



CHOOSING YOUR
MORTGAGE
AND BUYING
YOUR HOME





Helping customers through the whole house buying process is all part of the service at the Vernon Building Society.

We aim to make applying for your mortgage as stress free and easy to understand as possible, and so we have designed this booklet to provide you with information about mortgages and the house buying process. Our qualified mortgage advisers are always on hand to help too.

How we can help you.

When buying a home it is important to have your mortgage available before you start looking for a house. This will allow you to act quickly when you find your future home and shows estate agents and sellers that you are serious and in a strong position to buy. This will give you an 'edge' against any other potential buyers in competition with you.

Following an initial appointment we can quickly advise how much the Society may be able to lend to you. We will then provide you with a Mortgage Certificate which confirms this amount, subject to valuation, credit checks and supporting documentation.



Steps to buying your home.

This booklet explains the key steps in the house buying process. We have also included a 'jargon buster' to explain the terminology associated with buying a house. This can be found towards the end of the brochure.

There are ten key steps to buying your home:

- 1 Plan your budget - we can help with this
- 2 Check your mortgage options and obtain a Mortgage Certificate
- 3 Make an offer on the house you want - usually through the estate agent. When your offer is accepted - the house is 'sold subject to contract.'
- 4 Appoint a legal representative - we can help if you are unsure
- 5 Complete your mortgage application
- 6 Property valued by mortgage lender
- 7 Arrange your home insurance
- 8 Formal mortgage offer issued by mortgage lender
- 9 Exchange contracts and pay a deposit - you are now legally committed to the purchase
- 10 Completion - the property becomes your home.

The first thing you should do therefore is to discuss your budget and mortgage options at a mortgage interview.

What should I expect from a mortgage interview?

A mortgage interview is usually a two-stage process. The first stage, with a Vernon adviser, provides you with all the advice and information you need to buy your home. If you are happy with the advice and are ready to go ahead then we would take a mortgage application at this point.

Your mortgage adviser will then recommend an appointment with our Financial Consultant from Legal & General, who will provide you with all the advice and information you need to keep your home – essentially what you would need to do to protect yourself and your family from the unexpected things that happen in life.

The advisers will discuss your circumstances and future aspirations. They will establish what is important to you and your lifestyle and advise you of:

1. How much you can comfortably afford to borrow.
2. The mortgage product that is most appropriate for you.
3. How you should protect your home against unexpected events.

To help you, each of these areas is expanded upon in the following sections:-

AFFORDABILITY

How much can I afford to borrow?

Your monthly mortgage payment is likely to be one of the major items in your monthly budget. It is important that you don't over commit yourself and so we agree a sensible maximum borrowing limit with you, based on your income and expected outgoings.

The monthly budget planner contained later in this brochure will help you to calculate the monthly mortgage payment you can afford. It would be helpful if you complete this prior to your mortgage interview.



Your deposit

In addition to calculating your monthly mortgage payments, you need to work out how much you can afford to put down as a deposit, the usual minimum being 5% of the purchase price. You should note that putting a higher deposit down will generally reduce your overall mortgage costs.

When calculating how much you can put down as a deposit, you should take into account the initial costs associated with buying a house. These include; Stamp Duty, Legal Fees, Valuation Fee and, potentially, a Higher Lending Charge (see below).

Examples of these costs can be found in our information sheet entitled 'Costs to Consider.'

Higher Lending Charge and Mortgage Indemnity Insurance

Although the majority of mortgage customers do not experience any difficulty in meeting their mortgage repayments, where problems do arise, the risk to the Society is higher in those cases where the amount borrowed represents a high proportion of the property's value. We would normally therefore only be able to lend up to 80% of the property's value.

We are, however, able to lend more than this by obtaining a Mortgage Indemnity Insurance policy paid for with a Higher Lending Charge. The Society will not usually pass this charge on to you directly, it is instead accounted for within the mortgage product interest rate.

This insurance protects the Society if the property is subsequently taken into possession and sold for less than the amount owed. If we make a claim, the insurers generally have the right to recover all sums owing, including arrears, interest and legal fees, from you.



Finding the most appropriate mortgage product for you.

You should take time to think about which features of a mortgage are most important to you. Would you like to protect against future interest rate rises? Do you want the flexibility to make overpayments? Might you need to apply for further borrowing at a later stage? Do you expect your family or work circumstances to change in the next few years?

Our mortgage adviser will guide you through the options and advise you of the best mortgage for your current and anticipated circumstances. You will be given a Key Facts Illustration which will provide you with the costs and conditions associated with the recommended mortgage.

The main mortgage products available are described below.

Fixed Rate Mortgage

From time to time the Society offers mortgages where the rate of interest is fixed until a specified date, giving you the security of knowing what your mortgage repayments will be for the specified period. At the end of the fixed rate period, the interest rate will revert to the Society's standard variable rate.

Discount Mortgage

With a discount mortgage the interest rate is the Society's standard variable interest rate less a discount for a specified initial period. This can help you by reducing your repayments in the first few years of your mortgage. If the Society's standard variable interest rate changes during the discounted period, these mortgages will be affected, but with the agreed discount being maintained. On the expiry of the discounted period the payments will increase to the Society's standard variable rate applicable at the time.

Offset Mortgage

An offset mortgage combines savings you may have with your mortgage. Mortgage interest is calculated on the amount owed less the balance of your savings account. This can result in substantial savings in mortgage interest over the term of the loan. The interest rate is usually variable, as with the discount mortgage.

Flexible Mortgage

Flexible mortgages offer different options which you can exercise when needed. Repayment holidays and additional draw-down facilities are available, subject to conditions, which allow you to cope with changing circumstances in your life.



Part-repayments of capital

You can make additional payments over and above the normal monthly mortgage payment subject to the terms of your mortgage product. This will reduce the interest charge for the year, the mortgage being credited with effect from the date cleared funds are received by the Society.

Repayment of your mortgage

When you repay your mortgage in full (for example when the house is sold) interest will be charged up to the date on which this takes place. Before making part or full repayment of your mortgage, you should first check whether an early repayment charge will apply.

Early repayment charge

Many mortgage products carry an early repayment charge which is payable if the loan is paid off in full, or in part, during the initial period - usually for the time that the mortgage interest rate is fixed or discounted. Your Key Facts illustration will confirm the details where such a charge applies.

For details on the mortgage products currently available from the Vernon, please speak with a mortgage adviser in your local branch or call 0161 429 6262

You can also visit our website at www.thevernon.co.uk

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



PROTECTING YOUR HOME AGAINST THE UNEXPECTED

The Vernon can help you to ensure that you are able to protect your home and maintain your mortgage repayments should your circumstances change.

Insurance provides a safety net for you and your possessions against risks which are largely outside your control.



Two of the most important areas for home-owners are personal protection, to provide security should sickness, accident, redundancy or even death occur, and home insurance to protect your contents and the building itself. These are described in more detail below.

Personal Insurance

Whilst many people retain good health and consistent employment during the mortgage term, neither can be guaranteed therefore it is wise to consider protecting your mortgage repayments. You should note that state benefits to pay mortgage interest are limited in nature and are not guaranteed.

There are different types of insurance policies that you can take out to ensure that you, or your dependants, keep your home in the event of death, sickness, accident or unemployment.

Short Term Income Protection is a relatively low cost insurance which can replace a portion of your income in the event of sickness, accident or compulsory redundancy. Major events such as these can have far-reaching consequences. Short term income protection Insurance can ensure that paying your mortgage is one thing you don't have to worry about.

Life Assurance ensures that your mortgage would be paid off in full in the event of your death or, with a joint policy, in the event of the death of either policy holder. Your dependents would not therefore have the additional worry of being unable to afford the mortgage repayments.

Critical Illness Cover pays you a specified sum in the event of specific illnesses. On diagnosis the insured amount will be paid to you, which could be used to pay off your mortgage in full.

During the appointment process, you can discuss your protection needs further, and suitable recommendations and illustrations will be given.



Home and Contents Insurance

It is a condition of any mortgage that you should maintain buildings insurance for the whole mortgage term. We would usually arrange this using the competitive rates negotiated with the Society's chosen insurance provider, or you could arrange it with a provider of your choice.

If you make your own buildings insurance arrangements we would need to be satisfied that the buildings insurance cover is sufficiently comprehensive and comparable to the Society's own cover.

It is also advisable to protect your possessions within the home from such things as fire, theft or accidental damage. We will provide you with full details of cost and cover during the mortgage application process.

You should be aware that it is your responsibility to insure the property from the time of 'Exchange of Contracts', rather than the later time of 'Completion'.

The mortgage application process

It is important to have your mortgage available before you start looking for a house. This will allow you to act with speed when you find your future home, and will give you an 'edge' against any other potential buyers in competition with you.

During your first appointment, when you are happy with the mortgage product recommended, we will complete a mortgage affordability assessment. Once we have this, together with any supporting documents, we will issue you with a Mortgage Certificate. This confirms the amount that the Society is able to lend to you. Ensure that you show the estate agent your certificate when you make an offer on a house.

Once you have found the house you wish to buy and have had your offer accepted by the seller we will finalise your application and submit it to our mortgage team for underwriting. When your application has been agreed in principle we will arrange a valuation of the property. We would usually arrange your appointment to discuss your protection needs at this point.

At this stage you will need to appoint a solicitor to act for you. Detailed information on the legal process is contained later in this brochure.

VALUATIONS & SURVEYS

There are three different types of property inspection:

Report and Valuation

A basic Report and Valuation for mortgage purposes is a limited inspection of the property, carried out primarily for the Society to confirm that the property will provide adequate security for the mortgage you require. You will usually pay the fee for this and receive a copy of the report.

You should be aware that it is only a limited inspection and that whilst the report should identify any major defects, it may not disclose less significant ones which a more detailed survey

would reveal. The valuation does not guarantee that the price you are paying is correct.

We would recommend therefore that you pay extra for the more detailed Homebuyer's Report and Valuation.

Homebuyer's Report and Valuation

This is a more detailed report produced for you by a qualified surveyor. It considers all parts of the property that are readily accessible and gives a detailed assessment of its condition, along with a list of major defects and a suggested course of action. It also provides a valuation of the property.

With a Homebuyer's Report, there is a contract between yourself and the surveyor, therefore you may be asked to sign an acknowledgement of the terms under which this type of report is prepared. This is to ensure that you are fully aware of what is, and is not, to be reported upon. This report will understandably cost more than the basic Report and Valuation, but will provide you with significantly more information.

Building Survey

If you are buying an older property, or you have doubts over its structural integrity, you may wish for a Building Survey to be carried out. This is a much more detailed inspection of the property which provides a comprehensive report on its condition along with a summary of defects and a guide to the cost of repairs. A Building Survey is the most expensive option, with fees negotiated with a surveyor on a house by house basis.

If you require a Building Survey you will agree the fee directly with your surveyor and a basic Report and Valuation will still be required by us.

To see our current scale of basic Report and Valuation and Homebuyers Report and Valuation fees, please see the information sheet entitled 'Costs to Consider.'

YOUR MORTGAGE OFFER

Once the Society has received a satisfactory valuation and any other outstanding items we will issue you with a mortgage offer which will contain details of the loan and any specific conditions that apply. You will need to read these carefully and check the content before signing.

Your solicitor will also receive a copy of your mortgage offer and can then proceed to completion. A detailed description of the legal process can be found towards the end of this brochure.



AFTER COMPLETION

Having gone through the hectic process of moving it's time to organise your personal finances!

You will have received a completion letter from us which will confirm the amounts and dates of initial and ongoing payments.

Your first full monthly repayment will be due during the first calendar month after completion. As well as your first month's repayment you will be asked to pay the interest that has accrued from the date on which your loan was completed. For instance if your mortgage completed on the 15th June the accrued interest payment would be from that date until the end of June.



Anticipated monthly income and expenditure

TOTAL MONTHLY INCOME (after tax)

(A) £

Hire Purchase/Loan repayments
(other than mortgage) £

Credit card repayments £

Family maintenance payments
(including alimony) £

Council tax £

Ground rent/service charge £

Electricity £

Gas £

Water £

Food and groceries £

Car running costs (including petrol,
maintenance, insurance and tax) £

Essential travel costs £

Buildings and contents insurance £

Other insurances £

Household goods (furniture and appliances) £

Telephone (including mobiles and internet) £

TV/Satellite costs £

Clothes £

Basic recreation £

Pension £

Other items (please specify) £

£

£

TOTAL MONTHLY COSTS £

(B)

Income available to meet your mortgage

payments (A minus B) £



SERVICE STANDARDS

It is our objective to provide you with a fast and efficient service. We are therefore committed to the following service standards. If for any reason we do not meet them please let us know to enable any problem areas to be rectified.

We will:

- acknowledge your application promptly following receipt and give you a named contact at the Society.
- issue reference requests (if required) promptly and chase these at 5 working day intervals until received.
- notify you by telephone when we are having difficulty in obtaining references or when reference information does not agree with that shown on the application form.
- send a copy of the valuation report to you within 2 working days of receipt.
- answer enquiries promptly, avoiding the use of technical or legal jargon.

We will provide a mortgage offer to you within 10 working days from when we start to process your application providing that:

- all information supplied to us is accurate and complete.
- references requested are provided by return and that other information is also received promptly.
- the valuer is able to gain immediate access to the property and further specialist reports are not required.

You can greatly assist us in meeting these standards by providing all ancillary information and documentation requested when the mortgage application is originally submitted.

Keeping you informed

In January of each year we will send you a statement showing the interest charged, along with all your repayments, details of the interest rates which were applicable during the year, and the present balance outstanding.

Complaints procedure

At the Vernon we always endeavour to treat our customers correctly and fairly. However we accept that on occasion you may feel that you have cause to complain. A copy of our complaints policy and procedure leaflet will be given to you during the application process.

The Society subscribes to the Financial Ombudsman Service.

The Legal Process

The process of transferring the property into your ownership is known as 'conveyancing' and is usually performed by a solicitor. They will also act on our behalf to carry out the legal work associated with the mortgage. You will be responsible for any costs involved.

The seller's solicitor will send documents to your solicitor who will carry out a series of checks on the property you are buying to confirm that there are no hidden legal problems.

Your solicitor will also explain the obligations you are committing yourself to in taking out a mortgage.

Seller's enquiry

A standard form is sent out by your solicitor to confirm some of the details about the property you are buying, for example, what fixtures and fittings are included in the sale, what alterations have been made to the property, have relevant planning permissions been obtained, and who has responsibility for maintaining boundary fences etc.

Local authority search

Your solicitor will contact the local authority responsible for your new property and establish whether there are plans for new developments or roads, or any other future event which may have an adverse effect on your property value. Details of all mains services that are connected to the property will also be requested. In some areas a mining

search may also be needed to confirm whether your property may be affected by past, present or future mining activity.

Exchange of contracts

Once all the relevant enquiries have been satisfactorily answered, contracts can be exchanged. This is the point at which both seller and buyer are legally committed to completing the sale and purchase. The contract will normally include a completion date, usually within four weeks of exchange. This will be the date when the property becomes yours.

Deposit

On exchange of contracts you will normally be asked to provide a deposit.

Insurance

When contracts have been exchanged you are committed to proceed with the purchase at the agreed price. You must ensure that you have buildings insurance in place from this point.

Land Registry inspection

Your solicitor will have a copy of the Land Registry certificate and will make a final check to ensure that no new rights have been granted or created whilst the other work has been carried out.

Completion

The Transfer Deed (a document that registers you as the new owner at the Land Registry) will be sent to the seller's solicitor and on the day of legal completion it will be produced along with the Land Registry certificate and keys to the property in return for the purchase money.

Your solicitor will then arrange for the signed Transfer Deed to be stamped. If the property you are buying exceeds a set figure you will have to pay Stamp Duty. This is a government tax and will be

collected by your solicitor along with the legal fees. Please see our 'Costs to Consider' leaflet for current rates.

The Transfer Deed will then be sent to the Land Registry to record you as the owner and to register our interest as mortgagee.

Once these formalities have been completed, your solicitor will pass the title documentation for the property to the Society and we will retain it until the mortgage has been fully repaid.

Jargon Buster

We have tried to avoid jargon and explain clearly the expressions and words you will come across when buying your home. Some technical terms have to be used however, so we have listed them below with a brief explanation.

Annual Percentage Rate 'APR'

A figure which is designed to allow customers to be able to compare different mortgage products. It takes into account not just the interest rate, but any charges associated with the mortgage (such as valuation fees, arrangement fees etc.)

Arrangement fees

These fees are charged on certain products, usually loans where a special interest rate applies e.g. fixed and discounted rates.

Arrears

The term 'in arrears' is used to describe a payment shortfall equivalent to two or more monthly payments.

Early repayment charge

This may be charged if all or part of your mortgage is paid off during a period of discount or fixed rate. Details of any early repayment charge will be given in product literature, the Key Facts Illustration and your mortgage offer.

Equity

If your house is worth more than the mortgage on it, the difference is known as the "equity". For example, if your outstanding mortgage is £70,000 and your home is worth £100,000, you have equity of £30,000.

Additional advance

An additional loan secured against your property. For example to pay for home improvements.

Interest only mortgage

A mortgage where only the interest on the loan is paid each month meaning that the balance does not reduce. At the end of the term the full balance will require repayment from another source.

Loan to value 'LTV'

The amount of your mortgage shown as a percentage of the value of your property. For example, an £80,000 mortgage on a house worth £100,000 would have a loan to value of 80%.

Mortgage

A mortgage is technically a legal charge on a property but the term is also usually used to describe a loan made against the security of a property.

Negative equity

Where the mortgage balance exceeds the value of the property.

Overpayments

Voluntary payments made in addition to your normal monthly mortgage payments.

Payment holiday

An arrangement to miss a specified number of mortgage payments with the prior agreement of the lender. Normally associated with flexible mortgages, these are often used in conjunction with earlier overpayments (i.e. paying more when you have surplus income and paying less, or missing payments, when money is tight). Interest will continue to be charged during the 'payment holiday' period.

Redemption

The process by which your mortgage is brought to an end when you have paid back all of the loan, interest, costs and other charges which are due on it. The lender then has no further claim on your property.

Remortgage

Moving a mortgage from one lender to another, without changing property.

Term

The length of time the mortgage is to be paid over.

Vendor

Another name for the person selling the property you are buying.

BRANCHES:

HEAD OFFICE

STOCKPORT

19 St Petersgate SK1 1HF
0161 429 6262

BRAMHALL

12b Woodford Road SK7 1JJ
0161 429 4312

HAZEL GROVE

190 London Road SK7 4DQ
0161 429 4313

MARPLE

1 The Ridgedale Centre Hollins Lane SK6 6AW
0161 429 4316

POYNTON

87 Park Lane SK12 1RD
01625 855830

REDDISH

4 Gorton Road SK5 6AE
0161 429 4315

Vernon Building Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority (registration number 195475)

Telephone calls are recorded and may be monitored for regulatory and training purposes to help maintain service quality.

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



e-mail: info@thevernon.co.uk **website:** www.thevernon.co.uk