

first direct

**Applying for a
mortgage is changing**

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Mortgage Market Review (MMR)

The Financial Conduct Authority recently conducted a review of the mortgage market in order to improve the protection available to mortgage borrowers. As a result, all lenders are required to follow new rules regarding how mortgages are arranged from 26 April 2014.

What this means for you

It's likely to take a little longer when you initially apply for a mortgage and you'll need to provide more information than you may have done in the past. You can find more detail in the frequently asked questions section below.

Frequently asked questions

1. Will these changes apply to all mortgage lenders?

Yes. The Financial Conduct Authority (FCA) requires all lenders and brokers to adhere to new rules with effect from 26 April 2014.

2. I'm interested in applying for a first direct mortgage. What is the main change to the application process?

The main change is that any application you make by telephone for a new mortgage now has to be made on an 'advised' basis; that is, you will need to receive advice from one of our qualified mortgage advisors. If you've applied for a mortgage in the past and chosen not to take advice, you'll find that the application process will take longer.

You can still ask us about how much you might be able to borrow, to provide a Decision in Principle or a Quote and about other factual matters without the need to receive advice.

3. What if I don't want or need advice?

A mortgage is a major commitment, and we'd always recommend you take advantage of our free mortgage advice service by speaking to a qualified mortgage advisor by telephone.

However, we recognise that some customers already know exactly what they want and they will still be able to choose not to receive advice: if you're confident you know the right product for you, you can apply through our online mortgage service at firstdirect.com/mortgage. This will be known as choosing a mortgage on an 'execution-only' basis. However, if you choose not to receive advice you will lose the protection of the FCA's rules which otherwise require lenders to assess the suitability of a mortgage product for you.

If you are an existing first direct mortgage customer looking to book a new interest rate without changing any other details, then you can also do that on an 'execution only' basis by telephone.

4. Will it take longer to apply for a mortgage?

You may want to ask how long your appointment is likely to be when you arrange it as the time required may vary depending on your individual circumstances. To make sure we've considered everything fully before providing advice, we may need to arrange a second call to make our recommendation.

5. Will I have to provide more information to be able to get a mortgage?

We have always carefully considered and assessed our customers' ability to afford a mortgage. However, we'll need to ask a few extra questions and/or verify more details after 26 April. This is to make sure we've fully taken into account your income, committed and basic essential expenditure and costs reflecting your quality of living.

We'll need to know about any credit card and loan repayments, hire purchase agreements and child or other maintenance payments. You'll normally need to provide evidence of the amounts involved. You'll also need to make allowances for spending on essential costs of living, including utilities, council tax, telephones, ground rent, building and contents insurance, running a car and other travel costs. You'll also need to make a realistic estimate of other living costs, including clothing, household goods and childcare costs (if applicable).

We may need documents such as payslips and bank statements as proof of income. You may also need to provide statements from your employer verifying any income that is not contractually guaranteed; for example maternity pay. If you're self-employed you may need to provide business plans and future projections of income, tax returns, and other details of tax paid.

6. Are there any additional changes affecting interest only mortgages?

Customers who choose an interest only mortgage will need to demonstrate how they plan to repay the capital sum at the end of the mortgage term. It is important that the plan is credible, so we will ask for evidence to support the chosen repayment strategy.

When it comes to assessing income, we'll need to take into account the cost of any investments that form part of the strategy for repaying the mortgage at the end of its term.

7. Where can I find out more?

Further information is available at:

www.fca.org.uk/consumers/financial-services-products/mortgages/mortgage-market-review