



REMORTGAGES POLICY

Responsible Director:	Director of Homes and Wellbeing
Responsible Manager:	Head of Specialist Housing
Last updated:	January 2020
Next update:	January 2023

Remortgages Policy and Procedure

1. Purpose

- 1.1 The purpose of the Policy and procedure is to ensure a clear and consistent approach to approving applications from shared owners and other leaseholders to remortgage their homes.
- 1.2 The policy details the circumstances under which a request to remortgage should be approved, and those where approval will not be given.

2. Background

There are three changes to a leaseholder's mortgage that require NCHA's approval:

- 2.1 Remortgage - moving from one lender to another, without increasing the sum borrowed.
- 2.2 Further Advance - staying with the same lender but borrowing an extra amount.
- 2.3 Remortgage and further advance - changing lender and borrowing an extra amount

If a leaseholder is staying with the same lender and just changing interest rates, there is no need to obtain the Association's approval.

3. Risks

- 3.1 The risk of leaseholders over stretching themselves financially and having their homes repossessed due to mortgage or rent arrears.
- 3.2 The risk of leaseholder dissatisfaction if applications for remortgages are rejected.

4. Objectives

This policy aims to meet the following objectives:

- 4.1 To ensure shared owners and leaseholders are able to sustain home ownership financially by allowing them to borrow a maximum of 75% of the value of their share in the home.
- 4.2 To provide an effective customer service to leaseholders wishing to remortgage their homes.

4.3 To protect the Association's financial interest in its shared ownership homes by minimising the risk of repossession.

5. Process

5.1 Remortgages

5.1.1 In order to approve an application to remortgage, the following documents are required from the leaseholder:

- a copy of the mortgage offer from the new lender;
- written confirmation from the new lender of the current value of the home;
- written confirmation from the current lender confirming the outstanding mortgage balance (redemption statement)
- a letter/ e mail from the leaseholder explaining why they want to change lender.

5.1.2 The documents will be checked and a written decision will be sent to the applicant within five working days of the receipt of the documents detailed.

5.1.3 Most applications to remortgage are likely to be approved. If the decision is to reject the application, full details of the reason for the rejection must be given in the letter.

5.1.4 Depending on the lease, there is a fee payable to NCHA for the approval of a re-mortgage. This is usually £30.00 - £40.00 depending on the lease requirements. Payment can be made by phone using a debit card.

5.2 Further advances

5.2.1 In order to approve an application for a further advance, the following documents are required from the leaseholder:

- A copy of the offer from the lender confirming the amount the leaseholder is planning to borrow;
- Written confirmation from the lender of the current value of the home;
- written confirmation from the lender confirming the current outstanding mortgage;
- A written explanation of why the leaseholder plans to increase his/her borrowing;
- If the additional borrowing is for home improvements, the leaseholder should provide plans, specifications, quotations and any other documents that are reasonably requested.

5.2.2 Requests for further advances in order to consolidate other debts will not normally be allowed. In exceptional circumstances, such requests may be considered, and the following documents must be provided by the applicant, in addition to the documents

- Detailed income and expenditure account for the household;
- breakdown of the debts to be consolidated;

5.2.3 The documents will be checked to ensure the new total borrowing does not exceed 75% of the value of the leaseholder's share.

5.2.4 A written decision on the request for a further advance will be sent to the applicant within five working days of the receipt of all the documents.

5.2.5 If the decision is to reject the application, full details of the reason for the rejection must be given in the letter.

5.3 Remortgage and further advance

5.3.1 In order to approve an application for a remortgage and further advance, the following documents are required from the leaseholder:

- A copy of the offer from the new lender confirming the amount the leaseholder is planning to borrow;
- Written confirmation from the new lender of the current value of the home;
- written confirmation from the current lender confirming the current outstanding mortgage;
- A written explanation of why the leaseholder plans to increase his/her borrowing;
- If the additional borrowing is for home improvements, the leaseholder should provide plans, specifications, quotations and any other documents that are reasonably requested.

5.3.2 Requests for further advances in order to consolidate other debts will not normally be allowed, but in exceptional circumstances this can be considered on receipt of the documents.

5.3.4 The documents will be checked to ensure the new total borrowing does not exceed 75% of the value of the leaseholder's share.

5.3.5 A written decision on the request for a further advance will be sent to the applicant within five working days of the receipt of all the documents. **See Appendix 1**

5.3.6 If the decision is to reject the application, full details of the reason for the rejection must be given in the letter.

Appendix 1

Dear Sirs

Borrowers Name:
Address:
Mortgage Account Number:
Date of Mortgage Offer:

We confirm that for the purpose of the mortgagee protection clause contained in the shared ownership lease, we consent to **(Insert Lender)** granting a first legal charge/mortgage on the above property. This is subject to the following conditions being satisfied in full:

- a) The amount of loan does not exceed the value of the share purchased.
- b) The terms and conditions should not differ materially from those of other conventional High Street lenders and are issued in accordance with the CML Handbook.
- c) The lender agrees to take action against their borrower as soon as it becomes apparent that their security is breached.

The property is a leasehold shared property with **James David Marriott & Emma Victoria Pyrah** owning a **insert % share** with a mortgage of £**insert amount**. There are **insert years on lease** years remaining on the lease.

Provided the above conditions are satisfied, you may take this letter as our consent to the lender as mortgagee. Please note that this consent does not extend to any additional or further advances/loans made by the lender to the borrower.

Please advise us if the lender is not prepared to accept any of these conditions.

Yours sincerely