

RESIDENTIAL MORTGAGE NOTES

(Please read these notes carefully before signing the Mortgage Deed)

A mortgage is a deed whereby the lender takes security for a loan (or a facility such as an overdraft or business borrowing) over property. A mortgage can also be known as a "Legal Charge" or "Charge".

You are known as "the borrower", "the mortgagor" or "the chargor". The bank, building society or other lending institution is known as "the lender", "the mortgagee" or "the chargee".

Under a mortgage, you promise to repay the loan to the lender and you provide your house or flat as security for that purpose. If you fail to comply with the terms of the loan, the lender can "repossess" the property but only once the Courts have authorised it to do so. The lender therefore has the power subject to the approval of the Court, to remove you from occupation of your home and to sell the property in order for its loan to be repaid. If the sale proceeds of the home are insufficient to clear the amount due to the lender, the lender can still pursue you for any shortfall, even after the home has been sold.

Mortgages from high street banks are sometimes different from building society mortgages. Banks tend to use what are known as "all monies due" mortgages. In such mortgages, you provide your home as security to the bank for all money which you owe to the bank now, or at any time during the existence of the mortgage. For example, the mortgage will act as security for an overdraft you may have with that bank and even for any credit card indebtedness, if the credit card is with that bank. You will not see any figures mentioned in an "all monies due" mortgage as the amount secured by it will be different from time to time. Please note that not all bank mortgages will be of the "all monies due" type. For example, National Westminster Bank itself will usually issue "all monies due" mortgages but its subsidiary company specialising in residential mortgages ("National Westminster Home Loans") will not.

Most mortgages impose other obligations upon you, the borrower. The usual obligations are:

1. You must keep the property well maintained.
2. You must insure the property (the building, not the contents) - in practice this is usually arranged by the lender.
3. You must not allow anybody else to occupy the property without the lenders consent i.e. - tenants, lodgers etc.

Finally, please remember that all lenders will be happy to discuss with you any problems that you may have with your mortgage. Although the lender does have very significant rights granted to it by the mortgage, it will only exercise them as a last resort.