CeMAP 2&3 Online

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Agenda

- The examination and exam techniques
- Unit 3 – Legal Aspects
- Unit 4 – Application for mortgage
- Unit 5 – Protection
- Unit 6 – Methods of repayment / Mortgage product options / Post-completion matters
- CeMAP 3

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The examination

Computer based exam

Four units in CeMAP 2, i.e. 4 separate exams:

- Units 3 & 4: 25 MCQs, 17/25 to pass each unit
- Unit 5: 20 MCQs, 14/20 to pass this unit.
- Unit 6: 30 MCQs, 21/30 to pass this unit.

The total time allowed 120 minutes:

- Units 3 & 4: 30 minutes
- Unit 5: 24 minutes
- Unit 6: 36 minutes

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Examination technique

- Know the exam and do the study
- Answer **all** of the questions
- Read the **full** question, and answer the question you are given
- Take your time, and don’t panic
- Don’t change your answer – unless you are sure
- Use the three pass technique

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CeMAP Two

UNIT 3

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TOPIC 1

Property and Mortgage Markets

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What affects the mortgage market?

- Interest rates
- Inflation
- The economy
- Supply and demand
- Government action
- Non-property funding

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Providers offering mortgage finance

- **Banks** (& challenger banks)
- **Building Societies** – restricted to devoting MIN 75% of their total lending on residential mortgages.
- **Insurance Companies**
- **Specialised Mortgage Companies** – lend on centralised basis, funded from the wholesale market and operate through intermediaries. Common for them to securitise their loan book.
- **Mortgage Packagers** – middlemen operating between lender and intermediary/customer
- **Sub-prime** and **specialist lenders** – for borrowers who represent a higher risk than normal

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TOPIC 2

Types of Borrower

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Types of Borrowers

- Private - 1st / subsequent buyer
  - HNW – min £300K annual income / £3M net assets
  - Professional customer – worked in home finance sector for min 1 year in professional position and understands product to be arranged
- BTL – Consumer / Business – Affordability factors

- Personal representatives / attorneys (POA) / trustees (trust deed)

- Business Partnerships
  - Partnership agreement

- Limited Liability Partnership (LLP)
  - Not regulated

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Types of Borrowers

- Clubs and Associations
  - Set of rules
- Special Purpose Vehicle
- Corporate borrowers
  - Lending to a Ltd company
  - Not regulated
  - Memorandum and articles of association
  - Building society restrictions
- Commercial borrowing
  - Based on **the property** the mortgage is secured on
  - May be to individual or company

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Vulnerable customers and those who cannot borrow

- Vulnerable customers:
  - May be because of e.g. physical/mental disability, weak numeracy or literacy skills but will also include:
  - Those buying a property using RTB
  - Those entering into a sale and rent back agreement
  - Equity release applicants
  - Customers whose main purpose is debt consolidation
  - **MUST** receive advice and **CANNOT** proceed on an execution only basis
- Those who cannot borrow:
  - Minors (<18)
  - Mentally incapacitated
  - Undischarged bankrupt (>£500)

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Insolvency and Bankruptcy

Insolvency – a person's liabilities exceed their assets and they cannot meet their financial obligations within a reasonable timescale.

Bankruptcy

- Min debt £5000
- Declared bankrupt through county court
- Trustee in bankruptcy seizes assets (except those required for work or to provide a basic standard of living), sells them and uses funds to pay court fees and clear as much of the debt as possible
- 'Undischarged' bankrupt for 12 months and cannot borrow during this time to acquire an interest in a property.
- Borrowing:
    - If **<£500** no need to declare to lender unless asked
    - If **>£500** must disclose the bankruptcy to any potential lender

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Individual Voluntary Arrangement & Debt Relief Order

IVA

- Formal agreement between debtor and creditor to make reduced payments over agreed period (normally 5 years)
- After this period the debt is normally deemed to be settled
- Equity clause

DRO

- Order granted by official receiver to individual with debts less than £20K
- Must have limited assets and disposable income and be unable to repay debts
- Prevents creditors from seeking repayment without agreement of a court whilst the DRO is in place
- Debt normally written off after 12 months

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POA, EPA, LPA

Parties: Donor, Attorney and Deputy

- Ordinary POA
  - ceases on mental incapacity
- Enduring POA
  - Only for finance element and could not set up new one since 1/10/07
  - Acts as ordinary POA whilst donor has mental capacity
  - If donor loses mental capacity it must be registered with the Office of the Public Guardian so the attorney can continue to act on their behalf

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POA, EPA, LPA

- Lasting POA (since 1/10/07)
- 2 elements:
  - **Property and Affairs** – if donor agrees, can be registered and used before they lose mental capacity. May also just be registered when mental capacity is lost.
  - **Health and Welfare** – can only be used when donor has lost mental capacity

- Must be registered with the Office of the Public Guardian before it becomes effective

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TOPIC 3

Mortgage Regulation

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Mortgages

Mortgage definition

Legal charge – priority order

Puisine mortgage

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Regulated and MCD regulated mortgages

- Regulated mortgages
  - Completed between 31/10/04 – 20/3/16
  - Loan to individual / trustee
  - Complied with 40% rule
  - Land in EEA
  - Secured by 1st charge
  - STILL covers Lifetime Mortgages – they are **not MCD regulated**
- MCD Regulated mortgages
  - Completed from 21/3/16
  - Updated mortgage regulation
  - Introduced BBTL and CBTL
  - 2nd charge lending now regulated and backdated

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Consumer Protection (Amendment) Regulations 2014

1. General ban on unfair commercial practices

2. Misleading and aggressive practices are assessed to determine their influence on the average consumers' decision

3. There is a blacklist of practices banned because they are deemed to be unfair

If a business fails to follow a code of practice to which it has subscribed, it could be in breach of the regulations.

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TOPIC 4

Principles of Mortgage & Property Law

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Types of Mortgage

- Legal charge
- Demise
- 2nd / subsequent mortgages

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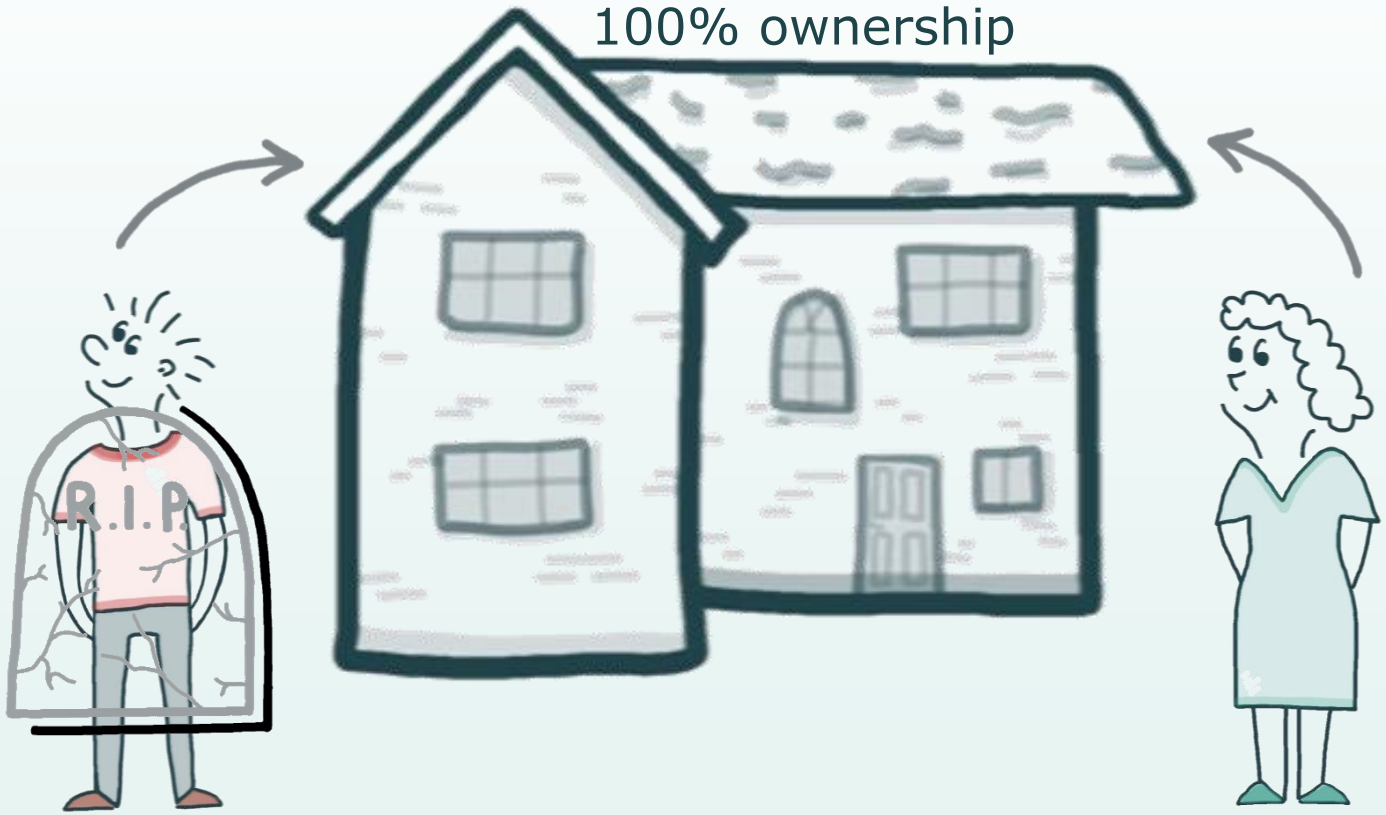
Types of joint property ownership - Joint Tenancy



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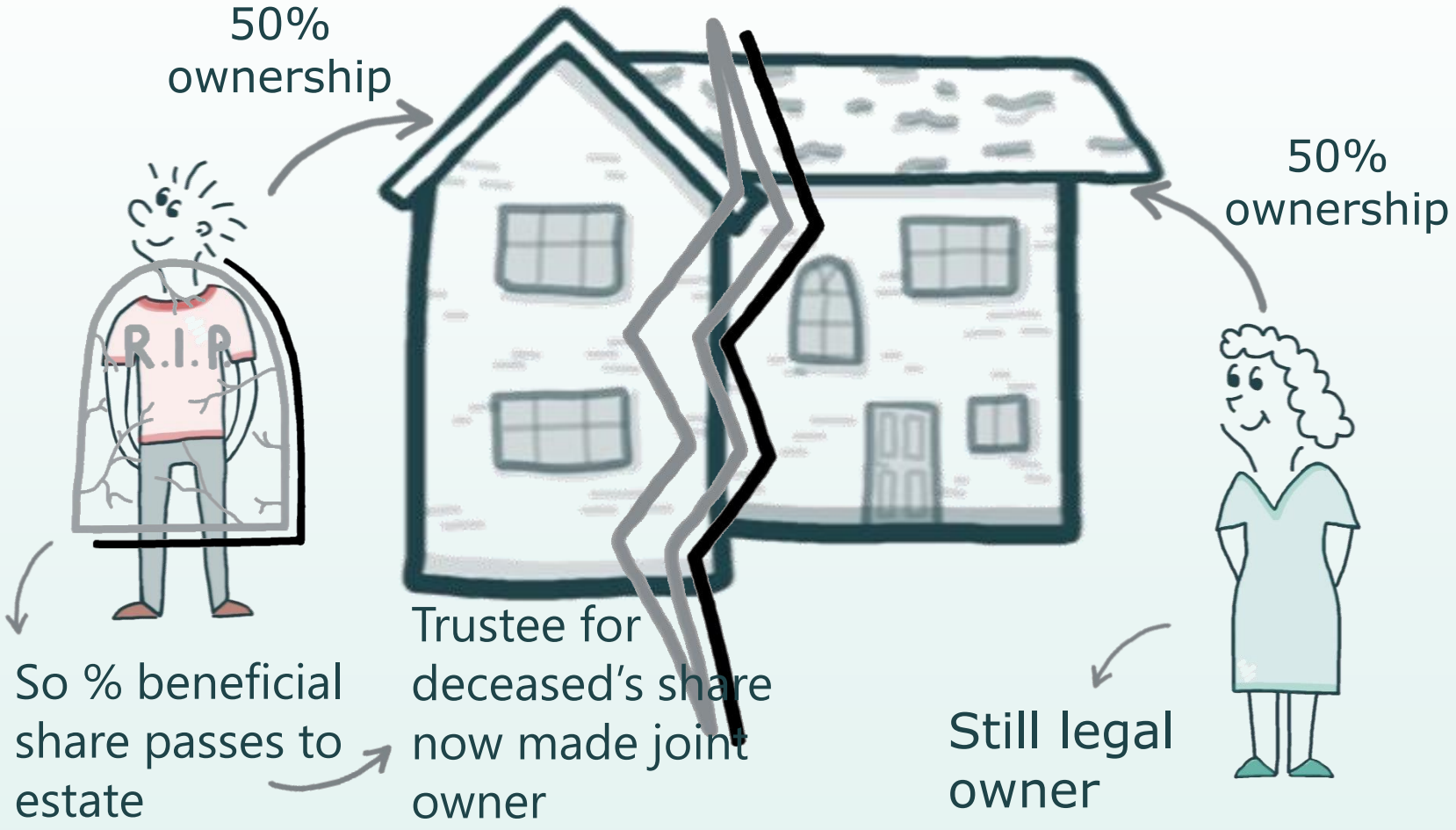
Types of joint property ownership – Tenancy in Common



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Land Tenure -Freehold

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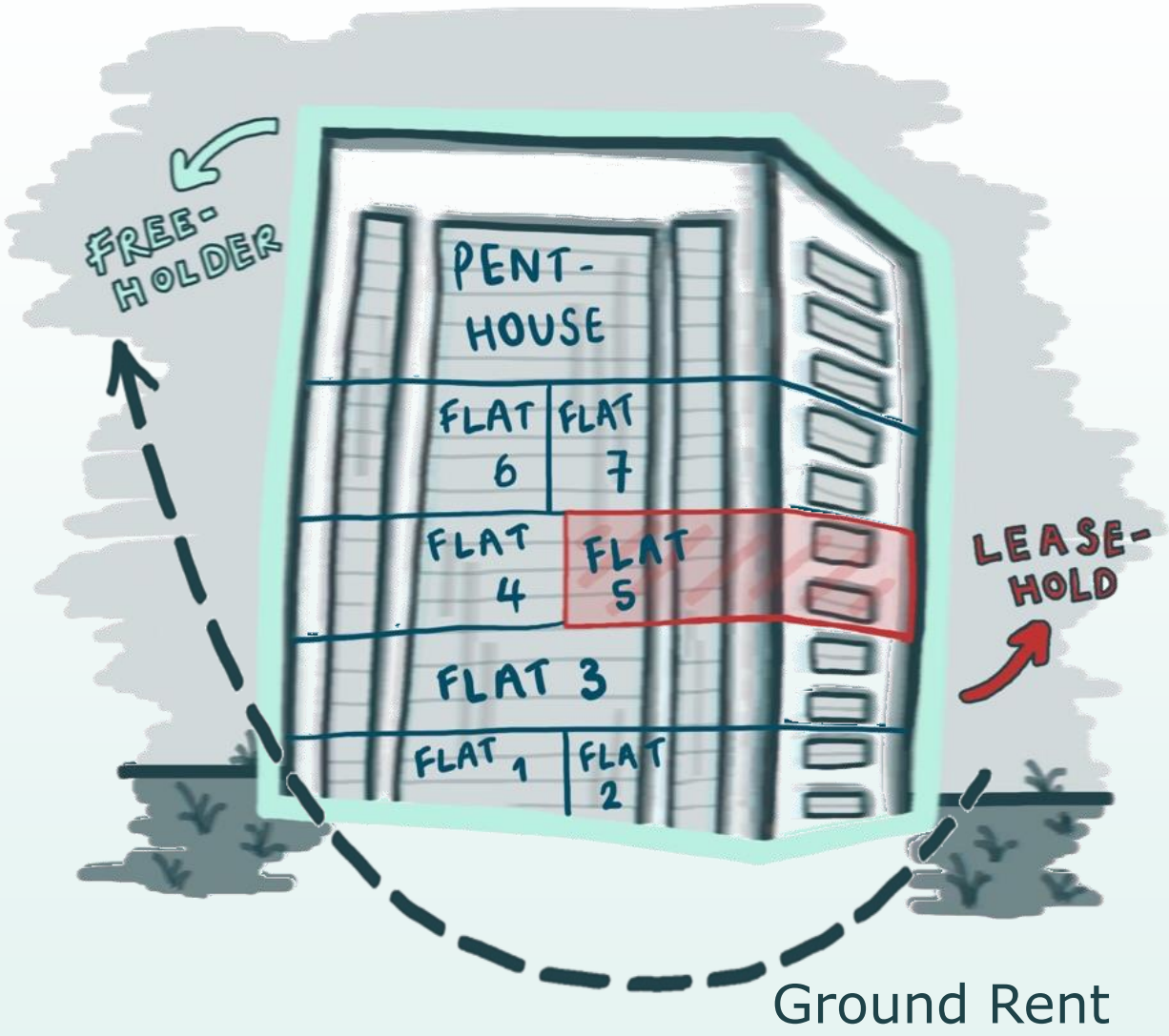
Land Tenure - Leasehold



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Land Tenure – Leasehold – Important factors

- Head Lease
  - Term (years) – Lenders like min 30 – 40 years remaining after end of mortgage term
  - Ground rent payable (usually £50 - £200 p/a)
  - Rights, restrictions & obligations

- Failure to comply = **forfeiture**

- Lender includes clause in mortgage conditions that they can fulfil conditions of lease if borrower does not

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Commonhold and Leasehold Reform Act 2002

- Extend lease by up to **90 years** from **end of existing term**
  - no ground rent payable during extended period
  - Cost to leaseholder must be fair based on open market values
- Collectively buy freehold of a leasehold property
- Introduced Commonhold

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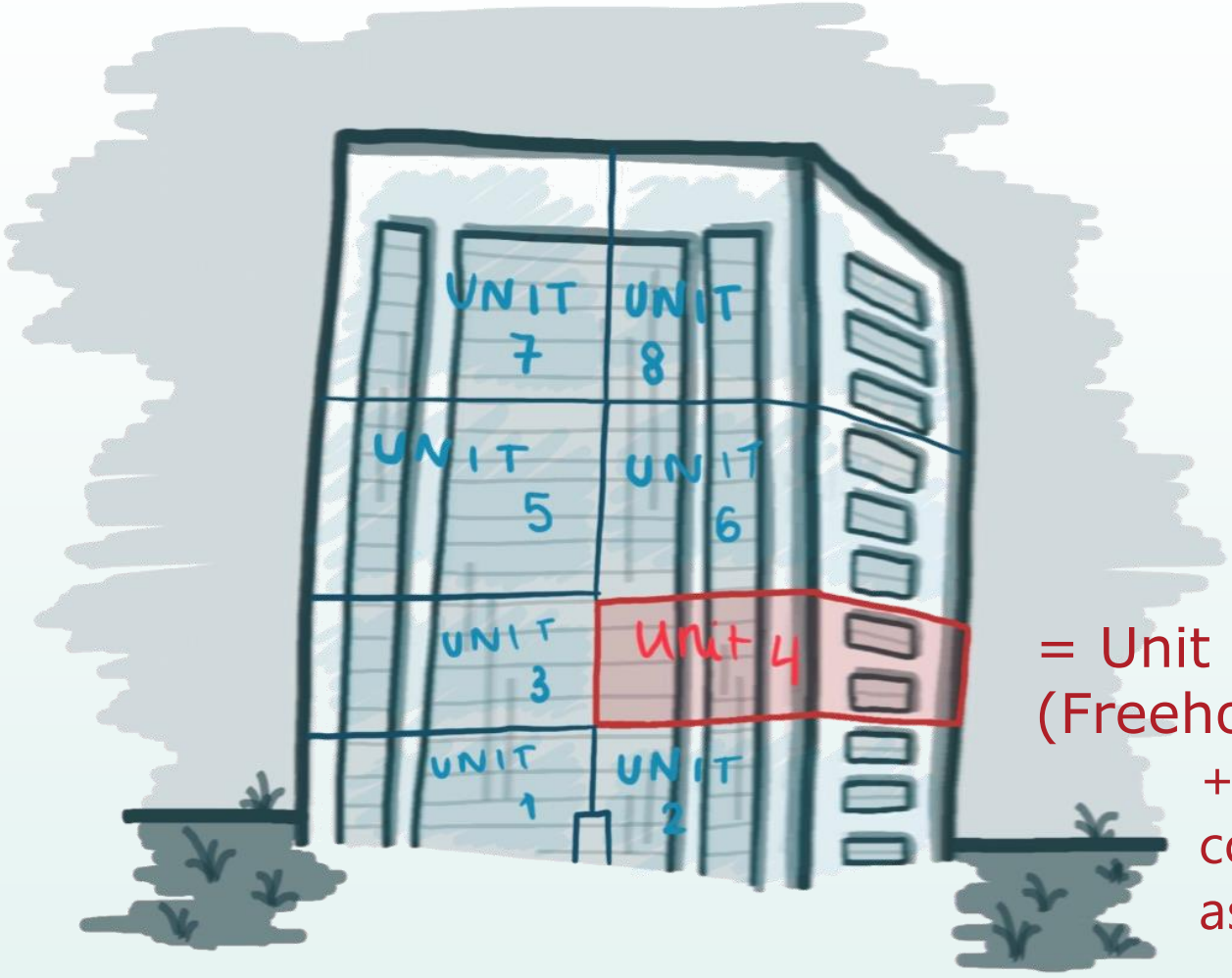
Land Tenure - Commonhold



= Unit Holder (Freehold)

+ owns share in commonhold association

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TOPIC 5

Practical Aspects of Property & Mortgage Law

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Land Registration – Registered Land

- Property Register
  - The land, title number, plan of property
- Proprietorship Register
  - Name and address of estate and owner, date of registration, property restrictions on ownership, nature and class of title:
    - ✓ Absolute
    - ✓ Good leasehold
    - ✓ Possessory
    - ✓ Qualified
- Charges Register
  - Rights of mortgagee, non-owing spouse's interests (Matrimonial Interests), negative easements / restrictive covenants

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Land Registration – Unregistered Land

- Compulsory registration timescales
- Root of Title
- Land Charges Registry – to register rights over **unregistered** land

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Easements and Covenants

Easements:

- Right of way
- Right of light
- Right to ventilation
- Right to hang a sign

- Easement of necessity – encirclement
- Positive / negative
- Dominant / servient tenement

Covenants

- Positive
  - what you MUST do
  - Do not run with the land but may be included as condition of sale
- Restrictive
  - what you MUST NOT do

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Chancel Repair Liability

- Liability is to fund repairs to the chancel of church
- Attaches to the land
  - if ownership changes, new owner called Lay Rector
- 13th October 2013
  - register notice of chancel repair liability on Charges Register for registered land / enter 'caution against first registration' for unregistered land
- Once registered, existing and subsequent owners subject to liability
- If property has not changed hands since 13/10/13
  - the Parochial Church Council can register a notice at any time and both the current and any future owners have a potential liability.
- Insurance

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Title Guarantees

Full, limited or no guarantee

Full and Limited

- the seller must have the right to sell the property
- the seller will do all it reasonably can to give the purchaser the title they require

Full

- The disposal is free from all charges, encumbrances and adverse rights, except those that seller does not know and could not reasonably be expected to know about.

Limited

- Since acquiring the property they have not created any charges or encumbrances over it that still stand, nor do they know of anyone else who has.

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Lender's Rights	Borrower's Covenants
Levy charges	Make payments
Call in the debt - in event of bankruptcy / default	Insure the property - To the lender's requirements
Insure the property - If the borrower fails to do so	Comply with legislation
Meet statutory obligations - If the borrower fails to do so	Seek consent before letting
Let the property after it has been taken into possession	To keep the property in good repair and allow the lender access for inspection purposes at any time
Transfer the mortgage - With the consent of the borrower	Comply with all title conditions - e.g. covenants and easements
Make further advances - Without the need for a new mortgage deed	Leasehold properties - Fully comply with the terms of the lease

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TOPIC 6

Buying a Property: an overview

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House buying process

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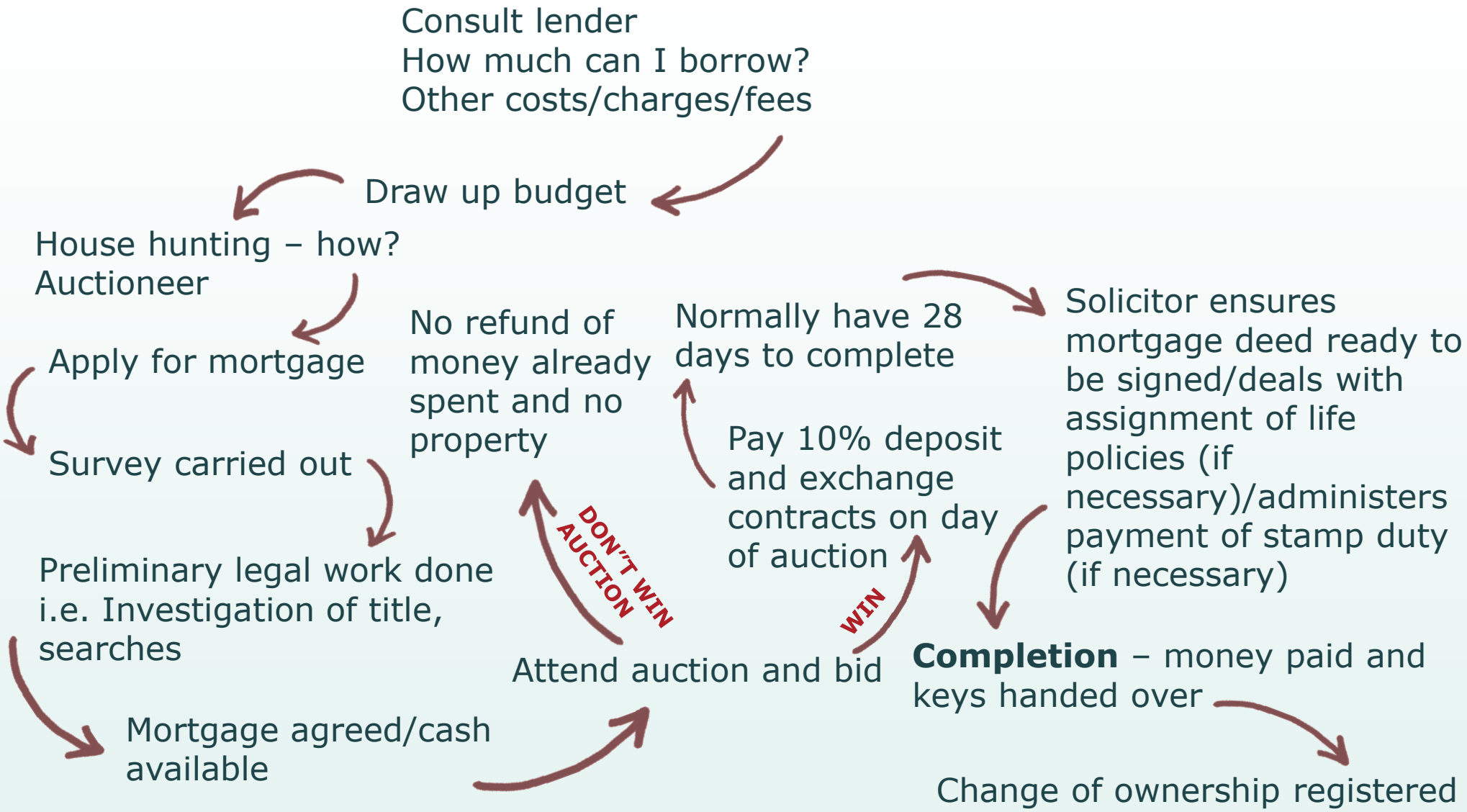
House buying process (cont'd)



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Law of Contract

Basic principles of a contract:

- Agreement
- Offer and acceptance
- Consideration
- Capacity
- Intention
- Bound by Terms

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Principles of Agency

- Principal
- Agent
- Apparent authority
- Ratification

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Role of Estate Agent

- Acts on behalf of SELLER (vendor) only
- Produce marketing material for property
- Market property and secure sale at best price
- DO NOT mislead potential purchasers
- Commission received normally 1-3.5% of selling price but some charge fixed fee

Sole selling rights	Agent has exclusive rights to sell the property and will receive fee regardless if they / the vendor / a 3rd party finds the buyer	Not common
Sole agency	Agent has sole rights but will not get fee if buyer is found by vendor	Most agents charge less if they have sole agency
Joint sole agency	2 agents market the property and split the fee when sold	Commission likely to be higher
Multiple agency	A number of agents market the property. Only the agent who sells the property receives the fee.	Fees tend to be similar to sole agency. Some agents will not work on this basis.

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TOPIC 7

The legal aspects of property purchase

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Role of Solicitor

- Advise client
- Investigation of Title
- Searches
  - Land registry search (registered land)
  - Land charges registry search (unregistered land)
  - Local land charges registry search
  - Bankruptcy search
  - Commons registration search
- Liaise between lender, vendor and purchaser
- Prepare mortgage deed and sales contract
- Exchange contracts
- Completion
- Pay stamp duty (within 14 days of completion)
- Register new owner and 1st charge at land registry

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Title Indemnity Insurance

- Can protect the lender only OR the lender, borrower and any subsequent purchasers of a property
- In the event of defect in the Title e.g. lack of planning permission / listed building consent / lack of rights of access to a property / title condition having been breached
- TII does not remedy the title defect – instead it provides financial compensation in the event of the defect causing actual loss

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TOPIC 8

Regulation and the buying process

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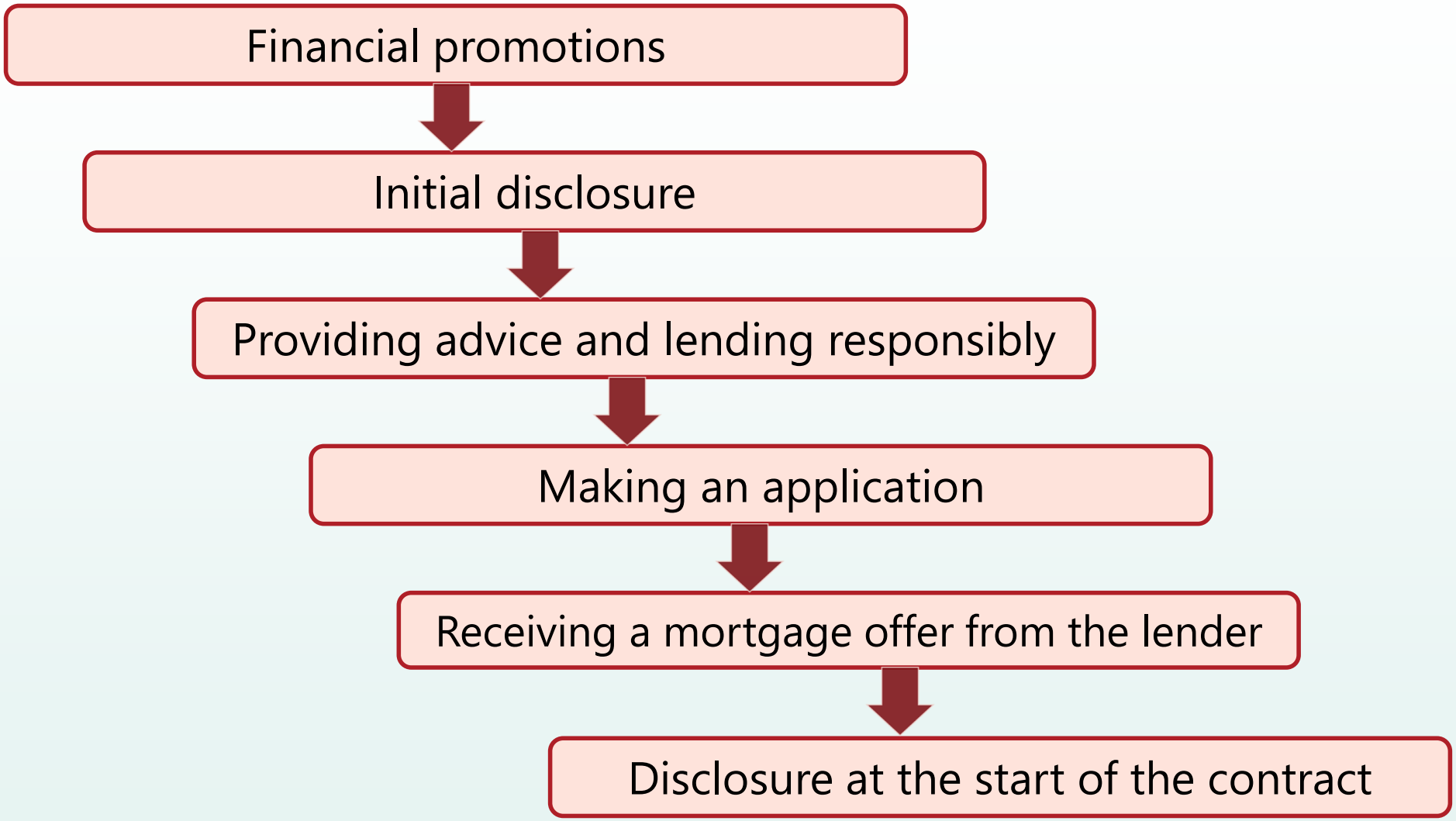
Key regulatory stages in mortgage application process



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Initial Disclosure

- Range of products – Unlimited / Limited range / Single lender
- How firm is remunerated - How fees are calculated / When they are charged / Whether firm will receive commission from the lender
- Alternative finance options - If borrower wants to increase the borrowing secured on their property
- Timing:
  - MCD Mortgages – BEFORE firm carries out any mortgage arranging or advising activity
  - Non-MCD Mortgages – At 1st meeting or when it becomes aware that mortgage activity is required

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Providing Advice

- When advising on an MCD regulated mortgage, the firm must provide an **adequate explanation** (orally or in writing) of the product being recommended.

- It must cover:
  - The information included in the European Standardised Information Sheet (ESIS)
  - Key characteristics of the product
  - The effect the product would have on the customer (including in the event of the customer defaulting on the repayments)
  - The scope of service, fees payable and remuneration, if the advice is given by an intermediary

- Records = Min 3 years from when advice was given

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Execution-Only

- No advice requested by client and none given by adviser
- Adviser is not required to assess appropriateness of request
- Record of execution-only sales must be kept for 3 years from start of contract

Can proceed as exec-only	Cannot proceed as exec-only
• HNW customers	• Those exercising their 'Right to Buy'
• Professional customers	• Vulnerable customers
• Business customers	• Shared equity arrangements
• Customers receiving service through **non-interactive** channels	• If entering into 'sale and rent back' agreement
• There is **interactive dialogue** but the firm's contribution is **limited to**: • factual info on a regulated mortgage or application and administration processes • the provision of an ESIS • explanation that it has not assessed suitability and that the protection of an advised sale will be lost	• If main purpose of loan is to raise funds for debt consolidation

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MCD Regulated Mortgages: Pre-app disclosure

- European Standardised Information Sheet **(ESIS)** must be provided before application is made.
- Contains main features of mortgage being illustrated (and period for which it is valid) and lender.
- If a recommendation is made over the telephone, the illustration must be sent to the customer **within 5 business days.**
- Record keeping = **1 year** from the date of the customer's application.

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Disclosure at the offer stage

- Binding offer
  - The lender's final mortgage offer must be 'binding'.
- Reflection period
  - When it has issued a binding offer, the lender must allow the borrower a reflection period of at least 7days.
- Record keeping
  - 1 year from the date the offer was issued to the customer.

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Disclosure at the start of the contract

Information to be provided by lender **BEFORE 1st payment** made on a new mortgage / a further advance / a variation to the terms of a mortgage:

- amount and dates of the initial and ongoing mortgage payments and method by which they will be collected
- premiums and collection arrangements for any mortgage-linked investment/ insurance contracts purchased through the firm
- whether the mortgage contract allows underpayments or overpayments
- confirmation of whether the mortgage is interest-only, repayment or a combination
- if the mortgage is interest-only, a reminder that the customer should check that any repayment vehicle is in place if it has not been provided by the firm
- what the customer should do if they have payment difficulties or fall into arrears, and draw attention to the tariff of charges
- confirmation of any linked borrowing and linked deposits

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TOPIC 9

The role of the mortgage adviser

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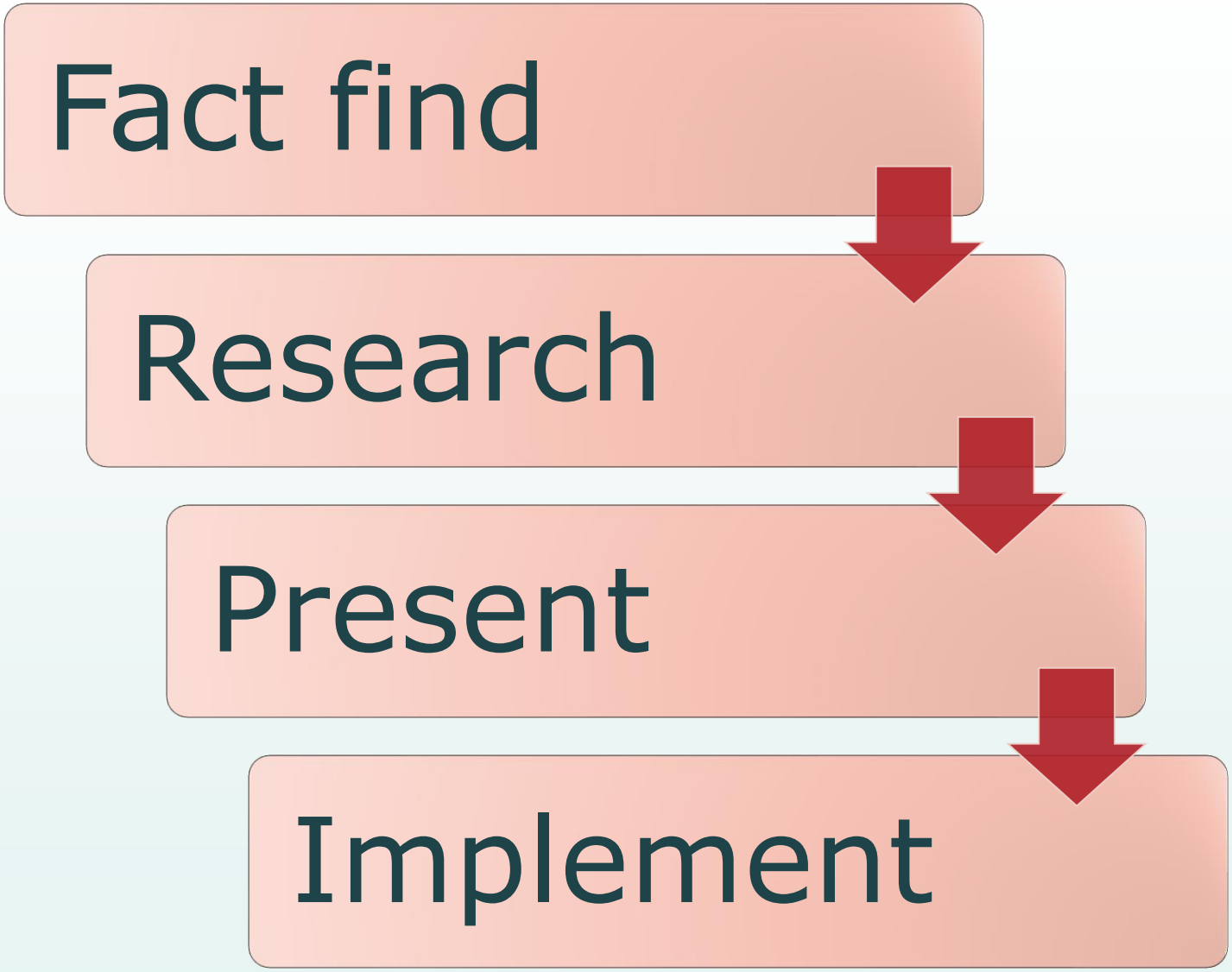
Role of Mortgage Adviser



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CeMAP Two

UNIT 4

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TOPIC 10

Assessing the applicant’s financial status

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Assessment of Applicants Financial Status

- Income and employment details – employed / self-employed / sole trader / company directors
- Expenditure and disposable income
- Corroborating details
- Impact of future interest rate rises

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Income requirements

- Employee
  - Income = salary / bonus / overtime
  - Payslips / P60 / Self-assessment tax calculation / employer's reference
- Self-employed
  - Income = Net Profit
  - HMRC tax calculations for past 2/3 years / accountant's certificate confirming business income over past 2/3 years / full business accounts for the past 3 years
  - Business accounts = profit and loss account, balance sheet and capital account

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Income requirements

- Company director
  - Treated as employee for mortgage purposes if director of public limited company
  - If director of smaller company with >20/25% of the business shares they are likely to be treated as self-employed.
  - Normally salary & dividends are accepted as income and some lenders will also accept an individual's share of retained profits
- Director's Capital Account
  - Details of money owed to the company by directors or money owed to the director's by the company e.g. capital injected to start the company / unpaid wages / loans between company and director

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Income requirements

- Director's Loan Account
  - Part of the capital account
  - A 'close company' can lend money to or borrow money from a 'participator'
  - Director in CREDIT = company owes director money and they can withdraw this tax free
  - Director in DEBIT = they have borrowed from company. If this is <£10K it is not deemed to be a BIK.
  - Must repay loan within 9 months from end of accounting period otherwise 32.5% tax will be charged on the amount outstanding
  - Lenders look favourably at director's loan account with large credit balance.

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Expenditure and disposable income

- Free disposable income = the amount left each month after tax, national insurance and normal expenses
- Committed Expenditure = Credit agreements and other contractual commitments e.g. loans
- Basic Essential Expenditure = Spending to meet basic day to day needs e.g. food, heating, council tax, utilities, insurance
- Basic Quality of Life Expenditure = Clothing, household and personal items, basic recreation, holidays, childcare etc.

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Affordability

- Affordability based on disposable income:
  - Net monthly income
  - LESS committed expenditure
  - LESS Basic Essential Expenditure
  - LESS Basic Quality of Life Expenditure
- Calculations

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Affordability Calculation Example 1

- Jack and Jill are both aged 32 and they live with their 2 children aged 4 and 2.
- Jack is employed earning £1,800 per month after tax and national insurance. Jill works part time and earns £1,050 per month after tax and national insurance.
- Their only current debt is a car loan which they pay £200 per month on.
- They have approached their local lender who will offer mortgages of up to 90% of the value of the property subject to a maximum of 80% of disposable income.
- They base disposable income on a set expense model of £600 per couple plus £150 for each dependant child, further reduced by regular outgoings.
- The notional rate of interest for the repayment loan Jack and Jill favour is £5.90 per £1,000 borrowed.

What is the maximum loan the lender will offer Jack and Jill?

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Affordability Calculation
Example 1 answer

Income =		£2,850
Expenditure	£600 + £150 + £150 + £200 =	£1,100
Disposable Income = £2,850 - £1,100 =		£1,750

Max allowed = £1,750 x 80% = £1,400

Max mortgage = (£1,000 / £5.9) x £1,400

£237,288

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Affordability Calculation Example 2

- Bob and Mandy are both aged 45 and they live with their 3 children aged 14, 10 and 7.
- Bob is employed earning £1,500 per month after tax and national insurance.
- Mandy is also employed and she earns £2,300 per month after tax and national insurance.
- They have approached their local lender who will offer mortgages of up to 90% of the value of the property subject to a maximum of 85% of disposable income.
- The lender bases disposable income on actual expenditure
- Bob & Mandy monthly expenditure =
    - Rent £1200
    - Committed expenditure £450
    - Basic Essential Expenditure £600
    - Basic Quality of Life Expenditure £350
- The notional rate of interest for the repayment loan Jack and Jill favour is £6.90 per £1,000 borrowed.

- What is the maximum loan the lender will offer Bob and Mandy?

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Affordability Calculation
Example 2 answer

Income =	£3,800
Expenditure* £450 + £600 + £350 =	£1,400
Disposable Income = £3,800 - £1,400 =	£2,400
Max allowed = £2,400 x 85% =	£2,040

Max mortgage = (£1,000 / £6.9) x £2,040

£295,652

* Remember – we **don't** include rent as this will not be continuing when they buy their house

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Impact of future interest rate rises

Stress Test

- Minimum period = 5 years from start of mortgage
- Financial Policy Committee currently recommend 3%
- E.g. Bryan applied for a 2.5% FR for 2 years which will revert to the lenders SVR of 5% - when applying the interest rate stress test the lender must assume a rate of 8% at the end of the 2 year term

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TOPIC 11

Checking the applicant’s credit status

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Corroborating details

- Bank Account Statement
- Mortgage Statement
- Credit Searches
- Employers Reference
- Lenders Reference
- Landlords Reference

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Anti-Money-Laundering Regulations

- Anti-money-laundering provisions apply to mortgage business
- Financial services providers must take specific initial steps to ensure that they obtain evidence of a client's identity
- Acceptable forms of ID include:
  - Current passport
  - Driving licence with photograph
  - Entry on electoral roll
  - Recent utility bill or council tax bill in the customer's name.
- Financial exclusion
  - Letter or statement from a person in a position of responsibility (e.g. solicitor, doctor or minister of religion) who knows the client

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Guarantors

- Guarantor / Surety – Individual, company or partnership that provides the guarantee

Full Liability	Limited Liability
• Guarantor liable for full mortgage debt if borrower defaults	• Liability limited to difference between loan lender would normally offer the borrower and the amount they require (sometimes plus additional % e.g. 10% extra)
• Guarantor must show they can afford 100% of mortgage on top of their own existing commitments	• Liability shown as a % of the mortgage

- If mortgage holder wants to vary the mortgage deed, the guarantor must be informed and can refuse consent

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What can render a Guarantee Invalid?

1. Lack of capacity to contract
2. Undue influence
3. Misrepresentation
4. Misapprehension
5. Mistake
6. Duress

* Seek independent legal advice

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Insolvency and debt problems

- CCJ's
- Bankruptcy
- IVA
- DRO
- CVA
- The Fraud Act 2006

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TOPIC 12

Suitability

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Suitability

- What type of mortgage
- Different types of risk
- Method of construction
- Assessing a customer's ATR – questionnaire / psychometric profiling
- Different categories of risk – Cautious, adventurous and balanced

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TOPIC 13

Assessing the property

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Matters that may affect the property value

- Disputes between vendor and neighbour / other parties
- Leasehold tenure
  - Term
  - Restrictive conditions in lease
  - Former local authority flat
- Location
- Age, type and condition
- Construction materials
- Multiple-use properties e.g. shop with flat above
- Insurability
- Sitting tenant

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TOPIC 14

Valuations and surveys

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Basic Valuation

- Legal requirement = Building Society
- Contract = LENDER and valuer
- Paid for by borrower

- Shows:
  - Property acceptable security
  - Value for lending purposes
  - Reinstatement value
  - Disclaimer as to warranty of property

- If valuation for lending is out by 5-10% valuer can be sued for financial loss if:
  - Disclaimer not prominent / borrower inexperienced

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Valuer Recommendations

- Accept
- Undertaking
- Retention
- Reject
- Lower Valuation

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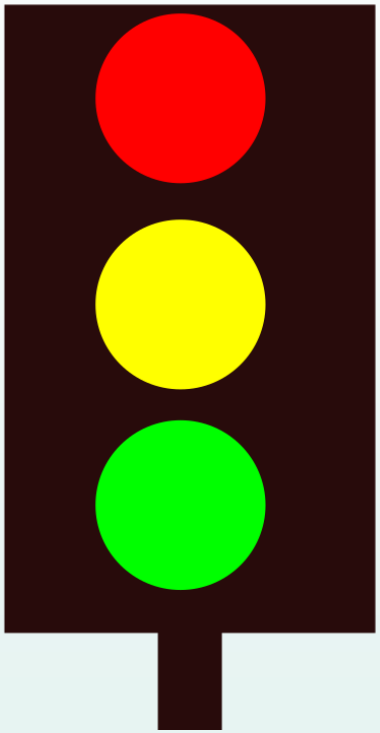
Condition Report – RICS Level 1

- New(ish) / standard construction / good condition
- No market / insurance value
- No hidden / covered areas assessed
- Identifies and comments on:
  - Construction & condition of property
  - Serious / dangerous issues



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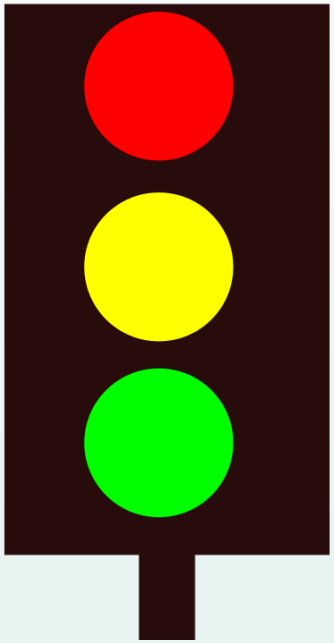
Homebuyer Report – RICS Level 2

- Covers information on condition report PLUS:
  - Valuation and insurance valuation
  - List of problems & defects
  - Advice on repairs & ongoing maintenance
  - Information on location / local environment / property's energy efficiency

N.B. Can also get a homebuyer report without point 1 above



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Building Survey – RICS Level 3

- Thorough and complete survey
- Also looks at:
  - Electrics
  - Drains
  - Under carpets
  - In Loft
- Most expensive
- Borrower has some comeback if defect is subsequently discovered

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Defects

- Main defects: Subsidence and Heave
- Normally result in undertaking / retention if **recent and progressive**

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New Build Guarantees

NHBC Buildmark

- Max cover: £1M (newbuild) / £500K (conversion) – increased by 5% p/a
- 1st 2 years:
  - All defects caused by builder not meeting NHBC standards
  - Claim from builder first
- Next 8 years:
  - Major structural defects exceeding a Minimum Claim Value (MCV)
  - Claim direct from NHBC
- Cover in place from exchange of contracts for:
  - Loss of deposit / extra charges due to builder insolvency

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New Build Guarantees

Premier Guarantee

- Provided by Lloyds of London
- For developers of new building complexes / conversions
- Cover as per Buildmark
    - 1st 2 years called Defects Insurance Period
    - Next 8 years called Structural Insurance Period

LABC New Home Warranty

- Again, provided by Lloyds of London
- For builders of speculatively built residential housing / social housing / completed properties
- 3 periods:
    - Building period
    - Defects Insurance Period
    - Structural Insurance Period

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TOPIC 15

Other matters affecting the lending decision

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Planning Consent

No consent required if:

- The addition and previous additions, including outbuildings, do not cover more than half the area of land around the original house.
- The extension is within certain height and depth limits:
    - the front or side of the property will not be closer to a highway than before;
    - no part will be higher than the highest part of the existing roof
    - two-storey extensions are no closer than 7m to a rear boundary
    - the depth of a two-storey extension is no more than 3m from the rear
    - wall of the original house.
- Building materials match the existing building.
- Converting a garage internally does not add to the size of the building.
- A loft extension does not exceed 50m3 (detached house) or 40m^3 (any other home).
- Erecting aerials or satellite dishes is permitted.
- A single-storey extension can project from the rear wall of the original house wall by up to 8m on a detached property and 6m on other property.

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Higher Lending Charge (HLC) & Mortgage Indemnity Guarantee (MIG)

- HLC – may buy a MIG which protects LENDER in event of borrower being repossessed and the sale proceeds of the property not clearing the mortgage debt.

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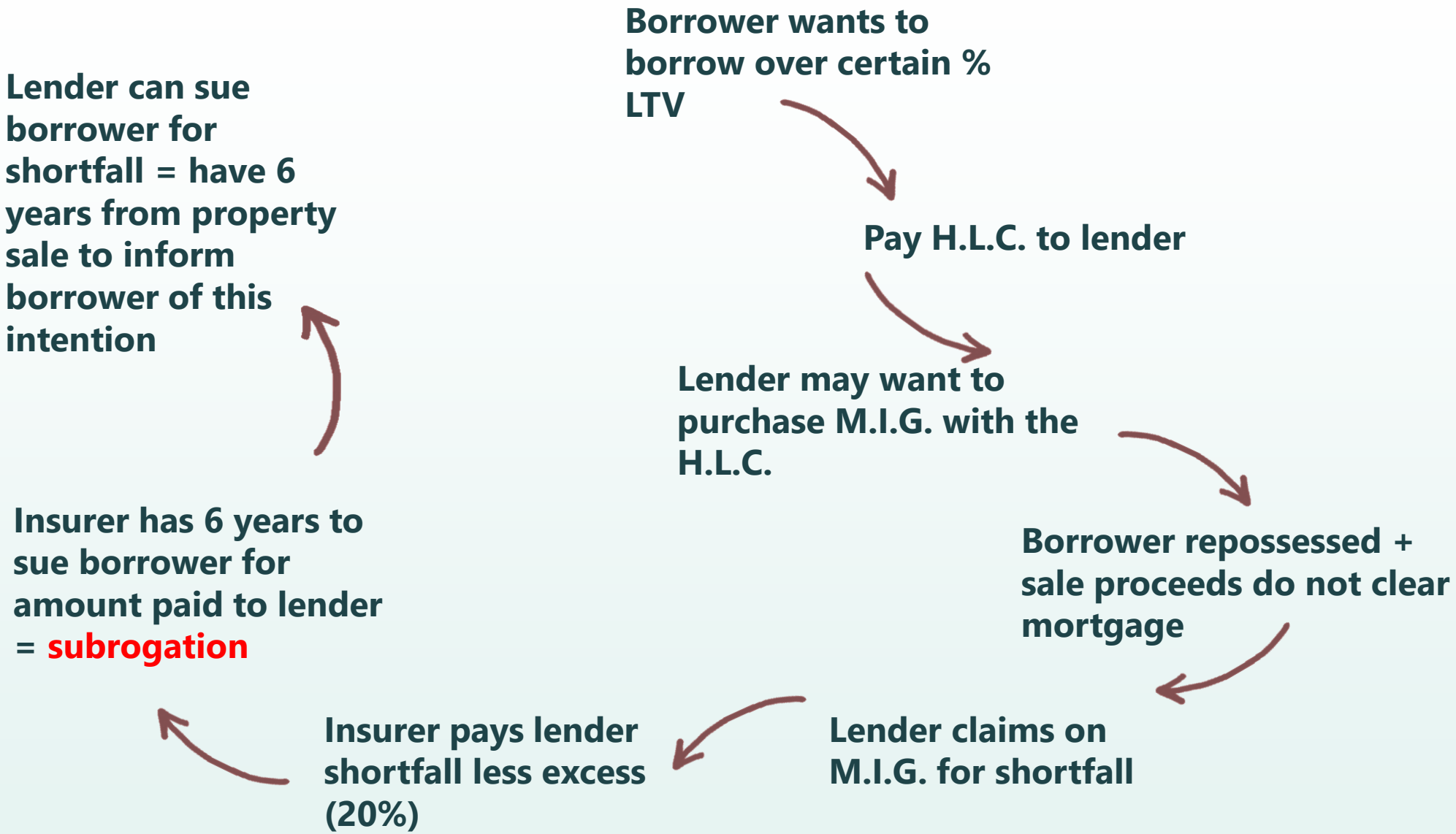
HLC and Subrogation



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Calculating the HLC

4 steps:

1) Has the borrower exceeded the LTV above which the HLC is payable?
   - If answer is No = No HLC is payable
   - If answer is Yes = Continue
2) From what amount (£'s) is the HLC payable?
   - Multiply the value of the property by the % above which the HLC is payable
3) By how much does your requested mortgage exceed this figure?
   - Deduct the value calculated in step 2 from the requested mortgage amount
4) Apply the HLC % to the excess calculated in step 3

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HLC calculation example

Eric and Cynthia would like to borrow £150,000 to buy a property valued at £170,000. Their lender applies a HLC if borrowing exceeds 80% of the value of the property.

The HLC rate is 6.4%

How much HLC will Eric and Cynthia pay?

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HLC calculation answer

1) (£150,000 / £170,000) x 100 = 88.24% LTV
   - The mortgage requested by Eric and Cynthia exceeds 80% LTV so there will be a HLC payable

2) £170,000 x 80% = £136,000

3) £150,000 - £136,000 = £14,000

4) £14,000 x 6.4% = £896 HLC payable

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Mortgage Fees and Charges

Fee / Charge	Example Amounts	Payable
Estate Agents	Typically 1% – 3.5% of sale price Some agents charge a fixed fee unrelated to the sale price.	Once sale has completed
Product Fee	£100 - £1,000 or more	When applying for mortgage product to which fee is attached.
Application Fee	£50 -£2000 or more	Payable on application for mortgage (sometimes includes the valuation fee)
Higher Lending Charge	Varies depending on lender. The charge threshold varies from lender to lender but is usually between 75% and 90% LTV.	On completion
Lenders Reference Fee	Typically at least £50	When reference is requested
Mortgage Packager Fee	Fees range from a % of the mortgage to a flat fee of £300+	After completion
Adviser Fee	Commonly a fixed charge but some brokers charge a % of the mortgage advance e.g. 0.5%	After completion
Local Land Charges Registry Search & Local Authority Enquiries		Usually before exchange of contracts
Land Registry search		On completion
Environmental searches		Usually before exchange of contracts
Drainage Search		Usually before exchange of contracts
Bankruptcy searches		Usually before exchange of contracts

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Mortgage Fees and Charges contd.

Fee / Charge	Amount	Payable
Land Registry fees	£40 for property sold for £80K or less - £910 for a property sold for >£1M. * Fees are reduced by 50% where the government online portal is used. * Fee varies from £40 - £250 where a new mortgage is registered on a property but ownership does not change.	Within 30 days of completion
Solicitor's / conveyancer's fee	Many now charge a flat fee	On completion
Title indemnity fees	0.1% of property value	Before completion
Mortgage Exit Administration Fee (MEAF)	£50 - £500	On redemption / vacation of the mortgage
Basic Valuation only **Condition Report** **Homebuyers report** **Building Survey**	£175- £1,100 £250 - £300 £400 – over £1000 depending on property value £600 - £1300+ depending on size, structure and age of property	With mortgage application / when more in depth survey requested
Stamp Duty Land Tax	See Tax tables	Within **14 days** of completion

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Stamp Duty Land Tax

- Payable within 14 days of completion
- Main residential property
- First Time Buyers
- Multiple purchases in the same transaction
- Shared ownership
- Transfer of Equity
- 2nd Properties
- Temporary reduced rates
- Non-resident surcharge

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SDLT on Main residential property example

Paul sold his existing property and bought a new house for £412,500. The SDLT payable would be:

(£0 - £125,000) @ 0% =	£0
(£125,000 - £250,000) @2% =	£2,500
(£250,000 - £412,500) @ 5% =	£8,125
TOTAL SDLT	£10,625

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SDLT for 1st Time Buyers example

Had Paul been a 1st time buyer when he bought a house for £412,500 the SDLT payable would be:

(£0 - £300,000) @ 0% =	£0
(£300,000 - £412,500) @ 5% =	£5,625
TOTAL SDLT	£5,625

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SDLT for multiple purchases in the same transaction

Pat bought 4 properties in the same transaction for a total of £1,600,000.

The SDLT payable would be:

£1,600,000 / 4 = £400,000 per property

(£0 - £125,000) @ 3% =	£3,750
(£125,000 - £250,000) @ 5% =	£6,250
(£250,000 - £400,000) @ 8% =	£12,000
TOTAL **per property**	£22,000
X 4 properties = TOTAL SDLT	£88,000

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SDLT and transfer of equity example

Mark owns a property valued at £350,000 on which he has a mortgage of £300,000.
Mark's girlfriend Anna is going to become a joint owner of the property. She will be

added as a party to the mortgage and will also gift Mark £25,000 for the equity in the property.

The consideration to Anna will be:

- £25,000 cash and half the mortgage debt i.e. £150,000
- Total consideration of £175,000
- This exceeds the SDLT nil rate band so SDLT will be payable by Anna as normal

(£0 - £125,000) @ 0% =	£0
(£125,000 - £175,000) @ 2% =	£1,000
TOTAL SDLT	£1,000

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Stamp Duty Land Tax

2nd / subsequent properties

- 3% surcharge if P/P > £40K and your share in another property is valued at >£40K
- Increased % is charged on the total P/P
- Rules re: couples
- If disposal of main residence and this takes place before SDLT payable on 2nd property – no surcharge will be made
- If you purchase property intended as main residence before selling existing home – additional SDLT can be reclaimed if disposal is within 36 months of purchase on new property

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SDLT on 2nd property example

Marcus buys a holiday home for £200,000.

How much SDLT will he pay on this?

(£0 - £125,000) @ 3% =	£3,750
(£125,000 – £200,000) @ 5% =	£3,750
TOTAL SDLT =	£7,500

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CeMAP Two

UNIT 5

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TOPIC 16

Financial Protection and Planning

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Income and capital protection needs

- Illness / Death /Disability
- How much would be needed?
- Lump sum / Income required?
- How could it help?
  - Replace earned income
  - Repay debts
  - Meet additional living expenses
  - Provide medical treatment or care
  - Meet IHT liabilities without selling property

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Reasons for and consequences of underinsurance

Main reasons for underinsurance:

- It won’t happen to me!
- Misapprehension of needs
- Cost / affordability
- The state will provide
- Not happy thinking about the subject matter
- Consumer trust and seeming product complexity

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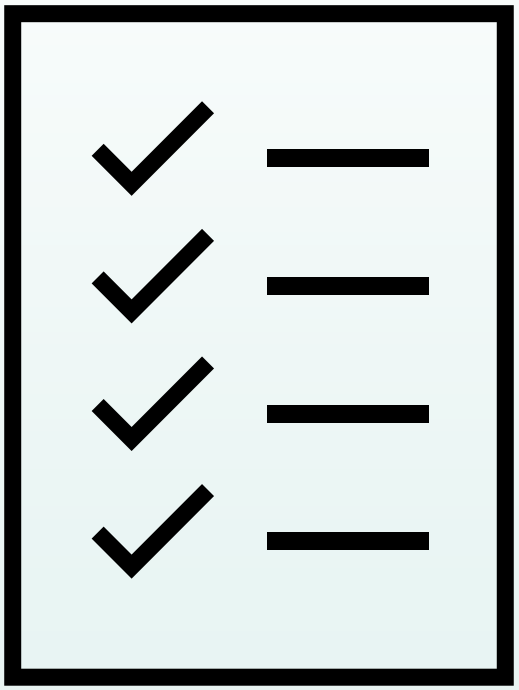
Differing protection priorities

Stage	Protection need
Young, single person	• To maintain standards of living in the event of illness or accident / critical illness or unemployment.
Younger couple NO kids	• Joint mortgage / unsecured debts to be cleared on 1st death or continued repayment in event of loss of income. • May also consider PMI.
Younger couple WITH kids	• As above but magnified!
Middle-aged couple, kids have left home	• PMI • LTC • IHT planning
Retirement	• Replacement retirement income / lump sum on death • IHT mitigation planning • LTC

Considerations in prioritising protection needs



- Sick pay
- Family medical history
- Support from others
- Can need for long-term care be addressed later?
- How important is life cover?

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TOPICS 17 & 18

Types of Financial Protection 1 & 2

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State Assistance with Mortgage Payments (SMI)

- Available to homeowners in receipt of : Universal credit (UC)/ Income Support / Income Based Jobseeker's Allowance / Income Based ESA / Pension Credit.
- Payments are in form of a 2nd charge loan
- Repayable with interest on claimant's return to work / death / when property is sold – minimum £100 per repayment
- If not repaid within time set out in repayment schedule, house may be sold
- Interest charged on the loan usually less that market interest rates and is reviewed 6 monthly.
- Covers max **£200K** – **interest** only – no arrears (those receiving **Pension Credit = Max £100K**)

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Support for Mortgage Interest (SMI) rules

- Claims for specific loans to cover essential repairs / improvements / to by ex's share on separation may be accepted
- Payments calculated at the 'standard' rate (BOE's monthly average mortgage rate) and paid directly to the lender
- Waiting period = **9 consecutive UC payments** / **39 weeks** (those in receipt of **Pension Credit get benefit immediately**)
- **No max timescale for payments to be made** – paid until claimant no longer qualifies / asks for payments to stop
- **Run-on**
- **Linking**

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Mortgage Related Insurance Products

- Term assurance
  - Policy fee
  - Level
  - Decreasing (mortgage protection)
  - Convertible
  - Personal Pension (until 2006)
- Critical Illness Cover (CIC)
- Accident Sickness & Unemployment Cover (ASU) / Mortgage Payment Protection Insurance (MPPI)
- Income Protection Insurance (IPI)

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Buildings and Contents Insurance

- Lender's rights:
  - Insist a mortgaged property is insured continuously in accordance with its requirements
  - Have its interest noted on the policy by the insurer
  - Secure a right over the proceeds of any claim
- Borrower has the right:
- To choose an insurer but the policy must meet the lenders minimum requirements
- Landlord's Buildings Insurance
- Leasehold properties
  - Rights of freeholder take precedence over those of the lender.

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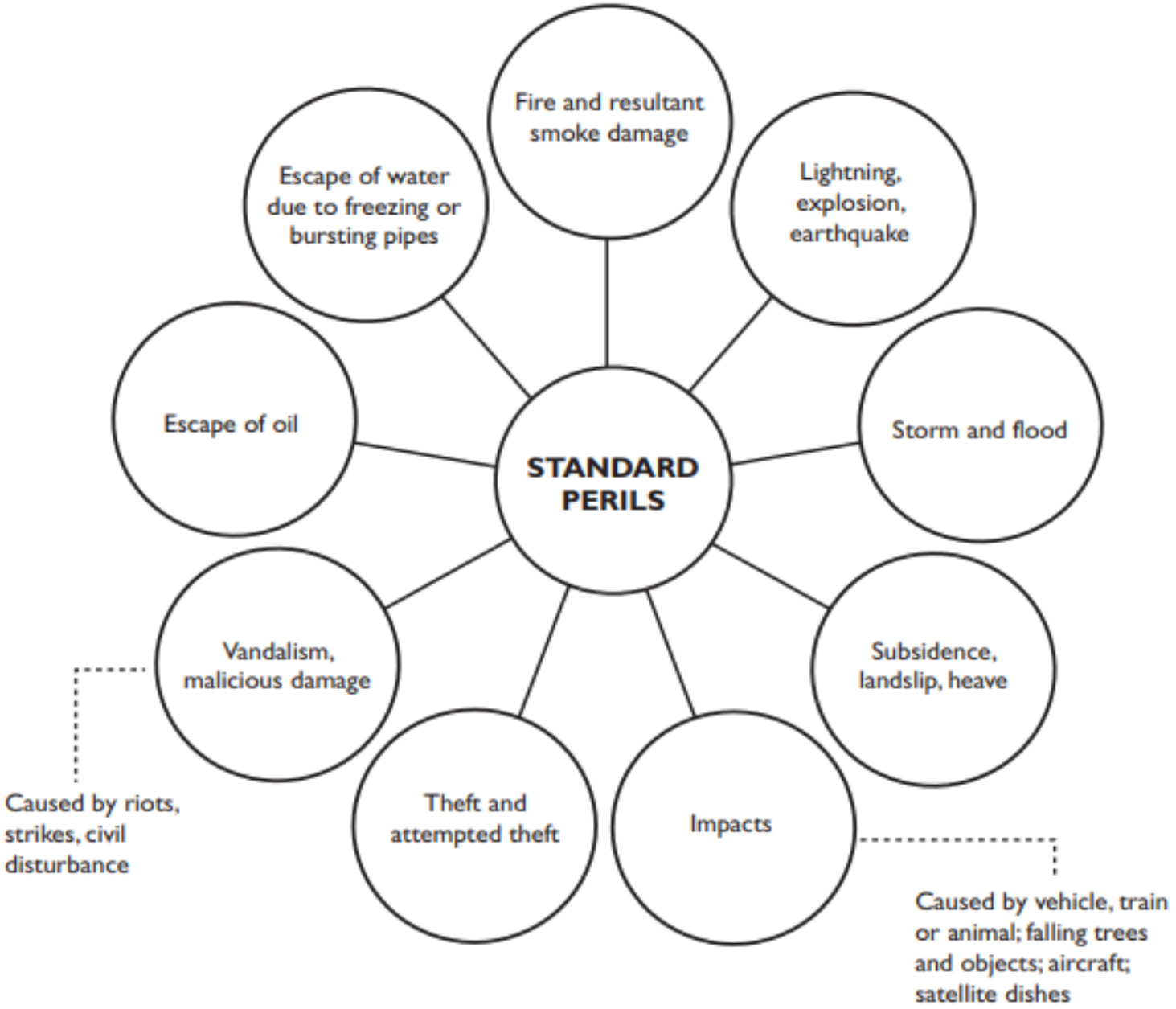
What is covered?



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TOPIC 19

Protection Advice

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Providing Advice

- To offer advice on insurance products, the firm must be authorised by the FCA.
- Disclosure requirements – 'utmost good faith' removed and replaced by 'take reasonable care'

Deliberate or reckless misrepresentation	Treat the contract as if it never existed	Refuse all claims	Retain all premiums paid, unless this would be unfair
Careless misrepresentation	If the insurer would not have entered into the contract if it knew the information, all claims can be refused but premiums must be returned	If the insurer would have entered into the contract on different terms the different terms are taken as applying to the contract	If a higher premium would have been charged, the insurer can make a proportionate reduction to the amount of any claim
Honest and reasonable misrepresentation	The insurer must pay any claim		

Policy documentation

- Key features document (KFD)
- Statement of demands and needs
- Product Information
- Acceptance letter
- Cancellation notice
- Policy document

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Identifying Suitable Products

- Requirements in the event of death / illness or disability / inability to work
- Current and likely future needs – Income / Capital / Both
- Any partner / dependants? If so, what might their needs be?
- What is the budget for this?
- What cover do they currently have?

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CeMAP Two

UNIT 6

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TOPIC 20

Mortgage Repayment Methods

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Mortgage Repayment Methods

- Interest only mortgage
- New interest only mortgage available to borrowers over a certain age which is not equity release
- Capital repayment mortgage
- How mortgage interest is charged

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Interest Only Mortgage

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Interest Only Mortgage Cont'd

- At end of term = Loan still outstanding in full
- Need some other way to repay loan
- Customer must have credible repayment strategy in place for lender to now allow them to have an interest only mortgage
- At least once during the mortgage term the lender must contact the borrower to ensure the repayment strategy is still in place and has the potential to clear the mortgage debt
- New category of interest-only mortgage into retirement.

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Interest Only Mortgage Calculation

Charlie has a £198,000 interest only mortgage at a rate of 3.75%. How much interest will he pay to the lender in 1 year?

£198,000 x 3.75% = £7,425 interest p/a

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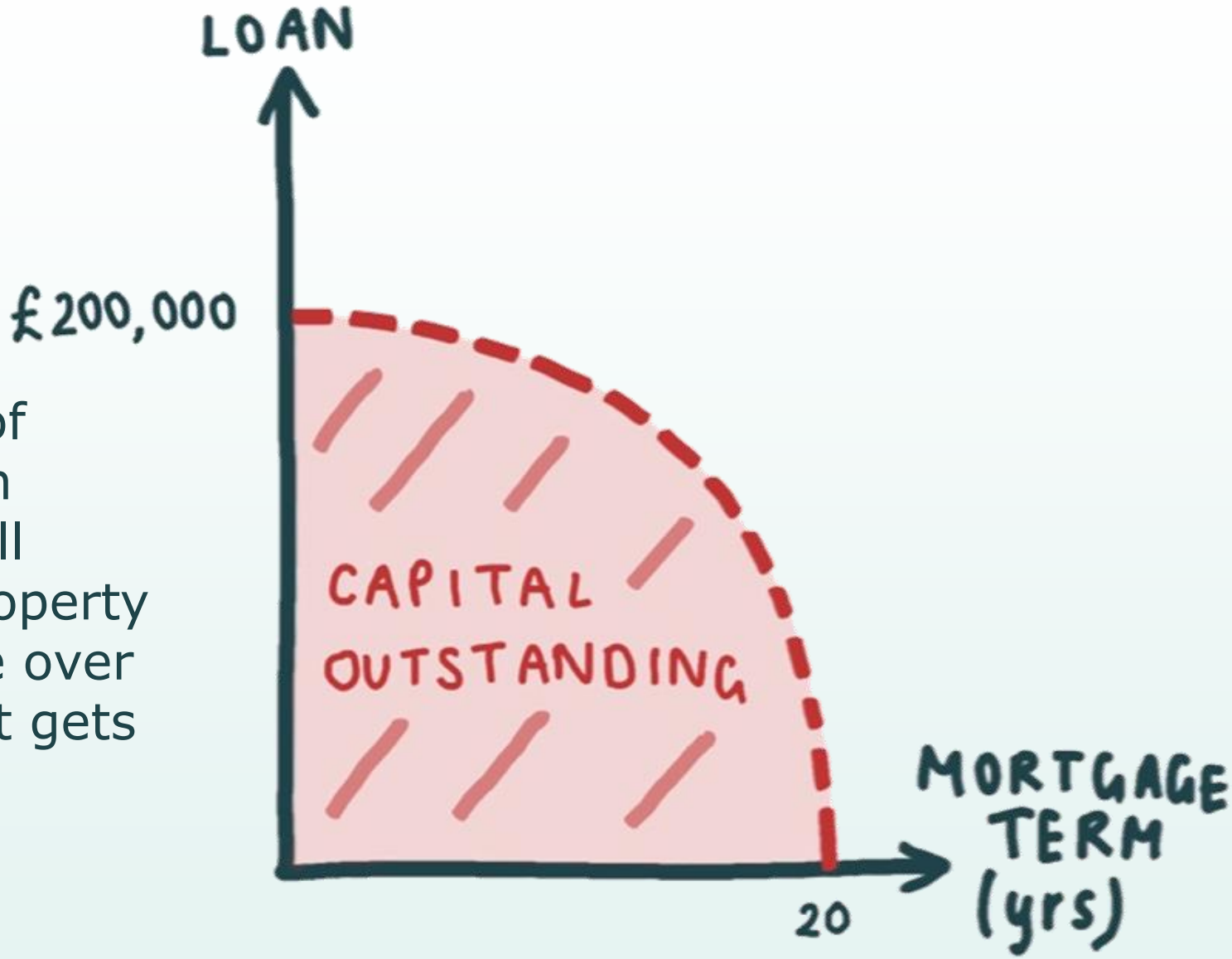
Capital Repayment Mortgage

- At the end of term = Loan Repaid in full
- Equity in property will increase over time as debt gets repaid



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Capital Repayment Mortgage calculation

- Bill has a £120,000 capital repayment mortgage at a rate of 4.5% which costs him £6.50 per month for every £1,000 borrowed. If his mortgage interest is calculated annually, how much capital will he have paid off in 1 year?

- Cost per month = £6.50 x 120 (it is £6.50 per £1000 borrowed and he has borrowed £120,000) = £780
- £780 x 12 for annual payment = £9,360 he pays towards his mortgage each year
- Of this £120,000 x 4.5% = £5,400 is interest
- THEREFORE he will have paid £9,360 – £5,400 = £3,960 off his capital in 1 year

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How mortgage interest is charged

ANNUAL rest	• Interest calculated annually at year start • Payments credited as paid but deducted from the balance at the end of the year • Most interest paid over the term and slowest debt reduction
MONTHLY rest	• Interest calculated monthly at month start • Payments credited and deducted from the balance monthly • Less interest over the term
DAILY rest	• Interest calculated daily • Payments credited deducted from the balance immediately • Potentially least interest over the term and quickest debt reduction

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TOPIC 21

Using endowment policies for mortgage repayment

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Mortgage Repayment Vehicles

- Non-profit
- Full with –profit
- Low-cost with-profit
- Unit-linked
- Unitised with-profit

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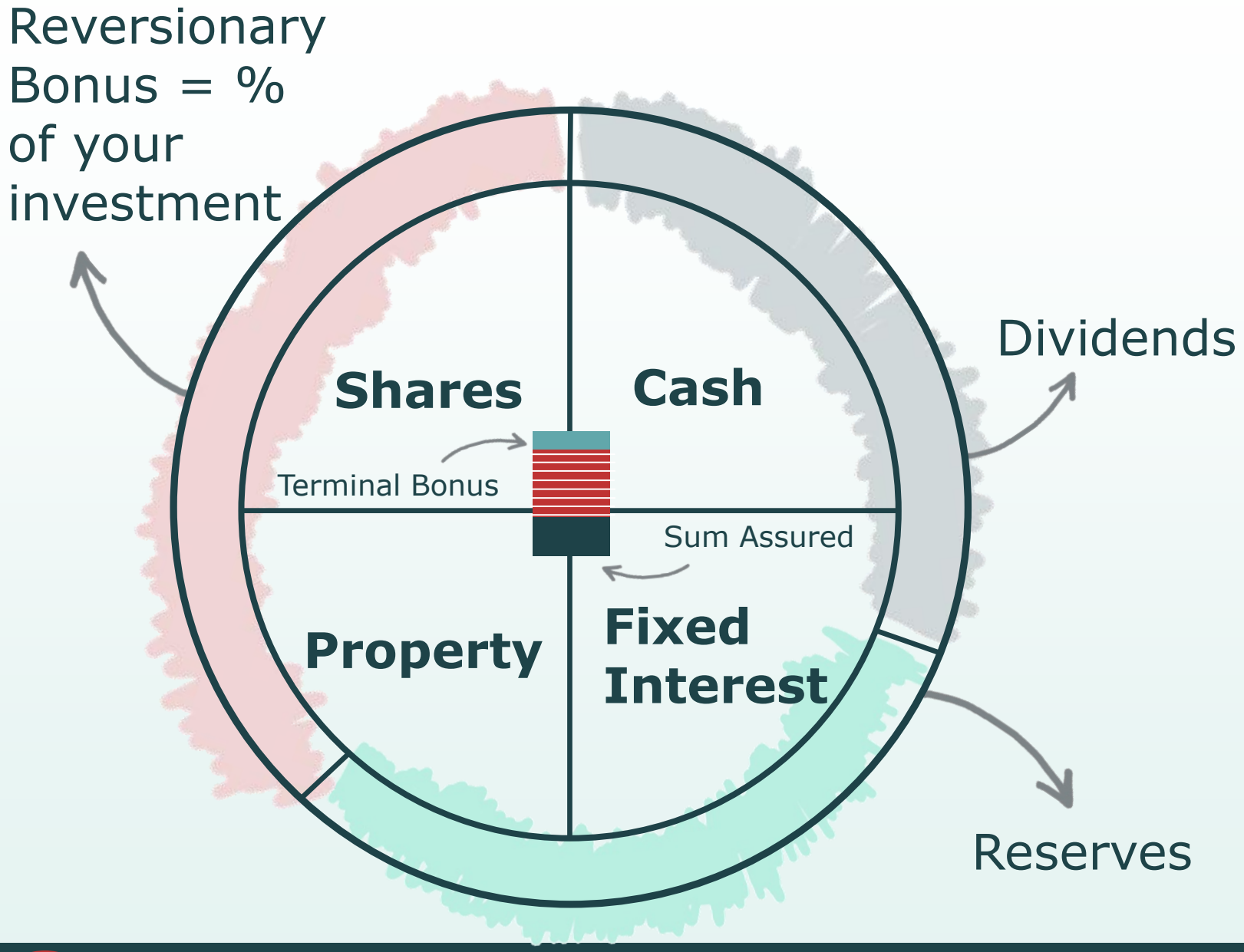
With Profit Fund



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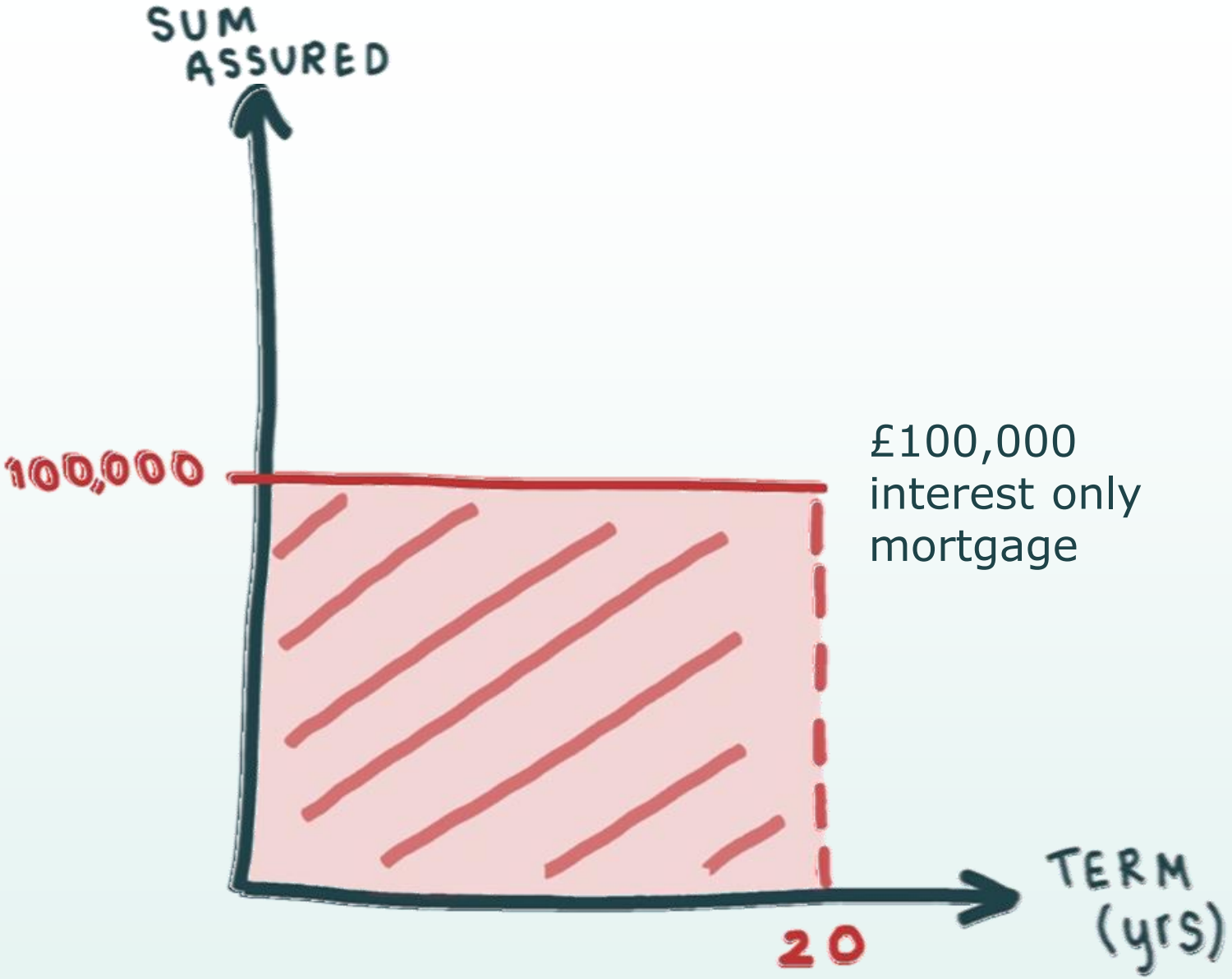
Non-Profit Endowment



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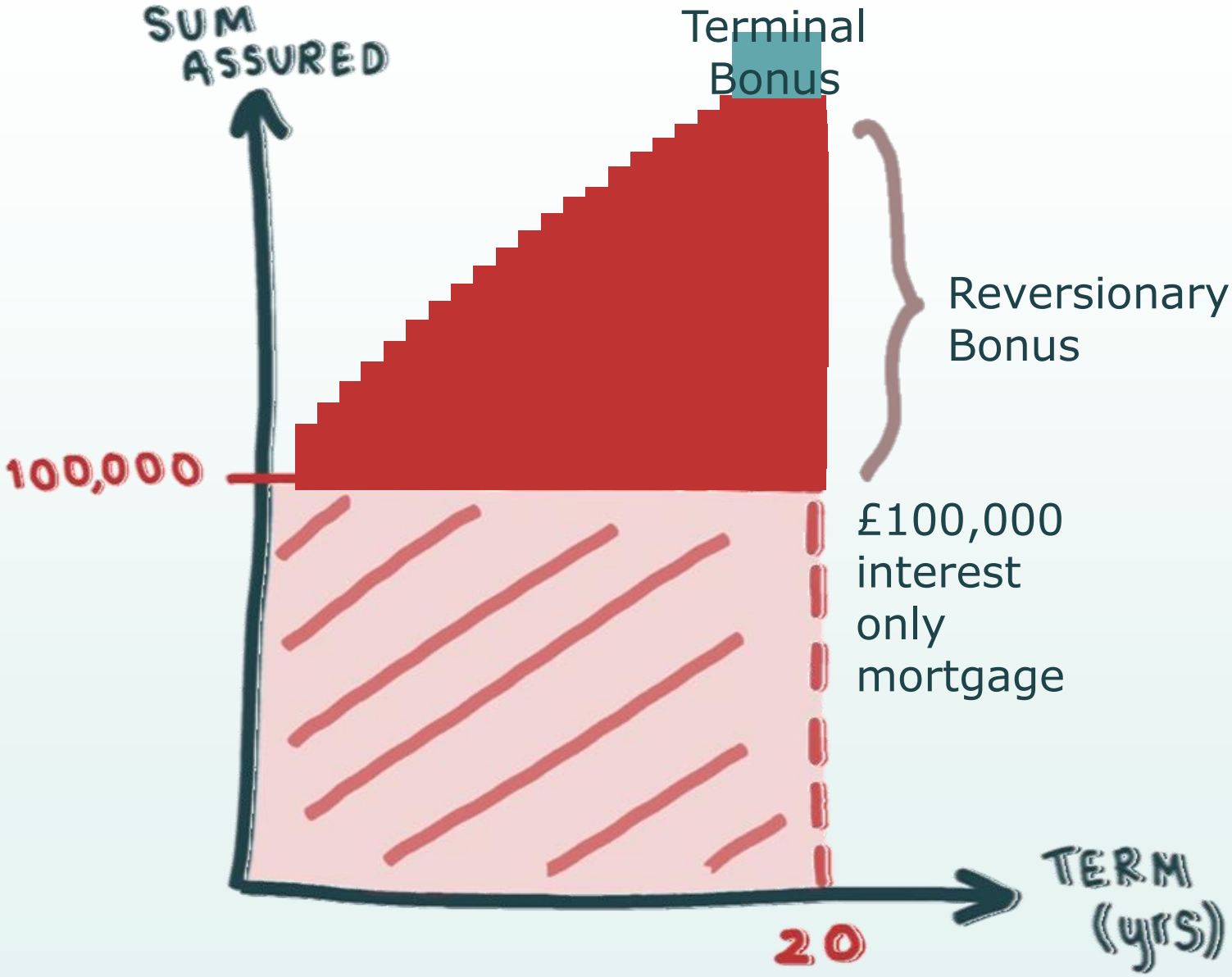
Full With-Profit Endowment



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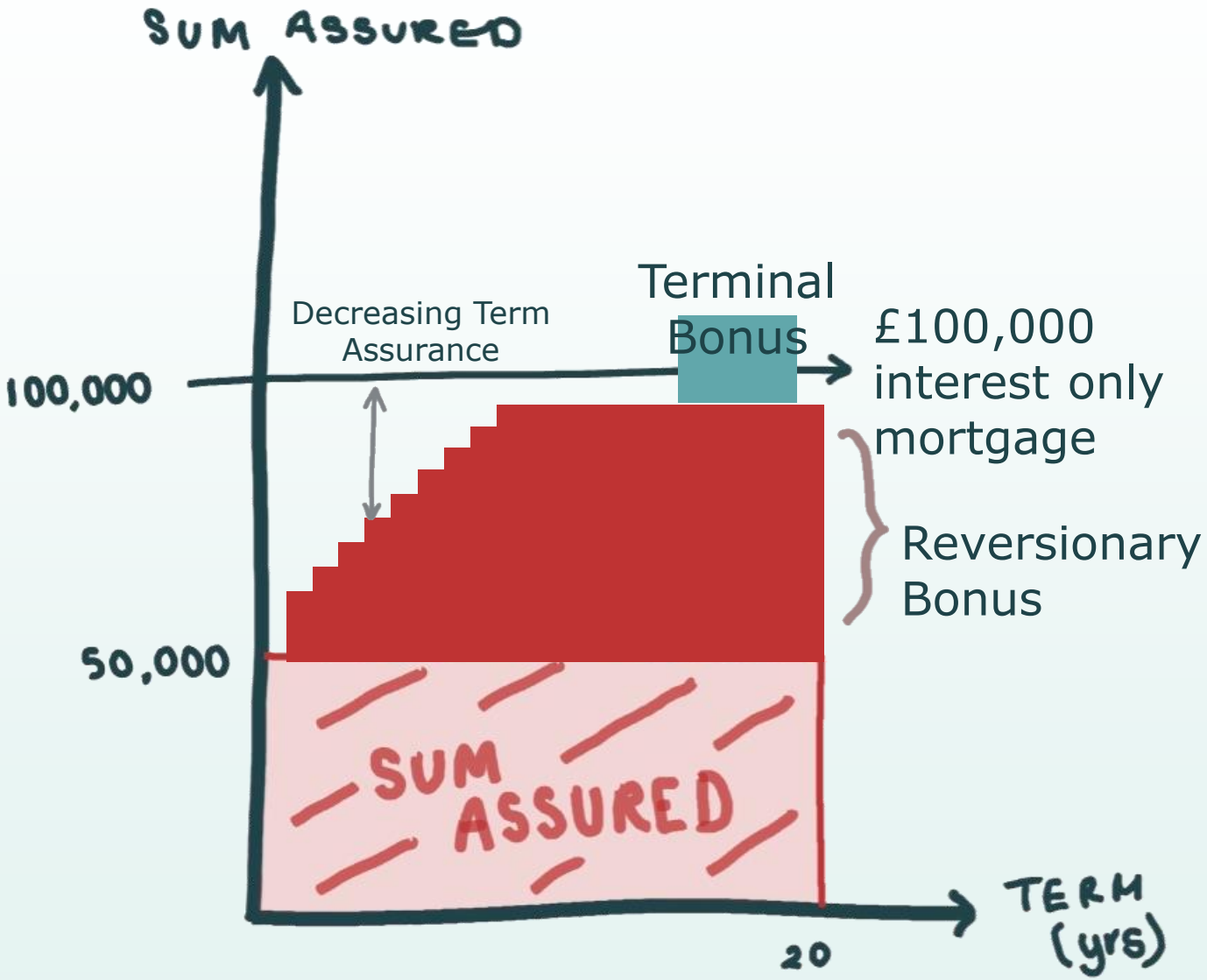
Low-cost with Profit Endowment



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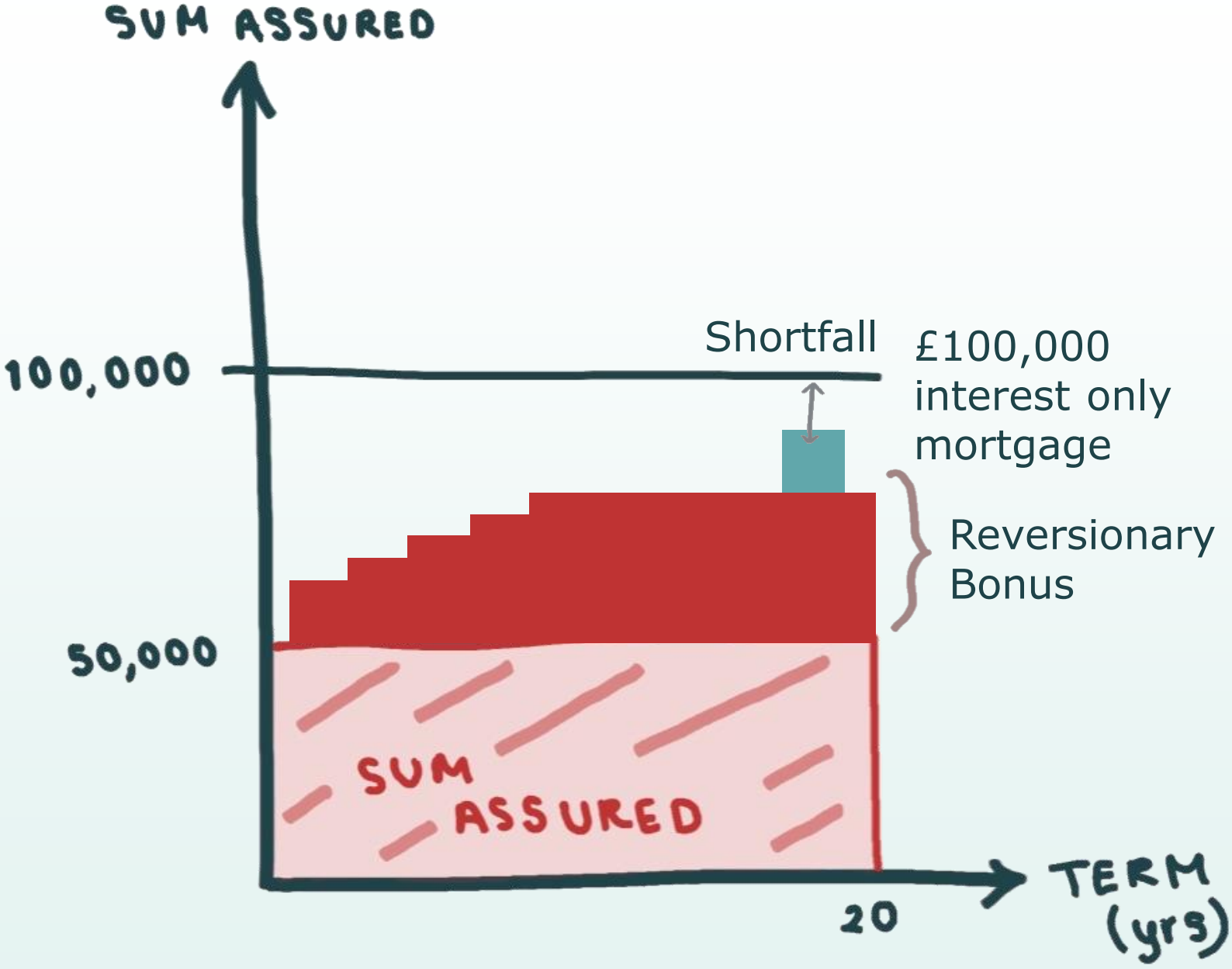
Low Cost With Profit Endowment



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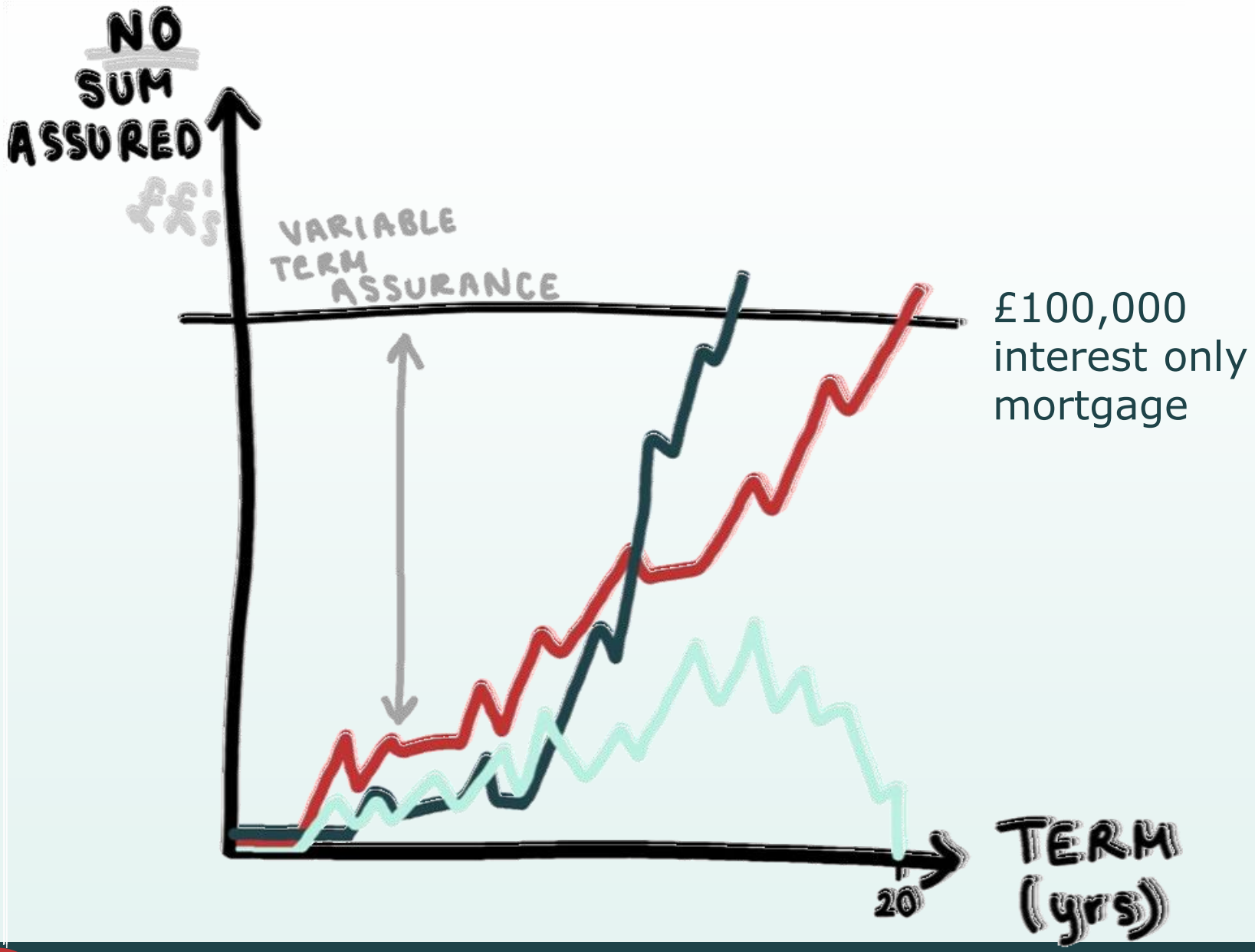
Unit Linked Endowment



£100,000 interest only mortgage

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Unitised with-profit Endowment

- Combine the security of a with-profits policy with the greater growth potential of a unit-linked policy

- Each premium buys units in the with-profits fund at a set price

- 2 types of units
  - Variable units
  - Fixed Units

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TOPIC 22

Other repayment vehicles for interest-only mortgages

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Stocks and Shares ISA

Advantages	Disadvantages
No Income tax or CGT	No guarantee fund will be sufficient to clear mortgage debt
Number of investment products can be held in an ISA	No life cover included
Flexible	ISA's are as risky as the investments therein
Can withdraw funds as and when required	Restrictions to subscription limits (£20K p/a)
May be able to pay mortgage off early	Could affect eligibility to means-tested benefits e.g. support for mortgage interest

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Pension

- Can use PCLS – the 25% tax free lump sum (if utilising flexi-access drawdown/annuity) OR
- UFPLS – 25% of which will be tax free, the remainder will be taxed at borrowers marginal tax rate
- MPAA
- Age - 55 currently but 57 from 2028
- Tax relief on contributions
- Contribution limits annual / lifetime
- No fund value guarantee
- Means less income in retirement
- No built in life cover

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TOPICS 23, 24 & 25

Interest rate options and Mortgage Products

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Mortgage Products

1. Discount
2. Capped and/or collared
3. Tracker (BRT / Libor tracker)
4. Fixed rate
5. Guarantor / Surety
6. Flexible
7. Foreign currency
8. Sub-prime
9. Shared ownership
10. Right to Buy – only England and N. Ireland

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Mortgage Products -RTB

	England	N. Ireland
Minimum period to acquire right to buy	3 years	5 years
Discount – **houses**	35% (after 3–5 years' tenancy)	
Discount – **flats**	50% (after 3–5 years' tenancy)	
Additional discount for tenancies held over 5 years - **houses**	1% p/a	2% p/a
Additional discount for tenancies held over 5 years - **flats**	2% p/a	2% p/a
Max % discount	70%	60%

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Mortgage Products

11. Buy to Let – Consumer and Business
12. Self-build
13. SVR
14. Equity Share

Government initiatives:

15. Help to Buy Shared Ownership & Help to Buy Equity Loan
16. Rent to Buy
17. Discount Starter Homes

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Mortgage Products – Sharia - Ijara

Bank buys property and pays stamp duty + retains ownership

Customer "rents" the property under lease of up to 25 years

Monthly rent reviewed annually

At end of lease term

Customer ownership

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Mortgage Products – Sharia - Murabaha

Bank Buys Property +
Pays Stamp Duty

Bank immediately sells to
customer for higher price +
customer now owner

Higher price made up of
purchase price + stamp duty +
up to 15 years of interest

Customer pays
20% deposit

Remainder of higher price paid
in equal monthly installments
for rest of term

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Mortgage Products – Offset Mortgage

Interest Only MORTGAGE	SAVINGS
£120,000	£30,000
Interest Rate 4.5%	Interest Rate 2%
£5,400 p/a paid	£600 p/a received

Interest Only ***OFFSET*** MORTGAGE		SAVINGS
£120,000	LESS	£30,000
Interest Rate 4.5% charged on mortgage balance of £90,000		
£4,050 p/a to pay		£0 p/a received

The monthly mortgage repayment remains the same so this results in overpayments which reduces the capital outstanding every month.

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Home Income Plan

Fixed Rate Interest only mortgage for life

Normally for £30,000 (MIRAS)

Put funds released into annuity

From annuity income pay mortgage interest

Balance of annuity could be used as required

On death £30,000 loan repaid

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Lifetime Mortgage

Fixed Rate Interest Only Mortgage. Maximum 55% of property value dependent on age.

e.g. Age 60 = Max. 25% so £100,000

Lump Sum Tax Free

Income

Draw Down

Sold

Mortgage and Interest repaid

Remainder = estate

Make no repayments to lender whilst alive

Interest rolls up and is added to outstanding capital

If interest = 7% it would double your debt in 10 years

On death/move to residential care home

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Home Reversion Plan

Sell all or part of house at discount to Reversion Company

The younger you are the bigger the discount, e.g. Age 65 = 50%

Receive lump sum tax free

Remain in house for life/ until move to permanent residential care

Pay £1plm/£12pla "Rent" to reversion company

On death/move into care

Sold

Reversion Co. to keep their % of the sale proceeds

Remainder = estate

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TOPIC 26

Raising additional funds from property

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Raising Additional Funds

- Further advances and drawdown facilities
- Second / subsequent mortgages
- Bridging loans
  - Open bridging
  - Closed bridging
- Equity release
  - Lifetime mortgage
  - Home reversion plan
- Retirement interest-only mortgage

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Tacking

1st charge
= Main Mortgage Lender

2nd charge
1/1/17

3rd charge
3/3/19

Further ADV.

Deed of Postponement

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TOPIC 27

Transferring mortgages

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Transferring mortgages

- Changing product with same lender
  - if no further borrowing (other than product fee), affordability assessment not required for non-MCD regulated mortgage

- Remortgage
  - will involve whole new full application process as borrower is applying for mortgage with new lender.
  - If borrowing extra funds, it will reduce equity in property, increasing risk of negative equity and repossession. May also involve a HLC being paid.
  - If consolidating debt into new mortgage lender must take reasonable steps to ensure borrower pays off unsecured loan(s) on completion of mortgage.
  - A remortgage will now be an MCD regulated mortgage.

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Other Post-Completion Matters

- Property move
  - Portability of existing product
  - ERC's
  - Lender can waive affordability checks if there is no increase in borrowing
  - Gains v drawbacks of moving

- Transfer of Equity
  - Addition to or removal from mortgage
  - Can only happen with agreement of lender (and guarantor if there is one on the mortgage)
  - SDLT may be payable
  - Consent to Mortgage form

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Other Post-Completion Matters

- Early redemption
  - Legal date of redemption
  - Clog on the Equity of redemption
  - Early repayment charges and mortgage exit fee
  - Part redemption
- Changing the Mortgage Term
  - Term on **repayment** mortgage can be reduced or extended.
  - Lenders will only agree to extend the term if it feels that it represents a genuine solution to the borrower's problems.
  - Other than giving an associated investment vehicle longer to grow, there is no benefit in extending the term of an **interest only** mortgage.

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TOPICS 28 & 29

Arrears and debt management & Lenders' legal rights and remedies

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Arrears and Repossessions

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Why might Financial Problems Arise?

Business debt

Separation

Birth of a child

Job Loss

Long Term Illness

Living beyond means.

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What do the Mortgage Conduct of Business Rules say?

- When a borrower falls into arrears, they must be treated fairly and the lender should not take advantage of their vulnerable position.
- Lender must ensure that the customer is informed of the need to contact the local authority to establish eligibility for re-housing after possession has taken place.
- Lender must provide a written update of all arrears and charges as well as clearly state the possession procedure to the customer.
- Possession of the property will be sought as a last resort.
- Records of dealings with customers in arrears or who have mortgage shortfall debt must be kept for 3 years from the date of the dealings.

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Stage 1

Financial difficulties recognised

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Getting behind with mortgage payments

3 Scenarios :-

1. Borrower contacts lender before any payments are missed
2. Borrower contacts lender after payment missed
3. Lender contacts borrower after payment missed (Lenders MUST write letter to the borrower within **15 business days** of becoming aware that the account is in arrears)

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The letter must contain:-

1. Money Advice Service information sheet
2. List of due payments either missed or partly paid
3. Arrears total
4. Charges incurred as a result of the arrears
5. Total outstanding debt (excluding charges that may be made on redemption)
6. Nature and level of charges that will be incurred unless the arrears are cleared

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Stage 2

Meeting with the Lender

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Financial Assessment

1. Expenditure
2. Income
3. Creditors

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Plan to get back on track

- Develop a plan with you to deal with your financial difficulties and clear the arrears
  - Borrower may agree to reschedule i.e. pay extra for an agreed period
  - Convert mortgage from repayment to interest only
  - Extended term if a repayment mortgage
  - Temporarily reduce payment / Payment holiday
  - Capitalise arrears
  - Surrender supporting investment and convert to repayment mortgage
  - Trade down
  - Consider equity release if of an appropriate age
- Give information on other sources of advice
  - e.g. State (SMI), Citizens Advice Bureau, Local Money Advice Centre, Financial Advisers, StepChange Debt Charity, The Money And Pensions Service (MAPS)

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Mortgage Rescue Schemes

May be offered by participating local councils, housing associations and other not-for-profit agencies as well as some mortgage lender. Some schemes are also run by private companies on a profit making basis which could lead to rent being raised to unreasonable levels.

Normally operate in one of two ways:

- **Shared Equity Loan** – the organisation will pay off some of the mtg in exchange for an equity loan of 25%-75% of the total mortgage. This leaves the borrower in a shared ownership situation.
- **Mortgage to Rent** – the organisation buys the property and pays off the entire mtg. Previous owner then rents property back from organisation as a tenant.

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Implications of not repaying an interest-only mortgage at the end of the term

- Lender has the legal right to demand repayment and seek possession

- Alternatives:
  - Switch to a Retirement Interest Only mortgage
  - Use other capital
  - Move house
  - Extend mortgage term and keep as is
  - Extend mortgage term and covert to repayment mortgage
  - Equity release if aged 55+

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After meeting lender

Payments continue in line with plan

- ✓ **Lender and borrower happy**

Payments not maintained

Stage 3

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Stage 3

Mortgage Counsellor Visit

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Following Visit

Payments continue in line with plan

- ✓ **Lender and borrower happy**

Payments not maintained

Stage 4

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Stage 4 - Legal Proceedings

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Legal Remedies on Default

- Sue for possession
- Exercise power of sale
- Sue on borrower's personal covenant for recovery of the debt
- Appoint a receiver
- Foreclosure (not used any more)

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Legal proceedings

- Lenders solicitor sends final demand letter to borrower
- Lender applies to County Court for an order of possession
- Summons served on borrower
- Court hearing.

  3 outcomes:-

  - Case adjourned / suspended
  - Outright possession order
  - Suspended possession order

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Suspended Possession Order Granted

Payments continue in line with plan

- ✓ **Lender and borrower happy**

Payments not maintained

Stage 5

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Stage 5 - Repossession

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Before Sale

- Lender reapplies to court for order to be enforced
- Outright order obtained
- Customer notified of repossession order
- Police notified of empty property
- Lender, estate agent and contractors attend property
- Borrower clears and vacates property
- 3 independent valuations
- Repairs (if necessary)
- Asking price established and selling agent instructed
- Property advertised
- Solicitor prepares contracts

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Purchaser Found

- Offer made
- Contracts exchanged - Equity of redemption until this time
- Sale completed
- Notice of sale sent to borrower at their last known address within 28 days
- Proceeds of sale used to clear expenses incurred
- Mortgage discharged
- Surplus (if any) dispersed
- If sale proceeds do not clear outstanding mortgage and lender decides to recover shortfall, it must notify the borrower of this within 5 years of sale.

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CEMAP 3

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Examination

- 2 hour exam
- 6 case studies
- 10 questions based around each case study
- 60 questions in total
- 70% pass mark

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The Case Study Question

The case study questions

- Short case study
- 10 MCQs follow based on the case study

Read the case study

- What is it about?
- What are the important facts/features
- Anything unusual?

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The case study question

- Make a few notes
- Read the case study
  - What are the areas of interest?
  - Why have they given you this specific information?
  - What questions do you need to ask yourself about the case?
- **Remember:**
- Don’t look for tricks or try to “second guess” the examiner!

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Case study practice

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Case Study

Liz and her husband Tom purchased a 5 bedroom house 5 years ago with a very large back garden. Liz's father became a guarantor and provided a guarantee so that they could obtain the loan.

Liz and Tom have just got divorced, and Tom would like to be removed from the mortgage deed, as Liz and their 2 children, Rachel aged 19 and Dominic aged 21, are now the only occupants of the house. Liz's father has offered to help her to fully redeem the mortgage by giving her some cash to help her. Liz is considering whether to accept this offer and has offered for him to come and live in the house in his old age.

Liz is fond of animals and is considering buying some goats to "pasture" in part of the garden. However she is in two minds about this as a developer has approached her, interested in purchasing a large proportion of the garden. Liz has spoken to her lender to seek permission to sell part of the land.

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Q1

Which of the following is true if Liz chose a level term assurance to repay the loan on death?

a) It may be possible to repay the mortgage early from growth of the funds within the plan
b) Premiums will decrease during the term of the plan
c) No surrender value is available
d) A surplus maybe available at maturity

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Q1

Which of the following is true if Liz chose a level term assurance to repay the loan on death?

a) It may be possible to repay the mortgage early from growth of the funds within the plan
b) Premiums will decrease during the term of the plan
c) No surrender value is available
d) A surplus maybe available at maturity

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Q2

Which of the following actions is likely to be undertaken so that Tom can be taken off the mortgage deed?

a) The lender needs to obtain a “consent to mortgage” form from Tom
b) A title search on the property needs to be completed
c) A revaluation of the property needs to be undertaken
d) A status check needs to be taken on Liz

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Q2

Which of the following actions is likely to be undertaken so that Tom can be taken off the mortgage deed?

a) The lender needs to obtain a “consent to mortgage” form from Tom
b) A title search on the property needs to be completed
c) A revaluation of the property needs to be undertaken
d) A status check needs to be taken on Liz

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Q3

Before Tom's request can be agreed, Liz's lender must:

a) Obtain her father's approval
b) Obtain their children's approval
c) Ensure Liz is legally divorced from Tom first
d) Ensure Liz effects an additional repayment vehicle

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Q3

Before Tom's request can be agreed, Liz's lender must:

a) Obtain her father's approval
b) Obtain their children's approval
c) Ensure Liz is legally divorced from Tom first
d) Ensure Liz effects an additional repayment vehicle

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Q4

Which of the following requirements by the lender might be actioned under the mortgage if Tom is taken off the mortgage deed:

a) The mortgage is partially redeemed
b) A deed of variation will need to be completed
c) A new mortgage deed will need to be completed
d) Part of the security will be released

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Q4

Which of the following requirements by the lender might be actioned under the mortgage if Tom is taken off the mortgage deed:

a) The mortgage is partially redeemed
b) A deed of variation will need to be completed
c) A new mortgage deed will need to be completed
d) Part of the security will be released

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Q5

Which event in Liz's mortgage can be described as a "transfer of equity"?

a) Allowing Tom to be removed from the mortgage deed
b) The completion of the deal with the developer
c) Her father moving into the house
d) Her father giving cash to Liz to help out

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Q5

Which event in Liz's mortgage can be described as a "transfer of equity"?

a) Allowing Tom to be removed from the mortgage deed
b) The completion of the deal with the developer
c) Her father moving into the house
d) Her father giving cash to Liz to help out

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Q6

Which of the following will result in the “vacation” of Liz’s mortgage?

a) Liz getting remarried
b) The children leaving home
c) The agreement for Tom to be removed from the mortgage deed
d) Liz taking up her Father’s offer of cash

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Q6

Which of the following will result in the “vacation” of Liz’s mortgage?

a) Liz getting remarried
b) The children leaving home
c) The agreement for Tom to be removed from the mortgage deed
d) Liz taking up her Father’s offer of cash

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Q7

In relation to Liz selling part of the land, her lender may require her to:

a) Reduce the outstanding balance of the loan
b) Make repayments over a longer term
c) Pay a higher rate of interest
d) Take out further protection in the form of life cover and ASU

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Q7

In relation to Liz selling part of the land, her lender may require her to:

a) Reduce the outstanding balance of the loan
b) Make repayments over a longer term
c) Pay a higher rate of interest
d) Take out further protection in the form of life cover and ASU

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Q8

If Liz's Father doesn't give Liz any further money to help out, but does move into the house:

a) Her Father may be required to complete a "consent to mortgage" form
b) Liz must arrange a replacement guarantor
c) Liz may be required to take out further life assurance
d) Liz's Father must become a party to the mortgage contract

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Q8

If Liz's Father doesn't give Liz any further money to help out, but does move into the house:

a) Her Father may be required to complete a "consent to mortgage" form
b) Liz must arrange a replacement guarantor
c) Liz may be required to take out further life assurance
d) Liz's Father must become a party to the mortgage contract

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Q9

Which accounting methodology would be the most beneficial if Liz intends to ensure her payments are made in advance of the due date, and to make occasional additional capital repayments?

a) An annual review
b) Annual rest
c) Monthly rest
d) Daily interest

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Q9

Which accounting methodology would be the most beneficial if Liz intends to ensure her payments are made in advance of the due date, and to make occasional additional capital repayments?

a) An annual review
b) Annual rest
c) Monthly rest
d) Daily interest

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Q10

On examination of the title deeds of the property, which of the following could be deemed a restrictive covenant?

a) A public right of way exists across the back garden of the property
b) Grazing of certain livestock in the large back garden is banned
c) A charge has been placed on the property by the current owner's bank
d) There is a requirement to pay ground rent of £159 p/a

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Q10

On examination of the title deeds of the property, which of the following could be deemed a restrictive covenant?

a) A public right of way exists across the back garden of the property
b) Grazing of certain livestock in the large back garden is banned
c) A charge has been placed on the property by the current owner's bank
d) There is a requirement to pay ground rent of £159 p/a

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Revision and Consolidation

Main areas of concern?

Practice!

MOCK EXAMs

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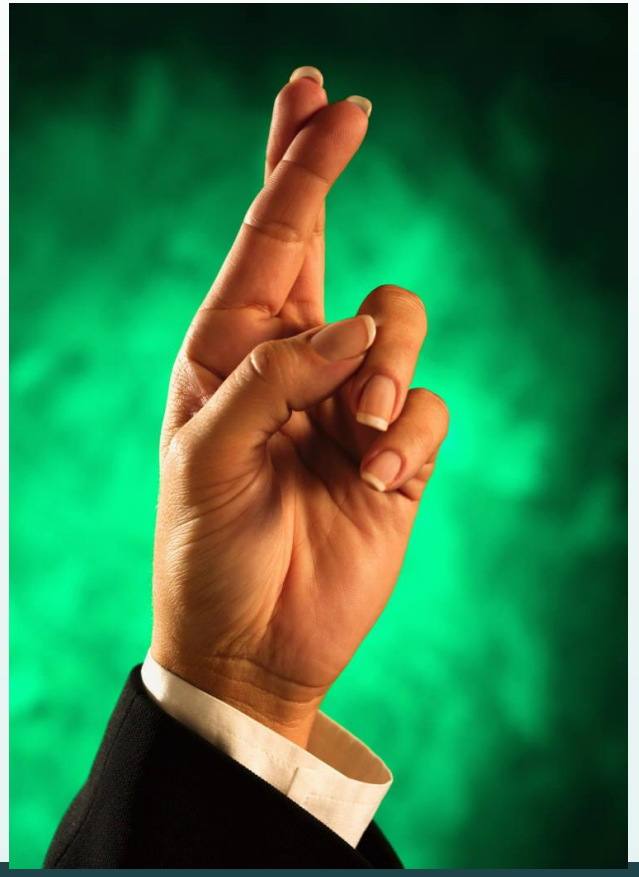
GOOD LUCK

Best of luck in your exam



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