

first direct

Mortgage Credit Directive

**General information for
regulated mortgage contracts**

Information about first direct residential mortgages

This document contains general information we are required to make available in relation to regulated mortgage contracts.

1. Address

first direct plc is a division of HSBC UK Bank plc, 1 Centenary Square, Birmingham B1 1HQ. The registered address of **first direct** is 40 Wakefield Road, Leeds, LS98 1FD

2. Purpose of credit

Mortgages offered by **first direct** can be used for the purchase or re-mortgage of UK domestic residential property.

3. Security

Mortgages offered by **first direct** must be secured by a first legal charge or mortgage on a UK domestic residential property. If the property is in Scotland, the mortgage will be secured by a first ranking standard security on that property.

4. Duration

first direct offer mortgages over terms of between 2 and 40 years. Where a mortgage is in separate loan parts, a different mortgage term may apply to each part.

5. Available interest rates

first direct offer the following types of interest rate:

Fixed rate

A fixed rate mortgage provides the comfort of fixed mortgage payments until an agreed date, no matter what happens to interest rates.

- Repayments: these are fixed for the duration of the fixed term, and because the interest rate doesn't vary, monthly payments will remain the same regardless of what happens to interest rates.
- At the end of any fixed rate period the borrower(s) will automatically move onto the **first direct** Variable Rate. The borrower(s) can choose to stay on this rate, or could apply for a new fixed, discount or tracker mortgage available at that time.
- Early repayment charge: An Early Repayment Charge (ERC) may apply to fixed rate mortgage products.

Life time tracker rate

A tracker rate mortgage provides flexibility to follow the Bank of England base rate during the term of the mortgage.

- Rates: the tracker interest rate paid is an agreed percentage above the Bank of England's Base Rate. As the base rate rises and falls, the tracker rate will track these changes, and so rise and fall accordingly. Any changes to the tracker rate as a result of a Bank of England base rate change will take effect the day after the change to the Bank of England base rate. This will affect monthly payments.
- 'Lifetime' trackers track the Base rate for the lifetime of the loan. The borrower(s) therefore do not have to worry about coming to the end of a deal, and subsequently switching, with the associated costs.
- With tracker rate mortgages, there is the flexibility to make unlimited overpayments or pay lump sum reductions without charge at any time.
- If you're on a tracker rate or your mortgage is subject to an interest rate guarantee, a 0% floor applies. The floor means that, no matter how far the Bank of England base rate is reduced, the interest rate on the variable rate Loan will never be a negative figure.

Term Trackers

With our tracker rate mortgage, the interest rate is set at an agreed percentage above the Bank of England base rate. The interest rate will therefore rise and fall in line with changes to the Bank of England base rate.

- **first direct** offer various tracker periods. At the end of the tracker rate period, your mortgage rate will revert to our standard variable rate unless you switch to another interest rate
- The interest rate you pay will be a variable rate which will be an agreed percentage above the Bank of England base rate. As the Bank of England base rate rises or falls, the interest rate you pay will track these changes, and so rise and fall accordingly which will affect your monthly payments
- You are able to make unlimited over payments to your mortgage whenever you choose without any Early Repayment Charges.
- If you're on a tracker rate or your mortgage is subject to an interest rate guarantee, a 0% floor applies. The floor means that, no matter how far the Bank of England base rate is reduced, the interest rate on the variable rate Loan will never be a negative figure.

Standard Variable Rate

This is a variable rate that will vary over the term of the mortgage. The actual rate is set internally by first direct and as such it does not track the Bank of England base rate or any other rate.

- **first direct** only offer a Standard Variable Rate as an 'on sale' product with a **first direct** Offset Mortgage.
- Unlimited overpayments or lump sum reductions can be made without charge at any time.

6. Repayment options

first direct offer two methods for repayment of mortgages. With each of these methods, the borrower(s) is/are usually required to make 12 monthly payments each year, starting on (the month following the month in which the mortgage loan is first made). These monthly payments are calculated to be of equal amounts, with the exception of the first monthly payment which is usually higher than the rest of the monthly payments. This is because it includes interest charges from the day **first direct** issue the loan money to the end of the month, plus the first full monthly payment.

The repayment methods offered are:

Capital repayment

The borrower(s) must make monthly payments until the end of the mortgage term (when any sums outstanding under the mortgage must be repaid). The monthly payments are made up of a portion of the capital amount borrowed as well as the interest charged for [the month] on the mortgage (or the capital repayment part of the mortgage if it is part interest only, part capital repayment). This means that the outstanding balance is reduced each month in line with the mortgage term selected so that the mortgage is fully paid off at the end of the mortgage term if the borrower(s) make all the payments required and on time.

Interest only

The borrower(s) must make monthly payments until the end of the mortgage term. These monthly payments only cover the interest charged on the mortgage. The borrower(s) will still owe the capital balance borrowed at the end of the mortgage term (or the capital balance in relation to the interest only part of the mortgage if it is part interest only, part capital repayment). The borrower(s) is/are responsible for making their own arrangements to repay this capital balance and any other amounts owing at the end of the mortgage term.

The **first direct** Offset Mortgage is an interest only product where qualifying savings and current account balances can be linked to the mortgage so that interest is only paid on the difference.

Compliance with the terms and conditions of the mortgage agreement does not necessarily ensure repayment of the total amount of credit. For interest only mortgages, the borrower(s) will still owe the capital balance borrowed at the end of the mortgage term and must make sure they have arrangements in place to pay it off.

7. Property valuations

first direct may require a valuation on the property that is being offered as security.

Where a valuation on the property is required, **first direct** will instruct its valuers to carry this out and a valuation fee may be payable. This fee is non-refundable and payable by the borrower to the valuation company when the valuation appointment is requested.

The valuation is solely for the purpose of arriving at a current market value to enable **first direct** to determine the amount of the mortgage. The borrower(s) should not rely on it to assess the suitability or saleability of the property. Where appropriate the borrower(s) may also have the option to request a more detailed survey of the property.

8. Ancillary services

As a condition to obtaining a mortgage, **first direct** require that buildings insurance, covering at least the amount referred to in the regulated mortgage contract, is in place from first drawdown (or from when risk is assumed, if this is earlier). This insurance must be maintained for the duration of the loan.

Buildings insurance does not have to be taken out through **first direct** or HSBC.

9. Consequences of non-compliance

If the terms and conditions of the mortgage are not complied with (including making required monthly payments in full and on time):

- the total cost of borrowing could increase
- **first direct** may seek possession of the property and sell it to recover what is owed to **first direct**
- **first direct** may ask for additional security
- the borrower(s)' credit record could be affected in a way that makes it more difficult or expensive to obtain credit
- the borrower(s) may have to pay **first direct**'s legal costs.