

## Buy for Uni - Important information for borrowers

### Home ownership

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

House values can go down as well as up. It is possible for the value of the house to be less than the amount you owe on the mortgage (known as 'negative equity').

The Society will not provide you with advice on the merits/disadvantages of this transaction and/or engaging in activity as a landlord.

You must ensure that your property is suitably insured and that the insurers are aware of, and content with, the arrangement for letting out rooms.

### Responsibilities of being a landlord

You must satisfy yourself that you are competent and capable to act as a landlord.

You must recognise and meet all ongoing legal duties and responsibilities towards the property and/or the lodgers.

Any Tenancy must be an Assured Shorthold Tenancy as defined in the Housing Acts and will only be created for a fixed period of not less than 6 months and not more than 12 months.

### The mortgage loan

It is your responsibility to ensure that at the end of the course you either sell the property and clear the loan or keep the property and maintain the payments on your mortgage.

Where the mortgage payments are interest only, the amount you owe will not reduce. You therefore need to ensure that you have a strategy for repaying the mortgage loan should you keep the property after university. This may mean converting to a capital and interest repayment basis. An affordability assessment will be required at that time. If you convert to capital and interest your mortgage payment will increase significantly.

All parties to the mortgage are jointly and severally liable for the loan. This means each borrower is liable for the full amount of the debt and the mortgage payments and not just a share of it.

### Parental support

Whilst the mortgage loan is in joint names, the property is in the sole name of the student.

If payments on the Buy for Uni mortgage are not maintained then this could ultimately lead to us taking possession of the student property and selling it to clear the mortgage debt and any associated interest and charges. The sale proceeds may be insufficient to clear the amount that we are owed and in this instance we will require the shortfall making up by the borrowers.

If you are unable to do this promptly then we will rely on any security parents may have provided, whether this is through cash deposit or collateral security over a property. **This**

## **security is therefore at risk should the payments not be maintained on the Buy for Uni mortgage**

Parents can only be released from the mortgage when the property is sold or when the borrower can demonstrate that they can afford the repayments themselves. In addition, the loan to value ratio must be less than 80% and there must have been no breach of the mortgage conditions.

We will assess your full financial circumstances when we underwrite an application. This will involve a credit reference agency search, a full income and expenditure assessment and potentially a valuation of your property if it is being used as additional security.

You will be required to take independent legal advice if you are providing us with additional security. This means you need to advise us which solicitor you wish to use so that we can liaise with them. Any costs for this advice will be met by you.

### **Potential tax implications**

It is possible that the student's income from rent and other sources could exceed the amount you can earn before you need to start paying tax. Whilst the Society can direct you towards information about this it is your responsibility to ensure that you comply with tax regulations at all times. You may be expected to complete an annual tax return for HMRC.

Buying a home for university means that the student's 'first time buyer status is used. This may have implications for Stamp Duty Land Tax requirements on future property purchases.