

# MORTGAGE GUIDANCE NOTES

**PLEASE READ THESE NOTES CAREFULLY BEFORE YOU FILL IN YOUR MORTGAGE APPLICATION FORM**

These notes include important information about:

- Repaying your mortgage
- Surveying and valuing your property
- Insuring your property
- Other issues to do with mortgages

## 1. ABOUT REPAYING YOUR MORTGAGE

Shepshed Building Society offers two main types of mortgage: Repayment Mortgages and Endowment/Interest Only Mortgages.

### REPAYMENT MORTGAGES

You make monthly repayments which include both interest and capital. Over the term of the mortgage, the capital is gradually repaid until there is no outstanding loan. This type of mortgage is also known as a Capital & Interest Mortgage.

### ENDOWMENT/INTEREST ONLY MORTGAGES

You make monthly repayments which are only for the interest on the loan. So the amount that you owe does not reduce during the term of the mortgage. It is your responsibility to ensure that an appropriate repayment vehicle is in place and to check annually that it is on target to repay the amount of your mortgage.

### MORTGAGE PAYMENT PROTECTION

For added peace of mind, you should also consider taking out protection to pay your mortgage if, through no fault of your own, you become unemployed or are unable to work due to accident or sickness.

## 2. ABOUT SURVEYING AND VALUING YOUR PROPERTY

It is a condition of your mortgage that your property is valued to make sure that it gives us suitable security for our mortgage loan. We will obtain an assessment from an independent valuer not connected with us but who is on our panel of approved valuers and surveyors.

However, this valuation being a mortgage valuation report only gives a limited assessment which is intended for our purposes and where you receive a copy of the valuation report for your information you should not rely on it in any way when you decide if you want to go ahead with buying your property. Furthermore, where our valuer has mentioned the need for any repairs to the property, you should ensure that you satisfy yourself as to the extent of the repairs that might be necessary as well as their cost, before committing to purchase. Professional tradesmen can usually assist by giving a quotation free of charge and you should bear in mind that you might be able to renegotiate the purchase price if the cost of the work is significant. Whilst we may not make it a condition of any mortgage offer that you must undertake the repairs within a specified period, our mortgage deeds require you to keep the property in good repair, and this is also a consideration in terms of insurance cover. As such, where repairs are recommended, you should budget to complete them as soon as possible after your purchase is complete.

If you are buying a property and your chosen mortgage product is one

where a valuation (for mortgage purposes) is to be provided free of charge, you will be required to pay to us the relevant valuation charge (see the table of valuation charges overleaf) before the valuation is carried out. However, following completion of your mortgage, we will refund the amount of the valuation charge to you by sending you a cheque for the relevant amount. The valuation charge will not, however, be refunded to you in cases where the valuation has already been carried out and your mortgage does not complete, for example, where your mortgage application is declined by us for any reason, where your proposed purchase falls through or you decide subsequently to either purchase another property or not proceed at all. However, if the valuation has not already been carried out in such cases, the valuation fee will be refunded. In the event that you may have had valuations carried out on more than one property in connection with your proposed mortgage e.g. as a consequence of an abortive purchase, we will only refund the valuation charge relating to the property on which your mortgage completes.

Where the mortgage product that you have chosen is one which offers a free valuation (for mortgage purposes) but you choose either the Homebuyers' Survey & Valuation or the Building Survey, we will only refund to you an amount equivalent to the cost of a valuation for mortgage purposes.

**WE STRONGLY RECOMMEND THAT YOU OBTAIN YOUR OWN MORE DETAILED REPORT ON THE CONDITION AND VALUE OF THE PROPERTY, BASED ON A FULLER INSPECTION. THIS SORT OF REPORT WILL HELP YOU DECIDE IF THE PROPERTY IS SUITABLE FOR YOUR PURPOSES AS A HOME AND AN INVESTMENT.**

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## 2. ABOUT SURVEYING AND VALUING YOUR PROPERTY

We can arrange three different types of reports: the first option (referred to above) only gives a limited valuation report; the other two options will give you the more detailed survey that you probably need. Whichever option you choose, you need to fully understand its scope and limits. If you need further guidance, our staff can help, or you could ask your solicitor or legal advisor or a surveyor.

### OPTION 1 – MORTGAGE VALUATION REPORT

This valuation is only for our purposes. We will give you a copy of the report for your information, but you should not treat it as a survey. It will be based upon a limited visual inspection of as much of the exterior and interior of the property as the valuer can access without undue difficulty. The valuer will not move furniture or the contents of cupboards and lofts, and will not lift floor coverings. The valuer will not test services or examine drains. Provided it is reasonably accessible, the roof space will be inspected only to the extent visible from the access hatch without entering it. When a moisture meter is used, only random tests for dampness will be made.

### THE LIMITATIONS

There might be defects in the property which are not revealed by the Valuation Report. These may not affect our decision to make a mortgage loan but they could matter to you. Neither Shepshed Building Society nor the valuer will accept any responsibility to you or to any other person for the content of the report or any reliance that is made on it. Nor does Shepshed Building Society or the valuer guarantee that the purchase price is reasonable. Any information about the state of the property or its value given to you or your agent before any copy of the report is supplied will also be subject to this disclaimer.

### SCALES OF VALUATION CHARGE

The table shows our charges for the valuation of a property, either as part of the combined Homebuyers' Survey and Valuation, or on its own. In each case, the charge is that made by the valuer to the Society.

You may, of course make your own arrangements for getting a suitable report on the property. If so, Shepshed Building Society will still require a Valuation Report for its own purposes and you will be liable to pay our valuation charge.

The charges include VAT at 17.5%.

The charges do not include any extra visits the valuer has to make to the property, which are usually charged at £40 a visit. An extra visit will definitely be needed if there is a gap of six months or more between the original valuation and our offer, for instance to check on work that had to be done.

\* Please note: If you intend to do extensive improvements or repairs to the property, the estimated cost of the work must be added to the purchase price and our valuation charge will be based on the combined cost. Also, if your purchase price is reduced (perhaps because you are a tenant) or, if you already own the property, you should estimate the market value to work out the valuation charge.

Purchase Price (Not Exceeding)	AS A LIMITED MORTGAGE VALUATION REPORT	AS PART OF A HOMEBUYERS SURVEY & VALUATION
£60,000	£80.00	£295.00
£75,000	£100.00	£295.00
£90,000	£100.00	£325.00
£100,000	£105.00	£325.00
£125,000	£130.00	£355.00
£150,000	£140.00	£400.00
£200,000	£165.00	£450.00
£250,000	£190.00	£475.00
£300,000	£215.00	£500.00
£400,000	£315.00	£625.00
£500,000	£415.00	£725.00
£600,000	£515.00	£825.00
£700,000	£615.00	£875.00

	HOMEBUYER SURVEY & VALUATION	BUILDING SURVEY
Type of Service	Economy package in standard form	Custom-made to meet client's individual needs
Objects of Service	<b>TO ASSIST CLIENT TO:</b> 1 judgment on whether or not to proceed 2 decide whether or not property is a reasonable purchase at the agreed price 3 assess urgent and significant matters before exchanging contracts	<b>TO PROVIDE CLIENT WITH:</b> 1 assessment of construction or condition of property 2 technical advice on problems and remedial works
Special Features	Focus on urgent and significant matters	Details of construction materials/defects
Valuation	Integral part of Homebuyers' Service	Can be provided as an agreed extra
Form of Report	Compact, in fixed format set by professional bodies	Usually much longer, in surveyor's own format

### OPTION 2 – HOMEBUYERS' SURVEY & VALUATION

Many housebuyers find this the most appropriate survey for their needs. It has been designed by the Royal Institution of Chartered Surveyors.

### WHAT IS INCLUDED

The Homebuyers' Survey & Valuation includes information about:

- the property's general condition
- anything which might have a material effect upon its value
- its value in the open market
- an estimated reinstatement cost for insurance purposes

The Homebuyers' Survey & Valuation will provide a concise appraisal of the property. This may help you to re-negotiate the price. It may also help to identify points which your solicitor or legal advisor should examine with care.

The report is suitable for most houses, flats and maisonettes. However, if the property is a flat or maisonette, the surveyor will need to know the extent of the property over which service and maintenance costs are shared. He/She will agree with you what should be inspected so that you can understand the amount of liability that you might face.

### THE LIMITATIONS

The Homebuyers' Survey & Valuation is intended to point out significant but not minor defects. Surveyors can look at the property as found but, as a visitor in the property and subject to the owner's objections, cannot be expected to see things that are hidden in a cluttered loft, under furniture or beneath fitted carpets. Similarly, since the surveyor is not an electrician or plumber, services such as wiring or water supply are not tested, although a comment on their apparent condition is made. If the property is particularly old or, irrespective of its age, clearly in need of repair, or if you are contemplating extending it, you should commission a Building Survey. In fact the surveyor will tell you if he/she believes a Building Survey or other specialist reports are necessary.

Sometimes the surveyor might consider the property unsuitable for a Homebuyers' Survey and Valuation. If this happens, the surveyor will tell you.

### ARRANGING A HOMEBUYERS' SURVEY AND VALUATION

We can let a surveyor know that you require a Homebuyers' Survey & Valuation, and he/she will then contact you and send you the

Standard Terms of Engagement. These are to explain the basis and limits of the survey. If you sign the terms, you will establish a direct client/surveyor relationship with the surveyor. Your solicitor or other legal advisor can explain this for you.

### OPTION 3 – BUILDING SURVEY

The Building Survey is designed to give you a more extensive report than the Homebuyers' Survey and Valuation.

If you have this kind of survey, as long as the surveyor who carried it out is on our panel, he/she can usually also provide us with the valuation report that we need.

If you wish to choose a different surveyor who is not on our panel, we will need to make some enquiries before we can make a decision about whether he/she can carry out the valuation too. These enquiries could mean a slight delay in processing your application.

### ARRANGING A BUILDING SURVEY

If you decide to choose a Building Survey, please tell us when making your application and before you instruct a surveyor. If it is possible to use the same surveyor for both the Building Survey and the valuation report, we will collect a valuation charge from you, based on the valuation report scale shown. At the same time you should discuss with your surveyor the extent of the survey report you require and make arrangements directly with him/her for the additional fee which you will have to pay.

## 3. ABOUT INSURING YOUR PROPERTY

IT WILL BE A CONDITION OF OUR MORTGAGE THAT YOUR PROPERTY IS INSURED IN A WAY THAT MEETS OUR REQUIREMENTS. OUR OFFER OF MORTGAGE WILL GIVE YOU MORE DETAILS. WE CAN ARRANGE THE INSURANCE FOR YOU, IF YOU WOULD LIKE US TO DO SO.

### PAYING THE PREMIUM

If we arrange the insurance for you, you can pay the premium monthly with your mortgage payment. One twelfth of the annual premium will be included in your monthly payment. We will charge interest on any part of the premium which remains unpaid at 31st December each year.

### TYPE OF COVER

You should check the details of the insurance cover to make sure it meets your needs. It may be possible to provide additional insurance for any individual items that are not covered. We will be happy to discuss your requirements.

### THE BASIS OF THE INSURANCE POLICY

An insurance policy is based on good faith. So it is important that material facts are made known to the insurer. If you do not reveal material facts, the insurance may not be valid. Examples of material facts would be:

- You are going to move home permanently
- Someone other than your family is going to live in your home
- \* Your home is going to be used for short periods each week or as a holiday home
- Your home is going to be unoccupied for more than 60 consecutive days
- Work is to be done on your home which is not routine repair, maintenance or decoration

- The number of bedrooms in your home has changed
- You or any member of your family has any conviction or any prosecution pending for any offence:  
There is no need to tell us about parking or speeding offences or any offences which are spent under the rehabilitation of offenders act 1974
- You or any member of your family has received any formal police caution. There is no need to tell us about police cautions for parking or speeding offences
- Any part of your home is going to be used for any trade, professional or business purposes. There is no need to tell us about trade, professional or business use if:  
Your trade, professional or business use is only clerical  
You do not have staff employed to work from your home  
You do not have any visitors to your home on connection with your trade, profession or business  
You do not keep any business money or stock in your home

We may re-assess your cover and premiums when we are told about changes in your circumstances. If you do not tell us about changes, the wrong terms may be quoted, a claim might be rejected or payment could be reduced. In some circumstances your policy might be rejected or payment could be reduced. In some circumstances your policy might be invalid.

**if you are in any doubt about whether any facts might be material, you should provide details to the best of your knowledge and belief. failure to do so could affect the settlement of a claim or invalidate the insurance**

## 4. MONTHLY PAYMENTS

The first monthly payment will become due approximately one month after the loan is made. The first monthly payment will be slightly higher than subsequent payments as it will include interest from the date of the advance up to the end of that calendar month.

We will let you know the exact amount of the first payment and the starting date of your payments once completion of the mortgage has taken place.

When the loan is being made in stages, you will be notified of the new monthly payment following each release.

