

Product Guide

Shared Ownership & 'Homebuy Schemes'



20th March 2008

Highlights:

CCJs based on number rather than value

Fixed rates now a full 2 or 3 years from completion - no set dates

Shares available from 25% to 75%

Up to 100% LTV on purchase and remortgage

Funds reserved for 30 days, subject to application meeting the lending criteria

ZERO

ONE

TWO

CCJs – Cleared or not (per applicant)	0	1	2
Arrears – Cleared or not * proof of last 3 months' contractual mortgage payments required if remortgaging from a non conforming lender	0 in last 12 months	1 in last 12 months*	2 in last 12 months* (max 1 in last 3 months)
Bankruptcy	Not accepted	Not accepted	Discharged 3 years or more
IVA	Not accepted	Not accepted	Satisfied 3 years or more

Maximum LTV (of a share)	95%		100%		95%		100%	
	2 Year Fixed - Status from completion Purchase and Remortgage	8.84%	9.24%	9.34%	9.59%	9.59%	9.99%	
2 Year Fixed - Self Certification from completion Remortgage only	9.04%	9.44%	9.54%	9.79%	9.79%	10.19%		
3 Year Fixed - Status from completion Purchase and Remortgage	8.69%	9.09%	9.19%	9.44%	9.44%	9.84%		
3 Year Fixed - Self Certification from completion Remortgage only	8.89%	9.29%	9.39%	9.64%	9.64%	10.04%		
Reversionary rate - Purchase and Remortgage Status (based on LIBOR at 5.74% set on 01/03/08)	9.13%	9.33%	9.38%	9.63%	9.68%	10.13%		
Reversionary rate - Self Certification (based on LIBOR at 5.74% set on 01/03/08)	9.33%	9.53%	9.58%	9.83%	9.88%	10.33%		
Available Share - Minimum	25%		25%		25%			
Available Share - Maximum	75%		75%		75%			
Completion Fee (cannot be added to loan)	£795		£795		£795			
Maximum Loan	£300k		£300k		£300k			
Minimum Loan/Valuation (whole property)	£30k/£60k		£30k/£60k		£30k/£60k			

Early Repayment Charge

6% of the outstanding mortgage balance during the fixed rate period, then 1% or 1 month's written notice thereafter

Acceptable Schemes

Shared Ownership and other 'Homebuy' schemes are acceptable as confirmed below and available only to properties purchased with Housing Associations or Registered Social Landlords (RSLs) in England and Wales only.

Shared Ownership

Shared Ownership properties are jointly owned by the borrower(s) and the Housing Association/RSL. Typically, in addition to the mortgage, the borrower(s) will pay rent on the portion owned by the Housing Association/RSL:

'Social HomeBuy' England Only	For existing Council and Housing Association tenants buying a share of their existing home.
'New Build HomeBuy' England Only	For 'Key Workers' and other priority groups buying a share of a new property on specific Housing Association developments.
Other Housing Association Schemes England & Wales Only	Operate on a similar basis to those above but are financed independently of the Government.

Shared Ownership acceptance is subject to the following special criteria:

Preferred must have written confirmation that the loan is covered by the Mortgagee Protection Clause (MPC). Staircasing up to 100% must be allowed by the Lease and the Lease must not restrict exercising of Staircasing rights for more than 12 months from Lease commencement. The Landlord must be an RSL. The Shared Ownership offer from the RSL, along with scheme details, must accompany the application. On initial purchases, the advance cannot exceed the value of the share being purchased. On Staircasing / remortgages the RSL must consent to the loan, the MPC must cover the full amount of the advance and the purpose of the loan must be approved by the RSL. Preferred require terms and conditions of offer and entitlement to purchase the shares on all cases. A fully completed Preferred reference form is required for remortgage or Transfer purchases.

Other 'Homebuy' Schemes

Where properties are purchased on the open market and are partly financed by the Housing Association/RSL via an interest / rent free equity loan, secured as a second charge:

'Homebuy' England Only	For 'Key Workers' and other priority groups. Borrower(s) usually contribute 75% using their own savings / mortgage and the Housing Association / RSL contributes the remaining 25%. Please note this product does not apply to the 'Open Market HomeBuy' scheme
'Homebuy' Wales Only	Welsh Assembly sponsored, similar to the English scheme except that 'shares' can start at 50%, but normally at 70%.

Acceptance of these 'Homebuy' schemes is subject to the following special criteria:

All borrowers must be registered proprietors of the property. The second charge holder must be an RSL and must contribute at least 25% of the initial purchase price. The total advance made by Preferred for purchasing the property must be no more than 75% of the purchase price. The RSL's equity contribution must not be subject to periodical payments of rent or interest by the borrower(s). A fully completed Preferred reference form is required for remortgage or Transfer purchases.

Unacceptable Schemes

This product does not apply to properties purchased under the following schemes:

Private Developer's schemes

All schemes in Scotland and Northern Ireland

'Open Market HomeBuy' scheme

Solicitors

England & Wales

A minimum of a two-partner firm is required. Licensed conveyancers and sole practitioners are unacceptable. Solicitors recommended by the Housing Association / Registered Social Landlord are acceptable. Alternatively, the following firms are familiar with this type of product and Preferred's lending criteria and are therefore acceptable:

RTL	Solicitors Elm Court, Cowbridge Road, Bridgend, CF31 3SR Tel: 01656 665850 Fax: 01656 665851
TLT	One Redcliffe Street, Bristol, BS1 6TP Tel: 0117 9177777 Fax: 0117 917777
SGH	30 Farringdon Street, London, EC4A 4HJ Tel: 0207 5445555 Fax: 0207 5445565
Shoosmiths	The Lakes, Northampton, Northamptonshire, NN4 7PD Tel: 08700 862200 Fax: 08700 862008
Prince Evans	77 Uxbridge Road, Ealing, London, W5 5ST Tel: 0208 5673477 Fax: 0208 8407757

Call **0800 458 4002[†]** or visit **www.preferredmortgages.com**
or **Speak to your packager**

Preferred Mortgages General Criteria

For full terms and conditions refer to Preferred's Intermediary Manual at www.preferredmortgages.com

Green colour represents recent changes

Property Locations:

Properties in England and Wales. Shared Ownership products are not available for purchases in Scotland and Northern Ireland.

Reversionary Rate:

On expiry of the Fixed Rate period the interest rate will revert to a variable rate of LIBOR plus the product margin and any applicable loadings.

Interest Calculation:

Interest is calculated daily and charged monthly in arrears.

Repayment Method:

- Capital & Interest
- Interest Only
- Part & Part

For Interest Only or Part Interest Only, details of the repayment vehicle are required on the application form.

Fees:

- **Completion Fee:** Cannot be added to the loan.
- **Higher Lending Charges:** Do not apply.

Adverse Credit:

The following will be allowed:

- CCJs
 - Satisfied more than 12 months.
 - Registered more than 2 years ago, satisfied or unsatisfied.
- Defaults
- Arrears over 12 months old.

Subject to satisfactory explanation of adverse (where required).

Minimums and Maximums:

Minimum Income:

£10,000 per annum per application. Please refer to the Intermediary's Manual for details of eligible income.

Minimum Employment Period:

- **Verified Employed:** No minimum employment term.
- **Self Certification Employed:** Not accepted.
- **Verified Self Employed:** Minimum 12 months self employment history.
- **Self Certification Self Employed:** 6 months trading.

Self Certification:

- Self Certification of income only available for remortgage applications from Self Employed applicants.
- A confirmation phone call will be made to all applicants Self Certifying their income.

Minimum / Maximum Age:

18 years / 64 years at application and 74 years at the end of term.

Minimum / Maximum Term

5 years / 35 years (subject to above age limits).

Minimum Lease:

35 years at the end of the mortgage term.

Debt to Income Ratio:

Based on affordability. Log onto www.preferredmortgages.com or request a decision via our Approval in Principle service. The model accurately deducts tax, national insurance, outgoings and estimated household expenditure from the gross monthly income. It then calculates the maximum loan from the remainder given the requested loan term and the reversionary rate for the product selected.

Outgoings Excluded:

- Credit card / loan balances that are £500 or less.
- Commitments that have less than 7 months to run.

Outgoings Included:

- Monthly rental commitments.
- Monthly repayments for all other loans.
- 3% of credit card balances greater than £500.
- All other regular outgoings.

Housing Benefit:

None in the last 6 months.

Proof of Mortgage Payments:

- Arrears (within the last 12 months) on all secured loans and mortgages including Buy to Let, now taken into account for product eligibility.
- On product One and Two proof of last three months' contractual mortgage payments required if remortgaging from a non conforming lender.
- Refer to Intermediary Manual on the Preferred's website for list of non conforming lenders.

Further Lending:

Should the applicant(s) wish to purchase a further share in their property at a later date, please note that this mortgage cannot accommodate further advances / lending.

Solicitors:

Where solicitors are acting on behalf of Preferred Mortgages and the applicant:

- In England & Wales firms MUST have a minimum of 2 partners and be currently registered at the Law Society.
- Licensed conveyancers and are unacceptable

Buildings Insurance:

Required for the level of cover recommended by the valuer – All cases must have a minimum of 1 month (6 months where the valuer has confirmed special insurance risk) insurance cover remaining at the completion date.

Information correct at the time of going to print. If you require a large text version of this document, please contact marketing@preferredmortgages.com

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