

a guide to
mortgages

A guide to arranging a **Business Mortgage**



Since 1850 Cumberland Building Society has provided finance for property related transactions. Whilst our mortgages have traditionally been associated with the residential property market we do have a team of Business Lending Managers who are available to discuss mortgage finance on a wide range of business properties.

In this leaflet we will give you information which will help you if you decide to apply for a business mortgage with the Cumberland.

We strongly recommend that you also talk with one of our Business Lending Managers about your mortgage needs. Please telephone us on **0845 601 8396** to discuss your mortgage requirements or to arrange a meeting. Alternatively email us on business@cumberland.co.uk

Guest houses/hotels

Self catering accommodation

Residential/holiday lets

Business lets/offices

Public houses

Retail premises

Property developments

**Professional practices
eg. doctors, dentists and
solicitors**

Whatever stage you are at, we have experienced people who are ready to help you with any mortgage requirements. You should however always ensure that you take appropriate independent professional advice before proceeding with any business venture.

WHY THE CUMBERLAND?

We provide an efficient service and offer competitive mortgage rates. We are flexible and always look at each case individually.

HOW MUCH CAN I BORROW?

The minimum amount of a business mortgage is normally £25,000 with a maximum of £5,000,000. Please note - different limits may apply to specific products. The Cumberland will consider advances of up to a maximum of 70% of the purchase price or market valuation of the property, whichever is the lower.

(For further details see the section "Mortgage Valuation" on page 5). The property should be of freehold tenure or long term leasehold (with a minimum of 35 years unexpired after the end of the term of loan).

HOW MUCH WILL IT COST ME?

When you are deciding how much you want to borrow, you must remember that in addition to the deposit, you will have other expenses to meet such as solicitors fees (including registration fees and possibly stamp duty land tax), valuation fees and insurance costs.

An arrangement fee is normally payable to the Society to cover the administration work undertaken. This fee does vary according to the proposition.

An estimate of the costs you will be expected to pay in connection with your mortgage will be set out in the illustration which will be given to you at the time of your mortgage enquiry. However, some fees, eg valuation and legal, will vary depending on the nature of the transaction and the type of property involved.

Details of any early repayment charges will be agreed with you and confirmed in the Mortgage Application Form and/or Offer of Loan which you will be asked to sign.

When you receive your Offer of Loan we will also send you a leaflet called "Charges for Mortgage Linked Services" which contains the charges that we may make in connection with your mortgage. We will send you a copy of the leaflet once each year if there have been any amendments to our charges.

MONTHLY MORTGAGE PAYMENT

The amount of the monthly mortgage payment depends on:

- How much you wish to borrow
- Over how many years you repay the loan
- The type of mortgage you choose
- The current interest rate

Take all these points into account and with the help of a written illustration you should have a good idea of how much your mortgage will cost each month.

Illustrations are available on request from Cumberland House, Castle Street, Carlisle CA3 8RX.

WHAT TYPES OF MORTGAGE ARE AVAILABLE?

There are two ways of repaying your loan – repayment and interest only.

We will give you details of the different repayment methods and repayment periods that are available. If you choose to pay only interest on your loan then we will give you a general description of the ways in which you can repay the capital.

You may also like to visit the Financial Services Authority website, www.fsa.gov.uk and look at their Mortgage Publications section.

REPAYMENT MORTGAGE

This type of mortgage involves repayment of the loan gradually over an agreed period. Each monthly payment you make consists of two parts, interest on the loan and part repayment of the loan. In the first few years most of your monthly payment simply covers the interest with only a small amount going towards repayment of the loan. The repayment part of your monthly payment will however increase as the mortgage term and the amount of the loan reduces. Provided you keep up your monthly payments the loan will be repaid at the end of the agreed mortgage period. With this type of mortgage it is recommended that you take out life assurance sufficient to repay the loan in the event of a critical illness or if you should die before the end of the mortgage term. The amount of interest you pay will vary if we make any changes to the interest rate payable on your mortgage.

INTEREST ONLY MORTGAGE

With an interest only mortgage you make a monthly payment to us to cover the interest on the loan. The loan amount will remain the same and the interest is payable on the total amount of the loan for the whole of the mortgage period. The amount of interest you pay will vary if we make any changes to the interest rate payable on your mortgage.

To repay an interest only mortgage you will usually need to ensure you have a suitable investment plan which will pay off the mortgage at the end of the agreed term. This normally involves the payment of a monthly premium to an insurance company. The premium is calculated to try to ensure that the money from the investment plan is sufficient to repay the mortgage within the agreed term. **There is however no guarantee that the amount you receive will pay the mortgage off in full.**

We will tell you what will happen if you do not make suitable arrangements to repay the capital and that it is your responsibility to ensure that an adequate repayment method is in place. We will also advise you that it is your responsibility to ensure any investment plan premiums are paid direct to the company concerned. If you want to use an existing investment plan, such as an endowment policy, you will have to ensure that it is adequate for the loan. It is important to remember that if you give up an investment plan such as an endowment policy before it ends you may not get back the full amount that you have paid into the policy. The lump sum from these types of policies depends on the investment returns that are achieved with your money. You should bear in mind that it is this lump sum that will be used to repay your mortgage.

It is important that you regularly check the value of your investment to ensure that it is growing at a sufficient rate to enable you to repay your mortgage at the end of its term.

We will remind you each year of the need to ensure that you have an adequate repayment method in place.

Please remember that with most investment plans, the value of an investment can fall as well as rise and therefore future values cannot be guaranteed.

OVER WHAT PERIOD CAN I HAVE MY MORTGAGE?

A business mortgage is usually available for a minimum of 3 years up to a maximum of 25 years.

HOW DO I APPLY FOR A MORTGAGE?

You may have found a property before you read this leaflet or you may not have started looking. No matter what stage you're at you should speak with us before you commit yourself to a property, to make sure you can afford it and can raise the necessary finance.

To help us assess each application we may ask for some or all of the following:

- Background details of the applicants in the form of a C.V.
- Details of present/anticipated income and expenditure. We may request this to form part of a business plan incorporating a cashflow forecast and trading projections.
- Details of existing assets and liabilities.
- Recent certified/audited accounts.
- Recent statements on your bank/building society accounts.
- Usually we shall also view the property involved as part of our overall assessment of the future plans of the business.

The next step will probably be to fill in the mortgage application form.

Once the mortgage application form has been completed, we will ask you to pay the mortgage valuation fee so that we can send a professional valuer to report on the property to make sure we can lend what you need.

WHAT HAPPENS NEXT?

If you have not already done so, you will need to instruct a solicitor to handle the legal details (procedures for buying property in Scotland are different from the system in England and Wales so it is important to contact a solicitor at an early stage for guidance). We will be happy to provide you with details of suitable solicitors if you haven't already appointed one.

We will then check your application and obtain any necessary references and a valuation report.

This usually takes two to three weeks, but we can normally give an immediate "in principle" decision.

We will then send you written confirmation of the mortgage. This is called the "Offer of Loan." We will also send a copy of the Offer of Loan and our instructions to your solicitor. In certain circumstances the Society will need to obtain separate legal representation. We will explain this to you if appropriate during the application procedure.

WHAT ABOUT VALUATION AND SURVEY REPORTS?

We will normally ask a valuer to visit the property to be mortgaged and to produce a report. Once the valuer has visited the property any valuation fee you may have paid cannot be refunded, even if you decide not to proceed with your mortgage. You will receive a copy of the report. If the report recommends that repairs or improvements need to be done, you should make sure these are completed properly.

We arrange a mortgage valuation report to help us decide whether a property is suitable for the mortgage you need. Our own valuer or a qualified firm of valuers or surveyors approved by us will prepare the report. It is however not a full survey. If the report does not highlight any faults this does not mean that none exist. Valuations for mortgage purposes may be lower than asking prices quoted by Estate Agents. This is because the Society's valuers base the valuation for mortgage purposes on actual prices achieved on the sale of comparable properties rather than the hoped for asking prices quoted by an Estate Agent.

We strongly advise that you obtain a more detailed report. If you want this type of report please tell us when you apply for a mortgage. We can put you in touch with a surveyor to discuss your requirements and the fee involved.

With the many and diverse uses of a business property we may also ask the valuer to comment on issues relating to the type of business involved (in addition to the usual report and valuation). Fees will, therefore, vary but we shall agree the costs with you before instructing the valuer. The valuation on which we base the amount we can lend is the market value of the property including any goodwill and fixtures and fittings.

WHAT ABOUT INSURANCE?

Adequate buildings cover will be required in respect of any property in mortgage to the Society. Our Business Lending Managers will be pleased to discuss this issue with you.

LIFE ASSURANCE

We strongly advise you to ensure you have adequate life assurance to protect your mortgage in the event of critical illness or death. If you would like details and a quotation, please ask any of our Business Lending Managers.

WHEN WILL MY MONTHLY PAYMENT BE DUE?

Mortgage payments are due on the last business day of each month. Your first monthly payment is an interest only payment and the amount will depend on the day of the month the mortgage starts. So unless the mortgage starts on the first day of the month and is an "interest only" loan the first payment will differ from the normal monthly payment quoted in the Offer of Loan.

The first month's payment should be made by cash or cheque. From the end of the second month onwards your chosen method of payment (see below) will commence.

HOW DO I MAKE MY MONTHLY PAYMENTS?

You can pay by:

- Variable Direct Debit; or
- Completing an "internal transfer" form, so we can automatically transfer the right sum at the end of each month from your Cumberland Account; or
- Calling at any Cumberland branch and paying by cash or cheque

WHAT RATE OF INTEREST WILL I PAY?

We will give you details of the different types of interest rates that are available (for example variable or fixed rates).

Details of our current offers can be obtained by contacting a Business Lending Manager.

The interest rate which will apply to your account at the beginning of the loan will be shown in your Offer of Loan. If the interest rate changes between the time that you receive your Offer of Loan and the time when your mortgage is completed we will tell you.

On variable rate loans we may change the interest rate from time to time. The interest rate may go up or down. When we increase the interest rate we will always give you advance notice of the new rate and the date it becomes effective. The notice will be given by either writing to you individually or by placing an advertisement in a national newspaper.

HOW IS THE INTEREST CALCULATED?

We calculate interest on the 'daily interest' basis and charge the interest to your account each month. If you borrow extra, interest will be charged from the day the additional borrowing starts. Any items such as charges, fees, mortgage interest and insurance premiums, which are not paid by the last day of the month in which they are due, will result in additional interest being charged until the payment is made.

CAN I MAKE ADDITIONAL PAYMENTS TO MY MORTGAGE ACCOUNT?

If your mortgage is still within an Early Repayment Charge period you may be able to make Overpayments, subject to restrictions. At the end of any Early Repayment Charge period there are no restrictions to the level of overpayments you can make. If at anytime you wish to make a lump sum payment of £500 or more off your mortgage, and you would like us to calculate a reduced monthly payment, please ask us to arrange this at the time you make the payment. It is however important to note there may be an early repayment charge. Please ask for details before repaying a lump sum.

DO I GET A STATEMENT OF MY ACCOUNT?

Yes, every April we send you a statement showing the interest and any other items which may have been added, the payments you have made and the amount you still have to pay.

WHAT HAPPENS WHEN THE INTEREST RATE CHANGES?

If you make your monthly payment by regular "internal transfer" from a Cumberland account, or by variable direct debit the Cumberland will collect the new payment automatically.

WHAT IF MY CIRCUMSTANCES CHANGE?

If you repay your mortgage early or, for example, you cancel your endowment policy, personal equity plan, pension plan or Individual Savings Account or there is a change in your personal circumstances (for example you have a long term illness or you have a relationship breakdown) this may seriously harm your financial position.

It is important to remember that if your mortgage is in joint names, you are both liable for the mortgage and the mortgage related payments. This applies even if you have a relationship breakdown and one of you is no longer living in the property.

WHAT IF I HAVE PROBLEMS WITH THE PAYMENTS?

We appreciate that your circumstances may at some time in the future change and you may experience temporary financial difficulties.

We will consider cases of financial difficulty and mortgage arrears sympathetically. Our first step will be to try to contact you to discuss the matter. It is important that if you find yourself in financial difficulties then you let us know as soon as possible. We will do all we can to help you to overcome your difficulties. The sooner we discuss your problems, the easier it will be for both of us to find a solution. The more you tell us about your full financial circumstances, the more we may be able to help.

If you are in difficulties you can also get help and advice from debt counselling organisations. At your request and with your consent we will liaise, wherever possible, with those debt counselling organisations we recognise, for example:

- Citizens Advice Bureau; or
- Money Advice Centre; or
- The Consumer Credit Counselling Service

The Financial Services Authority produce a leaflet 'What to do when you can't pay your mortgage'. This is available on www.money.made.clear.fsa.gov.uk and offers additional advice and contact numbers you may find useful.

CAN I REPAY THE MORTGAGE BEFORE THE END OF THE AGREED TERM?

Yes, however, interest will be charged to the end of the month in which your mortgage is repaid. You may also have to pay an early repayment charge. Details are shown in the Mortgage Application Form and/or Offer of Loan which you will be asked to sign when you make your mortgage application.

In addition, there will be a fee for the administration work involved when you finally repay your mortgage. A list of current fees is given in our leaflet "Charges for Mortgage Linked Services" which is available from any Cumberland branch.

WHAT IF I HAVE A COMPLAINT?

Most complaints can be satisfactorily resolved by speaking to one of our Business Lending Managers or Head of Cumberland Business.

If, however, you are not satisfied with the response you receive, please ask for a copy of our leaflet "Complaints Procedure and the Financial Ombudsman Service" which is available from our Business Team or any Cumberland branch.

Cumberland Building Society is an independent intermediary who acts as your agent and accepts responsibility for the advice we provide. Cumberland market certain products which are branded in the name of the Society; each of these products is specially negotiated with a particular insurer.

All loans will be secured on your property, and are subject to status.

Any information given by the Society either in this leaflet or by any member of the Society's staff is given in good faith. However you should always ensure you take appropriate independent professional advice before proceeding with any new mortgage, re-mortgage or other loan.



Cumberland • business

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To help us monitor and improve customer service, telephone calls may be recorded.

business@cumberland.co.uk

www.cumberlandbusiness.co.uk

Your home may be repossessed if you do not keep up repayments
on a mortgage or any other debt secured on it.