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# Property Assist

# Helping your family get onto the property ladder

**Frequently Asked Questions to help both the borrower and the family member (supporter) to understand the property assist proposition.**

**Please read 'family member' and 'supporter' as being interchangeable throughout this document.**

**How does it work?**

Many first-time buyers find it difficult to save the necessary deposit to get themselves onto the first rung of the housing ladder.

At the same time the wider family may want to help, but do not have the available cash to gift.

Family members may, however, have property which can be used as security for the borrower, which will allow the borrower to access a mortgage **without the need for a deposit**. If the family member has equity in their home, they can use part of this equity to offer as security.

It is important to note that the impact of the borrower providing no deposit means that there is a higher risk of negative equity, which happens when the amount owing on the mortgage is more than the property is worth.

**Who can apply for a Property Assist Mortgage?**

The Property Assist Mortgage is available to 18+ year-old first-time buyers who are UK residents and wish to buy a home in England and Wales. The borrower must have sufficient income to afford the mortgage repayments.

The Property Assist Mortgage can't be used for interest-only mortgages, newbuild, Right to Buy, shared equity or shared ownership properties.

**Who can be classified as family (supporter)?**

Parents, step-parents, grandparents or siblings.

**Who owns the property?**

Like any other mortgage, the property is owned by the borrower(s). Whilst family members may provide financial support, they have no rights to the property.

**How much can I borrow?**

We will lend up to 100% of the value of the property, subject to a maximum of £500,000 (£80,000 minimum). The actual amount you can borrow will depend on your income after the deduction of household expenses and other financial commitments.

**How much of a charge will be put on the property?**

To allow a mortgage with no borrower deposit, the family member would need to agree to some of the equity in their residential home being used as security. They would do this by giving what is called a 'legal charge' for an amount of equity equal to 20% of the value of the property to be purchased. For example, for a borrower to secure a 100% loan-to-value (LTV) mortgage for a property valued at £150k, a charge of £30k would be required on the family property.

**How much equity does a family member need in the property to qualify?**

The total of the charge and any mortgage on their home must be no more than 50% LTV, inclusive of the supporter charge.

**How long will the property charge be in place?**

The charge will be released when either

A. the borrower's mortgage debt has been repaid in full; **or**
B. on written request by the borrower or family member, at any time after eight years from the date the mortgage completed, provided the following conditions are met at the time of the request:

- The amount of the borrower's mortgage outstanding does not exceed 80% of open market value for the property
- The borrower has made all monthly payments in full when due in last 12 months and the mortgage account is up to date and not in arrears
- The borrower is not in breach of their obligations or terms and conditions.

**When may the property charge be acted on? Is the family member's home at risk?**

It's important to note that the Society will only enforce the security taken over the family member's home as a last resort, and it would only be enforced after all other options have been explored.

Offering security by placing a charge on the supporter's property means that if the borrower's house is sold (after costs) for less than the mortgage value, which is known as negative equity, the supporter(s) is/are responsible for making up any shortfall, up to the value of the charge, while the charge is in place.

Liability is limited to the amount of the security.

All supporters will be required to take independent legal advice before the borrower is committed to the purchase, as a condition to the mortgage.

**What information is communicated to family members about the borrower's mortgage?**

Annual mortgage statements will only be provided to the borrower because the family member isn't responsible for maintaining the mortgage payments. The Society will notify you if the borrower is in breach of any of the terms and conditions of their mortgage which could result in the Society deciding to take steps to enforce the security provided by you and/or the borrower.

**What happens if the family member dies or becomes bankrupt?**

The charge on the property would continue after these types of events. If the house is sold, for example, by the executors of the estate, the charge, similar to a mortgage, would become payable. The Society would use the money received in this instance to reduce the borrower's mortgage.

In the event of your death, this can have implications for the distribution of your estate. You may wish to review your Will to take account of the support being provided through the Property Assist mortgage and simplify administration of the estate. Alternatively, it may be possible to arrange appropriate life insurance to cover this eventuality. Please speak to your financial advisor.

**Valuation costs**

A physical valuation will need to be completed on the purchase property at the borrower's expense. The valuation of the family property must be paid for by the supporter, if a physical valuation is required.

**Why do family members need to get independent legal advice?**

It is a condition of the mortgage that family members get independent legal advice to ensure they understand the commitment they are making and the risks involved, before providing a legal charge over their property. To avoid a conflict of interest, family members can't use the same solicitor who is conducting the conveyancing on the Property Assist mortgage, but could appoint another solicitor from the same firm.

**Credit and affordability checks**

The amount the borrower can borrow is determined by their income and status only. As a consequence, credit and affordability checks will only be undertaken on the borrower.