INFORMATION ABOUT YOUR MORTGAGE

BIRMINGHAM MIDSHIRES

WELCOME TO YOUR GUIDE TO BIRMINGHAM MIDSHIRES MORTGAGES

Please read this booklet alongside your Mortgage Illustration as it will help you decide if the mortgage you have applied for is suitable for your needs.

YOUR PROPERTY MAY BE REPOSSESSED IF YOU DO NOT KEEP UP PAYMENTS ON YOUR MORTGAGE

INTRODUCTION

This booklet is in three parts.

The first part is useful if you are thinking of buying or remortgaging a property to let.

The second part has some helpful information on what to expect when you are ready to apply for a mortgage.

The third part explains how your account works and how to change your mortgage in the future.

The booklet does not try to explain all our mortgage conditions, policies and procedures nor does it replace the mortgage conditions or your offer letter.

It explains the policies and procedures we use most often. These can change from time to time.

To help you find the parts that are most relevant to you, we've used a simple key.

Choose the coloured house from the key below that fits your mortgage needs – for example, house, if you are buying a property – and then use the contents table, on the next page, to see where to find the information you'll need. As you go through the booklet, the coloured houses on each page will act as a handy guide.

The key

New mortgage (purchasing a property to let)	Remortgaging	Additional borrowing	Making changes

For simplicity:
Whenever the booklet refers to 'conveyancer', we mean a 'licensed conveyancer' or a 'solicitor'.

CONTENTS

CONTENTS (continued)

PART I

What is a Buy-to-Let mortgage?

A Buy-to-Let mortgage is a loan you can take out to buy an investment property that you or your family will not live in and that you intend to rent out to tenants. We call this Business Buy-to-Let. This type of mortgage is not regulated by the Financial Conduct Authority (FCA).

If you inherited the property or did not originally buy it with the intention of renting it out, it may be classed as a Consumer Buy-to-Let mortgage, which has the benefit of some FCA regulation. You will not have the benefit of all of the protections and remedies which would be the case, if for example, the property was your home.

Your Mortgage Adviser will ask you questions to decide which level of regulation should be applied to your mortgage and your Mortgage Illustration will confirm if your loan is Consumer Buy-to-Let or Business Buy-to-Let.

If you have any questions or concerns about what it means if your mortgage is not regulated, you should seek independent legal advice.

Before you purchase a Buy-to-Let property you should previously have owned a property. You should also consider researching the investment property market.

Is Buy-to-Let for you?

To help you decide if a Buy-to-Let mortgage is right for you, you need to think about how much it will all cost, for example:

- deposit
- mortgage payments
- running the property
- taxation
- marketing
- maintenance
- general property management costs.

It's important that you comply with all the legal requirements of being a landlord. !

Remember: We only offer Buy-to-Let mortgages where your property will be occupied as a home on the basis of a rental agreement. We will not offer a mortgage if you or your family intends to live in the property.

Can you afford it?

Before you decide whether or not a Buy-to-Let mortgage is right for you, you need to be aware that there are more costs than just the deposit. You'll have to pay all the usual fees, and taxes, for example:

Deposit. You usually need at least a 25% deposit for a Buy-to-Let mortgage with us.

Product fees. This is a fee for the mortgage product that you take; it can usually be added to your mortgage, but you will then have to pay interest on it.

Mortgage Adviser fees. Your Mortgage Adviser may charge you a fee to arrange the mortgage.

Legal fees. A conveyancer charges legal fees for doing the legal work connected with buying your property. Fees can vary and are often based on the purchase price plus other costs.

Government Land Tax. This is a government tax charged on land and property transactions in the UK. The tax is charged at higher rates if the property is not your main residence. Different rates also apply depending on the purchase price. For the most up-to-date information please visit **www.gov.uk/stamp-duty-land-tax**

This tax is an expensive extra cost that you should take into account when thinking of buying a property.

Local authority search fees. The local authority will charge for answering your conveyancer's questions about the property you want to buy, such as whether the local authority maintains the roads adjoining the property or whether you will be responsible for this.

Other relevant property searches, for example mining or environmental searches. Sometimes your conveyancer will have to carry out other searches because of where your property is. These may be environmental searches to check if certain industrial processes are carried out in the area or if the property is built on land that may have been contaminated because of the way it has been used in the past. Mining searches ask for records of any mining work that may affect the property. The organisations that answer these questions will charge for this, and you will have to pay these costs.

Land Registry fees. The Land Registry will charge for any searches of the property register the conveyancer asks for. It also makes a charge for registering you as the owner and us as the lender, which you will have to pay.

Valuation fees. Your Mortgage Adviser will discuss valuation schemes and fees with you when you make your full application. The valuation fee depends on the property value and which type of valuation scheme you choose.

Preparing your property for rent. Depending on its condition, you may have to do repairs or decorative work. You may also have to budget for furniture and appliances if you intend to let your property furnished.

Complying with safety regulations. Make sure you keep up to date with the latest safety regulations for landlords, for example gas and electrical safety.

Mortgage Costs. Make sure you can cover your mortgage payments, even when you don't have a tenant in the property.

Taxes

Usually you have to pay two types of taxes if you're a Buy-to-Let landlord, these are income tax and capital gains tax.

You can find more information about taxation by visiting **www.hmrc.gov.uk** or for properties in Scotland **www.revenue.scot/land-buildings-transaction-tax/guidance/calculating-tax-rates-and-bands**

We recommend you seek independent tax advice before you complete this transaction.

Property running costs

Owning a Buy-to-Let property means you are likely to incur other costs, which include:

Property maintenance. As a landlord you are responsible for making sure your property is in good order and habitable for your tenants. These include fixing any faults and maintaining the safety of gas and electrical appliances.

Service charges and ground rents. These are usually only payable if the property is leasehold. You will also need to check that the lease allows letting.

Insurance. You must take out buildings insurance and make sure your insurance company knows it is a Buy-to-Let property. There may be other landlord insurance products you want to consider.

Letting agent fees. Letting agents usually charge a percentage of the rental income.

Often, unexpected costs arise in running a property, so it's a good idea to have a fund to cover them. £

Things to consider

Legal requirements. Make sure you keep up to date with the latest requirements for landlords. These include local authority licensing, deposit protection, energy performance certificates, and checking that prospective tenants have the right to live in the UK.

Finding the right tenants. Sometimes tenants leave the property owing you rent. Some don't pay the rent and won't leave. Some may damage your property, leaving you with expensive repairs.

Periods when your property is not let. You need to make sure you have enough money to pay your mortgage even though you will not be getting any rent.

You can lose money. The property market is not always stable and prices can go down as well as up. This means that when you sell, your property could be worth less than you paid for it.

Repayment method. If you are thinking of using the sale of your investment property as your interest-only repayment plan, you must consider that its value may fall. If it does, you will have to find another way to repay everything you owe.

Tenancy contracts. The tenancy must meet our requirements and these will be set out in your mortgage offer.

We do not allow multiple tenancies.
This is where each tenant signs a separate agreement or has separate facilities such as their own kitchen (or both). The maximum number of tenants on one tenancy is five, and all tenants must be party to one agreement.

Complying with safety regulations. Make sure you keep up to date with the latest safety regulations for landlords, for example gas and electrical safety.

Location. Consider the demand for rental properties. Some areas are more desirable than others.

This isn't a complete list and there may be other things to consider. ?

What if you already have a Buy-to-Let mortgage?

We may need additional information if you have four or more properties in the UK with a mortgage, with any lender. This includes any mortgage applications which are still being processed.

Your Mortgage Adviser will be able to tell you if you meet our current lending criteria and what information we may need. We will then assess your application under our Portfolio Landlord policy. Your offer letter will tell you if we have done this.

If you have a mortgage with us on any of your existing properties, then you should seek independent legal advice on what this means for you.

If you have more than one Buy-to-Let mortgage with Birmingham Midshires

Our security over your property is security for more than just the amount you owe us under any one mortgage agreement. It also covers all other money you owe us under any other mortgage agreement you have (or have had) with us, or you have with us in future while we still have the security over your property.

For example, if we sell your property and there is not enough money to fully repay the money under the mortgage agreement, we can transfer the amount you still owe us to another mortgage agreement you have with us or that you will have with us in the future.

This only applies to a mortgage agreement on another property used as someone's home (yours or someone else's, for example where you have let your property), or if it was intended to be used as someone's home.

It also covers any money that any borrower owes us under a mortgage agreement we made with any of you jointly with anyone else. This is the case even if the borrowers under the agreement and the other mortgage agreement are not the same.

You can find more information about this in Chapter 8, 12 and 13 of our Mortgage Conditions 'Our security and what it covers'. These sections include:

- what our security covers
- when you need to repay immediately
- our right to take possession of your property or deal with it in other ways
- acting on your behalf.

You should speak to your conveyancer about what this could mean for you.

Things you might like to know

Affordability

We'll work out whether we think you can afford the loan you want for the length of time you want. This means we will ask you about:

- details of your income and outgoings
- your rental income
- your retirement income, if your mortgage will go into retirement.

Credit searches

We will contact credit reference agencies. They can give us information about:

- how you've conducted your finances in the past
- how many credit commitments you have and how long they will last
- whether you've kept payments up to date.

Credit scoring

This helps us decide whether to lend you money.

Credit scoring works by giving you points based on the information that:

- you give us about yourself
- we already have about you, if you have an existing relationship with us, and
- is held on your credit file at credit reference agencies.

We use this information to assess the risk we're taking by lending you money. If you score enough points, we'll take your application to the next stage.

Annual Percentage Rate Charge (APRC)

Your Mortgage Illustration will show you the APRC for your mortgage. This is a notional annual interest rate which takes account of fees and charges to reflect the total cost of your mortgage. Your Mortgage Illustration will detail the fees which are included in this calculation. An APRC is calculated using a standard method so it provides an effective way for you to compare quotes from different lenders.

The Illustration will show you an example of how much your mortgage could cost you if interest rates increased significantly. Your Mortgage Illustration will also tell you how that would affect your APRC.

What mortgage terms are available?

Mortgage terms of up to 40 years are available; the minimum term we'll consider is 5 years. The term affects the total cost of the mortgage. If you take out a repayment mortgage, the term also affects the monthly payment.

With a repayment mortgage the longer the term, the lower the monthly payment. However, it will take you longer to repay the loan so you will pay more interest. This means it will cost you more over the life of your mortgage.

With an interest-only mortgage, the length of the term makes no difference to the monthly payments because these are repaying only the interest charges and not the loan itself.

You need to make sure you can repay the loan balance at the end of the mortgage term.

What type of properties will we lend on?

The property you buy must be located within the UK.

We'll consider lending you money to buy different types of old and new property, purpose-built flats or conversions, providing the property is suitable to live in straightaway.

Freehold

- You will own the property and the land it's built on.
- We don't lend on freehold flats in England, Wales or Northern Ireland.

Leasehold

- You will own a temporary right to occupy the property and the land it's built on.
- The property and the land are owned by someone else and they lease them to you for a number of years.
- Leases can last for decades or centuries.
- There is usually an annual charge for the lease, called a ground rent. Sometimes there may also be service charges.
- We'll only lend on leasehold properties with at least 70 years left on the lease when you apply.

> **!** In Scotland, all properties are owned outright by the 'registered proprietor' (except in rare cases where there is a form of long lease known as a 'tack').

New-build or converted properties

- A new property or a property that has been built or converted within the last ten years should be part of a Building Standards indemnity scheme.
- This gives a ten-year warranty against material defects.
- There are a number of acceptable schemes, but the main one is run by the National House-Building Council (NHBC).
- We'll consider lending on a property that is not part of one of these schemes if it is a development of no more than 15 properties and meets our current monitoring requirements.

Types of valuation

A mortgage valuation helps us make a decision on your application. When you apply for a mortgage we'll ask you to choose between two levels of inspection and report. Unless we tell you otherwise, you will have to pay for the one you choose. Once the valuation has taken place, the fee for this is non-refundable.

In Scotland, the seller of a property has to get a Home Report, which contains a property valuation. We may accept the valuation if the surveyor is RICS-accredited.

To help with your decision to buy, it is important that you understand the property's condition and any issues that may affect its value. If you want a more detailed report than the level 1 or level 2 valuation we offer, you may wish to consider a full building survey. You will need to make your own arrangements to get one. To do this you can use a RICS-accredited surveyor; they can be found at **www.ricsfirms.com**

A building survey will give you a customised report based on the agreement between you and the surveyor. We will still need to complete a mortgage valuation, which you will need to pay for. We need this to help us make a decision on whether we will lend you the money to buy the property.

The table on the next page provides details about the different types of valuation you can choose.

	Level 1 Mortgage Valuation	Level 2 Survey and Valuation	Building Survey
What is it?	A basic property valuation that helps us make a decision on whether we will lend you the money to buy the property.	This is a survey for you, detailing the essential things you need to know about the property (it is a contract between you and the surveyor). A valuation is provided that helps us make a decision on whether we will lend you the money to buy the property.	This is the most detailed type of survey available and you can tailor it to meet your needs. We cannot arrange this type of survey for you and can't recommend a surveyor, but can provide details to help you find a RICS-accredited surveyor.
How is it done?	We will decide if we want a surveyor to visit and assess the property or we may use a combination of historical and market data to compare your property to others in the local area.	A surveyor will visit to assess the inside and outside of the property. Before this happens, the surveyor will send you the terms of their agreement for you to accept.	You will need to arrange this type of survey yourself. Usually, once instructed, your surveyor will discuss matters with you and agree what will be covered by the report including any concerns you may have about the property. An internal and/or external inspection of the property will follow, based on your requirements.
What you get	If a surveyor has visited the property, you will get a copy of the report. It will give very limited information about the property. If a surveyor has not visited the property, there will be no report to provide. Instead, we will tell you if our assessment of the value means we will not lend you the loan amount requested.	The survey gives you guidance on the essential things you may need to know about the property, such as defects and problems that are serious or that may significantly affect the value.	A customised report based on the agreement between you and the surveyor.
What it means for you	Defects that could affect your decision to buy may not be identified and it should not be relied on for your buying decision.	It does not give a full structural assessment. It may give details of issues with the property, but it may not give all the details you require. You will not get a copy of the basic valuation report provided to us.	As this is a customised report you get to choose what it includes. We will still need to arrange a separate Mortgage Valuation for lending purposes and you will need to pay the fee for this, if applicable.

Repaying your mortgage

Buy-to-Let mortgages can last a long time, so it's important you get the one that's right for you. You will need to think about such things as the type of loan, how long you want it for and what type of mortgage product you would like. If you have received advice from your Mortgage Adviser they will have asked you about your circumstances and discussed your needs before deciding which mortgage product to recommend to you. The following information sets out the options available.

Methods of repayment

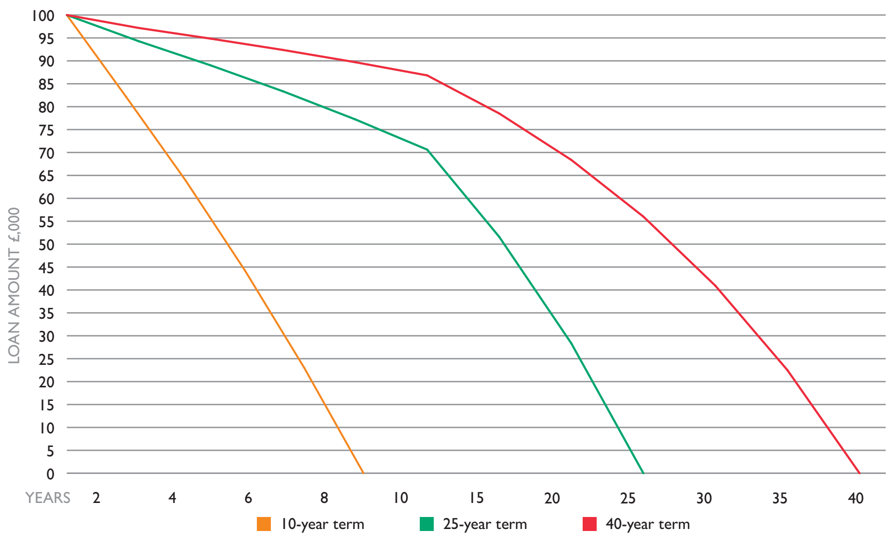
There are three different ways of repaying your loan. These are:

- repayment
- interest-only
- a combination of repayment and interest-only.

Repayment mortgage

Every month, your payments go towards reducing the amount you owe as well as paying off the interest. With a repayment mortgage, the longer the term, the lower the monthly payment. However, it will take you longer to pay off the loan so you will pay more interest. This means it will cost you more over the life of your mortgage (see figure 1).

Figure 1: Illustration of the effect of monthly payments on a £100,000 repayment loan over the mortgage term.



Interest-only mortgage

Your monthly payment pays only the interest charges on your loan – you don't pay off any of the loan amount (see Figure 2). This means your monthly payments will be less than if you had a repayment mortgage. However, the total cost of an interest-only mortgage will be higher because you will be paying interest on the full loan amount throughout the mortgage term.

With an interest-only mortgage, you'll need to know from the start how you're going to repay your mortgage at the end of your mortgage term.

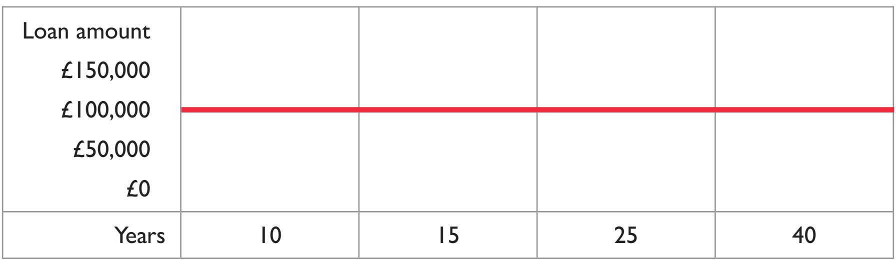
As long as you've made all your monthly interest payments and nothing else has been added to your loan, the amount you owe at the end of the mortgage term will usually be the same as the amount you borrowed. So, to repay the loan, you need a lump sum at the end of the term. You are responsible for making sure you have a plan in place to repay this amount.

If you plan to sell your Buy-to-Let property to repay the loan be aware that the sale proceeds may not be enough to cover the balance and you will remain responsible for any shortfall.

Combination of repayment and interest-only mortgage

It's possible to split a mortgage between repayment and interest-only. This means that at the end of the mortgage term you will still have an amount of the mortgage to repay, which you will need to do using a lump sum. You will need to make sure you have a plan to repay this amount at the end of the term.

Figure 2: Illustration of the effect of monthly payments on a £100,000 interest-only loan over the mortgage term.



What types of mortgage products are there?

We have different types of mortgage products with different types of interest rates. These change from time to time and your Mortgage Adviser will give you details of the current range when you apply.

Type of product	How it works	Early repayment charges	What it means for you	Is it right for you?
Fixed rate	Your interest rate is set at a certain level for an agreed period (the product rate period). At the end of that period, you will switch to another rate, usually a rate that tracks above the Bank of England Bank Rate for the life of the loan.	Early repayment charges usually apply during the fixed rate period.	Your interest rate stays the same during the product rate period, even if the Bank of England Bank Rate changes. A fixed rate gives you the security of knowing your interest rate won't change.	Ask yourself if being certain that your interest rate won't rise is more important than the possibility of paying a lower interest rate. With a fixed rate, you won't benefit from any falls in the interest rate during the fixed rate period.
Tracker rate	This is a variable rate loan with an interest rate that is above, below or the same as the Bank of England Bank Rate or some other rate it tracks for an agreed period (the product rate period). At the end of that product rate period, you will switch to a different rate, usually a rate that also tracks above the Bank of England Bank Rate for the life of the loan.	Early repayment charges don't usually apply after any initial product rate period.	It may benefit you to choose a tracker if you can afford to pay more when interest rates rise so that you can benefit when they fall. A tracker may not be suitable: for example, if your rental income is fixed and cannot be increased.	Ask yourself if you are confident that you will be able to make your monthly repayments if interest rates rise.

PART 2

What happens after we send your mortgage offer

These steps apply if you are buying a property to let.

1. Read your mortgage offer and conditions because they are really important.

2. Ask your conveyancer to explain anything you don't understand.

3. Get quotes for buildings and other landlord insurance products.

4. Your conveyancer will:
   - check the legal details for the property
   - check your offer letter when it arrives and explain it to you, they will also check the mortgage conditions
   - check you are happy with everything and arrange for you to sign all the legal documents
   - collect money from you for your deposit, searches and other costs
   - agree a date for you to get the keys for your property. This is done when contracts are exchanged or, in Scotland, when your solicitor concludes missives.

5. You need to set up your buildings insurance cover from exchange of contracts.

6. After you have signed your contract your conveyancer will:
   - ask us for the loan money
   - make final checks at the Land Registry/Registers of Scotland.

7. On the day of completion/settlement, your conveyancer will send the purchase money to the seller's conveyancer.

8. You will be able to pick up the keys to your new property.

9. We'll send a letter to tell you the mortgage has started.

What happens after we send your mortgage offer

These steps apply if you are remortgaging your property.

1. Read your mortgage offer and conditions because they are really important.

2. Ask the conveyancer to explain anything that you don't understand. Tell them when you are ready to start your new mortgage.

3. Your conveyancer will:

- check your mortgage offer and what we have asked them to do, this includes checking the legal details for us
- carry out searches on the property that are required
- ask us for the loan money
- ask your current lender what you still owe and send this amount to them on the day of completion
- make final checks at the Land Registry/ Registers of Scotland.

4. We'll send a letter to tell you the mortgage has started.

Changing your mortgage offer

Things don't always go to plan and sometimes the unexpected happens. If things change, we need to know.

What if my personal circumstances have changed?

Tell us if any of the personal information you gave when you applied for your mortgage has changed. For example, we need to know about changes in your address or your financial circumstances. All these things may affect our ability to give you part or all of the loan you have asked for.

What if the property's purchase price has changed?

- If the purchase price drops, we may not be able to lend you as much as you first wanted.
- If the purchase price rises, you may need to borrow a little more. When this happens, we'll check the increased monthly payments are affordable. If you can, and we think the property's value will allow it, we can increase the loan amount.
- If there are any changes to your mortgage application after we have made you a mortgage offer, you will need to speak to your Mortgage Adviser again. You won't be able to complete the purchase of your new property until we have confirmed we can make you a new mortgage offer.

What if my house purchase falls through and I have to look for another property to buy?

- You will need to contact your Mortgage Adviser, and we will need to reassess your application.
- If you want the same loan amount, you may be able to keep the mortgage deal you arranged on the old property and transfer it to the new property.
- You will need to pay for a valuation on the new property.
- If the valuation and rental income are ok, and the information we get from credit reference agencies hasn't changed, we can usually offer you a loan without restarting the whole process.

What will you do when the mortgage starts?

We set up your new account and start charging you interest from the day we release the loan money. This usually means your first monthly payment is higher than the rest of your monthly payments.

How do you calculate my first payment?

Your first monthly payment is made up of interest charges from the day we release the loan to the end of the month, plus your first monthly payment. For example:

Loan	How we calculate June interest	£ First payment in July	
Repayment loan of £60,000	$\frac{60{,}000 \times 5.49\% \times 6 \text{ days (25-30 June)}}{365 \text{ days*}} = £54.15$	54.15	June interest
Interest rate: 5.49% fixed		279.76	July monthly payment
Money issued on: 25 June		**333.91**	**Total payment**

*366 days in a leap year. The accounting year runs from 1 February to 31 January. When the 29 February falls within this period we will calculate your payment for the whole accounting year using 366 days.
For example: The year 2024 is a leap year, and there are 29 days in February 2024. Your interest charges from 1 February 2024 to 31 January 2025 will be calculated using 366 days.

When will you collect my first payment?

We always collect your first payment in the month after your mortgage starts. For example, if we release your loan in June, we'll collect your first payment in July.

When you applied for your mortgage, we asked you what day of the month you wanted to make your monthly payment. We'll collect your first payment on the day you choose, unless there are not enough days between when we release your loan and your chosen payment date. If this happens, we'll collect your first payment on the 10th of the month. If this is an additional borrowing or product transfer application we will continue to collect your payment on the same day as we do now.

Example 1:

Monthly payment date you choose is the 25 of the month.

We release the loan on 25 June.

We collect your first payment on 25 July.

Example 2:

Monthly payment date you choose is the 1 of the month.

We release the loan on 28 June.

We collect your first payment on 10 July.

When will you tell me about this?

On the first working day after we release the money, we'll write to tell you when we'll collect your first and subsequent monthly payments, and which bank account we'll collect them from.

The letter will also give a summary of other information we agreed with you when you applied for your mortgage, such as whether it's an interest-only mortgage, a repayment mortgage or a combination of the two. If your mortgage account is made up of different parts, the letter will also explain:

- how we have set these up, and
- how the monthly payments on each part make up the total monthly payment we'll collect from your bank account.

Variable interest rate(s) can change. We will not notify you of any change in rate(s) between the date of the offer and the date you take out the mortgage. We will confirm the rate(s) in the letter.

Mortgages in different parts

Your mortgage may be a mixture of interest rates, terms and methods of repayment. If it is, we'll split your loan into different parts.

Different parts can have:

- different repayment methods, for example they can be interest-only or repayment.
- different types of interest rate, for example fixed or variable.
- different mortgage terms, for example 15 or 25 years.

If your mortgage is in different parts, each part will have its own monthly payment. We'll add these monthly payments together and ask you to pay a total monthly payment each month.

We call different parts of your mortgage sub-accounts. Your Mortgage Illustration will tell you if your mortgage is in different parts.

Charges and standard costs

The following tables show our Tariff of Mortgage charges. Our standard costs and charges can change from time to time, but if they do we'll let you know each year.

We'll tell you of any charges in advance, so you will have agreed to them before they become payable.

Please read Chapter 3 of our Mortgage Conditions for more details.

Correct as at June 2020

When you will pay this charge: Before your first monthly payment These are the fees and charges you may have to pay before we transfer your mortgage funds		
Name of charge	**What this charge is for**	**How much is the charge?**
Product fee	This is charged on some mortgages as part of the deal. It can be paid up-front or added to the total mortgage amount. If you add it to your mortgage, you'll pay interest on it at the same rate as the rest of your borrowing. It might be a flat fee, or a percentage of the loan amount.	This fee varies and will be shown in your Illustration and offer letter.
Valuation fee	The lender's valuation report, which is used to calculate how much it will lend you. This is separate from any valuation or survey of the property you might want to have done. There are other homebuyers or structural survey options available to you at a cost and there may be different approaches in different parts of the UK. Some mortgages offer free valuations – the product details for your mortgage will tell you if this is the case.	This fee varies based on the property value and type of scheme chosen, and will be shown in your Illustration and offer letter.

When you will pay this charge: If you change your mortgage If you change to a new mortgage product, the 'before your first monthly payment' fees may also apply at this stage		
Name of charge	**What this charge is for**	**How much is the charge?**
Revaluation fee for additional borrowing	This fee may be payable where you have applied for additional borrowing. It covers the cost of obtaining a valuation of your property where we need to and involves an internal inspection.	The actual fee will depend on the valuation of your property. From £170
Early repayment charge (Changing your mortgage)	You may have to pay this if: • You overpay more than we allow under any early repayment charge concessions; • You switch mortgage product or lender during a special rate period (e.g. while you're on a fixed or tracker interest rate).	The fee will be a percentage of the loan amount. Please refer to your Illustration or offer letter for full details.

When you will pay this charge: If you are unable to pay your mortgage These are the most common charges you may have to pay if you fail to keep up with your payments. Some charges, for example those covering unpaid/returned direct debits or cheques, occur at the early stages of your inability to pay (arrears). Other charges, for example, relating to our repossession of the property, may apply later in the process and will be dependent on your circumstances.		
Name of charge	**What this charge is for**	**How much is the charge?**
Arrears fee (We call this Arrears management fee)	You may be charged a fee if you fall behind with your payments and your account is in arrears.	£35

You must also meet other additional costs we incur. These costs may include such things as the following work, which third parties may do on our behalf:

- **Field Agent's costs** – if you are in arrears and we've been unable to contact you, we may ask a third party to visit you at home so we can make contact with you. We may also ask them to visit the mortgaged property so we can understand who is living there.
- **Solicitor's costs** – individual to each case when we take legal action to repossess your property.
- **Receiver costs** – if we appoint a receiver to manage your property costs associated with the appointment and the receiver managing your property. Individual to each case.
- **Court fees**.
- **Asset Managers' costs** – Asset Managers are third parties who will manage the marketing and sale of a repossessed property.

When you will pay this charge: Ending your mortgage term		
Name of charge	What this charge is for	How much is the charge?
Early repayment charge (ending your mortgage)	You may be charged this if you repay your mortgage in full before the mortgage term ends.	The fee will be a percentage of the loan amount. Please refer to your Illustration or offer letter for full details.

PART 3

Key mortgage information

This part explains in more detail some of the information in your Mortgage Illustration. If we have sent you a mortgage offer, it also gives useful information about how your account works and what to do if you want to change your mortgage in the future.

Product incentives

Your mortgage offer will tell you if there are any incentives.

Free remortgage conveyancing

We'll choose the conveyancer to deal with the basic legal work done on our behalf. If you'd prefer to use your own conveyancer, for example if you want to add or remove a name on your mortgage account, you should not choose this incentive because we won't pay your conveyancer's legal costs.

What's included?	What's not included?
The fee for the basic legal work done on our behalf for a standard remortgage.	Any additional services not included in the basic legal work and any legal advice required by you or us, for example if you are removing someone's name from the property. (If you are in Northern Ireland, you cannot ask our conveyancer for advice or additional services – you must instruct a different conveyancer.)

Cashbacks

- If we offer a cashback as an incentive, your Mortgage Illustration and offer letter will set out how much it will be, how we'll send it to you and when we'll pay it.

Interest cashback

If we offer cashback of interest equivalent to a certain amount of mortgage interest, your Mortgage Illustration and offer letter will say so.

- To calculate the cashback, we'll use the total amount you are borrowing and multiply it by the highest interest rate that you'll be charged at the start of your mortgage.
- We calculate one month's interest based on 31 days.
- If our offer is for more than one month's interest, we calculate 31 days for each month. So, for example, we use 62 days to calculate two months' interest cashback.
- The example below shows how we do this.

Example:

Amount of loan £80,000

£45,000: Interest rate of product 1 is 5.35%

£35,000: Interest rate of product 2 is 6.09%

$$\frac{80{,}000 \times 6.09\% \times 31 \text{ (days)}}{365 \text{ (days)}} = £413.79$$

Interest cashback

£

There may be a maximum to the amount of interest cashback we'll pay. We'll write to let you know how much the cashback will be. We'll send the cashback to the bank account you pay your monthly payment from.

Early repayment charges

What are they?

We offer different types of mortgage products with different interest rates. With some of these there might be a charge if you repay all or part of your loan within a certain period of time; we call these early repayment charges. Your Mortgage Illustration, offer letter and your annual mortgage statement give details of any early repayment charges that apply to you.

Why do we charge them?

We make these charges because when setting up the funds to provide loans to customers, we expect you to keep the money for the time agreed at the outset. There is a cost to us if you repay some or all of the loan sooner. The charge is designed to compensate us for this cost.

When do we charge them?

We'll apply an early repayment charge if during the early repayment charge period you:

- repay all or part of the loan
- ask and we agree to transfer all or part of your loan to a new mortgage product.

The charge will never be more than the maximum amount set out in your offer letter and Mortgage Illustration and will be based on:

- whether you repay all or part of the loan
- the amount you owe when you make the payment.

Example if you make a part repayment:	
Amount you owe:	£50,000
Percentage early repayment charge payable:	5%
Total early repayment charge payable:	£2,500
Amount you repay early:	£25,000
5% early repayment charge for part payment:	£1,250

Are there any exceptions to this?

Yes. Currently, as a concession, in each calendar year you can make regular or lump-sum overpayments of up to 10% of the amount owed at 1 January, without having to pay an early repayment charge. (This is for any product where an early repayment charge applies.)

If the total amount you overpay during the year exceeds 10%, we'll only charge you an early repayment charge on the proportion you overpay above 10%.

Example:	
Amount owed on 1 Jan:	£50,000
Total amount of regular/ lump-sum overpayments made between 1 Jan and 31 Dec:	£10,500
Less the amount of regular/ lump-sum overpayments where early repayment charges do not apply (10% of £50,000):	£5,000
Total amount of regular/ lump-sum overpayments where early repayment charges applied:	£5,500
Total early repayment charge payable (£5,500 x 5%):	£275

If you repay the loan in full within six months of making a regular or lump-sum overpayment, you'll need to pay the full early repayment charge, including the portion we previously did not charge.

If you decide you want to make regular or lump-sum overpayments, it's always a good idea to contact us and check if the policy has changed. We'll give at least three months' notice before withdrawing or reducing the concession.

Taking your product rate to a new mortgage

It's sometimes possible to take your product rate and early repayment charge with you on a new mortgage to a different property.

- Your Mortgage Illustration and offer letter will say if you can do this.
- Your current and new mortgage must be with Birmingham Midshires.
- If you are borrowing more you will need a new product for the extra amount.
- If you are borrowing less and an early repayment charge still applies to you, then you will have to pay this charge on the difference.

When will I be able to take the product rate to a new mortgage?

- You can only take your product rate to a new loan if your offer letter says so.
- The product rate can only be taken to a new loan while the initial product rate period(s) applies. When the initial product rate period ends, it cannot be taken to a new loan.

You will not be able to take your product rate with you if we don't offer you a new mortgage. This means you will have to pay an early repayment charge if you repay your existing mortgage during the early repayment charge period.

What if I repay my existing mortgage before I apply for a new mortgage?

- If you sell your property but are not yet ready to buy another, you will need to repay your existing mortgage. This means you will have to pay any early repayment charges that apply.
- However, if you apply for a new mortgage with us within three months of repaying your existing mortgage, you may be able to take your old product rate with you to your new mortgage.
- Once your new mortgage has started, you can apply to us for a refund of the early repayment charge. This is a concession that may not always be available, so please ask about it before you sell your property.

Regular and lump-sum overpayments

An overpayment is when you choose to pay more than your regular monthly payment. They reduce the amount you owe on your mortgage. They also reduce the amount of interest we charge because we calculate interest on the reduced balance from the day we receive the overpayment.

What are regular overpayments and how do I make them?

- You can make regular overpayments by increasing the amount you pay each month. You can do this by asking us to collect an extra amount each month along with your monthly payment.
- We will share any extra amount received across all parts of your mortgage.

What are lump-sum overpayments and how do I make them?

- You can make a one-off lump-sum overpayment by making a separate payment.
- You can do this by phone; where we'll ask if you want us to work out a new monthly payment on your reduced balance.
- You can also make a one-off payment online, but we will not automatically recalculate your monthly payment. If you would like us to work out a new monthly payment please contact us.
- Even if we don't work out a new monthly payment for you, we will reduce the interest we charge by calculating it on the reduced balance.

- We will share any lump-sum overpayments received across all parts of your mortgage, unless you ask us to apply the payment to a specific part of your mortgage.

Will overpayments reduce my term?

No. Overpayments will not reduce your mortgage term. Whenever we recalculate your monthly payment, we will use the reduced balance to work out the new payment over your existing term.

If you want to use regular overpayments to repay your mortgage sooner, but don't want to formally change the term of your mortgage agreement, remember:

- Any recalculation of your monthly payment will include the overpayments. This means that if you only pay the new monthly payment, your loan will be repaid over your existing mortgage term.

If you would like to permanently reduce the remaining mortgage term, you will need to contact us.

Can I choose which part of my loan I repay?

Yes. If you make a separate lump-sum overpayment, you can choose which part of your loan you want the payment applied to, but only if you are up to date with your monthly payments on each part of your loan.

- You may want us to reduce the part of your loan we charge at the highest interest rate, or
- You may want to reduce the part of your loan that does not have an early repayment charge on it.

If you don't tell us which part of your loan you want to repay, we'll share it across all parts of your loan in the same way we share your total monthly payments.

Example:

The total monthly payment is £600 and is split into two parts:

Part 1 is for £360 (60% of the monthly payment)

Part 2 is for £240 (40% of the monthly payment)

You make a lump-sum overpayment of £10,000:

Part 1 would receive £6,000 (60% of the lump-sum)

Part 2 would receive £4,000 (40% of the lump-sum)

Underpayments

What are they?

An underpayment is where you pay less than you owe for your monthly payment. You must not underpay on your mortgage unless you have our permission and you have previously made overpayments of the same or greater amount.

How do I underpay?

- You need to contact us to arrange to underpay. This is so we can tell you the amount of overpayments available for you to use.
- We can then change your direct debit for the time you want to underpay.

When we will contact you

At times we'll write to you about your mortgage and these include:

- sending a statement of your account each year
- if we are changing your monthly payment, for example when variable interest rates change
- when one or more of your mortgage products come to an end
- if we do not receive your monthly payment when we expect it.

Remember to contact us, for example, if your circumstances change and you need to make a change to your mortgage.

If you want to make changes to your mortgage

Sometimes during the life of the mortgage you may want to make some changes to the terms we agreed at the start. For example:

- you may want to extend or reduce the mortgage term
- change to a different mortgage product, or
- borrow more.

This part explains how you can ask for a change and what will happen if we agree to it.

Changing your monthly payment date

- When you applied for your loan we asked you what day of each month you wanted to make your payment.
- The best day of the month to make your monthly payment is the 1st because we'll charge the least amount of interest for the month.
- However, if you need to change the day you pay your mortgage, we'll allow you to do this if it is no later than the 28th. Your monthly payment amount may rise or fall if you change the day.

How do I do this?

Contact us to ask if you want to change your payment date. We'll update your mortgage details and change the date we collect your future direct debits. This may not be in the month of your request.

Changing the mortgage term

At any time you can ask to change the mortgage term from what we originally agreed with you. This might be because:

- you think you can afford to pay more and would like to pay off your mortgage sooner;
- you want to reduce your monthly payments by extending your mortgage term.

You will need to get our agreement to do this.

Extending your mortgage term will increase the amount of interest we charge.

How do I do this?

Contact us to ask how this would affect your monthly payment, so you can decide whether this change is right for you.

Changing the repayment method

Your mortgage could be a repayment mortgage, an interest-only mortgage or a combination of the two. If your circumstances change, you can ask to switch from your current method of repayment to another.

How do I switch all or part of my mortgage to repayment?

Contact us to get our agreement to switch and ask how this would affect your monthly payment, so you can decide whether this change is right for you.

Switching all or part of your mortgage from interest-only to repayment will mean your monthly payments will go up and we'll check with you that the increased payment is affordable. This is because you will start repaying some of your loan balance as well as paying interest.

How do I switch all or part of my mortgage to interest-only?

Contact us to get our agreement to switch and ask how this would affect your monthly payment, so you can decide whether this change is right for you.

Switching all or part of your mortgage from repayment to interest-only will mean your monthly payments will go down. This is because you will only be paying interest – you will pay us nothing to reduce the loan balance. This means you will pay us more interest over the life of the mortgage than you would with a repayment mortgage.

Repaying your mortgage in full

You can repay your mortgage in full at any time, as long as you also pay any early repayment charges that apply.

How do I do this?

- Ask us for the total amount needed to repay your mortgage.
- We'll ask you what date you want to repay your mortgage so we can give you an exact figure that includes all costs and charges up to that date.
- You don't need to use a conveyancer to repay your mortgage if your property is in England and Wales or Northern Ireland as we will make arrangements to remove our charge at the Land Registry.
- If your property is in Scotland you will need to instruct a solicitor to prepare discharge documents for the Registers of Scotland, which will enable our charge to be removed.
- If you are already using a conveyancer, they will usually ask us for the amount needed to repay your mortgage and will deal with repaying it.

Additional borrowing and product transfers

What is additional borrowing?

When you have had your mortgage account with us for at least six months, you may ask to borrow more money against your property.

Customers borrow more money for different reasons, for example:

- to make repairs or improvements to their properties
- to borrow for things like purchasing a second property.

What is a product transfer?

When you take out your mortgage, you arrange to have a fixed or variable product rate for a period of time.

At the end of this time, you may choose to move your loan to a new product rate for a further period of time.

You can transfer to another product rate before you have reached the end of your existing deal. However, there are likely to be early repayment charges that will need to be paid.

How do I apply for additional borrowing or a product transfer?

You'll need to contact your Mortgage Adviser to apply for one of these.

For additional borrowing, the policy may have changed since you took out your main mortgage. So, you will need to meet the lending policy in place when you apply.

Making your mortgage payments

You must make your monthly mortgage payments on time. If you are relying on rental income to make the monthly payments, you should be aware that there may be periods of time when you are not receiving any or enough rental income, for example:

- you cannot find a tenant
- your tenant is not paying their rent
- you cannot let your property for as much as you were expecting.

If this happens, you will still have to make your monthly mortgage payments. If you don't keep up with the monthly payments on your mortgage, we may take legal action and you may lose your property.

If you can't make your monthly payments

Sometimes circumstances change unexpectedly – perhaps you can't find a tenant, or you lose your job. If this happens, it may be difficult for you to meet all your financial commitments and you may need some help for a while. If you find yourself in this situation, you should contact us straight away so we can discuss your options. The sooner you contact us, the more chance we'll be able to find a way to help.

What happens if I fall behind with my monthly payments?

If you miss your regular monthly payment and we haven't agreed that you can do so, we'll write to let you know. We may also try to contact you in other ways such as by phone or text message.

You should contact us as soon as possible if you miss any monthly payments. You will need to set up and maintain a separate payment arrangement in order to repay any arrears as these won't be repaid as part of your regular monthly payments.

If your mortgage has been in arrears for a period of time we may consider appointing a Law of Property Act (LPA) receiver if there are tenants in the property or taking legal action to repossess your property. If we do this, it may affect other Buy-to-Let properties you have with us. It's important that you speak to us so we can look at ways to help you deal with your mortgage arrears.

If we appoint an LPA receiver or take legal action, the cost of the receiver, legal costs and any other related costs will be added to your mortgage balance. You will have to pay these and they can be high. Any time we add such costs to your mortgage account we'll write to let you know. We'll always tell you when we have made these charges and how much they are.

If a mortgage account holder dies

If a mortgage account holder dies, contact our bereavement team and we will tell you what we need you to do.

GET IN TOUCH

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Important information

recycle

When you have finished with this please recycle it

BIRMINGHAM MIDSHIRES

60127 (June 2020)