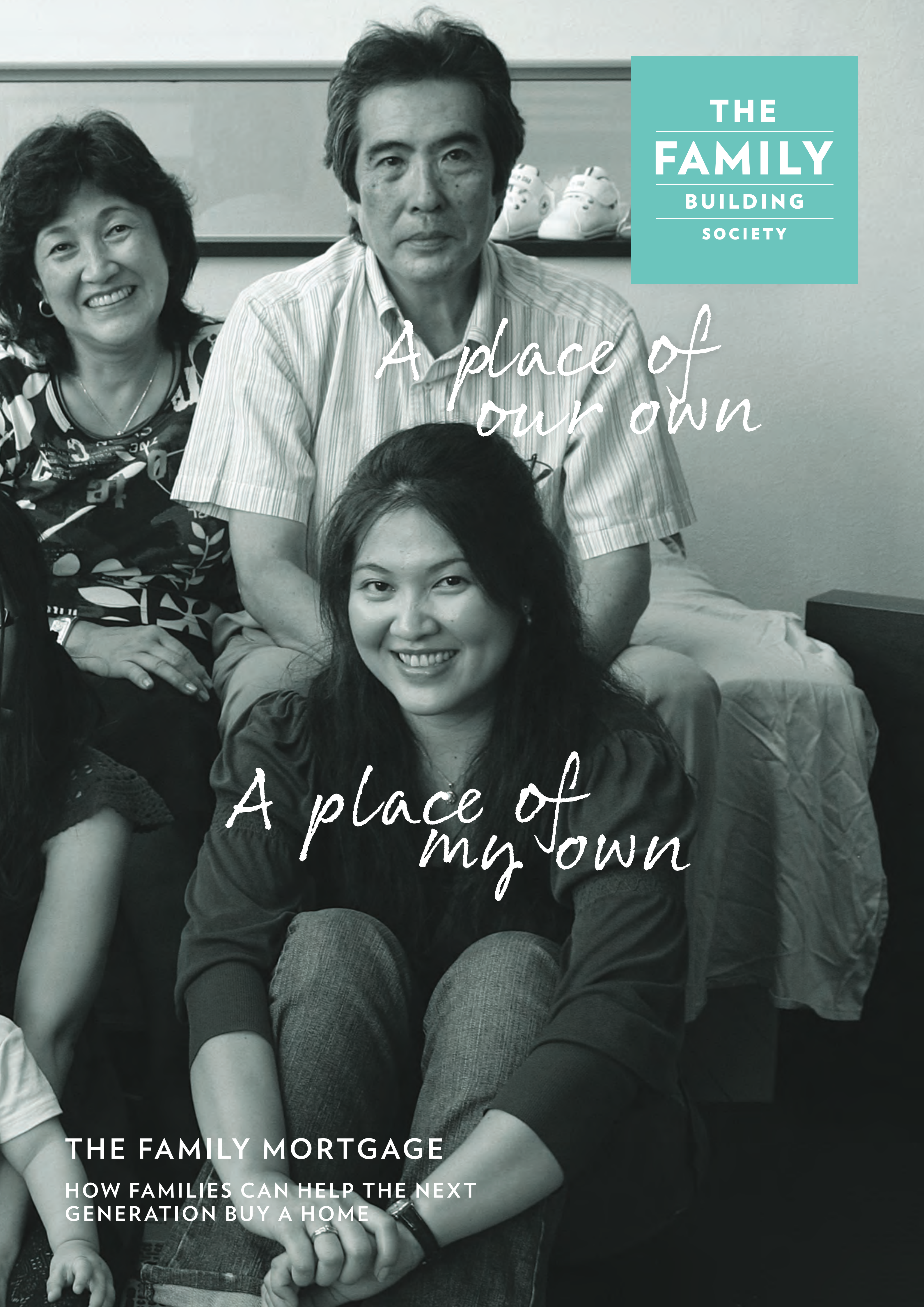


THE FAMILY BUILDING SOCIETY

A place of our own

A place of my own

# THE FAMILY MORTGAGE

## HOW FAMILIES CAN HELP THE NEXT GENERATION BUY A HOME

# THE FAMILY MORTGAGE MAKES BUYING A FIRST HOME MORE ACHIEVABLE.

# OUR FAMILY MORTGAGE IS BUILT JUST FOR YOU.

BEING A FAMILY CAN MEAN WORKING TOGETHER. THE FAMILY MORTGAGE OFFERS A NEW WAY TO COMBINE YOUR FAMILY'S FINANCIAL STRENGTH AND SHARE THE LOAD TO HELP THE PEOPLE YOU LOVE TAKE THE NEXT FINANCIAL STEP IN THEIR LIVES.

## CONTENTS



A Family Mortgage can increase your family's buying power. It can also make a loan more affordable. But it can't make an unaffordable loan affordable. That's why it is important to work out how much you are able to repay. When the family support ends the buyer takes full responsibility for repaying the whole mortgage. If, due to unforeseen changes in circumstances, the buyer is unable to meet the mortgage payments then it may be necessary for the buyer to sell the property to repay the mortgage. Alternatively it may be possible to remortgage to another lender.

**Your home may be repossessed if you do not keep up repayments on your mortgage.**

# FROM THE CHIEF EXECUTIVE

**Mark Bogard** Chief Executive of the Family Building Society

*'We don't want to be just the Family Building Society. We want to be Your Family Building Society'*

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

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

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

The Family Building Society is responding to this new environment. We look beyond individual buyers to let families increase their buying power, making buying a first home more affordable.

The Family Mortgage gets buyers on to the property ladder sooner, and it keeps family members in control of their money. And because it's a formal arrangement, everyone knows where they stand. This brochure shows how a Family Mortgage can help young adults in four very different families buy a home.

MARK BOGARD

**Chief Executive**

# HOW IT WORKS

The principle behind the Family Mortgage is simple. Most young adults don't have a lot of money. That means they will only have a small deposit to put down on a property and they miss out on most of the better mortgage rates. At the same time, families may have savings and property that could be used as security for a buyer.

The Family Mortgage brings this wider family wealth into the mortgage calculation, helping to reduce the cost for the buyer but not asking family members to hand it over as a gift.

## OUR PROCESS

### WE ASK QUESTIONS TO GET TO KNOW YOUR FAMILY. THEN WE BUILD A MORTGAGE JUST FOR YOU.

**We ask the buyer:**

- How much is saved towards a deposit?
- How much do you need to borrow?
- How much can you afford to repay each month?

**Family members can then consider:**

- Who would like to help? It doesn't have to be the parents, it could be another member of the family, such as a grandparent or a step-relation.
- Do you have savings that you're willing to put aside for up to 10 years as security for a family member's mortgage?
- Do you have equity in your home that you're willing to offer as security for up to 10 years for a family member's mortgage?
- Do you have any additional savings that you're willing to put into an account for up to 10 years to further reduce the cost of the mortgage?

Family members' assets or household income is not a factor in assessing affordability.

**Working with family members may help buyers:**

- Get lower interest rates, meaning lower monthly payments.
- Pay interest on a smaller amount of the mortgage, meaning lower monthly payments.
- Increase buying power when choosing a property to buy.

**Working with buyers helps family members:**

- Put assets to work for the buyer as security for the mortgage.
- Help the next generation own their own home without giving the money as a gift.

Family members providing financial support should be aware that if the buyer is unable to meet the mortgage payments, the security they have provided is at risk if the property needs to be sold and there is a shortfall. However during the first 10 years we do provide the buyer with important protection. Subject to meeting certain conditions, we'll meet the mortgage payments for up to six months should they become unemployed through no fault of their own on a one-off basis.

### AFTER 10 YEARS WE REVIEW THE MORTGAGE

**After 10 years many things will have changed: the buyer's earnings and personal circumstances, such as starting a family; the value of the property; the amount of the mortgage outstanding.**

- Provided the mortgage payments have been kept up to date, after 10 years the additional security given by family members is released leaving the buyer with a normal mortgage.
- Where the Family Offset Account option was chosen when the mortgage was taken out, the offset support will be removed at the end of the fixed rate product term applying at the 10 year point. Payments are likely to rise at this point as the buyer takes responsibility for repaying the whole mortgage. If, due to unforeseen changes in circumstances, the buyer is unable to meet the mortgage payments then it may be necessary for the buyer to sell the property to repay the mortgage. Alternatively it may be possible to remortgage to another lender.
- The buyer should of course take steps, such as saving disposable income, to ensure that they are ready for the additional financial responsibility.

# HELPING YOUR FAMILY TO OVERCOME OBSTACLES

**THE FAMILY MORTGAGE COULD HELP YOUR FAMILY OVERCOME A NUMBER OF OBSTACLES CURRENTLY PREVENTING THE NEXT GENERATION FROM BECOMING HOME OWNERS.**

## HOW THE FAMILY MORTGAGE CAN HELP

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

Many first time buyers can save enough money for a small deposit but that's about it. As a result they have to borrow a high proportion of the cost of their first property. Lenders generally charge a higher interest rate on the mortgage when somebody needs to borrow more than 75% of the value of the property they want to buy. They will see it as a bigger risk.

Our answer:

### FAMILY SECURITY ACCOUNT

If a buyer can find a 5% deposit, from savings or perhaps a gift, the Family Mortgage allows a family member to provide security for the buyer's mortgage by depositing savings in a Family Security Account. This money acts as security for the mortgage and reduces the risk, so the Family Building Society can offer a lower rate of interest than might otherwise be available. This reduces the monthly payments for the buyer while your savings continue to earn interest.

▶ Find out more on page 7

*'I'd love to help but I simply haven't got any spare cash right now'*

It's a straightforward fact of life that there are times when you won't have money to spare to help a buyer, however much you may want to contribute.

Our answer:

### SECURITY THROUGH PROPERTY

You don't necessarily need savings to help someone buy their first home. If a buyer has the 5% deposit, a family member can give a charge over some of the value in their own property. By providing this security you lower the interest rate that the buyer might otherwise be able to get and so reduce their monthly payments.

▶ Find out more on page 9

*'I'd be mortified if my parents lost money because I couldn't keep up the payments'*

The reality is that most young buyers would do anything rather than jeopardise their parents' hard earned savings but their own job security can never be guaranteed.

Subject to meeting certain conditions, we'll meet the mortgage payments for up to six months should they become unemployed through no fault of their own on a one-off basis. For joint buyers, the full mortgage payments will be apportioned equally between the buyers. This means that if there are two buyers and one becomes unemployed through no fault of their own, subject to certain conditions, we will meet 50% of the full mortgage payments for up to six months. This gives them a safety net should the worst happen.

*'I've got a bit put aside but I can't afford to hand it over just yet'*

Although you may want to help financially, you may be uncertain about longer term financial commitments and might not be in a position to hand over money as a gift until the future is clearer.

Our answer:

**FAMILY OFFSET ACCOUNT**

The Family Mortgage allows family members to use their savings to help the buyer without having to 'give' the money to them. Money can be placed in a Family Offset Account with us. By doing this you reduce the amount of the mortgage on which interest is charged. So instead of receiving interest on the savings (which may be subject to tax) you are passing on a bigger benefit to the buyer by saving them interest on their mortgage.

Money placed in a Family Offset Account also acts as security for the buyer's mortgage. This brings down the interest rate that might otherwise be available.

▶ Find out more on page 11

YOU CAN USE **ONE, TWO OR ALL THREE** OF THESE METHODS **IN COMBINATION** TO HELP A BUYER GET THE HOME THEY WANT.

▶ The examples over the next few pages show how families can help in different situations.

# HOW OLIVER ROBINSON CAN GET A MORTGAGE AT A REDUCED RATE

THE Robinson FAMILY BUILDING SOCIETY

## THE ROBINSONS' STORY

BILL AND JANE ROBINSON ARE AGED 61 AND 58. THEY WANT THEIR SON OLIVER, 25 TO HAVE THE SAME OPPORTUNITIES THEY HAD. THEY HAVE SAVINGS OF £40,000 THAT THEY WANT TO USE TO HELP OLIVER BUY HIS FIRST HOME. BILL AND JANE ARE USED TO BEING SUPPORTIVE PARENTS BUT WANT TO GO THAT BIT FURTHER.

*'Because I could get a mortgage at a lower interest rate, I'm paying less every month'*

## 92 IVY LANE

### VALUE: £200,000

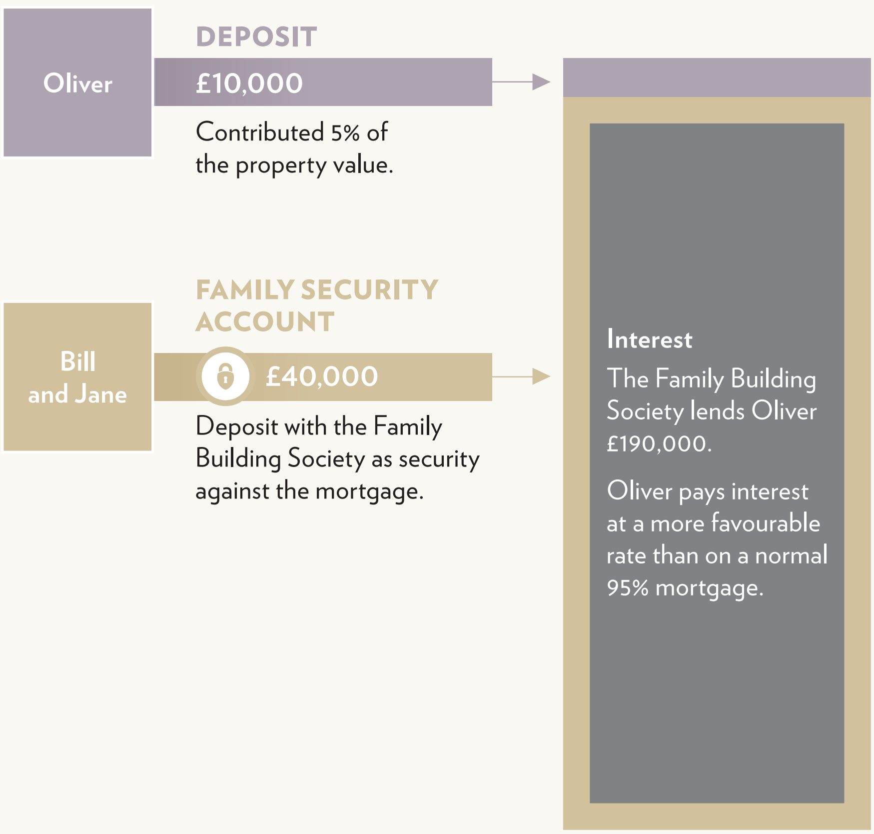
Oliver is able to save £10,000 for a 5% deposit. So he now needs to borrow £190,000. The Family Mortgage allows Bill and Jane to move their money into a Family Security Account with the Family Building Society. Their savings work as security for Oliver's mortgage which means Oliver can get a mortgage for 95% of the property value at a more favourable rate of interest than he might otherwise be able to get.

Bill and Jane continue to earn interest on their savings and Oliver has more disposable income which he can start to save. Oliver will be responsible for making the mortgage payments and the arrangement will be reviewed at the end of each fixed rate period (three or five years) up to 10 years.

At the end of the 10 years, as long as Oliver's mortgage is up to date, Bill and Jane will have their money returned.

The Family Building Society helps by providing a safety net. Subject to meeting certain conditions, we'll meet Oliver's mortgage payments for up to six months should he become unemployed through no fault of his own on a one-off basis. After six months or when Oliver returns to work, if sooner, he will need to start making the payments again.

## HOW IT ADDS UP FOR THE ROBINSONS




### HOW THE FAMILY BENEFITS

Oliver repays the mortgage at a lower interest rate.

Bill and Jane earn interest on their savings.

# FAMILY MEMBERS CAN HELP EVEN IF THEY DON'T HAVE SPARE SAVINGS

## THE WILSONS' STORY

GEORGE WILSON IS 55 YEARS OLD AND EARNS A REASONABLE INCOME AS A TEACHER. NOW THAT HIS CHILDREN ARE GROWN UP, HE WANTS TO HELP THEM BUY A FIRST HOME. BUT HE DOESN'T HAVE SAVINGS TO SPARE FOR THIS. TWO YEARS AGO, HIS STEP-DAUGHTER CHRISTINE GRADUATED FROM UNIVERSITY. CHRISTINE MOVED BACK HOME TO START SAVING TOWARDS HER FIRST HOME.

*'Even though I don't have any savings to spare, I am able to give Chris a head start'*

## 23A BRACKLEY ROAD

### VALUE: £150,000

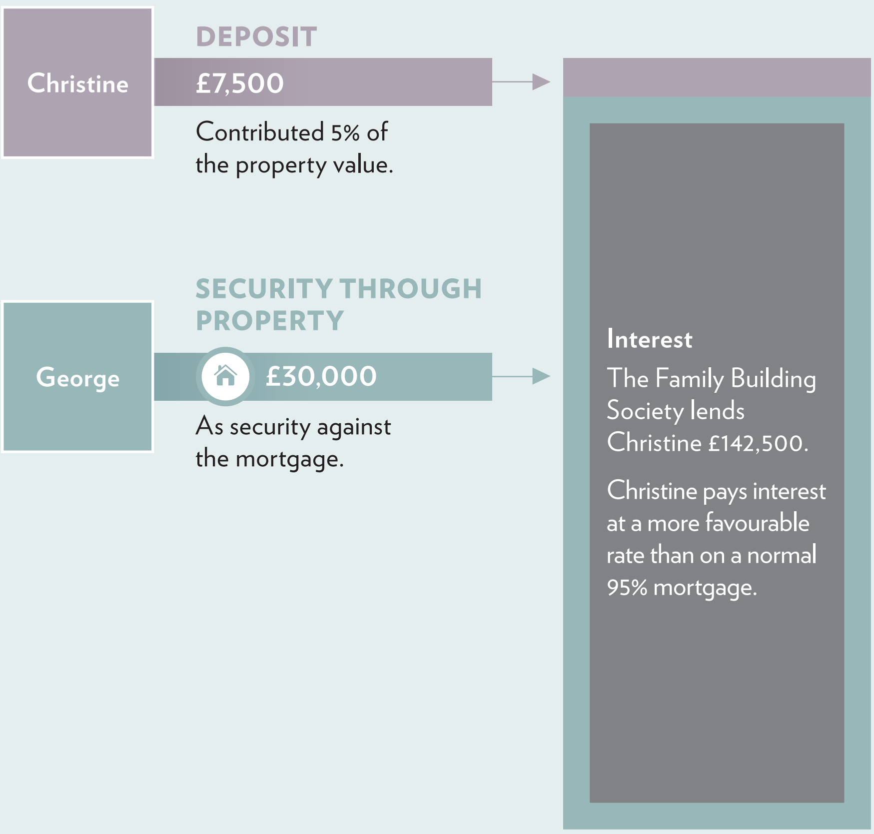
Christine has saved £7,500, a 5% deposit toward buying the flat she's chosen. So she wants to borrow £142,500.

George can't spare any cash but he does own his home. The Family Mortgage allows George to use some of the value of his home as security for Christine's mortgage. By doing this he can help get her a more favourable interest rate than she might otherwise be able to get.

George is not using the whole value of his home as security, just the £30,000 needed to secure Christine a better interest rate.

Assuming Christine keeps her mortgage up to date, this charge on George's property comes to an end after 10 years. During that time he is liable for up to £30,000 of any shortfall if the flat has to be sold for less than the amount Christine then owes on the mortgage.

## HOW IT ADDS UP FOR THE WILSONS




### HOW THE FAMILY BENEFITS

Christine repays the mortgage at a lower interest rate.

George is able to help Christine without breaking the bank.

# FAMILIES CAN REDUCE THE AMOUNT INTEREST IS PAID ON

## THE THAKURS' STORY

DEV THAKUR IS 27. AFTER A FEW YEARS LIVING BACK HOME, HE'S LANDED HIS DREAM JOB. WITH HIS NEW SALARY, HE'S FINALLY ABLE TO AFFORD THE MONTHLY PAYMENTS ON THE KIND OF HOUSE HE'D LIKE TO BUY. HE HAS SAVED £10,000 FOR A DEPOSIT. DEV'S GRANDPARENTS, TANIKA AND ANIL, HAVE SAVINGS THAT THEY WANT TO USE TO HELP HIM.

*'The money could be working harder for Dev than it would just sitting in a bank'*

## 15 GARDEN CLOSE

### VALUE: £200,000

Tanika and Anil put £50,000 of their savings into a Family Offset Account with us.

By not receiving interest on the money, they pass on the benefit to Dev. By using the Family Mortgage in this way, instead of paying interest on the full mortgage, Dev pays interest on the loan amount minus his grandparents' savings of £50,000, which leaves £140,000. This reduces his monthly payments and also acts as security for Dev's mortgage which means the interest rate that he pays is also lower than he might otherwise be able to get.

The money remains Tanika and Anil's and provided Dev keeps up the payments on his mortgage then they can expect it to be returned in full after 10 years. The precise return date depends on the combination of fixed rate periods chosen by Dev.

The interest Tanika and Anil lose is likely to be less than the amount Dev will save by not having to pay interest on the full mortgage amount. It is worth noting that the interest they could have earned on their savings may have been subject to tax.

## HOW IT ADDS UP FOR THE THAKURS

Dev

**DEPOSIT**

**£10,000**

Contributed 5% of the property value.

**Interest**

The Family Building Society lends Dev £190,000.

Dev pays interest on a mortgage of £140,000 at a more favourable rate than on a normal 95% mortgage.

Tanika and Anil

**FAMILY OFFSET ACCOUNT**

**£50,000**

Reduces the amount of the mortgage on which interest is paid and acts as security.

### HOW THE FAMILY BENEFITS

Dev pays less in interest each month while the Family Offset Account is in place.

Tanika and Anil's money remains theirs and will be returned in full after 10 years.

# FAMILIES CAN POOL MONEY TO REDUCE COSTS

## THE FIELDINGS' STORY

MEGAN AND JAMES FIELDING HAVE JUST GOT MARRIED. THEY'VE FOUND THE PERFECT HOUSE WHERE THEY'LL BE HAPPY TO START THEIR OWN FAMILY. BOTH SETS OF PARENTS WANT TO HELP. ALL SIX CAN POOL THEIR MONEY TO HELP MEGAN AND JAMES START THEIR NEW LIFE TOGETHER.

*'With everyone helping, we are able to think a bit bigger'*

## 104 VICTORIA STREET

### VALUE: £250,000

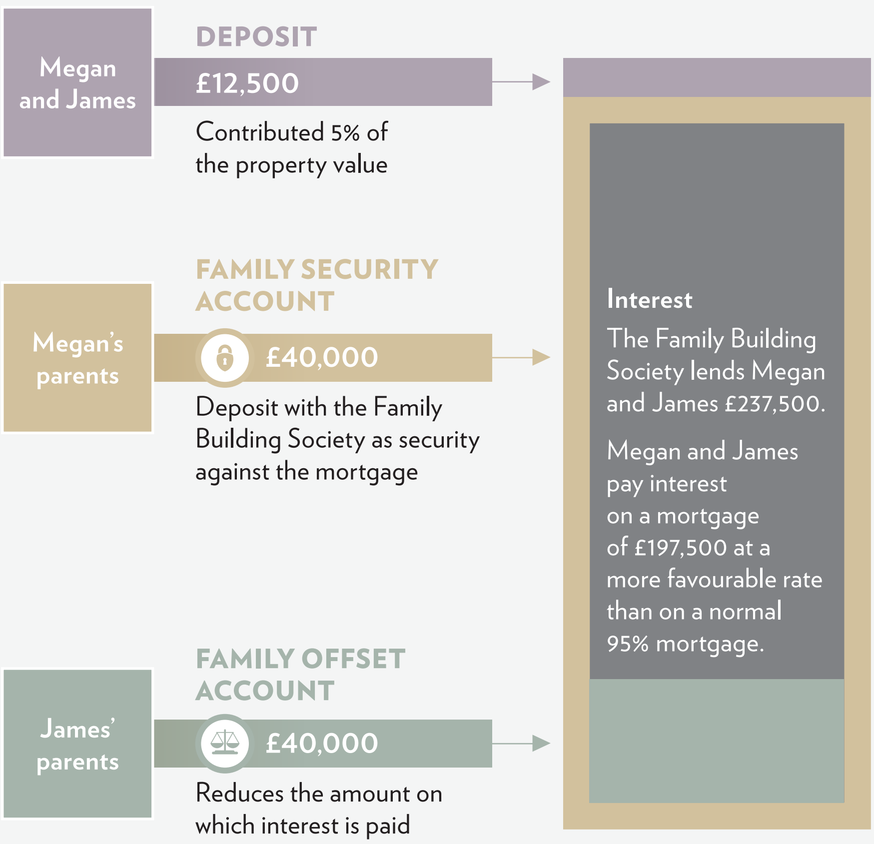
Megan and James have been saving toward their 5% deposit since they got engaged. With £12,500 saved, they need a mortgage of £237,500 to buy their new home. Megan's parents have £40,000 that they can deposit in a Family Security Account with the Family Building Society to get the couple a reduced interest rate on their Family Mortgage.

James' parents put £40,000 into a Family Offset Account also linked to the mortgage. This reduces the amount on which interest is charged by £40,000.

With both sides of the family pitching in, Megan and James pay interest on only £197,500 of the amount they've borrowed and this is at a reduced rate because of the security provided.

Both sets of parents' money remains their own and they can expect to have it returned in full after 10 years. However, for James' parents the precise return date depends on the combination of fixed rate periods chosen by Megan and James.

## HOW IT ADDS UP FOR THE FIELDINGS




### HOW THE FAMILY BENEFITS

Megan and James pay far less each month.

Their parents help out while keeping their savings.

# A FEW QUESTIONS YOU MAY HAVE

## A WHO OWNS THE PROPERTY?

Like any other mortgage the property is owned by the buyer. Whilst family members may provide financial support, they have no rights to the property.

## B WHAT HAPPENS IF MORE THAN ONE SET OF PARENTS WANTS TO CONTRIBUTE?

Up to twelve family members can contribute. This is a big help for the buyer. Any money used as security for the mortgage will always remain in separate accounts, not combined into one account.

## C WILL FAMILY MEMBERS GET REGULAR STATEMENTS TOO?

The buyer will receive annual mortgage statements. Family members with Family Security or Family Offset Accounts also receive regular statements.

## D WHAT HAPPENS WHEN THE BUYER WANTS TO MOVE ON TO A BIGGER HOUSE?

The existing property is sold and the mortgage repaid. Providing the sale price is sufficient, charges on property are released and security in the form of savings returned to the family members providing them. The borrower and family can then decide if they wish to apply for a new Family Mortgage on the new, larger, property.

## E WHAT ARE FAMILY MEMBERS LIABLE FOR?

If you have provided money as security, or have given a charge over a property you own, you need to be fully aware that money to this value may be called upon to make up any shortfall. This may happen if sale proceeds are less than the mortgage balance and costs. If you have provided property as security and are unable to meet this liability, your property may be repossessed by us to recover this debt.

If security is provided by two or more sets of family members, your liability to make up any shortfall will be divided proportionately by reference to the value the respective securities bear to the total value of all additional security linked to the Family Mortgage.

Provided the mortgage payments are up to date, after 10 years the charge is released and the money or property is no longer at risk from a shortfall on sale.

All family members will be required to take independent legal advice before the buyer is committed to the purchase.

## F WHAT IF THE VALUE OF THE PROPERTY FALLS?

House prices do rise and fall even if the general trend in the UK has been upward. Other circumstances including the buyer's earnings will also change. Across 10 years it's likely that the buyer will experience both significant peaks and dips in prices. At the end of that period and as long as mortgage payments have been kept up to date, the charge over savings and/or property provided by family members will be released. Where the Family Offset Account option was chosen when the mortgage was taken out, the offset support is removed after 10 years (in some cases it may be longer – please see questions I and J on the next page). Payments are likely to rise at this point as the buyer takes responsibility for repaying the whole mortgage. If, due to unforeseen changes in circumstances, the buyer is unable to meet the mortgage payments then it may be necessary for the buyer to sell the property to repay the mortgage. Alternatively it may be possible to remortgage to another lender.

## G WHAT HAPPENS IF A FAMILY MEMBER PROVIDING SUPPORT DIES?

The death of a security provider doesn't change the Family Mortgage arrangements. The estate of the deceased person remains bound by the terms of the Family Mortgage and the charge given over savings and / or property remains in place. This can have implications for the distribution of the estate. Family members providing security may wish to review their Will to take account of the support being provided through the Family Mortgage and simplify administration of their estate. Alternatively, it may be possible to arrange appropriate life assurance to cover this eventuality – please speak to your adviser or contact us to be put in touch with one.

## H DOES MONEY PROVIDED AS SECURITY HAVE TO STOP WORKING WHILE IT'S HELPING THE BUYER?

There are two ways that savings can be used to help the buyer:

1 In a Family Security Account, savings can act as security for the mortgage which will typically bring the interest rate down for the buyer. This rate is likely to be favourable when compared to the interest rate for borrowing 95% of the property value without the additional security. We'll continue to pay interest on your savings if you have chosen this option.

2 Alternatively, you can choose to reduce the amount on which interest is charged within the mortgage by placing savings in a Family Offset Account. You won't receive interest but your money is still working hard for the buyer. The interest that would be paid on your savings cancels out the interest that would be charged on the equivalent part of the mortgage. With mortgage interest likely to be higher than the interest a savings account would have received, you could be passing on a significant benefit.

## I CAN MONEY BE RELEASED BEFORE THE 10 YEARS ARE UP?

The Family Mortgage is designed to last for up to 10 years. The mortgage will be reviewed at the end of each fixed rate period, usually three or five years, chosen by the buyer. Depending on which specific combination of fixed rate terms are selected, for example using one five year term followed by two three year terms, the mortgage may extend beyond its expected 10 year period.

It may be possible to release money provided purely as security at one of these points if the balance of the mortgage is 75% or less of the value of the buyer's property.

Where money has been placed in a Family Offset Account it provides security and reduces the amount of the mortgage on which interest is paid. Again money could be released after a review if the mortgage balance is less than 75% of the value of the buyer's property.

It may be that both a Family Offset Account and a Family Security Account are being used and in these cases some money could be released depending on the outcome of the loan to value assessment.

## J CAN MONEY BE TIED UP FOR MORE THAN 10 YEARS?

Money deposited in the Family Security Account is released after 10 years provided the mortgage payments are up to date. Where the Family Offset Account option was chosen, whilst the money will no longer be at risk once the charge over it is released, the return of the money will be deferred until the end of the fixed rate product term applying at the 10 year point.

The precise return date depends on the combination of fixed rate periods that is chosen by the buyer. For example, if a 5 year fixed rate is followed by a 3 year fixed rate and then another 5 year fixed rate then the money in Family Offset Account will be available after 13 years.

## K WHAT HAPPENS IF THE BUYER LOSES THEIR JOB?

We know from talking to young buyers that they are reticent about taking out a mortgage using a charge over some of the value in their parents' home, or using their parents' savings. It's good to know that as part of the Family Mortgage, subject to meeting certain conditions, we'll meet mortgage payments for up to six months on a one off basis while the buyer gets back on their feet if they became unemployed through no fault of their own. This is built into the Family Mortgage and costs no extra. Do ask about the limitations and exclusions for this cover.

## L WILL THE FAMILY MEMBER PROVIDING SECURITY BE PROPERLY PROTECTED?

The security being provided by family members is at risk if the buyer's property is sold for a price which does not cover the amount due under the terms of the mortgage. This could happen if there has been a fall in property values or if the mortgage has increased because the buyer can no longer meet their mortgage payments.

## M WHAT HAPPENS IF THE BUYER'S EARNINGS DON'T INCREASE AS EXPECTED?

The buyer is responsible for making the payments due under the mortgage even if their circumstances change in future. Where the Family Offset Account option was chosen when the mortgage was taken out, the offset support is removed after 10 years (in some cases it may be longer – please see questions I and J on this page). Payments are likely to rise at this point as the buyer takes responsibility for repaying the whole mortgage. If, due to unforeseen changes in circumstances, the buyer is unable to meet the mortgage payments then it may be necessary for the buyer to sell the property to repay the mortgage. Alternatively it may be possible to remortgage to another lender.

# OUR HERITAGE

**THE FAMILY BUILDING SOCIETY HAS BEEN SET UP FOR FAMILIES JUGGLING MULTIPLE FINANCIAL SITUATIONS**. THINGS DO SEEM MORE COMPLICATED THESE DAYS AND WE'RE HERE TO HELP. WE'RE IN TOUCH WITH THE WORRIES AND PROBLEMS FAMILIES FACE, MAKING EVERY EFFORT TO UNDERSTAND YOUR INDIVIDUAL SITUATION. **WE'LL LISTEN AND WE WANT TO HEAR FROM YOU**.

AS A MUTUAL ORGANISATION WE'RE NOT DRIVEN BY SHAREHOLDERS OR SHORT TERM PROFITS. WE'RE PART OF **NATIONAL COUNTIES BUILDING SOCIETY** WHICH HAS BEEN **SECURELY LOOKING AFTER PEOPLE'S MONEY SINCE 1896**. WE'RE CONTINUING THEIR EXCELLENT STANDARDS OF CUSTOMER SERVICE.

FIND OUT MORE ABOUT OUR INNOVATIVE SAVINGS ACCOUNTS AND MORTGAGES, BUILT FOR TODAY'S FAMILIES. CALL 03330 140140 OR GO ONLINE TO **WWW. FAMILYBUILDINGSOCIETY.CO.UK**

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


## TRY OUR ONLINE CALCULATOR

Use the mortgage calculator on our website to see whether security is needed, how much, and what the monthly payment would be. You can enter and change the details of the mortgage as many times as you like.

THE FAMILY BUILDING SOCIETY



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