

# BUY TO LET OFFSET MORTGAGE

THE  
FAMILY  
BUILDING  
SOCIETY

An offset mortgage works in a similar way to a standard mortgage, except for the inclusion of an extra feature, a savings account is attached to the mortgage arrangement. Any money placed in the savings account is automatically deducted from the amount of the mortgage on which interest is charged.

With our Buy to Let Offset Mortgage you can choose one of two options on how you benefit from the money in the offset account. Our payment reduction option is available for both capital and interest repayment mortgages and interest only mortgages. Our term reduction option is available if you select a capital and interest repayment mortgage.

Our Buy to Let Offset Mortgage is available to UK resident individuals and not corporate bodies or partnerships.

## OPTION 1: PAYMENT REDUCTION

With this option, you will be using your offset savings to benefit from lower monthly mortgage payments now, but you won't pay off your mortgage any sooner. Interest saved each month will be used to reduce the amount of your next month's mortgage payment, so the more savings you offset, the lower your monthly payment will be.

In this example you use your savings to benefit from lower monthly payments immediately. Your mortgage balance and remaining mortgage term will not reduce any quicker than if you were on a traditional non-offset mortgage.

### PAYMENT REDUCTION EXAMPLE

	WITH AN OFFSET SAVER ACCOUNT	WITHOUT AN OFFSET SAVER ACCOUNT	MONTHLY SAVING
MORTGAGE AMOUNT	£200,000	£200,000	
OFFSET AMOUNT	£40,000	£0	
MORTGAGE RATE	2.99%	2.99%	
TERM (YEARS)	25 (MAX 40)	25 (MAX 40)	
PAYMENT	£398.67	£498.33	£99.66
REPAID AFTER	25 YEARS	25 YEARS	

***This option is available to both interest only mortgages and capital and interest repayment mortgages.***

This example is based on an interest only mortgage. The rates used are for illustrative purposes only.

## OPTION 2: TERM REDUCTION

With this option, your offset savings help you to pay your mortgage off earlier. However, offsetting won't have an impact on your monthly mortgage payments. Instead, the interest you save by offsetting your savings means you pay more of the mortgage back each month. Your mortgage balance should reduce faster, and you may be able to pay your mortgage off early.

***This option is not available if you select an interest only mortgage.***

### TERM REDUCTION EXAMPLE

MORTGAGE AMOUNT	£200,000
OFFSET AMOUNT	£40,000
MORTGAGE RATE	2.99%
TERM	25 (MAX 40) YEARS
PAYMENT	£947.38
REPAID AFTER	21 YEARS, 10 MONTHS
OVERALL SAVING	£36,309.52

This example is based on a capital and interest repayment mortgage. The rates used are for illustrative purposes only.

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# BENEFITS OF OFFSETTING

By offsetting your savings against the mortgage you will reduce the amount of interest that is charged. Other things being equal, this increases your net profit from letting (the tax charged on this higher figure will be more as a result) and the offsetting increases the overall cashflow you receive from letting. This may be important if you're relying on this as part of your retirement income, for example.

## EFFECTIVE USE OF YOUR SAVINGS

Generally speaking, the interest rate you pay for borrowing money will tend to be higher than the rate you receive from saving money. So, if you move your savings to count against your mortgage, you would effectively be earning interest on that money at the rate you are charged for your mortgage. The interest saved can help to pay off your mortgage earlier.

What's more, as your offset savings are linked to your mortgage they are no longer producing interest, which is subject to income tax, making the impact on your mortgage even more significant.

## USE TAX MONEY TO PAY YOUR MORTGAGE

Many self-employed workers have to pay their taxes at set times during the financial year. For most, this is at the end of January and the end of July. That means for the rest of the year you may be putting aside enough money to settle your tax bill when the due date arrives.

With our Buy to Let Offset Mortgage, you can accumulate your tax money in the Offset Saver account linked to your mortgage. As a result, for a large proportion of the year your tax money can work to reduce the amount of mortgage you pay interest on. This can help you repay your mortgage sooner if you select the term reduction option.

The money in your Offset Saver account is not locked away and can be accessed without notice or penalty.

## EFFECTIVE USE OF YOUR FAMILY'S SAVINGS

We allow up to four Offset Saver accounts to be linked with each Offset Mortgage.

By 'family member', we mean the borrower's parents, grandparents and siblings could all help, if they are able to.

If you receive financial help from family members with an Offset Saver, they could withdraw the money without notice if they need to. It's important to remember there is no guarantee how much or for how long they may be able to help offset your mortgage.

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# QUESTIONS YOU MAY HAVE

## A ONCE THE MORTGAGE COMPLETES CAN I CHANGE MY OFFSET OPTION?

You can choose to change between term reduction and payment reduction at any time provided this is no more than once a calendar month. Changes requested up to the 25th of a month take effect the following month; changes requested after this take effect a month later. **Please note, you cannot change your offset option if you have an interest only mortgage.**

## B DOES MY CHOICE AFFECT MY PAYMENT DATE?

The Buy to Let Offset Mortgage payment reduction option requires a direct debit collection date that falls on or after the 15th of the month.

If your mortgage completes before the 15th of the month then after the first direct debit has been taken, the date for subsequent direct debits will need to be changed to fall on or after the 15th of the month. If you have completed on or after the 15th day then no action needs to be taken.

## C WHEN AND HOW DO I HAVE TO NOTIFY YOU OF MY CHANGE IN OFFSET OPTION CHOICE?

You can notify us any time you wish, by phone, in writing, or by secure message via our Online Service. For requests received up to the 25th of a month, your direct debit amount will be changed on the 1st of the following month. For example, if you notify us on 20 January, your direct debit amount will change for your February payment. In this example your new direct debit date will be changed to fall on or after 15 February, however you can specify any date from the 15th until the end of the month.

## D ARE THERE ANY FEES?

Yes, there are fees charged for the Buy to Let Offset Mortgage. You'll find details of the fees on our website.

## E WHAT IS THE LENDING CRITERIA?

Our standard Buy to Let lending criteria applies to this mortgage. You'll find details of our lending criteria on our website.

## F CAN I APPLY FOR THIS MORTGAGE AS A LIMITED COMPANY?

No, our Buy to Let Offset Mortgage is only available to individuals, not Limited Companies.

## G WHAT ACCOUNT DO SAVINGS NEED TO BE DEPOSITED IN?

The account that is linked to the borrower's mortgage is an Offset Saver account. Family members who wish to contribute can open and close accounts during the life of the mortgage. However, the borrower(s) must open an Offset Saver account and keep it open for the term of the mortgage, until it is redeemed, or until they switch to a non-offset product, whichever is sooner.

## H WHAT IF I NEED ACCESS TO MY OFFSET SAVINGS?

You can take money out of your offset account at any time, subject to keeping a minimum balance of £100. Of course the money taken out will no longer offset your outstanding mortgage. Only the money held in the account will count to reduce interest payable for the mortgage.

## I WHAT ARE THE MAXIMUM AND MINIMUM BALANCES I CAN HAVE IN MY OFFSET SAVER ACCOUNT?

The minimum you can start offsetting with is £100 and you can offset up to 100% of the mortgage amount.

You will be charged no interest at all for the months where 100% of the mortgage is offset by savings. Please remember that no interest will be paid on amounts held in the offset savings accounts linked to your mortgage even if the total exceeds 100% of the mortgage.

## J ARE MY SAVINGS IN THE OFFSET SAVER ACCOUNT PROTECTED?

Eligible deposits with the Society are protected by the FSCS. This savings product is covered by the FSCS.

## K COULD OTHER FAMILY MEMBERS DEPOSIT THEIR SAVINGS IN MY ACCOUNT?

Yes, other family members can open an Offset Saver account linked to your mortgage to help reduce interest due. Including your own account, up to four savings accounts can be linked to the Buy to Let Offset Mortgage. Parents, grandparents, brothers and sisters all qualify to open an account. Eligible deposits with the Society are protected by the FSCS. This savings product is covered by the FSCS.

# QUESTIONS YOU MAY HAVE

## **L HOW MANY BORROWERS CAN APPLY FOR A BUY TO LET OFFSET MORTGAGE?**

Up to four borrowers can be involved in a Buy to Let Offset Mortgage, so long as they meet our lending and affordability criteria and at least one of these must meet eligibility criteria. Our lending criteria is available on request, or you can download it from our website [familybuildingsociety.co.uk/mortgages](http://familybuildingsociety.co.uk/mortgages)

## **M IS THERE A CHARGE IF I PAY OFF MY MORTGAGE EARLY?**

When you first take out the mortgage, you will receive a discounted rate for a period of time. If you repay your mortgage in full during this period there will be an Early Repayment Charge. After the period of the discount, your rate will revert to the Family Building Society's variable Residential Investment Managed Mortgage Rate. Once this comes into effect, there will be no charge for early repayment.

## **N CAN I OVERPAY?**

During your initial mortgage period you can overpay up to 10% without incurring an Early Repayment Charge as a capital payment. If you then select to go onto the Residential Investment Managed Mortgage Rate, you can repay any amount without an Early Repayment Charge. These lump sum repayments can't be repaid to you at a later date but they immediately reduce the balance that interest is charged on.

## **O WHAT IS THE MINIMUM MORTGAGE AMOUNT?**

We will lend up to 65% of a property's value, subject to a minimum mortgage amount of £45,000 and a minimum property value of £120,000.

## **P CAN I INCREASE THE AMOUNT I BORROW?**

Yes, the facility to increase your mortgage is available after six months at the rates which apply at that time – where different interest rates apply to different parts of the mortgage, the highest interest rate will be offset first.

## **Q WHAT IF I WANT TO MOVE MY MORTGAGE TO A NEW PROPERTY?**

If the new property meets our lending criteria, you will be able to transfer your Buy to Let Offset Mortgage to it. You may also be able to increase your mortgage to afford a more expensive property as long as you continue to meet our affordability and eligibility criteria.

## **R HOW WILL I KNOW HOW MUCH MONEY HAS BEEN PLACED IN THE OFFSET ACCOUNTS ATTACHED TO MY MORTGAGE?**

You are able to view your own Offset Saver, plus all of the accounts attached to your mortgage at any time by logging onto the Online Service. You will only be able to transact on your own Offset Saver(s), however you can view the total balance(s) in all other attached accounts.

THE MORTGAGE WILL BE SECURED ON YOUR PROPERTY  
YOUR PROPERTY MAY BE REPOSSESSED IF YOU DO NOT  
KEEP UP REPAYMENTS ON YOUR MORTGAGE

## **CONTACT DETAILS:**

For customer enquiries, please contact our dedicated New Business Team:



**03330 140140**



**[newbusiness@familybsoc.co.uk](mailto:newbusiness@familybsoc.co.uk)**



**[familybuildingsociety.co.uk/mortgages](http://familybuildingsociety.co.uk/mortgages)**

For intermediary enquiries, please contact our dedicated mortgage desk:



**01372 744155**



**[mortgage.desk@familybsoc.co.uk](mailto:mortgage.desk@familybsoc.co.uk)**



**<http://intermediaries.familybuildingsociety.co.uk>**

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Family Building Society is a trading name of National Counties Building Society which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

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