Additional borrowing

We're with you every step of the way

The **co-operative** bank

Here for you for life

What is additional borrowing?

Sometimes you may be able to borrow extra money from your mortgage lender by adding it to your existing mortgage. So, if you're looking to extend your home or make home improvements like a new kitchen or bathroom this could make it possible.

Of course, you should always think very carefully before adding to your existing mortgage loan and consider if this is really the best option for you.

That's because a mortgage is secured against your property and if you're unable to keep up with your repayments you could risk your home being repossessed.

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

What do I need to think about before borrowing more?

Before you apply for additional borrowing, you need to think about all the pros and cons – that way you'll know you're making the right choice.

So, you need to ask yourself...

How much money you need to borrow?

If your current mortgage is less than the value of your home, additional borrowing could be an option.

For example, if your current mortgage is 65% of your home's value, and your lender offers additional borrowing up to 85%, you could ask to borrow up to an extra 20% of the value of your home, subject to lending criteria.

What do you need to borrow for?

It really is important that you think responsibly about additional borrowing.

Additional borrowing can be used to support a number of different loan purposes.

Lending restrictions may apply depending on what you're planning to use the money for.

Depending on what you are borrowing additional money for, it may be worth considering if borrowing that isn't secured against your home - like a personal loan or a credit card - may be more appropriate.

How much are you repaying every month and for how long?

The rate of interest on your mortgage may be lower than it would be on unsecured borrowing like a credit card or a personal loan.

This means that adding additional borrowing to your existing mortgage could be the most cost effective way of borrowing more. It's important to remember that any additional borrowing is secured against your property meaning your home could be repossessed if you fail to keep up your monthly repayments.

Additional borrowing on your mortgage will be subject to credit checks, affordability assessments and a valuation of your property may be required.

Different types of mortgages

The Co-operative Bank provides a fully advised mortgage service. Our expert advisers can guide you through the different types of mortgage we offer and help you choose which product best matches your needs from our range of Britannia mortgages from The Co-operative Bank.

You can find out more about our range of mortgages by visiting co-operativebank.co.uk/mortgages

Some of the types of mortgage you can choose from are:

Fixed Rate Mortgages

With a fixed rate mortgage your interest rate stays the same for a fixed deal period, for example, three years. This can make it easier to manage your budget because your monthly payment will stay the same. Once your deal period has ended, many lenders will transfer you to their standard variable rate (SVR).
You should check what happens at the end of your fixed rate deal with your mortgage lender.

Variable Rate Mortgages

With a variable rate mortgage, the amount you pay each month may go up and down, depending on the interest rate.

There are a wide range of options to choose from, including:

Tracker	A variable rate mortgage where the rate of interest tracks the Bank of England's Base Rate or a rate indicated by your mortgage lender. Once your Tracker rate deal is over, many lenders will transfer you to their standard variable rate (SVR). You should check what happens at the end of your tracker rate deal with your mortgage lender.
Standard Variable Rate (SVR)	This rate is set by the lender and you will often be switched onto an SVR automatically at the end of your current deal if you haven't switched.

Although not available through The Co-operative Bank, other mortgage options include:

Capped	Even though the interest rate is variable, your lender caps the maximum level it could rise to and agrees it won't go above this for the duration of your deal.
Offset	You only pay interest on the difference between the balance of your mortgage and your savings. When 'offsetting' you don't earn interest on your savings, but you will reduce the amount of interest you pay on your mortgage instead. This may be a fixed or variable rate.
Discount	A discounted rate applied by the lender to their SVR for a set period of time. Make a note of your lender's SVR before you take out the mortgage though, as this is what you'll pay once your discount ends.

Repayment types

There are also two options on how you pay back your loan:

Capital and interest

Also known as a Repayment mortgage, this is where the monthly payments you make go towards paying off both the amount you borrowed, as well as the interest on the loan.

Interest only

With this option your monthly payments will be smaller as you're only paying the interest charged on your mortgage. If this is the repayment type you decide to go for, it is important to plan how you will repay the outstanding balance, as it is your responsibility to have enough funds available to pay your mortgage at the end of its term. The Co-operative Bank does not offer interest only mortgages or additional borrowing on an interest only mortgage.

Alternative lending options

The minimum loan size for additional borrowing against your mortgage that is available through The Co-operative Bank is £5,000. If you are looking to borrow less than this, you could look at other options, including:

- Your bank account's overdraft facility.
- Applying for a credit card.
- Applying for a personal loan.

All mortgage applications are subject to an affordability assessment.

Find out your credit rating by clicking on the links below:

Experian: www.experian.co.uk

Equifax: www.equifax.co.uk

There may be a charge by the providers of these services.

Any loan will have its specific lending criteria and will be subject to eligibility. You should look into the terms and conditions of any additional borrowing before you apply.

How much can I borrow?

Every lender will have their own lending criteria and will carry out an affordability check.

They will also look at your current loan-to-value ratio – which shows the amount you want to borrow as a percentage of your home's value.

The other kinds of things they will take into account to complete an affordability check are:

- Your salary and ability to pay.
- Your expenditure.
- If you have any outstanding debts.
- Your overall credit rating.
- If you have ever missed a mortgage payment in the past.
- If you have ever had a County Court Judgement (CCJ) against you.
- If you have ever had any individual voluntary arrangements (IVAs).
- Any other credit defaults

What is the application process?

Decision in principle

Your lender might give you a decision in principle. This is your lender saying that, based on their initial checks, they will lend you the additional money you want to borrow.

Remember, a decision in principle isn't the same as a formal agreement and does not guarantee that you'll be able to take additional borrowing.

For this you will need to show original copies of:

- If you're employed – your last three months' payslips plus your latest full month's bank statement.
- If you're self employed – your last three years' accounts, your last three years tax assessments forms (SA302) plus your latest full months bank statement.
- Proof of identity such as your passport.
- Proof of your address, such as a utility bill addressed to you at your address.

Are there any other fees?

You may need to pay some additional costs which might include:

- Costs for a revaluation of your property
- Legal or conveyancing fees
- Administration fees
- Product fees

How long will everything take?

There's no exact answer to this question. Processes may vary from lender to lender.

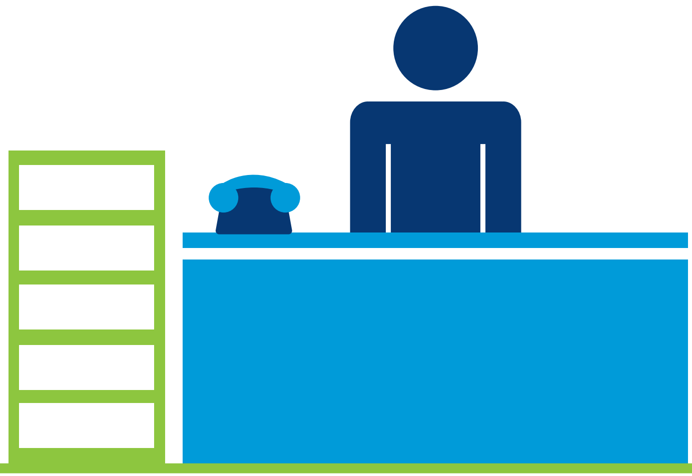
But, if you have a Britannia or Co-operative Bank mortgage, and you're interested in additional borrowing, our expert advisers will be able to give you a clear idea of how long the process will take.

What if I have difficulty making my payments?

As a responsible lender, The Co-operative Bank is committed to helping our customers through any difficulties they might have making their mortgage payments. If you have any concerns about your general financial position, we'd encourage you to speak to us.

We also recommend you check any life assurance and accident or sickness cover that support your mortgage commitments to make sure you have the right level of protection. If we can help you with your protection needs, please call 08000 288 288 or visit your local branch and we'll be happy to help.

For more information about Friends Life protection visit: co-operativebank.co.uk/mortgages/protection



Glossary

In case you're not sure what some of the words here mean, we've included some simple definitions.

Advance

This is sometimes used as another term for your mortgage loan. It refers to the amount your lender agrees to lend you.

Annual Percentage Rate (APR)

Shows the rate of interest you will pay on your mortgage over a year assuming you keep the mortgage for the whole of its term and that the interest rate doesn't change during this time. APR allows you to compare how much it will cost you to borrow from different mortgage providers.

Arrears

Arrears is a term to describe payments which are late or overdue.

Asking Price

The price that a person selling a property wants to get for its sale. This is negotiable.

Assets

Anything that you own that could be converted into a cash value.

Bank of England

This is the central bank of the UK and is responsible for maintaining a stable economy. As one of their functions, they set the interest base rate.

Base Rate

This is the interest rate set by the Bank of England that lenders use to set their own interest rates.

Broken interest

A charge for the amount of interest owed for the period between the day you complete your mortgage and the day that the first payment is taken. The broken interest will be collected at the same time as your first repayment

Broker

A broker – or mortgage broker – is someone who can offer you advice on taking out a mortgage. Independent mortgage brokers will be able to help you compare products from different lenders to see which is the best deal. You don't have to use a broker, but if you do you should make sure that they are registered.

Buildings Insurance

Insurance that protects you in case your home is damaged through circumstances like fire, flooding, subsidence etc. Many mortgage offers are dependent on you having buildings insurance on property.

Chain

If you're buying a property from someone who is in the process of buying another property from someone else, this is known as being in a chain.

Completion

Your completion date is the final stage of you purchasing your property. On the day you complete your solicitor will pay the balance owed on the property to the seller's solicitor and your new home legally becomes yours. You'll be able to move in from this date.

Contract

A contract is a legally binding, documented agreement between two or more parties.

Conveyancing

Conveyancing is the name of the process involved in transferring the ownership of a property from one person to another. This process is completed by your solicitor or a qualified conveyancer.

Conveyancer

See above.

Council Tax Band

Your council tax band is decided by your local authority and will affect how much your council tax bill is when you live in that property.

Credit Rating

This is an assessment of how much risk you pose to a lender and is used to assess credit and loan applications.

Decision in Principle

This is your lender saying that in principle, based on their initial checks, they will agree to give you a mortgage. This is not the same as receiving a formal mortgage offer.

Deposit

The money you will have to pay up-front towards buying a property. This is normally expressed as a percentage of the total value of the property you're looking to buy.

Early Repayment Charge
A charge by a mortgage lender if all or part of the loan is paid before a date specified in the mortgage. It may be shorter or longer than the deal period.

Equity
The difference between the value of a property and the value of a mortgage.

Exchanging Contracts
The swapping of contracts between the buyer and the seller. From this point the sale is a legally binding contract.

Exit Fees
If you pay off your mortgage early you may be charged an early exit fee by your mortgage lender.

Financial Conduct Authority
Often abbreviated to FCA this is an independent regulatory body for financial services.

Freehold
If your property is freehold it means that you own both the property and the land that it sits on for an unlimited period of time.

Ground-rent
If you own your property on a leasehold basis you will have to pay this fee to the person who holds the freehold on the property. This is normally a yearly payment.

Guarantor
A person who guarantees that you will make the monthly repayments on your mortgage loan and agrees to be liable for the debt if you don't keep up with your monthly repayments.

Inflation
A rise in general price levels.

Insurance
Insurance is a contractual agreement between you and the insurer to pay compensation for a loss caused by a specified event. You will pay a monthly or annual premium for this agreement.

Joint Application
When you and another person apply for a mortgage together and are jointly and individually responsible for making your monthly repayments.

Joint Mortgage
When you and another person buy a property together and are jointly and individually responsible for making your monthly mortgage repayments.

Key Facts Illustration
This shows you the details of a mortgage deal so that you can compare it against other deals.

Land Registry Fees
The money that you pay to the Land Registry when ownership of land is transferred.

Lease
A contract renting land for an agreed amount of time.

Leasehold
Means you have a right to occupy the property but rent the land it sits on from the person who owns the freehold.

Lender
The Bank, Building Society or financial services provider that agrees to lend you the money for a mortgage loan.

Loan-to-value
Commonly abbreviated to LTV, this stands for loan to value. LTV shows the ratio of the mortgage amount to the value of the property expressed as a percentage.

Mortgage
A mortgage is a loan to help you buy a property. You'll need to contribute towards the cost with a deposit and will be charged a rate of interest on what you owe. Your home will be at risk if you don't keep up repayments on your mortgage loan.

Mortgage Adviser
A mortgage adviser is someone who's qualified to offer you advice. They'll assess your needs and eligibility before recommending the most suitable product for you. Using a mortgage adviser offers the best protection for you as a customer.

Over Payments
You will be told by your lender the amount you must re-pay on your mortgage loan each month. If you want to pay over this amount or make a lump-sum payment this is known as an over-payment and, depending on your lender and mortgage agreement, you may be charged an early repayment charge for doing this.

Portable/porting
This is a feature of a mortgage deal that means if you move house before your current deal has expired, you can transfer your existing mortgage deal to your new property. Not all mortgages are portable and you should check the terms and conditions of your mortgage if you are interested in porting. Lending criteria applies.

Product Fee

Depending on your lender or deal you may be asked to pay a fee to secure your preferred mortgage product.

Prudential Regulation Authority

Commonly abbreviated to PRA, responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms.

Purchase Price

This is the amount you buy the property for and it may differ from the amount that the house was originally advertised at.

Repayment Mortgage

Your monthly payment covers the interest payment and an extra amount that goes towards paying off the amount you owe.

Remortgage

When you move your mortgage from one lender to another but you're not moving house.

Repossessed

If you don't keep up with your monthly repayments your lender has a legal right to take possession of your property and sell it to repay the mortgage debt.

Seller

The person selling the property.

Standard Variable Rate

Set by lenders this is a rate which you may move to at the end of a deal period. Not all lenders have an SVR.

Stamp Duty

This is a government tax you have to pay on the purchase of your property. The amount will vary depending on the value of your property and you should check before you buy how much, if any, stamp duty will cost you.

Subject to Contract

If you agree subject to contract you are agreeing that you are going to buy / sell a property but it has not yet become legally binding through the exchange of contracts.

Survey

This is an inspection into the condition of the property that is carried out by a qualified surveyor. There are a number of types of survey which vary in cost and how comprehensive the investigation is.

Title Deeds

These are held at the Land Registry to show that you legally own the property.

Term

The number of years over which you agree to pay back your mortgage.

Under Payment

When you pay less than the agreed minimum monthly repayment amount.

Valuation

An assessment to see how much a property is worth. This is normally used by a lender to check if a property is suitable for them to loan you the money to buy it.

Valuer

A person who conducts the inspection with a view to making a valuation.

Vendor

This is another way that people refer to the seller of a property.

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