



Penrith
building society
Listening and Supporting, Since 1877

A GUIDE TO MORTGAGE SERVICES

We've created this handy guide to help you navigate your way through the mortgage process...



About us ...

The Society was founded in 1877 as a mutual building society to help local people look after their money and buy their own homes. Our original seal reads "Every Man His Own Landlord", and today we still uphold that principle by providing savings accounts and mortgages for home buyers.

We remain based in Penrith, a beautiful town to the northeast of the Lake District, though now our reach to support our members extends beyond our local area.

As a mutual building society, we are a membership-based "not-for-profit" organisation. We believe in looking after our members and not in making a large profit for shareholders.

We aim to provide simple, good value products, and this is achieved through not having a large branch network, no regional management, no huge advertising campaigns, no call centres, and most importantly, no outside shareholders to support.

As you would expect, we lend responsibly - but our size and scale allow us to provide you with a personal, tailor-made service, something that our customers find refreshingly rare in the present day. All through the life of the mortgage, you can expect to be able to contact a real person who will be able to assist you without further recourse to a faceless head office.

If you apply for a mortgage, your application will be handled by our knowledgeable, experienced staff - not machines or computers. If you write to us or telephone, you'll be answered by our dedicated team here in our Penrith office, not an outside call centre and if you call into the office, you can be sure of a friendly reception with staff that will have the time and expertise to assist you.

I do hope that you find this guide useful and we look forward to supporting your mortgage aspirations for many years to come.

A handwritten signature in black ink, appearing to read 'John'.

Chief Executive Officer

What is a mortgage?

The word 'mortgage' means a 'legal charge' or promise against a person's property. A mortgage is required by the Society to ensure that if the loan is not repaid it will be in a position to recover the amount owing by taking possession of the property.

The conditions of the loan are set out in the legal contract – the Mortgage Deed. This includes how it will be repaid, and gives the Society the right to charge interest on the loan. Interest is charged on mortgages so that members with money saved with the Society can be paid interest on their savings. In simple terms, it is money from these investments which is used to fund mortgage advances.

How can I apply to the Society for a mortgage?

The Society accepts mortgage applications from authorised mortgage intermediaries, also known as mortgage brokers. If you are using an intermediary, it's worth asking them to check to see if we can accept business from them. We are also happy to accept applications submitted directly. The Society only accepts applications on a 'fully advised basis'. This means that you will need to contact us to arrange an appointment so that we can fully discuss your circumstances and mortgage needs.

If you approach the Society directly for mortgage advice, the mortgage advice will be provided by Cumbria Mortgage Centre Limited, a subsidiary of Penrith Building Society.

Cumbria Mortgage Centre Limited is an appointed representative of Mortgage Advice Bureau Limited and Mortgage Advice Bureau (Derby) Limited which are authorised and regulated by the Financial Conduct Authority. Cumbria Mortgage Centre Limited. Registered office: 7 King Street, Penrith, United Kingdom, CA11 7AR. Registered in England number 11653572.

What are the different ways that I can repay my mortgage?

The Society will consider mortgages arranged on the following basis:

- Repayment
- Interest Only
- A mix of Repayment & Interest Only

With a repayment mortgage, every month you pay back both the interest on your mortgage and some of the loan itself (known as the capital). By the end of the mortgage term, assuming that you have kept your monthly mortgage payments up to date, you should have paid off the entire debt.

With an interest-only mortgage, each month, you only pay the interest due on your loan. This means that the amount you originally borrowed will remain outstanding and at the end of the mortgage term you will need to repay this in full with your chosen repayment strategy.

Where the loan is to be part interest only and part repayment, in addition to the criteria surrounding repayment strategies, the maximum portion on an interest only basis can not exceed 50%.



What are the different types of interest rates available?

There are different types of mortgage rates available. Interest rates may be fixed for a period or variable. The Society offers the following types of rates:

- Fixed Rate Mortgages
- Variable Rate Mortgages

The type of rates available can vary. We detail our current schemes in Appendix 1 of this document and on our website, www.penrithbs.co.uk.

With a **fixed rate** scheme, the interest rate you pay will stay the same throughout the period applicable to the scheme, no matter what happens to interest rates. Whilst this provides peace of mind that the rate charged will remain the same for a set period (which can help you budget) if interest rates fall, you will not benefit.

The Society's normal interest rate available for mortgages is **variable** and known as the Standard Variable Rate (SVR). See Appendix 1 for the current rate. The SVR can go up or down and is not linked to any external rate.

The Society often offers schemes that offer a **discount** off the SVR for a specified period. With a discounted variable rate mortgage you can keep monthly repayments lower for a period and if the SVR reduces, the discounted rate also reduces. However, as the interest rate is variable and could change at any time, this could make budgeting more difficult.

What are the different repayment methods accepted for interest only mortgages?

With an interest only mortgage, arrangements for the repayment of the capital are made separately. Where an investment product is used as a repayment vehicle there is a risk that the product may not provide sufficient funds to repay the outstanding capital within the agreed term. If you arrange this type of mortgage, it is your responsibility to ensure that you will have sufficient funds to repay the outstanding capital at the end of the agreed term.

Acceptable methods of repaying the capital at the end of the mortgage term include:

- The maturity proceeds of an **Endowment** policy
- The tax-free lump sum from a **pension plan**
- Funds from an **Individual Savings Account (ISA)** or some other investment vehicle.

With all of the methods listed above, there are generally no guarantees that the funds upon maturity will be sufficient to repay the mortgage.

The Society does not monitor the performance of such investments.

For residential mortgages, the Society will accept the **sale of the mortgaged property**, even if it is the borrower's main residence as an acceptable repayment vehicle, subject to there being sufficient equity within the property to:

- provide sufficient funds for the borrower to repay the capital borrowed; and
- allow the borrower to purchase a cheaper property to reside in following the sale and repayment of the mortgage.

A minimum of £200,000 equity must be present at the point of inception of the mortgage. If you select this method to repay the interest only mortgage, an assessment will be conducted to ensure that the levels of equity present will provide you with sufficient resources to complete an onward purchase. This does not apply in the case of Retirement Interest Only mortgages.

In the case of Buy to Let mortgages, the Society will allow the mortgage to be arranged on an interest only basis with the sale of the mortgaged property being the repayment vehicle, subject to a maximum loan to value of 70%. If the mortgage is on an interest only basis with the mortgaged property being the repayment vehicle, the Society reserves the right to require a five-yearly review of the value of the property, the cost of which will be borne by the borrower(s).





If you are over the age of 55 at the outset of the mortgage you may elect to use **retirement interest only (RIO)** as your repayment method.

In this case, the loan will be arranged on an interest only basis, and repayment of the capital will not become due until the occurrence of one or more of the specific life events, listed below, and/or while you continue to occupy the mortgaged property as your main residence.

These life events include:

- Death of sole or surviving joint borrower; or
- Entry into a long-term care facility of the sole or surviving joint borrower, where the borrower will not be returning to reside within the property

If you select this method, you will be required to receive legal advice as a condition of the mortgage and it is strongly recommended that you register a lasting power of attorney to mitigate the risks associated with managing financial affairs in the event of cognitive decline.

With all interest only mortgages it is the borrower's responsibility to ensure there is sufficient capital to repay the mortgage at the end of the agreed term.

The Society does not sell endowment policies, pension plans, or any other investment vehicle which may be used to repay the capital sum borrowed. It is, therefore, unable to recommend or advise on such products.

What types of mortgage scenarios will the Society support?

The Society will consider supporting borrowers seeking either to purchase or remortgage:

- Residential
- Right to buy
- Shared ownership
- Self-Build
- Renovation Projects
- Buy to let (BTL)

- Holiday let
- Second home
- Holiday home
- Commercial (i.e. Guest houses)*

*Whilst the Society will consider lending on properties that are used for certain types of commercial purposes, ie. guest houses, etc. this type of lending is restricted to within Cumbria. Commercial mortgages do not qualify for any of the Society's discounted schemes. The Society may charge an additional amount over and above its standard variable interest rate.

As you would expect, each type of mortgage scenario has quite a lot of detailed criteria sitting behind it. It's always best to contact us so that we can chat through your individual mortgage requirements and if appropriate, provide you with a personalised mortgage illustration.

How much can I borrow?

We look at two things when deciding how much we will lend – the property and the applicant(s).

The maximum loan the Society will consider for mortgages and remortgages is expressed as a percentage of the property value. This is known as the 'loan to value' or 'LTV'. Currently, the maximum loan to value the Society will consider for standard residential purchases and remortgages is 90%. From time to time the Society may have products available where the maximum loan to value is higher, please see Appendix 1 or our website for specific product criteria.

In certain scenarios, for example, self-build, BTL, holiday let, second home, RIO etc, the Society will limit the loan amount to a lower LTV. The LTV limit that applies to each product is detailed within Appendix 1 and is stated on our website.

In all cases, we will assess your affordability.

We will conduct a calculation based on your monthly net disposable income (after we have deducted committed and essential expenditure, also known as your essential living costs) we then compare this to the monthly anticipated mortgage payments using the Society's Standard Variable Rate (SVR), plus an 'uplift' to the rate.

This uplift considers an increase to the mortgage payments each month if the Society's SVR were to increase in the future. The level of increase in the SVR is linked to base rate predictions from the Bank of England and will vary as market conditions change.

We undertake these checks to ensure that should rates increase, you can continue to support your mortgage commitment.

To understand your personal circumstances, we will ask you to complete an income and expenditure analysis form either before your initial interview with the mortgage adviser or during the interview itself. If you are using a mortgage intermediary, they will undertake this income and expenditure exercise with you.

We will ask you to supply proof of income (payslips and P60) and bank statements to support expenditure details will be requested to verify the income and expenditure detail provided.

The information you provide will also be compared to the Office of National Statistics data on household expenditure.

If you are self-employed, we usually ask to see the accounts of the business for the two previous years and your tax computations.

If your disposable income is insufficient to meet the Society's lending criteria, the case may be considered further by a mortgage underwriter to take into account any future income/expenditure changes which are identified during the initial mortgage interview.

What fees or charges will I have to pay to arrange my mortgage?

Our mortgage products may have an **application** and/or **product fee** associated with them. Fees vary by product type and are fully detailed in Appendix 1 and on our website. If you are arranging your mortgage through a mortgage

broker, there may be a **broker fee** payable for their services. The broker should advise you of the fees associated with their work, and when they are payable, prior to you engaging their services.

Whether purchasing or remortgaging, a solicitor will be required to deal with the conveyancing (legal) work. The Solicitor will act on behalf of both you as the borrower and the Society as the lender. There will be **solicitors fees** payable by you for this work. Occasionally, we may offer products where we offer a contribution towards these costs.

To ascertain whether the property is suitable security for lending purposes, the Society will require that a mortgage valuation inspection is conducted. A **mortgage valuation** fee will be payable by you. Further information about the types of valuation inspections available and our fee scale are further detailed within this guide. Occasionally, we may offer products where we offer a contribution towards these costs.

Full details of any incentives offered with products are detailed in Appendix 1.

The Society's normal advance is 80% of the value or purchase price of the property (whichever is the lower). We are prepared to lend above 80% in some instances, but in such cases a **higher lending charge** will apply. To assist our borrowers, from time to time the Society may offer products where an element of this fee will be paid for by us. When this is the case, a maximum contribution of £1,500.00 will be made by the Society. Should the higher lending charge exceed £1,500.00, then the difference will need to be paid by you prior to the completion of the mortgage.

There may be **early repayment charges** attached to particular products and when you close your mortgage, a **mortgage exit fee** may apply.

Any fees you need to pay to the Society will be detailed fully in your personalised illustration.



How much will my repayments be?

There are many different factors that will influence your monthly repayments, and we will be pleased to provide you with a personalised illustration, once we have established your borrowing priorities.

If you are using a mortgage intermediary they will be able to provide you with an indication of costs and an illustration detailing the mortgage recommendation they have made.

Our website has a useful mortgage calculator tool which can also be located [here](#).

Because interest rates are variable, repayments change every time there is a rate change unless you have a fixed rate product. We will personally communicate with you whenever there is a change in interest rates/monthly repayments.

What happens if I have had credit problems in the past?

When you submit your application to us for a mortgage, we will conduct a check also known as a 'credit search'. To do this, we use a credit reference agency called Equifax. From this check, we will be able to assess how you have maintained your financial commitments historically.

If you have experienced financial problems in the past, that does not necessarily mean that we will be unable to consider you for a mortgage. Our ability to assess each application individually will allow us to discuss with you the circumstances surrounding the issues you have experienced.

Once we have been able to evaluate your application, we may advise you that due to the severity of the credit problems experienced, we will be unable to offer you a product from our standard range. Should this be the case, the Society from time to time offers products specifically designed to assist borrowers who might not fit into traditional, standard lending criteria. These products are known as our 'Special Situations' range.

When available, each of these products comes with its own lending criteria, so it's worth finding out more, to see which category might best suit your situation. Please contact the Society or your mortgage intermediary for more information.



Are there any restrictions regarding the type of property?

Generally, the Society will consider granting a mortgage on any standard construction property.

If you are thinking of purchasing a leasehold property, it's worth noting that the Society will require that the lease should run for a minimum of 60 years after the end of the period for which the loan was initially granted and that the terms of the lease should have no unreasonable requirements contained within it.

In the instance of freehold flats, the Society is only prepared to lend up to 75% of the property valuation or purchase price (whichever is lower) and then only on local properties. Also, the Society does not lend on flats within a block of over six storeys.

Where there are commercial units either adjacent to or beneath the property (for example a flat above a shop), the Society has a limited appetite to lend in such scenarios, and it's best to speak with us as soon as you can to check whether we are able to lend.

If you are purchasing a property with the intention of letting it out, you should note that the Society will require an Energy Performance Certificate (EPC) rating of at least a D from the outset.

If the property has any special restrictions or is unusual in any way, it's best to call us to discuss this in more detail at the outset.

In all instances, the Society will require a valuation of the property to be carried out to establish whether the property will offer adequate security.

Property Valuations:

The Society is obliged to establish that the security (the property) for any advance is adequate.

The Society will commission a qualified Valuer to inspect the property and prepare a report which will state whether the Valuer considers the property is adequate security for the Society's purpose. The valuation is paid for by you, unless agreed otherwise under the terms of any particular mortgage scheme.

The report is for the Society's purposes only. Because the Society is interested in the property only as security for you to repay the advance with interest, it does not require the kind of information which you, as the prospective buyer might. The report will therefore not be detailed and will be based on a limited inspection. There may be serious defects in the property which are not revealed by the valuation report, or there may be omissions or inaccuracies in it which would very much concern you as the purchaser.

The Society therefore strongly recommends that you obtain your own more detailed report on the condition and the value of the property, based on a fuller inspection. This will enable you to decide whether the property is suitable for your purposes, both as an investment and as a residence.

There are two types of more detailed reports, the Homebuyers Report and the Building Survey. The fees for a fuller report are of course higher than for the Society's valuation report because the Valuer will spend more time, both inspecting the property and preparing a fuller report suitable for your needs. The higher fees also cover the cost of the Valuer insuring himself against the risk of liability to you in damages.

If you do decide to obtain a fuller report, the Society will still require a valuation report for its own purposes. However, in the majority of cases, total costs can be reduced if the same Valuer carries out both inspections, but in this event, the Society should be contacted before your own survey is carried out in order that the necessary arrangements can be made.

The scale of fees shown gives an indication of the valuation costs applicable, depending on the purchase price or valuation of a property.

Mortgage Valuation Fee Scale

Mortgage Valuation Fee Scale		
Purchase Price / Valuation (£)	Mortgage Valuation Fee (£)	Combined RICS Homebuyers Report & Mortgage Valuation Fee (£)
Up to £60,000	190	330
60,001 – 75,000	190	360
75,001 – 100,000	190	390
100,001 – 150,000	210	425
150,001 – 200,000	220	475
200,001 – 250,000	235	530
250,001 – 300,000	250	550
300,001 – 350,000	275	600
350,001 – 400,000	280	625
400,001 – 500,000	350	720
500,001 – 600,000	490	840
600,001 – 700,000	600	960
700,001 – 800,000	700	1080
800,001 – 900,000	775	1200
900,001 – 1,000,000	850	1320
£1m+	Please contact Society.	

Fees for a Building Survey are not contained within the table above, as fees can vary significantly, dependent upon many factors, including the age and construction type of the property. Should you require a Building Survey, the Society will provide you with contact details of Valuers in the vicinity of the property, to enable you to establish the costs associated with such a report.

In certain circumstances, there may be a requirement to reinspect or revalue the property. Fees for reinspections and revaluations are further detailed below.

Valuation (£)	Reinspection Fee (£)	Revaluation Fee (£)	Drive By / Desktop*
Up to £250,000	120	120	100
250,001 – 500,000	175	175	120
500,001 – 750,000	250	250	150
750,001 – 1,000,000	250	250	200

Should a reinspection or revaluation be required, and the Society's valuer has not visited the property within the last 12 months, a full mortgage valuation fee will be payable.

*Desktop / Drive By valuations are used in specific circumstances and are not available upon request. Fees shown include VAT and travelling expenses.

What if the property requires renovation?

If the property is run-down or needs certain works to be carried out, the Society may decide to:

1. Offer the full amount of the loan on purchase, but require a written undertaking that the remedial work is carried out within a specified time (usually six months to one year).
2. Offer only part of the loan initially, releasing the balance when the remedial works have been completed.

In certain instances, the Society will assist applicants to purchase a property that requires renovation. The Society will require plans and builders estimates in order to establish the total loan required. After the initial loan has been released and renovation has commenced, the Society is prepared to make "stage payments" to allow builders and other tradespeople to be paid as the work progresses. These payments are made after the Valuer has inspected the progress of the property, to establish sufficient work has been carried out to justify the release of a further payment. Please refer to the reinspection and revaluation fee scale detailed on p.8.

Who deals with legal matters?

It is the Society's policy to allow Solicitors and Licensed Conveyancers to act both for the Society and the borrower(s) only if the practice has three or more partners/regulated principals and they can satisfy the Society that they have suitable Professional Indemnity Insurance.

If you choose a Solicitor who is not acceptable to the Society, then you may continue to use that chosen Solicitor, although in addition the Society would instruct its own Solicitors and you would be liable for their fee.

Either your Solicitors or a Licensed Conveyancer will carry out all the legal work involved. The procedures which they will follow will include:

- Advising you on the draft contract.
- Explaining the details of the mortgage deed.
- Checking that there are no developments planned which might reduce the value of your property, eg a proposed motorway or railway line being sited near the property.
- Examining the title documents (the deeds) to ensure that proper title is obtained.
- Checking restrictive covenants (promises), compliance with Building Regulations and planning legislation.
- Checking legal aspects of facilities such as sewers serving the property.
- Arranging for the exchange of contracts. At this point in the transaction, the date for completion of the sale/purchase of the property is confirmed and a 10% (non-refundable) deposit is usually required.
- Your solicitor should check your insurance arrangements are ready to be placed 'on risk' at this time.
- Arranging for and dealing with completion when the balance of the purchase price is paid to the Vendor, the advance is obtained from the Society and you can then move into the property.

The Society recommends that you contact your own Solicitors to obtain an estimate of their fees before making an application for a mortgage.

Should you wish to contact the Society's Solicitors for an estimate of their fees please contact the Society for details.





What about property insurance?

We require that your property is insured for the full reinstatement value, on or before completion of your mortgage.

Protecting your property and its contents is an important decision and we feel that you should be able to select the level of cover to meet your own requirements.

Penrith Building Society is appointed as an introducer of general insurance business to Mortgage Advice Bureau Ltd (MAB). Penrith Building Society and Mortgage Advice Bureau Ltd (MAB) are authorised and regulated by the Financial Conduct Authority. In accordance with the Introducer's Data Protection Licence, Penrith Building Society undertakes to pass Mortgage Advice Bureau Ltd (MAB) your details to enable contact to be made. Your general insurance needs will be discussed and assessed appropriately and where applicable, quotations and all necessary insurance arrangements will be provided. There is a box to tick on the Mortgage Application Form should you wish to be referred to Mortgage Advice Bureau Ltd (MAB) to receive a no-obligation quotation.

As a condition of the loan, we require that you insure the property for at least the full rebuilding cost using an index-linked policy. For peace of mind, we recommend that you combine your Building and Contents insurance.

Can I arrange my own insurance?

It is possible for you to arrange your own insurance, but the Society must ensure it is appropriate and reserves the right to require that a copy of the policy schedule be provided.

The Mortgage Application Form contains an "Own Insurance Declaration". This Declaration must be signed by all Applicants.

What documents will I need to provide when I apply for a mortgage?

We will need to verify your identity. We do this by obtaining identification documentation at the time you apply for your mortgage. One item from List A and one item from List B must be supplied, for each applicant, to verify identity and address.

List A:

- Valid passport.
- Valid photocard Driving Licence (full or provisional).
- National Identity Card (non-UK nationals).
- Firearms certificate or shotgun licence.
- Identity card issued by the Electoral Office for Northern Ireland.
- Valid (old style) full UK Driving Licence.
- Recent evidence of entitlement to state or local authority funded benefit (including housing benefits and council tax benefits) tax credit, pension, educational or other grant.

List B:

- Current Council Tax demand letter or statement.
- Current bank statement or credit/debit card statement issued by a regulated financial sector firm in the UK, EU, or comparable jurisdiction. (Statements printed off the internet will not be accepted.)
- Recent Utility Bill. (Dated within the last three months. Those printed off the internet will not be accepted.)
- Instrument of a Court appointment (such as liquidator, or grant of Probate).

We will need to see original documents, except if they are sent to us by post. In this case, we will accept certified copies of documents, provided the original documents are no more than three months old. Certification must be carried out by either a registered solicitor or an employee of an FCA regulated organisation (eg. bank clerk). The person certifying the documents must provide their name, address, and telephone number in case there is a query regarding your identity.

If you are unable to obtain certification of your documents we are happy to accept good quality colour photocopies of passports or photocard driving licences as we can electronically verify these documents.

Other items required include:

- A fully completed application form - if you are approaching us directly, the Cumbria Mortgage Centre mortgage advisor will assist you with this. If you are using a mortgage broker, they will usually complete this form in your presence.

Proof of Income

For employed applicants:

- Last 3 months payslips and your most recent P60

For self-employed applicants:

- Last 2 years Accounts, and
- Last 2 years SA302s or,
- Last 2 years online Tax Self-Assessment.

For retired applicants:

- Most recent P60(s) - Private Pension
- DWP Letter (Current Tax Year)

Proof of Deposit

- Latest 3 months statements
- Evidence of origination of funds

Property

- Copy of valid EPC or evidence of exemption.
- Disclosures of Incentives (CML) Form (New Build properties ONLY).
- Memorandum of Sale (Shared Ownership properties ONLY).
- Assured Shorthold Tenancy Agreement or Private Residential Tenancy Agreement (Buy to Let ONLY).
- For self-build properties:
 - Plans
 - Costings
 - Planning Permission

Fees

- Payment of any required application and valuation fees.

Whilst the list of items provided here provides you with a good indication of the documentation you will need to supply to us at the time of application submission, personal circumstances do vary and we will advise you of any additional supporting documentation we require from you when we assess your application.

How long will it take to arrange my mortgage?

We will deal with your application as swiftly as possible. Prompt responses to any queries we may have, or documentation requests we may make during the assessment process, will assist how promptly your application progresses.

How can I find out more?

Call us: 01768 863675

Email us: mortgages@penrithbs.co.uk

View our website: www.penrithbs.co.uk

Write to us or visit us at: 7 King Street, Penrith, Cumbria, CA11 7AR.

It is recommended that you contact us to arrange an appointment if you would like to discuss your mortgage requirements with a mortgage advisor.

Penrith Building Society

A member of the Building Societies Association.

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority under registration number 164473.



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