.

# Explaining other elements of mortgages

## Investment Property Loan (Buy to Let mortgage)

This type of mortgage is especially designed for people who either own or wish to purchase an investment property which they intend to let out on a residential basis. The property is let out to a single family unit on an Assured Shorthold Tenancy Agreement.

## Holiday Let mortgage

This type of mortgage is designed for people who either own or wish to purchase a property which they intend to let out on a short-term holiday let basis. The property is let out on either a daily or weekly basis to holiday-makers.

## Limited Company Buy to Let mortgage

This type of mortgage is designed for those who have set up a Limited company for the sole purpose of holding and letting residential investment properties.

## Mortgage Term

The mortgage term is the length of time your mortgage repayments are spread over. It depends on many factors, including your age, anticipated retirement date and your monthly budget. The term of the mortgage impacts on the monthly payments, so it's important to make sure you've thought about how much you would be comfortable paying each month.

The mortgage term can often be adjusted to make sure the monthly payments fit within your budget.

It's important to understand that having a longer mortgage term will result in your monthly payments being lower. However, this will also result in you paying more interest overall. If you were to have a shorter term, then your monthly payments would be higher, but you'd pay back less interest.

# What types of repayment methods are available?

A mortgage loan has two main parts:

- the capital, which is the amount of money you borrow, and
- the interest, which is charged on the amount outstanding until you've paid it back.

## Capital and Interest Repayment

This is where you pay both the interest on the mortgage and some part towards repaying the capital borrowed each month. 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

This is where you only pay the interest on the outstanding mortgage balance each month. As no capital repayments are made, the balance doesn't reduce and you'll still owe the full amount borrowed at the end of the mortgage term. This repayment type will require you to have a clearly understood credible repayment strategy in place, such as an investment plan.

It's 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

We calculate interest on all our mortgages on a daily interest basis 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.

It considers the initial rate of interest, any other charges applicable such as valuation fee, product fee, some solicitors costs, and the amended rate when a discount or fixed rate period ends. For example, if the mortgage were to revert to the standard variable rate at the end of the agreed product term.

We'll also provide another figure to reflect the volatility of interest rates. This is to illustrate if these were to increase, what impact this would have on your mortgage payments. You need to think about whether this will be affordable to you in the future should this happen. 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 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, i.e. during a discounted or fixed rate period. The product terms and conditions and your mortgage illustration will detail any charges applicable to your mortgage.

## 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 terms and conditions for your mortgage product 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 with Early Repayment Charges 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 monthly or as a one-off lump sum. For mortgages with no early repayment charges, there are no limits applied to overpayments. Please refer to your specific mortgage product terms and conditions for details. As our interest is calculated daily it's more beneficial to make your overpayment sooner rather than later in the month as this will result in less interest being charged.

## Portability

Some products are portable. This means that you can retain the benefits of the mortgage 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 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 building 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'll consider a mortgage on most properties providing the valuer confirms that it is suitable security.

## **Legal fees**

You'll 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.

## **Product fees**

Some mortgages require the payment of a product fee usually in return for a lower interest rate when compared with a similar product with no fee. These will be discussed with you during your meeting with one of our Qualified Mortgage Advisers, together with your options for paying this fee.

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

If you need to borrow more than 80% of the purchase price/valuation of your residential property, the risk to us is higher than normal. You may, therefore, 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 to protect us should you not pay your mortgage.

Please note: The higher lending charge doesn't replace your commitment to repay the whole of the mortgage loan.

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

## **Other costs**

When calculating the amount you can afford to purchase your new property, bear in mind that you'll have one-off costs associated with your move. These include 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 terms and conditions for the product you've selected to review any charges applicable.

## When will your mortgage payments start?

For any new lending, all our mortgage illustrations assume that your mortgage will legally complete on the first of the following month. During that first month, we'll 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 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've selected for your direct debit (either the 1st, 15th or 27th). Please note that you'll 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'll inform you at least seven days before the change becomes effective. If you've 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'll review your financial circumstances and may be able to arrange a new payment plan with you. We'll always try to work with you to reach a suitable solution, however, there's always the consequence that if you don't keep up repayments on your mortgage then your home may be repossessed.

# What insurances will you require?

## Buildings Insurance

In conjunction with Uinsure<sup>1</sup>, we can offer you a free, no obligation quotation. Please be aware that it's not compulsory to take out any insurance policy arranged through us. It is, however, a condition of the mortgage that you have suitable buildings insurance in place.

<sup>1</sup> Leek Building Society is an introducer to Uinsure Limited for Household and Landlords Insurance. Registered in England and Wales No. 06046870, Uinsure Limited are Authorised and Regulated by the Financial Conduct Authority No. 463689. Registered office: 1st Floor XYZ Building, 2 Hardman Boulevard, Spinningfields, Manchester, Greater Manchester, M3 3AQ.

## Life/Critical Illness Cover/Income Protection Cover

At Leek Building Society, we believe in helping people plan, 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've 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 Building Society branch, or visit [leekbs.co.uk](http://leekbs.co.uk)

<sup>2</sup>Leek 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 can 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'll 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: [leekbs.co.uk/mortgages/financial-difficulties](http://leekbs.co.uk/mortgages/financial-difficulties) or call us on: **0808 168 8570**

## Additional borrowing

You may be eligible, subject to meeting our lending criteria, to apply for additional borrowing on your mortgage. This could be for the purpose of home improvements or to raise money to buy a car, go on holiday etc. Any additional funds you borrow will result in an increase in either your monthly payments or the term of the mortgage. If you'd like to discuss this option further to see if you're eligible, please contact our pre-qualifying mortgage team on **0808 169 6680**.

# A guide through the mortgage maze

## 1. How much can you borrow?

Call our Direct Mortgage Team on 0808 169 6680 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'll provide you with a Mortgage Illustration<sup>3</sup> which clearly sets out the details of the specific mortgage that you're 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'd 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 can afford the mortgage, your credit status and property valuation are satisfactory, we'll 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'll also give you a 10-day reflection period so you can 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'll have to pay the deposit. Exchanging contracts is the point at which you're 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 us. Please refer to our 'Tariff of Mortgage Charges'.

## Mortgage Statements

In January each year, we'll 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 don't hesitate to contact one of our Qualified Mortgage Advisers who'll be happy to help or call us on **0808 169 6680**.

# **3 Explanations to accompany your Mortgage Illustration**

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

This section confirms the total amount payable considering all of the interest payable. This assumes that:

- 1) you maintain your monthly repayments
- 2) you don't make any overpayments during the agreed term
- 3) at the end of the chosen product term, your mortgage will automatically revert to our 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.

## **Amount of each instalment section**

This section outlines the amount that you'll 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'll 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've chosen a variable rate mortgage where the monthly payments could change.

It also refers to what happens if your income reduces as you'll 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 our lending criteria at the time of your enquiry.

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

When we provide you with a binding mortgage offer, we'll 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 these numbers. We're just a phone call away.

<b>Mortgages</b>	<b>0808 169 6680</b>
<b>Savings</b>	<b>0808 281 9308</b>
<b>Insurance<sup>1</sup></b>	<b>0800 093 0002</b>
<b>Financial planning<sup>2</sup></b>	<b>0800 093 0002</b>

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**If you require this information in a different format, please ask a member of staff.**

Leek Building Society, Customer Service Centre,  
50 St. Edward Street, Leek ST13 5DL  
t: 0800 093 0004

Branches throughout Staffordshire, Cheshire, Shropshire and Derbyshire

Leek Building Society is a trading name of Leek United Building Society, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority with firm reference number 100014. Our details can be found on the Financial Services Register at <https://register.fca.org.uk/s/>. Leek United Building Society's address for service is 50 St. Edward Street, Leek, Staffordshire ST13 5DL.

[mortgagesupport@leekbs.co.uk](mailto:mortgagesupport@leekbs.co.uk)  
[leekbs.co.uk](http://leekbs.co.uk)



**THE MORTGAGED PROPERTY (WHICH COULD BE YOUR HOME) MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE**

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