

Mortgage guarantee scheme

What you need to know before you go ahead

What is the mortgage guarantee scheme?

The government provides a guarantee to lenders for offering mortgages up to 95% loan to value (LTV). The guarantee only protects the lender; it does not protect you. The mortgage works in exactly the same way as a normal mortgage.

How does the scheme work?

- You need a 5% to 9% deposit.
- You buy your new home with up to a 95% LTV Santander mortgage which needs to be repaid on a repayment (capital and interest) basis. These mortgages are available through our branch network, over the telephone or from Santander for Intermediaries through an Independent Financial Adviser.
- You are responsible for paying your mortgage under this scheme in exactly the same way as any other mortgage.

If you can afford to repay a mortgage but don't have a large deposit, this scheme could help you and may mean you don't have to wait so long to buy or move home.

With the mortgage guarantee scheme

- You own 100% of the property
- It's available if you are moving home or buying your first home
- It's available on previously owned houses and flats (it's not available on newly built properties).

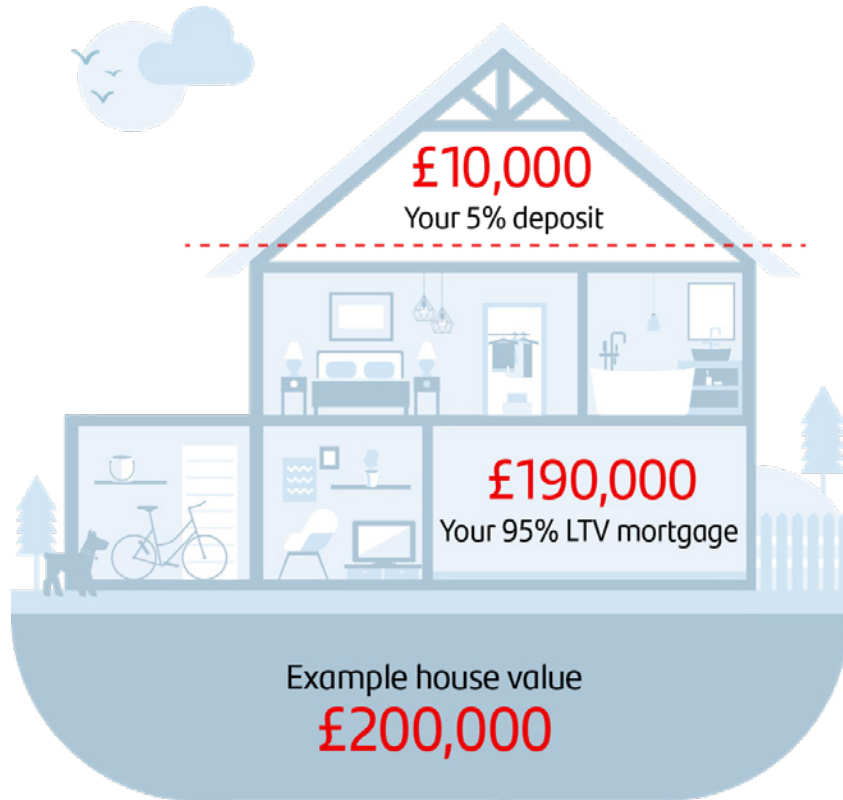
Do I qualify under the scheme?

If you can answer yes to the following statements, and you can meet our lending criteria, you may be able to buy your first home or move home with this scheme if:

- the home you want to buy has been previously owned and is in the UK
- you have between 5% and 9% deposit
- the house you're buying is worth £600,000 or less or the flat you're buying is worth £400,000 or less
- the property will be your only home and you intend to live in it (it won't be a second home or Buy to Let)
- you take a mortgage on a repayment (capital and interest) basis
- you're able to confirm you do not have any other government subsidies, e.g. shared equity, Shared Ownership, or any part of your deposit funded by a Local Authority.

Repaying the mortgage

The example below shows how this works on a home worth £200,000.



In this example you are looking to buy a home for £200,000 with a **£10,000** deposit (i.e. 5% deposit).

You need a mortgage for £190,000 which is **95%** of the purchase price, which we also say is 95% loan to value (LTV).

Under the scheme, the government will guarantee **£30,000 (15%** of the value of the home) to the lender if we have to repossess your home and sell it for less than the outstanding mortgage.

You need to pay your monthly payments in exactly the same way as a normal mortgage.

How do I access the scheme?

You can take out one of these mortgages through our branch network, over the telephone or from an Independent Financial Adviser.

The process is similar to a normal Santander mortgage.

There is no pre-qualification requirement for the scheme, but you will be subject to an affordability assessment and credit check.

You'll also need to declare that you have no interest in any other property.

Important considerations

Before buying a home under the mortgage guarantee scheme, there are some important points to consider:

(1) Risk of negative equity

If house prices fall, you may not have enough money from selling your home to repay the mortgage. This could leave you with a shortfall. A smaller deposit can put you at greater risk of this happening.

If the amount you owe on your mortgage is greater than the value of your home, this is called 'negative equity' and could make it difficult to move home or move your mortgage to another lender unless you can meet the shortfall from savings or other sources. The current economic environment and the knock-on impact of unemployment and forced business closures could increase the risk of negative equity. However, these are risks of any high loan to value borrowing not the mortgage guarantee scheme itself. It is important to discuss the risk with one of our Mortgage Advisers or with your Financial Adviser so that you fully understand what this means before making a decision.

(2) Financial difficulties

The guarantee only protects the lender; it does not protect you. You are responsible for paying your mortgage under the mortgage guarantee scheme in exactly the same way as any other mortgage. So talk to us should your circumstances change.

If Santander had to repossess your home and sell it, you would be responsible for paying any shortfall between the amount you owe us (including costs) and the amount we received from the sale of your home.

(3) Access to additional borrowing or remortgaging

It may be difficult to get additional borrowing on your existing mortgage or to remortgage to another lender if you have a high loan to value mortgage, so you will need the equity in your home to increase before applying for an additional loan or remortgaging.

Equity is the difference between what you owe on your mortgage and how much your home is worth.

(4) Access to lower mortgage rates with a larger deposit

If you have access to a larger deposit of 10% or more, the mortgage guarantee scheme may not be the right solution for your circumstances. This is because the larger your deposit the lower your mortgage rate may be, which could reduce your monthly mortgage payment.

Frequently Asked Questions

Can I put down more than a 5% deposit?

If you have a deposit of 10% or more you may wish to look at our other mortgages rather than our mortgage guarantee range. Speak to one of our Mortgage Advisers in branch or by telephone or your Independent Financial Adviser to understand all your options.

How much can I borrow?

The amount you can borrow will depend on your individual circumstances and on our lending criteria at the time of your application. Why not use our 'How much can I borrow?' calculator on the mortgage pages of www.santander.co.uk, or ask in branch or over the telephone. Alternatively, your Independent Financial Adviser could help. The maximum we can lend under this scheme is £570,000 for a house or £380,000 for a flat.

Can I buy a property using the mortgage guarantee scheme and rent it out?

No. It is only available on homes which are occupied by those people named on the mortgage. If you already own another property that you do not wish to sell, you would not be eligible for this scheme.

Who do I speak to if I have any questions about my mortgage or the scheme?

You should speak to one of our Mortgage Advisers in branch or over the telephone by calling **0800 068 6064** or your Independent Financial Adviser where you can discuss your financial circumstances and decide whether a mortgage under the scheme is right for you.

Glossary

- Independent Financial Adviser is an independent individual or company who would provide impartial advice on your mortgage options.
- Loan to value (LTV) is the difference between your mortgage amount and the value of your home. For instance, if your home is worth £200,000 and you are borrowing £190,000, your loan to value (LTV) is 95%.

Further information

Further information about the scheme can be found at www.gov.uk

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

All applications are subject to status and our current lending criteria. Applicants must be UK residents aged 18 or over.

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