



Family Guarantee Mortgage.

Broker Information.

Please also refer to the following information leaflets:

Family Guarantee Mortgage Product Guide -
giving you product information

**Family Guarantee Mortgage Applicant and Guarantor
Information leaflet** - designed for Applicants and Guarantors
and including a list of Frequently Asked Questions

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Who is the Family Guarantee Mortgage designed for?

First or second time buyers who don't have a big enough deposit, but have a parent, step parent or grandparent who is able and willing to provide a guarantee secured against their residential property.

- The guarantee can be repaid at any time by payment of an amount equivalent to the maximum guarantee. Payments of more than the maximum amount of guarantee will incur any applicable early repayment charges
 - Simple application process via Aldermore's online application processing system
- *Subject to affordability and sufficient equity in the guarantor property

What are the benefits of the Family Guarantee Mortgage?

- Available up to 100% of the purchase price or property valuation (whichever is lower)*
- Guarantors provide a guarantee secured against their residential property – requiring no cash in the form of a deposit
- The amount of guarantee will be capped, meaning the guarantors liability cannot exceed the original agreed amount
- The maximum guarantee period will be 10 years, at which point it will expire (and the charge against the guarantors property will be released) unless demand has been made under it and moneys remain outstanding, in which case it will expire when outstanding money is paid in full

How does the Family Guarantee Mortgage work?

Applicants can borrow up to 100% of the property purchase price or valuation (whichever is lower)*.

Monthly mortgage repayments will be based on the full mortgage amount borrowed and applicants must have enough income to support the full monthly repayments. Repayment must be on a capital and interest basis (no interest only) and affordability can be assessed by logging onto the Aldermore application processing system at www.aldermore.co.uk.

A guarantee will be required from a parent, step parent or grandparent for the amount of mortgage above 75% LTV. The guarantee will be secured by a collateral charge (which in Scotland will take the form of a standard security) on the guarantors' residential property and the amount of guarantee will be capped at the original agreed amount.

Quick Reckoner

The following quick reckoner can be used to determine if the **Family Guarantee mortgage** is an option - for both applicants and guarantors:

Property values	Quick Reckoner	Example
New Home Purchase Price (A)	£	£150,000
Guarantor Residential Property Value (B)	£	£300,000
A+B = Total of Property Values	£	£450,000

Debt secured

New Home Mortgage Amount (C)	£	£150,000
Guarantors' Existing Mortgage (D)	£	£100,000
Other Debt Secured on Guarantors' Residential Property (E)	£	£10,000
Value of guarantee (which will equal the New Home Mortgage above 75% loan to value) (F)	£	£37,500
C+D+E+F = Total Debt	£	£297,500
Total Debt / Total of Property Values = Total loan to value (which must not exceed 75%)		66%

The following examples illustrate where the **Family Guarantee Mortgage** would be suitable:



David and Alison want to buy their first house and have found a suitable property valued at £140,000. Both have good jobs and adequate income; however like many young couples starting on the property ladder they don't have a sizeable deposit.

In fact their savings of several thousand pounds are just enough to cover the purchase and legal costs, plus enough to buy all the essentials required to furnish a first property.

Alison's parents' have sizeable savings and have considered gifting a deposit. However, knowing that David and Alison can afford the full mortgage amount, they choose to retain their savings and instead give a guarantee for the amount of loan in excess of 75%.

Their residential property is valued at £270,000 with a modest £62,000 mortgage outstanding, so they have sufficient equity to support the guarantee, which equates to £35,000. The guarantee is secured by a collateral charge on their residential property and they know their liability is capped at the original amount of the guarantee. The maximum guarantee period will be 10 years, at which point the guarantee will expire (and the charge against the guarantors property will be released) unless demand has been made under the guarantee and moneys remain outstanding, in which case it will expire when outstanding money is paid in full.

Susan wants to buy her first property and has found a flat close to where she works valued at £100,000. Having spent several years repaying her student loan she only has modest savings, which after taking account of the costs of buying the property, leaves enough for a £3,000 deposit. She can afford a £97,000 mortgage to make up the remainder of the purchase price.

Susan's parents' aren't able to gift a deposit, but have a mortgage free property so choose to give a guarantee for the amount of loan in excess of 75%, in this case for £22,000, secured by a collateral charge on their residential property.

Their residential property is valued at £180,000 and they know that their total liability cannot exceed £22,000, equal to just 12% of their residential property value. The maximum guarantee period will be 10 years, at which point the guarantee will expire (and the charge against the guarantors property will be released) unless demand has been made under the guarantee and moneys remain outstanding, in which case it will expire when outstanding money is paid in full.

David and Alison's mortgage looks like:

Property price/value	£140,000
Mortgage amount	£140,000
Parents (capped) guarantee	£35,000 (secured by a collateral charge on their residential property)

Susan's mortgage looks like:

Property price/value	£100,000
Mortgage amount	£97,000
Parents (capped) guarantee	£22,000 (secured by a collateral charge against their residential property)

Frequently Asked Questions

What is a guarantee and collateral charge?	A guarantee is a legal document between the guarantor and Aldermore detailing the terms of the guarantee. The guarantee will be prepared by a Solicitor acting for the guarantor. A collateral charge is the document that secures the guarantee against the guarantors residential property. The collateral charge will be prepared and registered by a Solicitor acting for Aldermore.
Is the process different for Family Guarantee Mortgage applications?	Applications will follow the standard Aldermore application and assessment process. In addition: <ul style="list-style-type: none"> • A Family Guarantee Application form must be completed by the guarantors • Aldermore's Valuer will value the guarantor's residential property (<i>as well as the property to be purchased</i>). The report on the guarantor's property will be paid for by Aldermore and will not be disclosed to the guarantor(s) or applicant(s) • Aldermore will instruct its own Solicitor, who will liaise with the guarantors solicitor, and also obtain consent for the registration of the collateral charge from any first mortgage lender. Aldermore's Solicitor can also act for the applicants although cannot act for the guarantors • On completion, Aldermore's Solicitor will register a first charge over the property to be purchased and a collateral charge over the guarantors' residential property.
What is the applicants' liability?	The applicants are liable for the full mortgage amount outstanding, plus interest costs and expenses.
What happens if the applicants want to move house in the future?	The Family Guarantee Mortgage is not portable. However, where the borrowers subsequently wish to move house a new application will be considered subject to Aldermore's lending policy and product availability at that time.
What happens where the applicants mortgaged property is sold and there is a shortfall?	Redemption of the mortgaged property will require full mortgage repayment, including any shortfall amount.
What is required from the guarantors?	A Family Guarantee Application form, giving personal and residential property details. In addition: <ul style="list-style-type: none"> • Aldermore's Valuer will value the guarantors' residential property to confirm its value and that there is sufficient equity to support the guarantee • The guarantee will be secured by a collateral charge on the guarantor's residential property. Aldermore's Solicitor will write to any existing lender to request consent to registration of the collateral charge and agreement that the existing lender cap their priority to the amount outstanding plus interest, costs, charges and expenses. Existing lenders may charge a fee for providing consent, which the guarantors will be liable for. <i>As the new mortgage cannot complete without consent being granted, you may wish to confirm with any existing lender that they will consent to the collateral charge before submitting an application</i> • The guarantors will be required to obtain independent legal advice before entering into the guarantee and collateral charge. Independent financial advice is also strongly recommended.
Will the guarantors have to pay any fees or costs?	The guarantors will have to pay for independent legal advice from a Solicitor acting for them. Any existing mortgage lender may also charge a fee for providing consent to the collateral charge. The cost of the valuation on the guarantors property will be paid for by Aldermore.
What is the guarantors' liability?	The guarantors will be liable for any shortfall in the event of repossession and sale of the mortgaged property, up to the maximum amount of the guarantee. Demand will only be made under the guarantee if demand for repayment of the loan has been made to the borrower(s). The maximum amount of the guarantee will be equal to the amount of the original new home mortgage above 75% of the purchase price or property value (<i>whichever is lower</i>). The liability will be capped and cannot exceed the original agreed amount. The maximum guarantee period will be 10 years, at which point it will expire unless demand has been made under it and moneys remain outstanding, in which case it will expire when any outstanding money is paid in full. <i>Please refer to the Quick Reckoner above to work out the value of guarantee that will be required.</i>
Why is independent legal advice required?	Providing a guarantee secured by a collateral charge is an important financial commitment, that may make it more difficult to borrow money against the guarantors residential property. Independent legal advice is required to ensure the guarantors fully understand the nature of the commitment.
Can the guarantee be repaid and/or released?	The guarantee can be repaid at any time by payment of an amount equivalent to the maximum guarantee. Payment will be applied against the mortgage loan amount. If the guarantee is repaid, the collateral charge secured against the guarantors' property will be released. <i>Note: Where full repayment of the guarantee is made by the guarantor, for example where the guarantor decides to gift the amount of guarantee, a second charge secured against the mortgaged property in favour of the guarantor can be accepted to enable the guarantor to secure the amount of their gift. The guarantors' would be liable for any legal costs incurred. The guarantee (and collateral charge) will also be released (if no money has been demanded under it that remains outstanding) once the loan to value falls to 75% or lower, upon request and subject to an acceptable revaluation of the mortgaged property at a cost of £100 and a release of land / collateral fee of £95. Fees may change and will be detailed in the Aldermore mortgages Tariff of Charges.</i>
Will the maximum amount of guarantee be reduced as the mortgaged property value increases and/or the outstanding loan amount decreases?	No, although the potential liability of the guarantor may reduce as a result of these two factors.
What if the guarantor wants to move house?	Sale of the guarantors property would result in a requirement to repay the amount of guarantee, in order for the collateral charge to be released. It is however recognised that many guarantors will either not want, or not be able, to repay the amount of guarantee following sale of their residential property. The following options will therefore be available subject to Aldermore being satisfied its security position is maintained: <ol style="list-style-type: none"> a. Transfer of the collateral charge onto the guarantors' new residential property, subject to the consent of any new mortgage lender. b. The maximum amount of guarantee being deposited into an Aldermore savings account in the name of the guarantors, for example where the guarantors do not wish to repay the guarantee, but there is a delay between sale of their existing property and purchase of a new one.
What happens if the mortgage goes into arrears and/or the property is repossessed?	Guarantors' will receive communications and information relating to the account and its conduct, including any communications relating to mortgage arrears or possession proceedings. Guarantors will not be chased for or expected to make any repayment of arrears, although will be liable for the amount of any shortfall in the event of repossession and sale of the mortgaged property, up to the maximum amount of the guarantee. Where outstanding mortgage arrears have resulted in demand for repayment of the loan to the Borrower(s), the guarantee will not expire until outstanding money is repaid in full. In the event of repossession and loss, Aldermore will work with both the mortgage borrowers and guarantors to agree a mutually acceptable repayment plan.
What happens if the guarantor dies?	In the event of death, the guarantors estate would have the option of paying off any guarantee liability to release the charge, or in certain circumstances Aldermore may agree to the deceased guarantors' property being transferred subject to Aldermore's charge remaining. The guarantors' estate would be liable for any legal costs incurred. The guarantee and collateral charge may affect the value of the guarantors estate and independent legal advice must be obtained before entering into the guarantee and collateral charge. It is also strongly recommended that guarantors seek independent financial advice.