LEND A HAND MORTGAGE

Information for Applicants and Supporters

LLOYDS BANK
Your guide to our Lend a Hand Mortgage

Information for the applicant(s) and supporter(s)

Our Lend a Hand Mortgage is designed for first-time buyers who have:
- a small or no deposit,
- and a close family member who can put 10% of the purchase price into a savings account as security for the mortgage.

If the first-time buyer has not been able to save enough deposit for their first home, this could be just what they need to help get them onto the property ladder.

With our Lend a Hand Mortgage, you can:
- buy your first home with a small or no deposit.
- borrow up to 100% of a property’s purchase price or valuation, whichever is lower.

As long as you have at least one close family member who can provide us with additional security. They will be your supporter.

Your supporter provides the additional security by putting an amount equal to 10% of your purchase price into a three year savings account with us and gives us security over that account by signing a Legal Charge over it.

You can have a maximum of two supporters but there can only be one savings account and both supporters must be named on the account.

Your supporter will get their money back after a period of time, provided you don’t default on your mortgage payments, unlike if they simply give you the money.

The money stays in the savings account and earns the supporter interest that they’ll receive annually. Then, at the end of the Lend a Hand three-year fixed-rate mortgage we will release the Legal Charge over the savings account. However, while the Legal Charge is in place, the supporter will not be able to access their savings.

THE PROPERTY MAY BE REPOSSESSED IF REPAYMENTS ARE NOT KEPT UP ON YOUR MORTGAGE

THE SAVINGS MAY BE AT RISK IF THE BORROWER DOES NOT KEEP UP REPAYMENTS ON THEIR MORTGAGE
If you fail to keep up with your payments on the mortgage then we’re entitled to take money from the savings account to cover the default and extend the Legal Charge until arrears have been cleared for six months. Likewise, if we’re forced to repossess the property whilst we have a Legal Charge over the savings account, and selling the property doesn’t raise enough money to pay back the mortgage. We can also take money from the savings account to make up the difference.

Key Features of the Lend a Hand Mortgage

- Your mortgage rate is fixed for three years. We’ll tell you what rates are available when you apply. At the end of the fixed period, the mortgage rate will switch to one of our lender variable rates or, if you are eligible, you may be able to choose from other products we have available at the time. Your Mortgage Illustration will set out the interest rate you will switch to.
- Your loan is only available as a repayment mortgage. So, every month, your payments reduce the amount you owe, as well as paying off interest charges.

- The maximum loan is £500,000.
- The maximum mortgage term is 30 years.
- You don’t have to have a deposit but you can put down up to 5%.

During your mortgage interview we’ll take details from you about your circumstances. This allows us to assess your mortgage needs to make sure this mortgage is right for you.

Exclusions

The Lend a Hand product cannot be mixed with our other mortgage offers and cannot be used for some property types. For example, it’s not available if you are buying:

- a new-build property
- a self-build property
- a Help to Buy property
- under a shared equity or shared ownership scheme
- under a right to buy scheme.
How Lend a Hand works

Your supporter opens a savings account with us and pays in a lump sum equal to 10% of the purchase price of the property you want to buy. The savings account is then held as additional security for your mortgage.

The amount they contribute means that whilst you would still be borrowing up to 100% of the property price, you receive a three-year fixed rate mortgage, as if you had a deposit.

You, as the first-time buyer, are responsible for repaying all the money owing under the Lend a Hand Mortgage. However, if you do not pay what you owe, we can also get some of what you owe back from the supporter’s savings account. We can keep the Legal Charge in place until you are up to date with your payments.

Example: Based on £200,000 property value and no mortgage arrears
The Legal Charge on the savings account

This is a legal agreement between your supporter and us.

We will share information about your mortgage account with your supporter so they will know if you miss payments and if we are going to take action to collect these payments.

How long does the Legal Charge on the savings account last?

The Legal Charge will normally last three years from your mortgage start date. If you fall behind with your mortgage payments, we may extend it until you have been up to date with your payments for 6 months in a row.

More information is available in the Savers Charge and Conditions which you will receive from your Conveyancer.

When and what may the supporter be asked to pay?

If you default on your mortgage, we'll be entitled to take money from the savings account. We will give your supporter notice before we do this.

We can also take money from the savings account if we need to repossess your property and, after your property is sold, it doesn’t raise enough to pay back what you owe.

The amount you owe will include any costs we incur as a result of the repossession and sale. We may continue to add interest to your mortgage until your debt has been cleared in full. This means the amount you owe may increase.

You, as the first-time buyer, will need to pay any amount due that has not been covered by the amount held in the savings account.

What if I want to put down a deposit?

If you have money available, you can put down a deposit. If you do, this will reduce the amount you need to borrow and the overall cost of the mortgage.

To be eligible for the Lend a Hand Mortgage you do not need a deposit but you can put down up to a 5% deposit.

Independent legal advice

Your supporter should take independent legal advice before they sign the legal documents. They need to fully understand their obligations and how the Legal Charge over the savings account works.
Legal advice can be provided by most legal firms. If you don’t already have legal contacts, your supporter can find a legal representative at [www.solicitors.lawsociety.org.uk](http://www.solicitors.lawsociety.org.uk)

**Contribution towards legal advice**

Your Mortgage Illustration will tell you the amount of cashback we’ll pay towards the cost of your supporter’s independent legal advice. It may not cover all the legal costs and your supporter should get some quotes. We’ll forward the money to your conveyancer when the mortgage completes and ask them to send it on to your supporter. If your mortgage does not complete, we won’t make a payment but there still may be costs to pay.

**What are the qualifying criteria for a Lend a Hand Mortgage?**

Either you or your supporter(s) must hold an open Club Lloyds personal current account. There is a £3 monthly account fee for Club Lloyds. This is waived if you pay in £1,500 each month.

**Applicant(s)**

- Maximum of two applicants. At least one of the applicants must be a first-time buyer.
- The property you buy must be in England or Wales.

**Supporter(s)**

- Maximum of two supporters. The Legal Charge can only be taken against one savings account, so both supporters must be joint account holders.
- At least one of your supporters must be a close family member. By this, we mean someone who is related to at least one of the applicants by birth or blood, or by marriage or civil partnership (including stepchildren, adopted children and in-laws).
- Your supporter(s) must live in England or Wales.

**How do I apply?**

You can apply for the mortgage in branch or by telephone. Your supporter(s) can attend your mortgage interview, but they don’t have to. You will need to provide personal details about yourself and your supporter(s). You should tell them that you are going to provide us with their personal information on their behalf if they are not going to attend the mortgage interview.

We will be allowed to share information about you, your application and mortgage account with your supporter(s), for the period they act as your supporter(s).

After your mortgage interview, your supporter(s) will need to open the savings account. They will also be able to ask any questions without you being present.
Important information for a Supporter(s)

If you’re considering helping a close family member get onto the property ladder with our Lend a Hand Mortgage, you may already have read the first part of this leaflet, but there’s some information you’ll also want to know about the savings side of things. So here’s a summary of how the Lend a Hand would work from your perspective.

- As a supporter, you will open a savings account with us which represents additional security for the mortgage.
- You’ll put 10% of the property purchase price into an instant access savings account as a lump sum, before the borrower completes their property purchase. We’ll then change the account into a Lend a Hand Fixed Savings Account before the property purchase.
- You’ll need to ensure that the funds are in the account at least 7 working days before your family member wants to complete their purchase. You will also need to tell the conveyancer handling the purchase as soon as you have done this.
- The amount you hold in the savings account allows the borrower to secure a Lend a Hand Mortgage.
- You receive interest on your savings at a fixed rate for 3 years. After this time, your account will change to a Standard Saver which pays a variable rate. For information on the rate you could earn, please refer to the Lend a Hand Fixed Savings Account Interest Rate leaflet.
- Up to two people can be supporters on a Lend a Hand Mortgage and you would both need to put your contribution into one savings account together.
- We’ll have a Legal Charge over the 10% deposit balance, excluding interest, on the savings. This means that if the borrower defaults on their mortgage, we’ll be entitled to take money from your savings account and, if they are in arrears when your Lend a Hand Fixed Savings term ends, we can extend the Legal Charge over your Standard Saver. This means that you may get back less than you originally put into the savings account.

This will involve the collection and processing of your personal information by us. Your personal information may be provided to us by the borrower and we may need to share your personal information with the borrower during the term of the mortgage. More information about how we process your personal data can be found: www.lloydsbank.com/privacy or by calling us on 0345 602 1997.
We recommend that you obtain independent legal advice before proceeding.

1. Call us on **0345 122 1601** to open an instant access savings account.
   You will need the Mortgage Application reference number to hand.

2. Sign and return the Legal Charge over the savings account. This will be sent to you by the conveyancer acting on the purchase. The charge includes the terms and conditions, you should consider taking independent legal advice.

3. Put **10% of the property value** into the savings account.
   You should pay the money in at least 7 days before completion of the property purchase.
   Make sure you tell the conveyancer once you’ve done this.

4. We change the account to a Lend a Hand Fixed Savings Account.
   This will happen shortly before the property purchase completes and we’ll let you know when we’ve done this.

5. You receive **£300 cashback**.
   This will be sent to you by the applicant’s conveyancer after the property purchase completes.
What you need to do

You should consider taking independent legal advice before signing the Legal Charge over the savings account

- Call us on 0345 122 1601.
- Let us know whether you are a Club Lloyds customer.
- If you are not a Lloyds Bank customer, you may be asked to provide identity verification documentation in branch, which we will need before completing account opening.
- Make sure you have the Mortgage Application reference.
- The adviser will open an instant access savings account and you will be provided with the sort code and account number.
- We’ll send you the account information for both the instant access account and the Lend a Hand Fixed Savings account so you have all the information you need.

Joint account openings

- If you want to open the savings account with another person, both of you should be available to speak to one of our advisers.
- To open the account jointly you must either live at the same address or have the same last name.
- We may need identity verification documentation from all parties before the savings account can be opened.

What next?

- After completion of the house purchase the borrower’s conveyancer will send you the £300 cashback intended to cover the cost of independent legal advice you have sought. If the house purchase does not complete or the Lend a Hand Mortgage does not proceed we will not pay the cashback.
- If there are no requirements to draw down any money from the Lend a Hand Fixed Savings account, the Legal Charge over the account will be released at the end of the savings account term. See the Lend a Hand Fixed Savings account conditions for what happens if the borrower’s mortgage goes into arrears.
- Before the savings account term ends, we will write to you about your options and next steps.

Important notes:

- You cannot be named on the mortgage if you are also named on the savings account.
- We can use the money in the savings account to pay for arrears on the mortgage, so you could get back less than the money you put in at the start of the savings account term.
The benefits of legal advice

This is such an important step – with a major financial commitment on your part – we think it’s appropriate for you to get independent legal advice. After all, you’ll be committing probably tens of thousands of pounds for a number of years and you may not get back some or all of that money.

It’s important to realise that until the Legal Charge has been removed, you can’t take any of your money out of the savings account – even in an emergency.

Frequently asked questions

Who do you regard as a first-time buyer?

We regard a first-time buyer as someone buying a property who has not had a mortgage before and has not previously bought a property in the UK or abroad.

If there’s only one person on the application who we would class as a first-time buyer, the other person would also be eligible for this mortgage.

Will the Legal Charge over the savings account ever last more than three years?

We will release the Legal Charge after three years as long as the mortgage payments are up to date.

If, in the final six months of the Legal Charge, the borrower has fallen behind with their mortgage payments, we may extend the period of the Legal Charge. We will not release the Legal Charge until the mortgage account has been up to date for six months in a row.

Can the Legal Charge over the savings account be released before three years?

In exceptional circumstances, we may be able to release the supporter from the Legal Charge over the savings account early. The supporter would need to contact us to discuss this.

What if I want to move house?

If the borrower wants to move house before their fixed term finishes, they can take the mortgage product rate and early repayment charge to a new mortgage for the amount owed at that time. If they are borrowing more, they will need a new mortgage product for the extra amount.

It is not possible to take the supporter to another mortgage. So, the borrower would need an acceptable deposit because they would no longer be a first-time buyer, and would not qualify for another Lend a Hand Mortgage. We’ll decide whether to offer a new mortgage based on our lending policies at the time.
What if the value of the borrower’s property falls?
‘Negative equity’ describes what happens when a property value falls so that it is worth less than the amount owing on the mortgage. Negative equity commonly occurs when house prices fall, so some parts of the country and some property types are often more affected than others.
A low or no deposit means there is a higher risk of negative equity. This could make moving home difficult or even impossible because the money received from selling the property won’t be enough to repay everything owed. Also, the borrower may not have anything left for a deposit on a new property.

What happens if, whilst there is a Legal Charge over the savings, the borrower sells their property for less than the amount owed on the mortgage?
If the property is sold for less than the amount owed on the mortgage, this would cause a shortfall.

If there is a shortfall we may take money from the savings account. If the savings account does not have enough in it to cover the shortfall, we’ll ask the borrower to pay the rest.

What if the borrowers separate from each other after they have taken the mortgage?
The borrowers will need to contact us to discuss their options. The Legal Charge over the savings account will stay in place and won’t be affected. This is because the supporter’s commitment relates to the first-time buyer mortgage, not the individual borrowers.

What if the supporter needs their money in an emergency?
It’s important to note that even in an emergency the money cannot be withdrawn from the savings account. The supporter needs to consider whether they think they would need access to the money during the term of the Legal Charge which will be at least three years.

Can the borrower borrow more money to increase their Lend a Hand Mortgage?
No, they can’t borrow any more money while they have the Lend a Hand Mortgage.

Can the borrower choose a new fixed-rate mortgage at the end of the three year term?
The borrower can choose from any of our mortgage products that are available at the time, subject to eligibility. They would need to choose from the range appropriate to the mortgage amount as a percentage of the property’s value at that time.
Find out more

Go to lloydsbank.com/mortgages/first-time-buyers/lend-a-hand

lloydsbank.com/lend-a-hand-savings

Call us on 0345 122 1601
Lines are open from 8am-8pm Monday to Friday and 9am-4pm on Saturdays.

Visit your local branch

Our promise is to do our best to resolve any problems you have. If you wish to complain visit your local branch or call 0800 072 3572 or 01733 462 267. (Textphone 0800 056 7614 or 01733 347 500 if you have a hearing impairment). For more information visit lloydsbank.com/contactus

If you’d like this in another format such as large print, Braille or audio CD please contact us.

If you have a hearing or speech impairment you can contact us using the Next Generation Text (NGT) Service (available 24 hours a day, 7 days a week or via Textphone on 0345 300 2281 (lines are open 24 hours a day, 7 days a week).

If you’re Deaf and a BSL user, you can use the SignVideo service available at lloydsbank.com/accessibility/signvideo.asp

Calls may be monitored or recorded in case we need to check we have carried out your instructions correctly and to help improve our quality of service. Not all Telephone Banking services are available 24 hours a day, 7 days a week. Please speak to an adviser for more information.

Important information

Eligible deposits with us are protected by the Financial Services Compensation Scheme. We are covered by the Financial Ombudsman Service.


Lloyds Bank plc is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority under registration number 119278.

We adhere to The Standards of Lending Practice which are monitored and enforced by the LSB: www.lendingstandardsboard.org.uk

All the information in this leaflet was correct as at January 2019.

LLOYDS BANK

M61046 (01/19)