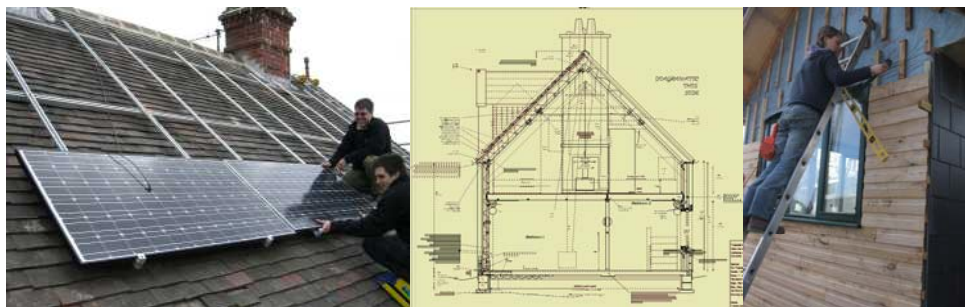


# Additional borrowing

Applying for a further advance to increase your mortgage



## Addendum

The mortgage market has seen a lot of change since the end of 2007 and the uncertain economic conditions have had an effect on both house prices and affordability. We've always made efforts to act in the best interests of existing and potential borrowers and in these difficult times, as a provider of ethical finance, we're doing all we can to help ensure that you're not going to struggle to meet mortgage payments. As a result we have amended the maximum loan to values as shown below.

Additionally, any 'interest-only' portion of your mortgage will not be extended where the revised balance is greater than the maximum available. The table below summarises the options available for our Residential Owner Occupiers Mortgage.

Income Multiple	Maximum loan-to-value (LTV)	
	Repayment Basis	Interest-Only (10% less)
2.5 times	85%	75%
3 times	80%	70%
3.5 times	60%	50%

For Buy-to-Let mortgages, additional borrowing will not be available on an interest-only basis.

For further information  
 Call – 0845 674 5566  
 Email – [loans@ecology.co.uk](mailto:loans@ecology.co.uk)  
 or write to the address below

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# Additional borrowing – how to increase your mortgage

Any extra money you borrow from the Ecology, in addition to your original mortgage, is known as a further advance. You should have received a further advance application form with this brochure and a personalised repayment illustration. Please call the mortgage department if you need either of these documents.

## What could a further advance be used for?

People increase their mortgage for many reasons. The Ecology will consider additional borrowing in the following circumstances:

- to undertake general home improvements, such as a loft conversion, installing new windows (non-uPVC), an energy efficient boiler, central heating, improving insulation
- to install renewable energy systems such as solar water heating, photovoltaic cells, ground source heating, wind turbines, or water conservation measures such as reed bed water treatment or rainwater harvesting systems
- to convert or renovate existing outbuildings on your property to increase your living space or provide a home workspace for your business
- where there have been changes to the original renovation or construction plans resulting in increased costs

These are just some of the situations where you may need to apply for extra funds. Please call the mortgage department to discuss your specific requirements. We will need to see outline costings for large projects. **Remember to check whether you require planning permission or any other building consents before carrying out the intended works.**

## How much more can I borrow?

The amount we can actually lend you will depend on an assessment of your ability to repay the mortgage. This means we will need to consider your income and outgoings to be sure you can afford the monthly repayments. If you want all or part of your mortgage to be on an interest-only basis (or have indicated that you intend to rely on your investments to help pay your mortgage), we will also need to check your savings arrangements.

We will normally lend up to 3 times the gross basic income of borrowers in employment and 3 times your net profit if self-employed. We will need to see the last three years' accounts for self-employed borrowers. Overtime, bonuses or commission can also be partly taken into account.

The balance outstanding on your existing mortgage plus the further advance should not total more than three times your sole or joint income(s). However, there is scope for flexibility and your individual requirements can be discussed with a member of the mortgage department.

For Buy-to-Let mortgages we must ensure that the rental income exceeds the new monthly mortgage payments by at least 35%.

### **Will I need a re-valuation of my property?**

We normally require a re-valuation in order to assess the current value of the property in relation to your mortgage debt. The re-valuation will be conducted by the original valuers where possible and is necessary where the last valuation is more than 12 months old and so is out of date, or where substantial renovation/conversion works have been completed since the last valuation, which will affect the current value. The illustration sent with this brochure gives details of the estimated amount of the re-valuation fee and when it is payable.

Your total mortgage balance cannot exceed 85% of the revised property value for residential mortgages, and 70% for Buy-to-Let mortgages. Where substantial works are being carried out to the property you must supply a schedule of outline costings, which we will pass on to the valuer. From these costings the valuer is able to provide an estimated completed valuation figure.

If you require funds that will take your total mortgage balance beyond 85% of the current value, then the further advance offer will be up to 85% of the estimated completed property value, with funds being released in stages as the works progress and the value increases. In this instance further re-valuations will be required to verify the increased value during the works.

### **Will my buildings insurance be affected?**

When your property is re-valued, the valuer will also provide us with a revised valuation figure for buildings insurance purposes. If this figure is greater than the existing level of cover, then we will ask you to increase the cover up to the figure recommended by the valuer and provide a copy of your revised building insurance schedule.

For those borrowers who have cover with Bluefin Insurance Services Ltd, the Society will arrange for the cover to be increased on your behalf. You will be contacted by Bluefin shortly after the re-valuation and they will confirm any additional premium payable for the increase in cover.

### **Will my further advance operate differently from my existing mortgage?**

Basically, the answer to this is no – not unless you want it to.

**Term** – the further advance will operate over the same number of years your existing mortgage has left to run, unless you request a longer or shorter term.

**Interest Rate** – the interest rate that applies to your further advance will normally be at the same rate as existing borrowing, including any discounts that may apply to the loan type in question. This will be calculated in the same manner on a daily basis which reduces the overall lifetime cost of the borrowing.

**Discounts** – if your existing mortgage is receiving a long-term loyalty discount or a Saver's discount, then your further advance will receive the same discount unless your additional borrowing qualifies for a C-Change discount.

If your mortgage is due to receive a discount from the standard variable interest rate, your further advance will receive the same discount at the same time unless your additional borrowing qualifies for a C-Change discount.

- ***C-Change discounts***

These discounts are available on funds borrowed either to specifically fund energy efficiency and renewable energy measures, or for properties that achieve high ecological ratings. Full details are contained in ***Our C-Change discounts*** leaflet.

**Repayment Basis** – generally your further advance will operate on the same basis as your original mortgage, unless you request a different method i.e. capital repayment or interest-only.

- ***Capital Repayment mortgages***

Monthly payments include the interest and a proportion of the capital sum borrowed. This means that your debt gradually decreases year by year. If all payments are maintained the loan should be repaid by the end of the mortgage term.

- ***Interest-Only mortgages***

Monthly payments only cover the interest and your debt does not reduce over time. We need to see evidence that you have an investment scheme in place such as an endowment policy, pension plan or ISA account to repay the capital sum at the end of the mortgage term.

- ***Part & Part mortgages***

In this situation part of the mortgage operates on a repayment basis as detailed above and part on an interest-only basis as described above.

For any further advances requested on an interest-only basis we will need confirmation of the means of repaying this amount at the end of the term. We also require up to date illustrations of the anticipated maturity value of your policy, which you must request from the policy provider. For existing interest-only Buy-to-Let mortgages evidence of means of repayment is not required.

**Monthly Mortgage Payment** – naturally your monthly payment will increase in accordance with the extra borrowing. You will have received a mortgage illustration with the further advance application form, which will indicate the change in your repayments.

**Early Repayment Charges** – over and above your regular monthly payment, you may repay part or all of the outstanding balance on your mortgage at any time (including any further advances), however if you repay more than 10% of the outstanding balance in any one month during the first four years of the original mortgage term, we will apply an early repayment charge. After this time, early repayment charges will not apply to the original sum advanced or any additional borrowing.

Any such early repayment charge will be equivalent to three months' interest at the rate applicable at that time. However, if this rate is higher than that which applied

when you first took out your mortgage, we will calculate the interest on the lower, original rate. This charge will be waived if repayment takes place following the death of either the borrower or the borrower's partner. It will also not apply if you are taking out a new mortgage with the Ecology and the new mortgage commences on the date the original mortgage is repaid.

Following receipt of a lump sum or regular overpayment, the amount that you owe, and so the amount of interest you pay, is reduced immediately.

### **Conditions for underpayments and payment holidays (For residential owner-occupiers)**

The Society offers the facility by prior agreement for our residential owner-occupier borrowers to take a payment holiday or a period of underpayment even where overpayments have not previously been made, subject to the following requirements:

- The period for which the payment holiday or underpayment applies must be by prior agreement of the Society. We would normally expect to be able to give consent provided that you have complied with the relevant conditions applicable to your mortgage
- The arrangement must not exceed six months
- The cumulative period of any such arrangements during the life of the mortgage must not exceed 12 months
- The mortgage has been in existence for a minimum of one year
- No incidence of arrears in the previous two years
- Each arrangement must be preceded by six full contractual monthly repayments
- The mortgage must be less than 90% of the value of the home at the end of the agreed period
- All contractual repayments must be made by direct debit
- If underpayments have been agreed on an interest-only basis and there is a subsequent change in the interest rate during the period of underpayment then we will ask you to amend the monthly payments accordingly

We expect that this facility would usually be of most value in certain circumstances such as maternity or a career break.

You should note that as a result of the payment holiday or underpayment period the balance outstanding will be higher than it would have been if normal payments had been retained. You will have to repay the increased mortgage debt and any extra interest due on it over the remaining mortgage repayment period. This means you will see your monthly payments rise to take account of this. The Society will advise you before the end of the agreed period of the expected monthly payment which will subsequently apply.

No charge will be made for use of these extended facilities. This facility does not currently extend to our Buy-to-Let, Housing Co-operative or other commercial or corporate borrowers.

### **What happens if my circumstances change?**

After the release of the additional borrowing, you could experience a change in personal circumstances (death of a partner, divorce, long term illness, loss of employment). If this happens to you and causes financial difficulties, it might affect your ability to keep up with your increased mortgage payments. The sooner you tell us of any difficulties, the more chance we have of being able to work out an arrangement to avoid problems such as the loss of your property.

### **What happens if I move house?**

You can move this mortgage to a new property. This would be subject to our usual financial and ecological lending criteria. If you are (or become) eligible for a long-term or Savers discount, it can be carried forward to any similar mortgage in the future. Any early repayment charge you might have to pay will normally be waived if you take out another mortgage with us.

### **I have a second mortgage on my property with another lender. What will happen?**

The Ecology can only take a first charge on your property, which means our mortgage ranks first before any other lending secured against your home, should the Society be forced to seek re-possession. Where another lender takes a second charge, we must contact them to seek their consent to their charge being postponed in favour of the further advance. They will sign a deed of postponement, which allows the further advance to be included in the first charge, along with the original mortgage.

Where the second charge is held by an individual, they too will need to sign a deed of postponement (after having taken independent legal advice).

### **When will I receive the offer?**

Once we have been able to satisfactorily establish your income via employer's/ accountant's references, and have received a satisfactory re-valuation report (where necessary), we will be able to issue the further advance offer. This offer may be subject to one or more special conditions, for example, subject to confirmation that your buildings insurance has been increased.

When you receive the offer please ensure you understand and can satisfy any special conditions which may apply. Please also ensure that it is signed by all borrowers who are party to the mortgage and then return it to the Society along with any documentation that may have been requested.

Once we receive the signed offer, the cheque is normally sent out the same day and can, if you wish, be made payable to a third party e.g. a builder, or to only one party to the mortgage, so long as this has been specified on the offer. Alternatively, the funds may be transferred directly to your bank account, or released in stages if you require. When the funds are released we will confirm your new mortgage account balance, the new monthly repayments and when they are effective from. The administration fee

for arranging a further advance is stated in your illustration and is quoted in the *Tariff of mortgage charges*.

## Standard of Service

All new residential mortgages completed since 1 November 2004 are known as '*regulated mortgage contracts*'. The Financial Services Authority (FSA) has laid down detailed rules about '*regulated mortgage contracts*' regarding the information we must provide and how we must treat you while you remain our borrower.

The policy adopted by the Society under these rules is not to offer you formal advice about our products but to provide you with full information about the particular type of residential mortgages and additional borrowing facilities we have available, so you can decide if it is what you require.

We follow a similar approach in relation to our other mortgages where the FSA's rules do not apply.

Our FSA register number is 162090. You can check this on the FSA's Register by visiting the FSA's website [www.fsa.gov.uk/register/](http://www.fsa.gov.uk/register/) or by contacting the FSA on 0300 500 5000.

## Solving problems

Our aim is to provide a high standard of service to all our borrowers. However, occasionally things can go wrong. When this happens, we want to put matters right as quickly as possible. We will handle any complaints which arise while you are borrowers fairly and speedily and will let you have details of our Internal Complaints Procedure on request. If we cannot resolve any complaint to your satisfaction, you will be able to refer it to the Financial Ombudsman Service.

## Further details

Please refer to the *Current mortgage rates & charges* for details on the charges which apply to your mortgage and further advance.

**YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE**