

Offset mortgages – our guide

COVENTRY Building Society



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We can also send you this leaflet in large print, Braille or on audio CD. Call us on 0800 121 8899 and we'll be happy to help.

Offset mortgages – our guide

With an Offset mortgage your savings offset the interest you pay, helping you save money overall on the cost of repaying your mortgage.

You can choose to reduce the term of the mortgage, the outstanding balance or your monthly mortgage payment depending on whether you choose a repayment or an Interest-only Offset.

Even a small amount saved regularly can make a big difference. And you can access your savings whenever you want to.

Our Offset mortgages are for residential properties only – we don't offer them for Buy to Let.



An Offset with us is simple

One savings account

Keep your savings in one, easy to manage account linked to your mortgage.

Easy access to your savings

Using Online Services, telephone banking, and ATMs. And you can set up Direct Debits and standing orders on your savings account. Your Offset savings account is an easy access account, so you can access your savings whenever you need to. The money in your Offset savings account won't earn interest because it's offsetting the interest payable on your mortgage

You can apply to borrow more at the same rate

Up to the maximum Loan to Value and subject to our lending criteria at the time.



An Offset with us is simple

One Offset savings account is linked to your Offset mortgage to reduce the amount of mortgage interest you're charged.

You still have to make your contractual mortgage payment each month, but we only charge interest on the difference between your Offset savings balance and the mortgage amount. The mortgage interest you save is called the **Offset benefit.**



Your mortgage =

£100,000*



Your Offset savings balance =

£20,000



We only charge you interest on

£80,000*

The difference between your savings and the mortgage amount.

* On a repayment mortgage, part of your monthly payment will always include some of the original amount borrowed (the capital).

Our repayment Offset mortgages

With a repayment Offset, you can use the Offset benefit to help reduce the **mortgage term** or your **monthly mortgage payment,** whichever suits you best.

You can switch how you use the Offset benefit whenever you like.

Repayment Offset – how it works:

- You always make the full contractual monthly mortgage payment of the interest + capital repayment.
- You're only charged interest on the difference between your Offset savings balance and the amount of your mortgage.
- The saving you make is the Offset benefit.

With a repayment Offset, you can use the Offset benefit to reduce the overall term of your mortgage or your monthly mortgage payment – and switch between the two.

To reduce the overall term of your mortgage:

Any Offset benefit reduces the outstanding capital balance which in turn reduces the amount of mortgage interest you pay overall. This shortens the time it takes to pay off the mortgage.

The difference to your mortgage term and overall cost will vary depending on how much money you put into your Offset savings account.

If you choose this option, your monthly mortgage payments are only recalculated following a significant change to your mortgage, for example, as a result of a rate change or a capital repayment.

To reduce your monthly mortgage payment:

At the end of each month, any Offset benefit automatically reduces the amount we collect by Direct Debit (you must pay by Direct Debit) by the same amount for the next monthly mortgage payment, or the month after that, depending on when the payment is due.

Mortgage payments made before the 7th of the month may result in the Offset benefit reducing your monthly payment a month later.

You'll still pay your mortgage for the full term, but depending on how much money you have in your Offset savings account, you pay less mortgage interest each month.



Our Interest-only Offset mortgages

With our Interest-only Offset mortgages there's no minimum income requirement but you'll need to demonstrate that you can afford an equivalent repayment mortgage.

With an Interest-only mortgage your monthly payments only cover the interest charged and none of the amount you originally borrowed. You will need to have an acceptable repayment plan in place to pay back the original amount borrowed at the end of the mortgage term.

Interest-only Offset

With an Offset mortgage, your savings offset the interest you pay on your mortgage. It's simple to manage – one Offset savings account is linked to your Interest-only Offset mortgage. We'll set up your Offset savings account as soon as your mortgage has completed.

Here's how it works:



Your mortgage =

£100,000*



Your Offset savings balance =

£20,000



We only charge you interest on

£80,000

The difference between your savings and the mortgage amount.

* On an Interest-only mortgage your monthly payments only cover the interest charged but none of the original amount you borrowed. This means your monthly payments will be lower than a repayment mortgage but you will still have to pay back the amount you borrowed at the end of the mortgage term

To reduce your monthly mortgage payment:

At the end of each month, any Offset benefit automatically reduces the amount we collect by Direct Debit (you must pay by Direct Debit) by the same amount for the next monthly mortgage payment, or the month after that, depending on when the payment is due. Mortgage payments made before the 7th of the month may result in the Offset benefit reducing your monthly payment a month later. You'll still pay your mortgage for the full term, but depending on how much money you have in your Offset savings account, you pay less mortgage interest each month.

To reduce your outstanding balance:

At the end of each month, any Offset benefit is credited to the outstanding balance owed on your mortgage, thereby reducing the total amount payable by you at the end of your mortgage term. You'll still pay your mortgage for the full term.



Are you eligible for an Interest-only Offset mortgage?

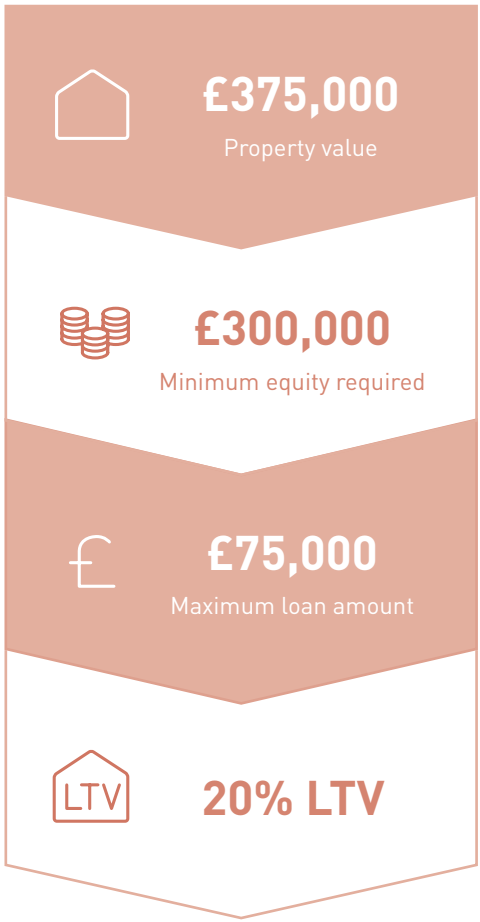
There are some specific criteria you'll need to meet before you can apply for an Interest-only mortgage with us.

You **must have** a minimum of £300,000 or more in equity left in your property after the mortgage amount required has been taken into account, and the **maximum** Loan to Value* (LTV) you can apply for is 50%.

So if your property is worth £375,000, you could apply to borrow up to £75,000. This leaves the £300,000 minimum equity, and the LTV is equivalent to 20% of the property value.

* The LTV is the amount of the loan requested calculated as a percentage of the property value, eg if your property is worth £375,000 then 50% LTV would be £187,500.

Look at this example:



Do you have an acceptable repayment plan?

Because you only pay back the interest during the term of your mortgage, you'll still have to pay back the original amount you borrowed when the mortgage term has ended.

You'll need to have an acceptable repayment plan in place and we'll ask for evidence of this.

All repayment plans must be on the basis of current value rather than estimated future value, and include (but aren't limited to):

- **The sale of investments –** 80% of the current value
- **An endowment policy –** 100% of the current statement value
- **A pension lump sum:**
  - 12.5% of the current statement value of a defined contribution pension scheme, or
  - 50% of the guaranteed lump sum due from a defined benefit pension scheme.
- **The sale of the mortgaged property, or another mortgage-free property you own:**
  - 50% of the current value of the property you're mortgaging, or
  - 60% of the current value of a second property.

We're unable to give investment advice and would always recommend that you speak to a financial advisor for advice on how to set up an acceptable repayment plan.

Making overpayments

You can make overpayments on your Offset mortgage in a number of ways – small ad hoc overpayments, larger lump sum overpayments and regular overpayments. Early Repayment Charges (ERCs) may apply (your mortgage offer will contain details of the maximum amount of overpayments that are allowed and any charges that may apply).

But remember, after you've made an overpayment into your mortgage account you won't be able to access it again, so if you think you might need the money in future you might be better off saving it in your Offset savings account instead. That way, you'll receive a greater Offset benefit and have access to the money whenever you need it.



To talk to us about making overpayments, call us on 0800 121 8899.

If you move home and transfer your Offset mortgage

If you apply to transfer – or port – your Offset mortgage to another property, we'll set up a new Offset mortgage and savings account for you when the purchase is complete.

What you'll need to do:

- Let us know whether to cancel or transfer any existing standing orders and Direct Debits. We can't do this without your permission.
- Transfer any money into the new Offset savings account. We can't do this automatically for you.

If your mortgage is repaid, transferred to another property, or transferred to a non-Offset mortgage, we'll transfer your original Offset savings account into a new instant access account.



Your savings are protected up to £85,000

The Financial Services Compensation Scheme (FSCS), the UK's deposit guarantee scheme, protects your eligible deposits with Coventry Building Society up to a total of £85,000. Any deposits you hold above the limit are unlikely to be covered.

Ask us for more information, or visit **www.fscs.org.uk**.



Is an Offset mortgage right for you?

Generally, if you have some savings and you like the idea of paying your mortgage off early, or paying less each month, an Offset could be right for you.

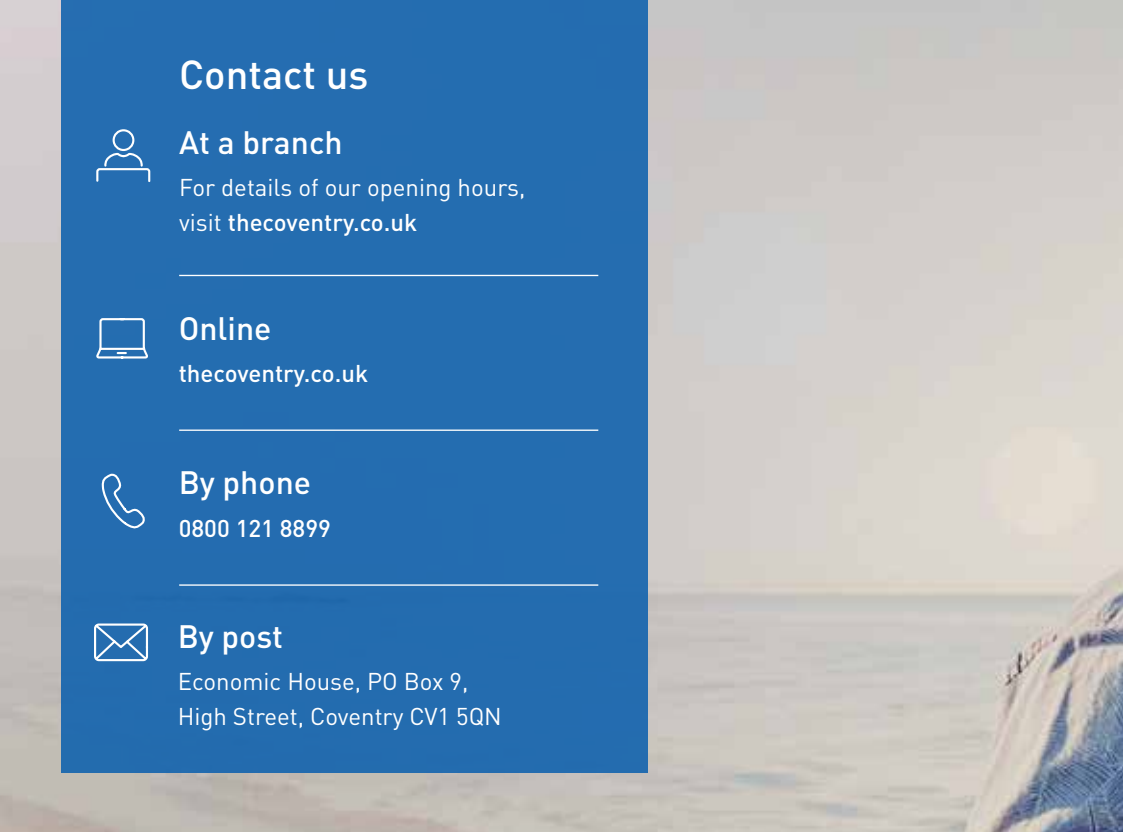
But our mortgage advisors will be able to take your individual circumstances into account and give you more information about how you could benefit from an Offset mortgage.

To find out more, call us on **0800 121 8899.**

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

All of the information given is subject to our lending criteria and the specific terms and conditions of your mortgage.





Contact us

At a branch

For details of our opening hours, visit **thecoventry.co.uk**

Online

thecoventry.co.uk

By phone

0800 121 8899

By post

Economic House, PO Box 9,
High Street, Coventry CV1 5QN

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

Coventry Building Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority (firm reference number 150892 www.fca.org.uk).

Mortgages are subject to acceptance in accordance with our lending criteria.

The information in this leaflet is provided for your information only and should not be taken as advice. Legally binding terms and conditions can be found in the mortgage application declaration, the terms and conditions of your mortgage offer and in our mortgage terms and conditions. For further information please speak to an advisor in branch or by telephone.

Our Customer Service Centre is open Monday to Friday 8am-7pm and Saturday 9am-2pm.

Calls to 0800 numbers are free when made from the UK. You may be charged for calls to all other numbers, please contact your service provider for further details. We may monitor, record, store and use telephone calls to help improve our service and as a record of our conversation.

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