

A GUIDE TO YOUR MORTGAGE





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INTRODUCTION

Furness Building Society is committed to providing its customers with the highest level of service and products.

From 31 October 2004, the Financial Services Authority (FSA) which is the independent regulator of the financial services industry, is responsible for the regulation of the mortgage market.

Furness Building Society is authorised and regulated by the Financial Services Authority and is entered into the FSA Register, number 159624.

This booklet sets out the general terms and conditions which apply to all our mortgage products. We have also included some general information regarding the way the Society works, to help you understand our relationship with you and the rights which you have.

Details of specific mortgage products are not included in this booklet as we have separate leaflets for all our products which explain their particular features. You can obtain these leaflets from any of our branches or Head Office. We will also provide you with details of our interest rates if you ask for these.

In addition to providing you with written material our staff are always happy to answer your questions and explain any matters relating to your mortgage or any of our products.

As part of our commitment to provide the highest level of service we welcome any comments and suggestions which you may have. If you have any comments on the content of this booklet, the terms of a particular product or a general comment or suggestion on any matter please write to our Mortgage Manager at our Head Office at the address below or by contacting any of our branches.

Furness Building Society
51/55 Duke Street Barrow-in-Furness Cumbria LA14 1RT.

MUTUALITY

The Society is a mutual organisation. This means that it is owned by its members. Each member is regarded as a part owner of the Society.

Being a part owner simply means that you own a stake or interest in the Society. However, this means that virtually all the personal customers of the Society are also its owners. This is rarely the case in a financial institution which is a public limited company. In their case, most of their customers will not own shares in the institution and many of the shareholders will not have accounts with the institution.

This is an important difference because the shareholders of a public limited company expect to be paid a dividend. However, this will not necessarily benefit the account holders.

A mutual organisation, such as the Society, is completely different. As our account holders are also our owners we do not have to attempt to please two different sets of people. Furthermore, because we do not have external shareholders like a public limited company we do not have to pay a dividend to them. This allows us to return the benefits of our success to our members. We might do this by increasing the interest rates which we pay on your savings or reducing the interest rate on your mortgage, for example.

The Society is committed to remaining a mutual organisation. Our Board of Directors has promised that the Society will manage its affairs to ensure that we strike a balance between the need to maintain adequate reserves and a commitment to return the benefits of our continuing success to our members.

WHERE TO BEGIN

Buying your own home is probably the most important single purchase you will ever make. We have produced this Guide to help you understand the things which you should bear in mind when applying for a mortgage and also how your mortgage account will work. Please read this booklet carefully together with our product leaflets.

HOW MUCH CAN YOU BORROW?

This depends on two things:

- the value of the property, and
- your own income

The Value Of The Property

We can arrange loans of up to 95% of the lower of the purchase price or the valuation of the property.

All our loans are subject to status and satisfactory references. Please ask at any of our branches for more details.

Higher Lending Charge

If you are taking out a loan of more than 80% of the lower of the price or the value of the property then the Society will charge a Higher Lending Charge. We may use part of this charge to purchase additional security for the loan. However, it is important for you to remember that even if we do purchase additional security this will not protect you if your property is taken into possession and sold for less than the amount you owe.

This is the case even if we make a claim on the additional security in the event that you do not meet your mortgage payments and we have to repossess and sell your property and the sale proceeds do not cover the amount which you owe us. You will remain liable for all sums owing including any interest and costs.

Please note that the additional security is only for our benefit. You do not have any entitlement to benefit under some or all of the additional security. In fact, if the provider of the security pays any money to us then they have the right to recover these sums of money from you. This is sometimes referred to as a right of 'subrogation'.

If the Society incurs a loss when selling your property you could be pursued by the Society for the loss or by the provider of the additional security.

If your loan does not exceed 90% of the lower of purchase price or valuation the Higher Lending Charge does not normally have to be paid by you and will instead be paid by the Society. If this is the case, it will be stated in the Mortgage Offer.

For loans between 90.01% and 95% the charge will normally be added to the amount of your mortgage. This charge will also be stated in any Mortgage Offer which you receive from us.

Your Income

The other main factor which we take into consideration is your ability to pay the monthly repayments on a mortgage.

We calculate whether we think that you have the ability to meet the monthly repayments on your proposed loan by looking at the amount of your income and expenditure commitments.

Your monthly income includes your basic monthly salary plus any regular commission and overtime, and any other regular income from other sources. We deduct from your income any loans, credit card and hire purchase repayments to arrive at an assessable income.

As an indicator only we will usually lend up to 3.1 times your annual assessable income plus one times the lower assessable income or 2.5 times the joint annual assessable income.

The Society will take up references from people such as your employer, your landlord or another lender to confirm the information which you have made available when applying for your mortgage. Some people who provide these references make a charge for doing so. You will have to pay any charges. The Society will also obtain information from credit reference agencies.

VALUING THE PROPERTY

Types of Valuation

Once you have seen the property you like and your offer to purchase the property has been accepted, the property will need to be valued so that the Society can decide on the amount of loan to give you.

There are three types of valuation report:

Valuation Report: This valuation is for mortgage purposes only. It is not a survey and is not based on a detailed examination of the structure of the property. The purpose of the report is simply to allow us to make sure that the property will form adequate security for the loan. However, this does not necessarily mean that the property has no defects nor that it is right for you as a purchaser. Furthermore, the fact that we grant a loan does not mean that the price you are paying for the property is reasonable.

If this valuation is instructed by us we will give you a copy of the report when we make a Mortgage Offer. However, we only do this as a matter of courtesy. Neither the Society nor the valuers accept any legal responsibility to you or any other person for the contents or accuracy of the valuation.

Homebuyers' Report: This is a more detailed inspection where a comprehensive and detailed report on the state of repair and condition of the property is made. It is based on the Royal Institution of Chartered Surveyors (RICS) House Buyers Report guidelines and covers all areas of the property that can be seen or are easily accessible.

Building Survey (formerly called a Structural Survey): Valuation reports are not comprehensive surveys based on a detailed structural examination of the property. If you feel you would like a building survey on the property (perhaps because of its age or location) you should advise the Society and we will be able to arrange this for you. This type of survey is the one most likely to reveal defects which could be expensive to repair and affect the value of the property. Because of variations in the depth of survey to be undertaken, a one-off fee (payable by you) has to be agreed with the valuer prior to instructing the survey.

What We Require

If you have already instructed a valuation before you apply for a loan we will still have to make sure that it has been carried out by a valuer who is acceptable to us. We will also have to check that the form of the valuation is acceptable for our purposes.

This will always involve us at least asking the valuer to address their report to the Society. In some cases, we will require the valuer to produce a report for us which is closer to the form of Valuation Report than the report which he has produced for you. Some valuers make an additional charge for this and you will have to pay this.

Paying For The Valuation

You will be responsible for paying for all the fees in connection with any valuation report or survey report. This is the case even if we instruct the valuation or survey for you and even if you do not buy the property which is valued.

The Society's staff will be able to advise you of the fees for Valuation Reports and Homebuyers' Reports and the fees are also stated in the Society's leaflet Mortgage Valuations. The Society's staff can also find out the cost of Building Surveys.

We may also charge you a non refundable administration fee for processing your application. The amount of this fee is shown in both our Service Charges leaflet and the leaflet Mortgage Valuations, which you can obtain from the Society. The Society's staff will be able to discuss with you in more detail the types of valuation reports which are available and the cost of these.

NEW PROPERTY

If the property which you are buying is a new house then the builders will have to:

- arrange NHBC cover. This means that they are registered with the National House Builders Council which will rectify certain defects in the property in the first ten years after it is built; or
- arrange defects cover acceptable to us which is similar to NHBC cover; or
- be working under the supervision of qualified architects or surveyors.

In some cases, a loan may be advanced by installments while a house is under construction on the basis that we receive a satisfactory inspection report from our valuers before each installment is advanced. Where there is no NHBC cover we will also need certificates from the architect who is supervising the project at various stages confirming that the work has been completed satisfactorily. You must pay for each report and any architect's certificates. This section also applies if you are building the house yourself.

LEGAL COSTS

You are responsible for the legal fees and outlays incurred by your solicitor for the purchase of your property and preparation of our security documents. These fees should be settled directly with your solicitor who can provide an estimate of the fees and outlays involved. Usually your own solicitor will also be permitted to act for us. This helps to keep your costs down.

ARRANGEMENT FEES

For some of our specialised loans we may charge you a fee known as an 'arrangement fee'. We will tell you the amount of this fee before you take out the loan. It will also be shown in the product leaflet.

INSURING YOUR PROPERTY

We require your property to be adequately insured whilst you have a mortgage with us. Your property should be insured for the cost of rebuilding it. This cost is known as the 're-instatement value'. The level of re-instatement value is determined by the valuer when a valuation is carried out on the property.

The re-instatement value is index-linked in accordance with the house rebuilding cost index issued by the Royal Institution of Chartered Surveyors (RICS). You will find full details in our leaflet about insurance. We are under no obligation to ensure that your level of cover is adequate.

Alternatively the insurance cover may be based on the number of bedrooms in your house.

If you arrange your own buildings insurance then we will have to make sure that the policy which you arrange is acceptable to us. We require that certain conditions are complied with. We charge a one-off administration fee for checking your policy. The amount of this fee is shown in our Service Charges leaflet.

Normally we will not withhold our consent if the policy meets the minimum cover and conditions we require. For those properties which are leasehold tenure there may be leasehold conditions which require any insurance claim to be paid jointly as Trustee for you and us if you insure the property yourself. We may require you to pay such money to us to reduce your mortgage debt.

Please ask at any of our branches or Head Office for further details about either the policy which we can arrange or the conditions which apply to a policy which you arrange.

We can also arrange house contents insurance, life assurance and insurance to help pay your mortgage should you be unable to meet your payments because you lose your job or are unable to work through illness or injury. Please ask at any of our branches or Head Office for more details.

For existing customers with a Homecare Insurance policy, we accept premium payments by cash, cheque, direct debit and standing order. Premium payments are collected by the Society through customer mortgage repayments.

Due to the agreements we have with insurers, we can collect premiums as agents of the insurer. In these circumstances, once we have collected the premiums from you, the premiums are treated as having been paid to the insurer. We will pay the premium to the insurer, after deduction of our commission, in accordance with the terms of our agreement with them.

New borrowers who purchase the Society's Dimensions Insurance Policy are required to make premium payments directly to AXA Insurance UK plc. Full details are available on request.

We earn commission, which is paid to us by insurers once your premium is paid to them. Full details are available on request.

The Society does not normally insist that you arrange your insurance with us as a condition of obtaining a mortgage. However if a product contained this particular requirement you will be advised of it.

HOW YOUR MORTGAGE WORKS

HELPING YOU CHOOSE A MORTGAGE

Choosing a mortgage may be your most important financial commitment. There are two levels of service which the Society provides and we will tell you which we offer at the outset.

These are:

A: **Advised**

B: **Non-Advised**

Advised

We will only give advice in a face to face interview. Any advice you receive from us will be based on your particular requirements and known market conditions and will relate to suitable products available from us.

Non-Advised

This is where we are not able to see you in a face to face interview e.g. telephone, internet etc. You will not receive advice from us. We may ask you some questions to narrow down the selection of products that we will provide details on. You will then need to make your own choice about how to proceed.

REPAYMENT PERIODS

We try to help you arrange the repayment period of your loan to suit you.

A loan may be repaid over any period ranging from 5 to 35 years. certain restrictions may apply depending on your age or the age of the property.

METHODS OF LOAN REPAYMENT

- **Repayment**

With a Repayment mortgage the monthly repayment is split, some of it goes towards paying the interest on the loan and some towards repaying the 'capital' i.e. the original amount borrowed.

The payments are worked out so that all of the 'capital' will be repaid at the end of the mortgage term.

In the early years the payment will be mostly interest but in later years, more and more 'capital' will be repaid each month.

It is important to note that a Repayment mortgage does not rely on the performance of a 'long term investment' to ensure that the money borrowed is eventually repaid. As long as monthly payments are maintained during the term the loan will be paid off in full by the end.

- **Interest Only**

With an Interest Only mortgage the payment to the Society is interest only and when the mortgage term ends the original advance that you borrowed still has to be repaid.

This is usually done by using a 'long term investment' such as an Endowment, PEP/ISA or a Personal Pension Plan.

A separate payment is made to the company, providing the 'long term investment' and these premiums are invested on your behalf. After a given period, the policy matures and the 'capital' which you owe the Society must be repaid.

None of these 'long term investments' are guaranteed to repay this capital.

Please note that ISA's replaced PEPS with effect from 6th April 1999.

It is your responsibility to ensure the 'long term investment' exists and that premiums are being paid or that you have other means of repaying the 'capital'.

- **Life Cover**

Where an endowment policy has been arranged, this will include life cover to repay the 'capital' in the event of death.

With a Pension, PEP or ISA suitable life cover is usually arranged to again ensure the 'capital' is repaid in the event of death.

IMPORTANT

It is the borrowers responsibility to ensure that an adequate repayment vehicle exists and that the borrowers check regularly to ensure that the policy is sufficient for this purpose. If the mortgage is not repaid at the end of the selected term, the term may have to be extended or the property sold.

- **Part Repayment and Part Interest Only**

A combination of repayment and interest only repayment.

MORTGAGE TYPES

- **Variable Rate Mortgages**

Based on the Society's standard variable rate. A variable rate mortgage is one that changes when the Society announces interest rate changes. So if interest rates increase your repayments will increase and if interest rates reduce your repayments will reduce.

- **Fixed Rate Mortgages**

A fixed interest rate mortgage is a loan where the interest rate applying to the loan is fixed for a specified period of time and does not change irrespective of any general interest rate changes which may apply from time to time. There will usually be a fee to pay to enable the funds to be reserved.

If you take out one of these loans your monthly repayments may be lower than they might otherwise be for the period of the fixed rate had the mortgage been at the Society's standard variable rate. However with a fixed rate it is worth remembering that this could be higher than the Society's standard variable rate.

If you wish to repay all or part of the loan in the first few years there will usually be an Early Repayment Charge which will also have to be repaid. Where this condition applies you will be told about it and it will be stated in your Mortgage Offer.

- **Discounted Rate Mortgages**

A discounted rate mortgage is one where a set interest rate reduction or discount applies off the Society's standard variable rate for a specified period of time. At an interest rate change the amount of discount does not change. However, the Society's standard variable rate will change and the actual interest rate applying to the loan will either increase or decrease depending upon the interest rate change itself.

If you wish to repay all or part of the loan during the period of the discount there will usually be an Early Repayment Charge which will also have to be paid. Where this condition applies you will be told about it and it will be stated in your Mortgage Offer.

- **Capped Rate Mortgages**

A capped interest rate mortgage is a loan where the interest rate on your mortgage cannot increase above a quoted maximum rate for a fixed period of time. This allows you to obtain the benefits of any reduction in mortgage interest rate but protects you from significant increases. There will usually be a fee to pay to enable the funds to be reserved.

If you take out one of these loans your monthly repayments may be lower than they might otherwise be for the period of the capped rate had the mortgage been at the Society's standard variable rate.

If you wish to repay all or part of the loan in the first few years there will usually be an Early Repayment Charge which will also have to be repaid. Where this condition applies you will be told about it and it will be stated in your Mortgage Offer.

- **General**

When you take out your loan we will give you an indication of what your monthly repayments might be once your discount or fixed or capped rate period ends. For fixed or capped rates this will be based on the Society's standard variable rate at that time. For discounted rates this will be based on the amount of discount removed. We cannot tell you the exact amount as we will not know how interest rates will change.

However, once this period has ended your monthly repayments will usually increase. If there have been a number of interest rate changes during this time then the increase could be quite large. You may hear this referred to as 'payment shock'.

We strongly recommend that you make sure before you take out one of these mortgages that you will be able to afford the increased monthly repayments.

- **Flexible Mortgages**

With our flexible mortgage interest is charged daily. To obtain the maximum benefit from the Flexible Mortgage your repayments should be made on the 1st of each month. You also have the opportunity to make occasional or regular additional payments to help you reduce your mortgage sooner. If you are late with your payments however you will be charged extra. Underpayments or payment holidays may be taken but please refer to our product leaflet for further details.

The interest rate is variable but is linked to the Bank of England base rate. It is usually guaranteed never to exceed a certain percentage above the Bank of England base rate. The Society will make any changes in interest rates to meet this guarantee, within one calendar month of the Bank of England base rate change. Where this condition applies you will be told about it and it will be stated in your Mortgage Offer

- **Cashback Mortgages**

A cashback is an incentive payment paid to you or your solicitor on completion of the loan. The interest rate which will apply on the loan will usually be the Society's standard variable rate. An Early Repayment Charge will usually have to be repaid if your account is redeemed during the first few years. If this condition applies you will be told about it and it will be stated in your Mortgage Offer.

MONTHLY REPAYMENTS

Once your loan has started we will write to you to confirm the amount of your monthly repayments. We will also tell you when you have to start making your monthly repayments. These are normally made by direct debit. However, you may pay by standing order, cheque or cash.

Your loan repayments are due on the first day of each month along with the premiums for any insurance policies arranged through the Society.

INTEREST ON YOUR MORTGAGE

We begin to charge interest on your loan on the day that we transfer the money to your solicitor, or when the funds are released.

We charge interest on most of our mortgage products on the basis known as 'monthly rests'. This means that interest is charged on the balance at the start of each month. Therefore as your balance reduces so does the interest charged. However, if payments are missed and your balance increases then so will the interest charged.

With the Society's Flexible Lifestyle mortgage interest is calculated on a daily basis. To get the full benefit of this method of interest calculation you should ensure your payment is received by the Society on the first day of each month.

INTEREST RATE CHANGES

We may from time to time increase or reduce the rate of interest payable on your loan. The timing of a change to your monthly payments will vary.

We have power to change the rate of interest as follows:

(a) We may change the rate of interest to be paid on your loan because of circumstances which we reasonably believe exist at that time or which are expected to apply in the near future for any of the following reasons:

- to reflect general market conditions (including interest rates generally or the terms on which similar loans are offered by building societies, banks or anyone else providing loans);
- so that we can compete more effectively with other building societies, banks and anyone else providing loans;
- our administrative or other costs have increased or are expected to do so;
- to maintain our financial strength for the benefit of all our customers;
- to take account of changes in the law, decisions of an Ombudsman, regulator or similar person, or any code of practice with which we intend to comply.

(b) We can also change the rate of interest for any other valid reason where we reasonably believe change is appropriate.

We will tell you about rate changes. The section of the booklet entitled, Communicating with You, tells you how we will let you know.

ADDITIONAL REPAYMENTS

You can make additional payments to your loan over and above your monthly repayments in order to reduce the capital outstanding on your loan. The effect of this can be to reduce the amount of your monthly repayments. If your loan is being repaid on the repayment basis you also have the option to retain your current level of repayment thereby reducing the remaining term of your loan.

We normally require that any additional payment to reduce the capital on your loan is at least £500.

Please make sure that you tell us that any additional payment which you make is to reduce the capital of your loan. This is so that we can make the appropriate changes to your account. If you do not tell us that this is what you want us to do then we will assume that the additional payment is a payment in advance of your monthly repayments.

Please note that where an incentive has been received e.g. a cashback, discount, fixed rate or capped rate, it might not be possible to make an additional repayment during the first few years of the mortgage. Where this condition applies we will advise you and it will be stated in the Mortgage Offer.

YOUR ANNUAL STATEMENT

Early each year we will send you your mortgage statement. This will show:

- the total payments which we have received from you during the previous year
- the total interest charged on your loan for that year;
- the total of any other transactions on your loan account during the year, which might be the payment of a charge for a service provided by us;
- a summary of the details of any insurance cover which we have arranged for you; and
- the amount of your new total monthly repayment for the coming year.
- any outstanding subscriptions
- any early repayment charges which may apply.

CREDIT REFERENCE AGENCIES

When you apply for a loan we will make searches about you at credit reference agencies who will supply us with credit information as well as information from the Electoral Register. The Agencies will record details of the search whether or not your application proceeds.

Once your loan is granted we will disclose information about how you manage your account to credit reference agencies. This will be shared with other lenders and providers of credit when they are considering loan or credit card applications from you.

We may make periodic searches of group records, credit reference and fraud prevention agencies to manage your account with us, to take decisions regarding credit, including whether to make credit available or to continue or extend existing credit. The searches will not be seen or used by lenders to assess your ability to obtain credit.

EARLY REPAYMENT CHARGE

If you already have a mortgage with the Furness and want to move home, you will have to pay off (redeem) your existing mortgage and will have to pay any Early Repayment Charge if applicable under the terms of your existing mortgage. You would normally have to pay the Early Repayment Charge when repaying your loan but it is possible some or all of the Early Repayment Charge can be refunded if you take out a new mortgage with us providing you comply with the conditions set out below.

In order to get a full refund of your Early Repayment Charge you must take out a new mortgage with us for the same amount as your existing mortgage and carry forward the existing product terms to your new mortgage. In addition you will have to comply with the lending criteria applying at that time and complete your new mortgage within 6 months of repaying your existing loan.

If you need to borrow more when you move you can often top up the difference between the portable amount and your new loan with one of our other products which is available at the time.

If you borrow less than the portable amount, then we can only refund part - on a pro rata basis - of the Early Repayment Charge which you paid e.g. if your existing mortgage is £50,000 and you only wish to borrow £40,000 on the new mortgage, 80% of the Early Repayment Charge will be refunded on completion of the new mortgage

The terms applying to the portable amount of your mortgage will depend on the terms applicable to your existing loan when your new mortgage completes. If you are still benefiting from a special product on the portable amount i.e. the loan is still on a fixed or other rate, then the portable amount must continue on the same interest rate and terms as your existing mortgage for the initial period and on the Society's standard variable rate thereafter.

EXISTING BORROWER DISCOUNT

Borrowers of the Society for 5 years who have conducted a mortgage satisfactorily on their private dwelling house, which they occupy as their main residence, may be eligible to receive our existing borrower discount.

The existing borrower discount is for an indefinite period but it cannot be guaranteed for the lifetime of all mortgages. You will be advised by the Society if the existing borrower discount is to apply.

Please Note: The existing borrower discount does not apply to the Society's flexible mortgage.

SERVICE CHARGES

We make a charge for certain services which we provide in connection with your loan.

These are listed in our Service Charges leaflet which will be given to you when you receive your Mortgage Offer and at any time if you ask for it.

We can alter the charges we make at any time, but we will give you 30 days' notice. Changes may include the abolition of, or amendment to, existing charges, or the introduction of new charges. Such changes may be made because of circumstances which we reasonably believe exist at that time or which are expected to apply in the near future for any of the following reasons:

- to reflect general market conditions and standards (including the levels of charges of other building societies, banks or anyone else providing mortgages);
- so that we can compete more effectively with other building societies, banks and anyone else providing financial services;
- our costs have increased or are expected to do so;
- to maintain our financial strength for the benefit of all our customers;
- to take account of changes in the law, decisions of an Ombudsman, regulator or similar person, or any code of practice with which we intend to comply.

We can also alter the charges for any other valid reasons where we reasonably believe change is appropriate.

The section in the booklet Communicating with You tells you how we will let you know about charges.

A change which abolishes a charge, or reduces the amount of any existing charge, may be introduced with immediate effect and without notice.

DEATH

We recommend that you arrange a life policy which will be sufficient to repay your mortgage in full in the event of your death.

If the method which you have chosen to repay your loan is the endowment method and the endowment policy is solely assigned to the Society and you die before you have repaid your loan then the proceeds of the endowment policy will be applied automatically to the outstanding balance of your loan. With this method of repayment Life Cover is included and, when you die, the insurance company pays the proceeds of the life policy directly to us. We use the proceeds to repay your loan. **Please remember that it is your responsibility to make sure that the endowment policy is sufficient to repay your loan in full if this is what you require.**

If the proceeds of the policy are not enough to repay your loan in full then the outstanding balance will be a debt on your estate. We will advise your personal representative of this amount which is still owed to us.

If the method of repayment which you have chosen does not include life cover then your mortgage will not be repaid automatically when you die. If you have arranged life cover separately the proceeds of the policy will be paid to your personal representatives as this kind of policy is not assigned to us. Your personal representatives can then use the proceeds to repay the loan if the life cover was sufficient to do this.

If the proceeds are insufficient or if you did not have life cover then we will advise your personal representatives of the amount which is needed to repay your loan in full.

There are a number of things which could happen once we have advised your personal representatives of the amount required to repay your mortgage. These are:

- your personal representatives repay the loan with other money from your estate;
- your personal representatives sell your property and repay the loan with the sale proceeds;
- we sell your property and repay the loan with the sale proceeds; or
- another person takes over your mortgage and makes the monthly repayments to us. This might happen if you leave your property to another person who wants to live in it.

These options also apply if you have a life policy which is not enough to repay your loan.

We will speak with your personal representatives to try to find a way of repaying your loan which suits everyone concerned.

If your mortgage is in your name along with someone else please read the next section on Joint Mortgages.

JOINT MORTGAGES

Where two or more individuals take out a mortgage together then the loan is usually referred to as being in 'joint' names.

There are a number of matters which affect joint loans which can be important. You should keep these in mind when you are taking out a joint loan.

LIABILITY FOR YOUR MORTGAGE

If you have a joint loan then your ability for the loan is 'joint and several' with the other borrowers.

This means that each of you is liable for the whole amount borrowed as though the loan was in your name only. If you are unable to maintain mortgage repayments and the account goes into arrears we will try and help you, see section on Arrears on Your Mortgage.

However, where we are unable to secure repayment of the arrears and as a last resort, the property may have to be repossessed.

We will use the sale proceeds to repay the loan. However, if the proceeds are not enough to do this then YOU remain jointly and severally liable for the shortfall. This means that you may have to pay some or all of the amount of the shortfall. If you pay it all then you may have certain rights to recover part of this from the other parties to the loan. Your solicitor or local advice centre will be able to tell you about this.

The Society's staff will be able to tell you about your liability for your loan in general terms. If you would like a more detailed explanation of your liability and our rights to recover the loan then you should speak to your solicitor or local advice centre.

DIVORCE OR SEPARATION

If you take out a loan with your husband, wife or partner then you will remain jointly and severally liable for the loan even if you move out of the property because of a divorce or separation.

The person who remains living in the property may want to take on the loan on their own. However, we will only agree to this if we are happy that they can meet the monthly repayments. If we do not think that they will be able to do so then we will not remove your name from the loan and you will remain liable for it.

As part of a divorce settlement or separation agreement there may be a court order or other arrangement which transfers ownership of the whole of the property to only one of the parties to the loan. However, this does not alter the liability of the parties to the loan for us. We may alter the loan as a result of the transfer but this will depend on whether we are satisfied that the person who will be taking on all of the loan will be able to meet the monthly repayments.

DEATH

We recommend that you arrange a joint life policy which will be sufficient to repay your loan in full in the event of the death of either of the borrowers.

If the method which you have chosen to repay your loan is the endowment method and the endowment policy is 'assigned' to the Society and one of the parties to your joint loan dies before the mortgage has been repaid then the proceeds of the endowment policy will be applied automatically to the balance of your loan. With this method of repayment you arrange a life policy which is made over or 'assigned' to us. When you die the insurance company pays the proceeds of the life policy directly to us. We use the proceeds to repay your loan.

If the policy is a joint policy of sufficient value then your loan will be repaid in full. Please remember that it is your responsibility to make sure that the endowment policy is sufficient to repay your loan in full if this is what you require.

If the proceeds of the policy are not enough to repay your loan in full then the outstanding balance will become the responsibility of the remaining borrower or borrowers. This is because you are all jointly and severally liable for the loan as we explained earlier.

If the method of repayment which you have chosen does not include life cover then your mortgage will not be repaid automatically when you die. If you have arranged joint life cover separately the proceeds of the policy will be paid to your personal representatives as this kind of policy is not assigned to us. Your personal representatives can then use the proceeds to repay the loan if the life cover was sufficient to do this.

If the proceeds are insufficient or if you did not have life cover then we will advise your personal representatives of the amount which is needed to repay your loan in full.

In this case, the remaining borrower or borrowers will still be responsible for ensuring that the monthly repayments are made.

We will remove the deceased borrowers name from the loan once we have seen a certified copy of their death certificate.

When the last remaining borrower dies we will handle the loan as we described in the earlier section on death.

OTHER MATTERS

OTHER CONDITIONS APPLYING TO YOUR MORTGAGE

If you take out a loan with us to buy a property in Scotland we will take a security over that property known as a 'Standard Security'. There are conditions which apply to this standard security and to your loan in addition to the terms and conditions in this booklet. Please ask your solicitor to give you a copy of this booklet when you sign the Standard Security.

If you buy a property in England or Wales then we will take a security over it known as a 'Mortgage Deed'. The additional conditions which apply to this security and to your loan are listed in a separate booklet. Please ask your solicitor to give you a copy of this booklet when you sign the Mortgage Deed.

Whether you buy property in Scotland, England or Wales your solicitor will explain the obligations which you have entered into by signing our security document. Please ask your solicitor if you are unsure about any of the legal matters involved in taking out your loan and signing our security documents.

FURTHER ADVANCES

Further advances are available for existing borrowers wishing to borrow funds for home improvements, home repairs or to buy a further share in their property. Further advance loans may be made available where total borrowings do not exceed 95% of the valuation of the property.

SECURED LOANS

Secured loans are available for existing borrowers wishing to borrow funds for purposes other than home improvements, home repairs or to buy a further share in their property. These loans are available for consumer items e.g. car purchases, holidays etc. A secured loan will normally be charged at a higher rate than the standard variable rate. Secured loans may be made available where total borrowings do not exceed 90% of the valuation of the property.

Please speak to the Society's staff for further details.

LETTING YOUR PROPERTY

If you want to let your property you must get our written consent before you sign a lease and allow your tenant to move in. There are certain conditions which we require you to meet prior to letting. These conditions protect your interests as well as ours. You can get a copy of these

conditions from Head Office. If the property is let the interest rate may increase and you may have to pay an administration fee (details of the fee are in our Service Charges leaflet). Where any incentive has been received e.g. cashback or discount, this will have to be repaid and will be charged to your account accordingly.

We also recommend that you discuss your intentions with your solicitor as he or she will be able to advise you on your rights and obligations. Your solicitor will also be able to draw up a suitable lease for you and make sure that any notices which have to be served on your tenants are served at the right time.

TRANSFER OF LAND SUBJECT TO MORTGAGE

We may release from your loan any part of the mortgaged property if we are satisfied that the remainder will be adequate security for the balance owing to us.

On request we may consent to the sale or transfer of title to the mortgaged property subject to the loan. We may impose conditions on this consent. This will be at your own expense.

Upon such a sale or transfer the Society may ask you to pay to us all sums owing to us or some lesser amount as we may decide.

Once the necessary documentation transferring your liabilities to the purchaser or transferee is in place, to our satisfaction, you would be released from your liabilities arising under this booklet, your mortgage deed and other documentation in relation to your loan. The purchaser or transferee will then become responsible to us for those liabilities. The purchaser or transferee shall not be registered in our records nor will you be released from your obligations to us until:

- the entire requirements of this section of the booklet have been fulfilled, and
- the deed by which the land has been transferred and any other document as we may require have first been approved by or on behalf of us, without cost to us, and
- we receive confirmation from your solicitor that the transfer documents have been forwarded to the appropriate registering authority for recording or registration as appropriate.

TRANSFER BY US

The Society, may with your written agreement, transfer our interest in your loan to a third party on such terms as we may decide.

EARLY REPAYMENT OF YOUR MORTGAGE

You may repay all or part of the mortgage debt before the end of the loan term, however, you may be liable to pay an Early Repayment Charge.

In the case of a repayment in full you shall pay to us all sums owing in respect of the loan including:

- interest calculated up to the last day of the month in which repayment takes place;
- our costs and expenses in connection with the repayment;
- any interest (in lieu of any period of notice) required under your loan;
- our products may have a specific Early Repayment Charge. We will tell you about these when you take out a loan. You should refer to our Mortgage Offer for details of the Early Repayment Charges which relate to your loan.
- any administration fees required in respect of the work involved in closing your account.

We will not impose Early Repayment Charges when the reason for the early repayment is due to the death of one or other of the parties to the mortgage.

Please refer to our Service Charges leaflet for the amount of administration fee payable and also read the section of this booklet entitled Interest on Your Mortgage.

GUARANTEE

In some cases, we may require that, as a condition of granting you a loan, you arrange for another person to guarantee your loan. This means that if you are unable to pay your loan we can require the person who has granted the guarantee to pay it.

Before we take a guarantee from someone we will encourage them to take independent legal advice so that they understand their obligations. We will also tell them that they could become liable to pay your loan instead of (or as well as) you and how much they could be liable to pay. We will not take a guarantee for an unlimited amount, the guarantee will be for the advance amount plus interest and costs.

Where the Society is asked to consider a mortgage application and a guarantor is involved, your authority will be obtained to disclose to the guarantor full details of the mortgage application including your own financial information. In addition, your consent will be obtained to enable the Society to contact the guarantor and discuss the conduct of the account with them.

PRODUCTION AND STORAGE OF DEEDS

You may request that either you or your representative may examine the deeds of your property over which we hold a mortgage or to supply extracts from our copies of such deeds, subject to any reasonable conditions that we may specify. You may have to pay a fee for these services and the fees are shown in our Service Charges leaflet. The fee will be charged to your loan and you will be asked to make a separate payment.

For Land Registry deeds we do not require pre-registration title deeds. If they are sent to us, we may charge you a fee for providing storage facilities. The amount of this fee is the same as that charged for the release of title deeds

CHANGE IN PERSONAL CIRCUMSTANCES

It is very important to bear in mind that a change in your circumstances could have an adverse effect on your finances, e.g. divorce, bereavement, sickness, redundancy.

It is vital to plan for this and protect for these eventualities.

MORTGAGE PAYMENT PROTECTION

This insurance pays out to cover loss of earnings in the event of accident, sickness or unemployment. The cover can be taken out on the individual elements, all of them or a combination to suit the customer's requirement.

Your mortgage is likely to be the most important financial commitment you make and it is vital that you seriously consider how you would make your mortgage payments in the event of losing your income through ill health or unemployment.

Help with mortgage repayments exists through the benefits system but it is limited. If you become eligible for benefit, you are unlikely to receive any state assistance with your mortgage repayments for the first 9 months. Further detailed information is available at your local Social Security office. The Society has an extremely competitive Mortgage Payment Protection Insurance product. This cover is paid for by the Society for six months for new borrowers and three months for existing borrowers. Full details are available in the appropriate product leaflets.

FINANCIAL DIFFICULTIES

If you become ill or unemployed or find it difficult to meet your monthly repayments for any other reason, please let us know immediately. If you do this then we may be able to help by developing a plan with you for dealing with your financial difficulties. Please speak to the Society's staff for help and assistance.

ARREARS ON YOUR MORTGAGE

If you do not pay the monthly installments or other amounts on your loan as they fall due then we will regard your loan as being in arrears.

The Society will deal with any arrears which occur fairly, sympathetically and positively and will try and reach agreement with you to enter into a payment plan to repay the arrears.

Re-possession of the property will only be as a last resort, but if we have to re-possess your property an administration charge will be made.

There may be charges which are incurred whilst the account is in arrears and details of these are in our Service Charges leaflet. You can get this at any of our branches or from Head Office.

In addition to our charges, you will also be responsible for any legal and other costs which we incur.

If your loan is in arrears, this will usually result in any incentive you have received eg discount, cashback, etc having to be cancelled and repaid to the Society.

If your loan is in arrears you will also have to pay interest on the payments which are in arrears. The rate which we use to calculate this interest is usually the same as the normal rate which applies to your mortgage. Please also read the section entitled 'Interest on your Mortgage'.

SERVICE OF NOTICES

A letter or other personal notice will be deemed duly served 24 hours after posting. If we, accidentally, fail to: -

- send to you a communication intended for our borrowers generally or category of our borrowers of which you are one, or
- display a notice at our Principal Office or any branch office.

This will not make the notice invalid.

MEMBERSHIP OF THE SOCIETY

As we have explained earlier in the section entitled 'Mutuality' the Society is a mutual organisation. This means that most borrowers who are individuals are regarded as owning a stake in the Society. They are usually referred to as 'members' of the Society. The position is slightly more complicated where the loan is a joint loan.

Both borrowers are members of the Society. However, in terms of our rules, notice of meetings (such as our Annual General Meeting and any Special Meetings) is sent only to the address which we hold for the person whose name appears first on the loan and only this person may vote. You may choose who is to be named first on your loan when you take out the loan.

In the case of joint borrowers, on the date of death of the person first named on the loan account, the surviving borrower will become the person entitled to receive notice of and vote at meetings.

Where a loan is in the name of more than two individuals, on the date of death of the person first named, the survivor will become the Representative Joint Borrower.

CHANGING YOUR TERMS & CONDITIONS

We may change the terms and conditions which apply to your loan for one of the following reasons:

- to make them easier to understand and fairer to you
- to reflect a change in market conditions
- to take account of a decision of a court, ombudsman or regulatory body
- to take account of changes in the law, codes of practice or our own rules
- to allow us to take advantage of changes in technology for your benefit

COMMUNICATING WITH YOU

We recognise that it is important that we keep you advised of changes.

We shall keep you informed of changes in:

- the terms and conditions which apply to your loan
- the interest rates which apply to your loan
- increases in any of the charges which appear in our Service Charges leaflet

We will give you reasonable notice of these changes. The exact amount of notice will depend upon the type of change and the circumstances surrounding the change.

We will notify you of these changes in at least one of the following ways:

- by writing to you
- by newspaper advertisement
- by displaying posters and leaflets in our branches

If there have been significant changes in any one year to the terms and conditions which apply to your loan then we will give or send you a copy of the new terms and conditions or a summary of all the changes.

COMMUNICATING WITH US

Please let us know if you think that there are errors on your annual mortgage and insurance statement. Our staff will also be happy to explain any queries which you may have about your statement.

Please contact your local branch or Head Office as soon as possible if you have financial difficulties. If you discuss your situation with us we may be able to develop a plan with you for dealing with your financial difficulties.

Please also tell your branch or our Customer Services Department at Head Office about anything which you feel is important. This might be about your loan in particular or any of our products or terms and conditions in general.

Do please tell us if you are not happy about some aspect of your loan or our service. We cannot deal with problems or shortcomings if we do not know about them.

PROTECTING YOU

CONFIDENTIALITY GENERALLY

Because of your relationship with us, the information which we hold about you in order to manage your loan is private and confidential. We recognise this and all our staff are trained to ensure that the information which we hold about you is not disclosed to anyone unless you have agreed to this or the law allows us to do so.

In terms of the general law there are only four situations in which we can disclose information about you. These are:

- where we are compelled by law to do so,
- where there is a duty to the public to disclose,
- where our interests require disclosure, or
- where you have requested or agreed to the disclosure.

DATA PROTECTION ACT

Your personal information is also protected by the Data Protection Act in respect of information which we hold. The Act requires us to register the ways in which we use the information which we hold about you with the Data Protection Registrar.

The Registrar is an independent official whose job it is to see that organisations such as the Society comply with the Act. The Society has also appointed its own Data Protection Officer to liaise with the Data Protection Registrar and to ensure that we continue to comply with the Act as the ways in which we conduct our business develop and change.

For the purposes of the Data Protection Act 1998 the Society is the data controller responsible for the processing of your personal data.

Under data protection legislation you have the right of access to your personal records held on file. A charge may be made by the Society for the administration involved in providing the information. Your personal details will only be released to third parties where the Society is legally compelled to provide the information, where there is a duty to the public to disclose or where the interest of the Society require disclosures. In other cases disclosure will only be made at your request or with your consent.

If you would like any further information on the Act please contact your branch or our Head Office.

COMPLAINTS HANDLING PROCEDURE

The Society has a complaints handling procedure and complaints we cannot settle may be referred to the Financial Ombudsman Service.

Our aim is to provide you with a first class professional and confidential service. Should a complaint arise, in the first instance you should contact The Mortgage Manager at the Furness Building Society, 51-55 Duke Street, Barrow-in-Furness, Cumbria, LA14 1RT.

TELEPHONE CALLS

In general, we do not record telephone calls made to the Society. Calls made to our Treasury Department are the only exception to this. This is done for the benefit of both our customers and the Society because of the large sums of money which are usually involved in transactions handled by this department.

From time to time we may record calls made to other areas of the Society if we feel that this is appropriate. If we do so we shall give you notice of this.

BANKERS' REFERENCES

If a third party asks us to provide them with our opinion of your financial status or your ability to meet certain financial commitments we shall not do so unless you have agreed to this in writing. A charge may be made for this.

IDENTIFICATION

Before we give you a loan we have to check your identity. We are required by law to do this in terms of regulations designed to detect and prevent money laundering by criminals. These checks help to protect both you and us.

Our leaflet will tell you what kinds of identification are acceptable. You can also ask at any of our branches.

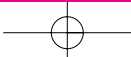
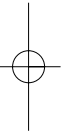
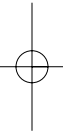
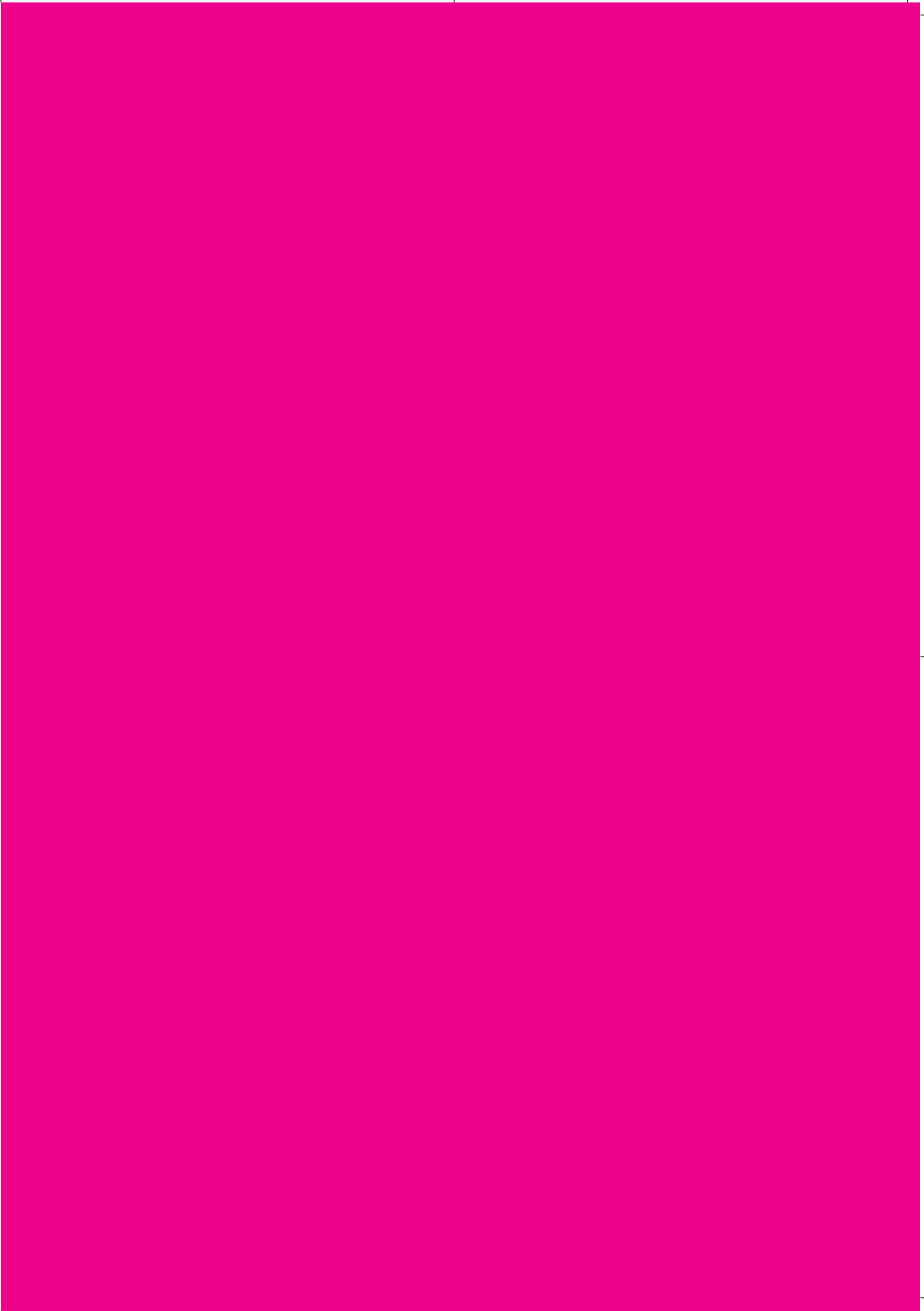
FINANCIAL OMBUDSMAN SERVICE

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FINANCIAL SERVICES

Loans are secured on property and are subject to an appraisal of your financial standing. Additional security in the form of an assignation of a suitable life policy may be required for some types of mortgage. Please contact your local branch for further information. Written quotations are available on request. Furness Building Society is authorised and regulated by the Financial Services Authority and is entered in its Register under number 159624. Furness Building Society acts as an introducer to Liverpool Victoria Friendly Society Limited, who are regulated by the Financial Services Authority, for advice on investment, life protection and pensions.

**YOUR HOME MAY BE REPOSESSED IF YOU DO NOT KEEP UP
THE REPAYMENTS ON YOUR MORTGAGE**





HEAD OFFICE 51-55 Duke Street Barrow-in-Furness Cumbria LA14 1RT
Telephone: 01229 824560 Facsimile: 01229 837043