

# Capital Repayment incentive

## INFORMATION FOR BORROWERS

Saffron Building Society has a range of mortgages which enables you to benefit from lower interest rates if you choose to either provide a larger deposit or make a capital repayment and reduce your outstanding debt during the term of the product.

This document aims to answer some of the questions you may have. Please speak to your mortgage adviser if you have any other queries or if you require further clarification.

### How does it work?

The mortgage product that you have chosen enables you to make capital repayments at any time and, as a result, may therefore reduce the mortgage interest rate you pay. At Saffron we believe that paying off your debts early is in your best interests as it will reduce the total amount that you will pay back to us over the term of your mortgage.

The good news is that not only do capital repayments mean that you pay less interest because the amount of mortgage on which interest is charged has reduced, but if the total size of your mortgage moves into a lower loan-to-value (LTV) band, then the interest rate may also reduce.

### Take a look at the following examples to see how this feature works:

#### Example 1:

If you buy a property worth £250,000 with a mortgage of £190,000, the loan to value ratio is 76% (£190k expressed as a percentage of £250k) and you qualify for a discounted mortgage rate of 4.39%\*, which is available **up to 80% LTV**.

If you make a capital repayment of £20,000 before the discount period ends, the LTV on your mortgage will reduce to 68% (£170k as a percentage of £250k), which means you will qualify for a lower mortgage rate of 3.89%\*, which is available **up to 70% LTV**.

The new rate will then apply for the remainder of the discount period on your mortgage.

### How long does the reduced interest rate last, once I have made a lump sum capital repayment?

If you make the repayment within the discount period of the mortgage (i.e. before it reverts to our Standard Variable Rate), the new lower interest rate will last for the remaining discount period. Once your mortgage reverts to a standard variable rate, capital repayments will not reduce the mortgage rate.

#### Example 2:

If you take out a mortgage on a rate of 4.39% which is discounted for seven years and then make a capital repayment after three years and two months which is sufficient to lower your interest rate, then your mortgage will step-down into a lower interest band. You will then benefit from a reduced mortgage rate over the remaining three years and ten months.

### Can I make more than one lump sum capital repayment?

Yes you can. The reduction in rate is triggered once you have reached the lower LTV band no matter how many repayments you make to get there.

### If I overpay my mortgage each month, will it reduce the mortgage rate that I pay?

Overpaying your mortgage each month will not automatically trigger a reduction of your mortgage rate. You must make a minimum overpayment of at least £500 per month and the rate will only reduce once your mortgage steps-down into a lower LTV band.

### Is there a minimum amount I should pay?

Yes, £500 (five hundred pounds) in excess of your normal monthly mortgage payment.

### Are there any fees or charges for moving down an LTV band?

No

### Would I go up a LTV band if my mortgage debt ever increased?

No - you can only ever move down a LTV band, never up. You will not go up a band if the mortgage amount increases, for example, if you were in arrears at the time.

### If the value of my property increases during the term of my mortgage, can I pay for my property to be revalued in order to decrease my LTV (and therefore benefit from lower interest rates)?

No, Saffron will always use the original property valuation at the time that you took out your mortgage as the basis for calculating the LTV.

### What happens if I take-out a further advance on my mortgage?

Any further advance will be subject to its own terms and conditions.

### Important Information - what else do I need to know?

If you want to make a capital debt repayment on your mortgage, you must call us on 0800 072 1100 and notify our mortgage team that you intend to make the additional repayment. We will then adjust your capital balance and let you know if it has resulted in a lower mortgage rate.

### I have a question but it's not covered on this sheet?

Please speak to your mortgage adviser who will be able to confirm the answer, even if they need to check it first with us. Once your mortgage has been offered you can alternatively call us on 0800 072 1100

\*All rates and amounts are examples only – please check with your mortgage adviser for latest rates.

0800 072 1100

[www.saffronbs.co.uk](http://www.saffronbs.co.uk)

