Chartered Insurance Institute

CF6

Certificate in Mortgage Advice

Mortgage advice

Based on the 2019/2020 syllabus examined until 31 August 2020

CF6 Mortgage advice

Based on the 2019/2020 syllabus examined until 31 August 2020

Contents

Published in June 2019 by:
The Chartered Insurance Institute
42-48 High Road, South Woodford, London E18 2JP
Telephone: 020 8989 8464
Fax: 020 8530 3052
Email: customer.serv@cii.co.uk

CF6 Mortgage advice

Based on the 2019/2020 syllabus examined until 31 August 2020

Introduction

This examination guide has been produced by the Examinations Department at the Chartered Insurance Institute to assist students in their preparation for the CF6 examination. It contains a specimen examination with answer key.

Ideally, students should have completed the majority of their studies before attempting the specimen examination. Students should allow themselves three hours to complete the examination. They should then review their performance to identify areas of weakness on which to concentrate the remainder of their study time.

Although the specimen examination in this guide is typical of a CF6 examination, it should be noted that it is not possible to test every single aspect of the syllabus in any one particular examination. To prepare properly for the examination, candidates should make full use of the tuition options available and read as widely as possible to ensure that the whole syllabus has been covered. They should also endeavour to keep as up-to-date as possible with developments in the industry by reading the periodicals listed in the CF6 reading list, which is located on the syllabus in this examination guide and on the CII website at **www.cii.co.uk.**

Background Information

CII examination questions undergo a rigorous writing and editing process before reaching an examination. The questions are written to strict guidelines by practitioners with relevant technical knowledge and experience. Questions are very carefully worded to ensure that all the information required to answer the question is provided in a clear and concise manner. They are then edited by an independent panel of experienced practitioners who have been specifically trained to ensure that questions are technically correct, clear and unambiguous. As a final check, each examination is scrutinised by the Senior Examiner and a CII assessment expert.

Occasionally a question will require amendment after the examination guide is first published. In such an event, the revised question will be published on the CII website:

1) Visit **www.cii.co.uk/learning/qualifications/certificate-in-advanced-mortgage-advice-qualification/unit-mortgage-advice-cf6**
2) Select 'exam guide update' on the right-hand side of the page

Candidates should also refer here for the latest information on changes to law and practice and when they will be examined.

Syllabus

The CF6 syllabus is published on the CII website at **www.cii.co.uk**. **Candidates should note that the examination is based on the syllabus, rather than on any particular tuition material.** Of course, the CII tuition material will provide the vast majority of the information required to perform well in the examination, but the CII recommends that students consult other reference materials to supplement their studies.

Skill Specification

The skill level tested in each examination question is determined by the syllabus. Each learning outcome specifies the level of skill required of candidates and thus the level at which candidates may be tested. Learning outcomes for CF6 begin with *understand or analyse.* Different skill levels lead to different types of question, examples of which follow.

Understanding - To answer questions based on understanding, the candidate must be able to link pieces of information together in cause-and-effect relationships. Typically questions may ask 'Why'. Questions set on an *understand* learning outcome can test either knowledge or understanding or both.

Analysis - To answer questions requiring analysis, the candidate must be able to break information down into parts, identify how each piece relates to the whole, associate relevant aspects and determine courses of action. Typically questions will relate to a given set of circumstances or provide data which requires *analysis* so a conclusion can be drawn.

Examination Information

The method of assessment for the CF6 examination is 100 multiple choice questions (MCQs) and 5 case studies, each comprising 5 MCQs. 3 hours are allowed for this examination.

The CF6 syllabus provided in this examination guide will be examined from 1 September 2019 until 31 August 2020.

Candidates will be examined on the basis of English law and practice in the tax year 2019/2020 unless otherwise stated.

The general rule is that the new tax year and changes arising from the Finance Act will be examined from 1 September each year. Other changes, not related to the Finance Act, will not be examined earlier than 3 months after they come into effect.

CF6 examinations test the Financial Conduct Authority and Prudential Regulation Authority rules and regulations.

When preparing for the examination, candidates should ensure that they are aware of what typically constitutes each type of product listed in the syllabus and ascertain whether the products with which they come into contact during the normal course of their work deviate from the norm, since questions in the examination test generic product knowledge.

The format of the lender's criteria and mortgage product list, provided at each examination and reproduced in this examination guide, should be familiar to candidates before they enter the examination. The lender's criteria and mortgage products list could be used in answering section B of this examination. When answering a question on a specific mortgage, only products contained within the mortgage product list should be used.

Section A consists of 100 multiple choice questions. A multiple choice question consists of a problem followed by four options, labelled A, B, C and D, from which the candidate is asked to choose the correct or best response. Each question contains only one correct response to the problem posed. One mark is awarded for each correct response identified by the candidate. No mark is awarded if the candidate chooses an incorrect response, chooses more than one response or fails to choose any response. No marks are deducted for candidates choosing an incorrect response.

Section B consists of five case studies each followed by five questions. **Four** options follow each question. The options are labelled A, B, C and D. Only **one** of these options will be correct or best. One mark is awarded for each correct response identified by the candidate. No mark is awarded if the candidate chooses an incorrect response, chooses more than one response or fails to choose any response. No marks are deducted for candidates choosing an incorrect response.

If you bring a calculator into the examination room, it must be a silent battery or solar-powered non-programmable calculator. The use of electronic equipment capable of being programmed to hold alphabetic or numerical data and/or formulae is prohibited. You may use a financial or scientific calculator, provided it meets these requirements.

Candidates are permitted to make rough notes. Candidates are **not** permitted, in any circumstances, to remove any papers relating to the examination from the examination room.

Examination Technique: Multiple Choice Questions

The best approach to multiple choice examinations is to work methodically through the questions.

The questions are worded very carefully to ensure that all the information required is presented in a concise and clear manner. It cannot be emphasised too strongly that understanding the precise meaning of the question is vital. If candidates miss a crucial point when reading the question it could result in choosing the wrong option. Candidates should read carefully through the question and all the options before attempting to answer.

Candidates should pay particular attention to any words in the question which are emphasised in bold type, for example, **maximum**, **minimum**, **main**, **most**, **normally** and **usually**. Negative wording is further emphasised by the use of capital letters, for example **NOT**, **CANNOT**.

Candidates should not spend too much time on any one question. If they cannot make up their mind, they should leave the question and come back to it later.

When all of the questions have been answered, it is prudent to use any remaining time to go through each question again, carefully, to double-check that nothing has been missed. Altering just one incorrect response to a correct response could make the difference between passing and failing.

After the Examination

Rigorous checks are made to ensure the correctness of the results issued. A pre-defined quota of passes to be awarded does not exist. If all candidates achieve a score of at least the pass mark, then all candidates will be awarded a pass grade. Individual feedback on the candidate's examination performance is automatically provided and will indicate the result achieved and, for each syllabus learning outcome, the percentage of questions in the examination that were answered correctly.

Mortgage advice

Chartered Insurance Institute

At the end of this unit, candidates should be able to understand the:

- house-buying process, from making an offer to completion and the key parties involved;
- different types of borrowers and how to meet their individual mortgage needs;
- different types of mortgage product and repayment options and their suitability for the client;
- legislative and regulatory position of mortgages and the requirements of a mortgage adviser.

Summary of learning outcomes		Number of questions in the examination*
1.	Understand the rules relating to the regulation of mortgages according to the Mortgages and Home Finance: Conduct of Business Sourcebook (MCOB).	6
2.	Understand the house-buying process, the key parties involved and their roles.	10
3.	Understand the different forms of valuation and survey, the factors that affect property values and the implications for consumers and mortgage lenders.	12
4.	Understand the common types of borrower and how their main mortgage-related requirements may differ, what factors may disqualify people from borrowing and the purpose of additional security including that of guarantors.	6
5.	Understand the economic context for giving mortgage advice.	2
6.	Understand the role of a mortgage adviser and the importance and principles of providing advice, including the key factors affecting the advice given.	6
7.	Understand the fees and charges involved in property transactions, including purchase/sale, remortgage, further advance and equity release.	6
8.	Understand the main features and functions of mortgage related protection products, their uses and lenders' requirements.	5
9.	Understand the principles, procedures and legal implications associated with raising additional money and transferring mortgages.	8
10.	Understand the risks associated with debt consolidation for the consumer and the implications for mortgage lenders.	2
11.	Understand the implications, rights and remedies for the borrower and the lender of non-payment of the mortgage and associated products.	4
12.	Understand the main provisions made by the State to assist homeowners and homebuyers.	4
13.	Understand the main requirements of the legislation affecting homeownership, tenure and mortgage finance.	3
14.	Understand the key features and structure of mortgage products and their interest rate options.	17
15.	Understand the key features of the different types of mortgage capital and interest repayment options.	9
16.	Analyse consumers' circumstances and recommend appropriate mortgage solutions to specific consumers' circumstances.	25 case study related questions

*The test specification has an in-built element of flexibility. It is designed to be used as a guide for study and is not a statement of actual number of questions that will appear in every exam. However, the number of questions testing each learning outcome will generally be within the range plus or minus 2 of the number indicated.

Published June 2019

Important notes

- Method of assessment: 100 multiple choice questions (MCQs) and 5 case studies, each comprising 5 MCQs. 3 hours are allowed for this examination.
- This syllabus will be examined from 1 September 2019 to 31 August 2020.
- Candidates will be examined on the basis of English law and practice in the tax year 2019/2020 unless otherwise stated.
- Candidates should refer to the CII website for the latest information on changes to law and practice and when they will be examined:
  1. Visit www.cii.co.uk/learning/qualifications/unit-mortgage-advice-cf6/
  2. Select qualification update on the right hand side of the page.

1. Understand the rules relating to the regulation of mortgages according to the Mortgages and Home Finance: Conduct of Business Sourcebook (MCOB).

1.1 Describe the legal and regulatory definitions of mortgages and second charge loans.

1.2 Describe the rules regulating mortgages according to the Mortgages and Home Finance: Conduct of Business Sourcebook (MCOB).

1.3 Apply the MCOB requirements to client circumstances.

2. Understand the house-buying process, the key parties involved and their roles.

2.1 Describe the house buying process and the roles of key parties involved in England and Wales.

2.2 Describe the house buying process and the roles of key parties involved in Scotland.

2.3 Describe the process and implications of buying property at auction.

3. Understand the different forms of valuation and survey, the factors that affect property values and the implications for consumers and mortgage lenders.

3.1 Explain the different forms of valuation and survey and the limitations of each.

3.2 Describe the factors that affect property values and the information contained within reports.

3.3 Describe the principal types of property defect and their implications for consumers and mortgage lenders.

4. Understand the common types of borrower and how their main mortgage-related requirements may differ, what factors may disqualify people from borrowing and the purpose of additional security including that of guarantors.

4.1 Describe the common types of borrower.

4.2 Describe the options available to different types of borrower.

4.3 Describe the principles and implications of different forms of additional security that may be taken to support a mortgage application.

4.4 Explain what factors may disqualify people from borrowing.

5. Understand the economic context for giving mortgage advice.

5.1 Describe the UK property and mortgage market and the economic and regulatory context for giving mortgage advice.

6. Understand the role of a mortgage adviser and the importance and principles of providing advice, including the key factors affecting the advice given.

6.1 Describe the role of a mortgage adviser.

6.2 Explain the importance and principles of providing mortgage advice.

6.3 Explain the process of assessing customer's affordability and calculate affordability.

6.4 Explain the importance of assessing suitability to provide a fair outcome for mortgage customers.

7. Understand the fees and charges involved in property transactions, including purchase/sale, remortgage, further advance and equity release.

7.1 Describe and calculate the fees and charges involved in property transactions.

7.2 Describe and calculate the relevant taxes associated with property purchase and ownership.

8. Understand the main features and functions of mortgage related protection products, their uses and lenders' requirements.

8.1 Explain the main features and uses of mortgage related protection products and the implications for consumers and lenders.

8.2 Explain the rules and regulations governing the sale of mortgage related protection products.

9. Understand the principles, procedures and legal implications associated with raising additional money and transferring mortgages.

9.1 Explain the principles, procedures and legal implications associated with raising additional money.

9.2 Explain the principles, procedures, costs and legal implications associated with transferring, amending and redeeming mortgages.

10. Understand the risks associated with debt consolidation for the consumer and the implications for mortgage lenders.

10.1 Explain the risks and costs associated with debt consolidation for the consumer and the implications for mortgage lenders.

11. Understand the implications, rights and remedies for the borrower and the lender of non-payment of the mortgage and associated products.

11.1 **Explain the implications, rights and remedies for the borrower for non-payment.**

11.2 **Explain the implications, rights and remedies for the lender for non-payment.**

11.3 **Explain the regulations and the legislation governing property repossession.**

12. Understand the main provisions made by the State to assist homeowners and homebuyers.

12.1 **Describe the main provisions made by the State to assist homeowners in financial difficulty.**

12.2 **Describe the main provisions of the different forms of Government-backed schemes to assist home buyers.**

13. Understand the main requirements of the legislation affecting homeownership, tenure and mortgage finance.

13.1 **Describe the legislation affecting all aspects of homeownership, tenure and mortgage finance in the United Kingdom.**

14. Understand the key features and structure of mortgage products and their interest rate options.

14.1 **Describe the main types of mortgage.**

14.2 **Describe the different interest rate options available to lenders.**

15. Understand the key features of the different types of mortgage capital and interest repayment options.

15.1 **Describe the types of mortgage repayment options available.**

15.2 **Describe the implications and obligations placed on the borrower and the lender.**

16. Analyse consumers' circumstances and recommend appropriate mortgage solutions to specific consumers' circumstances.

16.1 **Analyse consumers' circumstances and recommend appropriate mortgage solutions to specific consumers' circumstances.**

Reading list

The following list provides details of further reading which may assist you with your studies.

Note: The examination will test the syllabus alone.

The reading list is provided for guidance only and is not in itself the subject of the examination.

The resources listed here will help you keep up-to-date with developments and provide a wider coverage of syllabus topics.

CII/PFS members can access most of the additional study materials below via the Knowledge Services webpage at https://www.cii.co.uk/knowledge-services/.

New resources are added frequently - for information about obtaining a copy of an article or book chapter, book loans, or help finding resources , please go to https://www.cii.co.uk/knowledge-services/ or email knowledge@cii.co.uk.

CII study texts

Mortgage advice. London: CII. Study text CF6.

Journals and magazines

Personal finance professional (previously Financial solutions). London: CII. Six issues a year. Available online at www.thepfs.org/financial-solutions-archive (CII/PFS members only).

Mortgage introducer. London: Publishing Group. Fortnightly. Also available online at www.mortgageintroducer.com.

Reference materials

International dictionary of banking and finance. John Clark. Hoboken, New Jersey: Routledge, 2005.*

Harriman's financial dictionary: over 2,600 essential financial terms. Edited by Simon Briscoe and Jane Fuller. Petersfield: Harriman House, 2007.*

* Also available as an ebook through Discovery via www.cii.co.uk/discovery (CII/PFS members only).

Examination guide

If you have a current study text enrolment, the current examination guide is included and is accessible via Revisionmate (www.revisionmate.com). Details of how to access Revisionmate are on the first page of your study text.

It is recommended that you only study from the most recent version of the examination guide.

Exam technique/study skills

There are many modestly priced guides available in bookshops. You should choose one which suits your requirements.

The Insurance Institute of London holds a lecture on revision techniques for CII exams approximately three times a year. The slides from their most recent lectures can be found at www.cii.co.uk/iilrevision (CII/PFS members only).

SECTION A

1. With regard to a regulated mortgage activity, to whom does the Mortgages and Home Finance: Conduct of Business Sourcebook (MCOB) apply?

A. Banks and building societies only.
B. Mortgage intermediaries only.
C. Mortgage packagers and administrators only.
D. All mortgage lenders, intermediaries, arrangers, packagers and administrators.

2. The Annual Percentage Rate of Charge (APRC) on a mortgage loan is a recognised indicator of the

A. chargeable interest for the first year.
B. chargeable interest over the lifetime of the contract.
C. total cost of borrowing, including arrangement fees.
D. total cost of borrowing, excluding arrangement fees.

3. What is the **minimum** period for which an authorised firm **must** retain non-real time qualifying credit promotions?

A. One year from approval date.
B. One year from last communication date.
C. Two years from approval date.
D. Two years from last communication date.

4. Helen, a mortgage adviser, has arranged a new mortgage for one of her clients. According to the Mortgages and Home Finance: Conduct of Business Sourcebook, for what **minimum** period after drawdown of the mortgage loan **must** Helen retain her advice and recommendation records?

A. One year.
B. Two years.
C. Three years.
D. Indefinitely.

5. A secured loan was made in 2015 and the borrower is now in arrears. Under which regulations, if any, will the lender need to manage the arrears process?

A. The arrears management process will not be regulated.
B. The Consumer Credit Acts.
C. The Consumer Credit Sourcebook (CONC).
D. The Mortgages and Home Finance: Conduct of Business Sourcebook (MCOB).

6. At what **latest** stage **must** a lender's initial disclosure documentation be given to a new mortgage customer?

A. At first contact with the customer who may require information or advice about mortgages.
B. At the mortgage offer stage.
C. Before completion of the mortgage contract.
D. Only if requested by the customer.

7. Terry's mortgage lender issued a mortgage offer, and later discovered that Terry did not disclose that he was under notice of redundancy when making his application. As a consequence, the lender

A. can withdraw the offer at any time.
B. can withdraw the offer at any time during the reflection period only.
C. must honour the offer and allow Terry to proceed to completion.
D. must honour the offer as it is binding, but can amend the interest rate.

8. At which stage in the house-buying process should a mortgage adviser **strongly recommend** that any supporting life assurance commence?

A. When the purchase is agreed.
B. When the searches are completed.
C. When contracts are exchanged.
D. When the purchase is completed.

9. A solicitor is engaged to undertake the purchase conveyance of a residential property and is acting for both the lender and the borrower. What process does the solicitor undertake **solely** for the borrower?

A. Drawing up of the mortgage deed.
B. A Land Registry search.
C. Settles any Stamp Duty Land Tax due.
D. Verification of identity.

10. When a property is sold at auction, at what point is the contract first made between the vendor and buyer?

A. When the auctioneer closes the bidding and the gavel falls.
B. On receipt of the mortgage offer.
C. When the property has been surveyed.
D. On legal completion.

11. An estate agent represents the best interests of

A. the mortgage lender only.
B. the buyer only.
C. the vendor only.
D. both the buyer and the vendor.

12. Who is **ultimately** responsible for ensuring that a vendor has a right to sell their property?

- **A.** The buyer's conveyancer.
- **B.** The estate agent.
- **C.** HM Land Registry.
- **D.** The vendor's conveyancer.

13. In order to fully protect the purchaser's interests, what is the **latest** point in the house-buying process that a solicitor should ensure that sufficient funds are in place to complete the transaction?

- **A.** Before an offer is made.
- **B.** Before exchanging contracts.
- **C.** Before legal completion.
- **D.** When exchanging contracts.

14. At what point does a buyer **usually** need to pay the deposit when purchasing a property at auction?

- **A.** Before the day of the auction.
- **B.** On the day of the auction.
- **C.** Within 48 hours of the auction.
- **D.** 21 days after the auction.

15. In Scotland, when should a buyer **usually** have his mortgage valuation or survey completed?

- **A.** Before noting his interest.
- **B.** After noting his interest, but before making a formal written offer.
- **C.** On conclusion of missives.
- **D.** After conclusion of missives, but before legal completion.

16. The **most common** method of property sale in Scotland is by

- **A.** private bargain.
- **B.** private treaty.
- **C.** public auction.
- **D.** sealed bids.

17. Conclusion of missives in Scotland is similar to the stage in the English house-buying process known as

- **A.** carrying out local searches.
- **B.** legal competition.
- **C.** registration of legal title.
- **D.** unconditional exchange of contracts.

18. Charlie is buying a new home and has obtained a RICS Condition Report. With regard to property defects, what information, if any, will be provided in the report?

A. No information on defects will be provided.
B. Only minor defects will be detailed.
C. A structural engineer's report will be provided in the report for all serious defects.
D. All defects that are urgent and require attention will be detailed.

19. When completing a basic valuation, a surveyor noted in his report that the electrical system was old and outdated. What **initial** action would a prudent lender be **likely** to take on receiving the report?

A. Issue an unconditional mortgage offer.
B. Request a full electrical report.
C. Request a HomeBuyer's report.
D. Request a structural engineer's report.

20. A valuation report has highlighted several property defects and the valuer recommends that the lender proceeds, subject to an undertaking. If the lender accepts the valuer's recommendation, what does this mean?

A. The mortgage is agreed in full with no conditions.
B. The mortgage is declined, as the property is not acceptable security.
C. The mortgage is agreed, subject to a full Building Survey being carried out before completion.
D. The mortgage is agreed in full, subject to the borrower agreeing to make specific repairs.

21. What is the **primary** reason for lenders to be made aware of major property defects?

A. The affordability calculation carried out by the mortgage underwriters may be reduced.
B. A higher lending charge may be incurred.
C. The maximum loan to value will be increased.
D. The property may not be suitable security for the mortgage.

22. Joanne is buying a property that has been extended. The vendors **CANNOT** locate the building regulations approval documentation. What is the **most likely** outcome?

A. The extension will need to be demolished.
B. The lender will decline the mortgage application.
C. The purchaser's solicitor will need to obtain an indemnity policy.
D. The lender will offer a mortgage subject to a retention.

23. A couple want to buy a period property that requires major structural renovation works to both the building and interior. What type of survey would be recommended?

A. A basic valuation only.
B. A basic valuation and engineer's report.
C. A Building Survey.
D. A HomeBuyer report.

24. What type of survey would **usually** be recommended for a buyer who wishes to buy a 30-year-old property without taking out a mortgage?

A. A basic valuation.
B. A Building Survey.
C. A HomeBuyer report.
D. A structural engineer's report.

25. What type of survey would a lender **usually** require for a property built in 2019?

A. A basic valuation.
B. A Building Survey.
C. A HomeBuyer report.
D. A structural engineer's report.

26. What is the reinstatement value of a property?

A. The cost of rebuilding a property only.
B. The cost of rebuilding a property, plus associated fees and the cost of site clearance.
C. The value of a property before any necessary repairs have been completed.
D. The value of a property after any necessary repairs have been completed.

27. A valuation report has highlighted several property defects and the valuer recommends that the lender proceeds, subject to a retention. If the lender accepts the valuer's recommendation, what does this mean?

A. The mortgage is agreed in full, subject to a higher lending charge.
B. The mortgage is declined, as the property is not acceptable security.
C. The mortgage is agreed, subject to some funds being held back until certain repair work has been carried out.
D. The mortgage is agreed in full, subject to buildings insurance being taken out through the lender.

28. Saquib has asked his mortgage lender to arrange for a Building Survey to be completed on the new home that he is buying. What **must** the lender make Saquib aware of in relation to this instruction?

A. All defects will be graded using a traffic light coded system.
B. A basic valuation from an independent surveyor will always be required in addition to this survey.
C. A mortgage valuation may be also prepared at the same time by the surveyor if the lender agrees to this.
D. A structural engineer's report will be provided as part of this survey.

29. A guarantor is committed to guaranteeing mortgage repayments until the lender

A. is satisfied that the borrower's income has reached one third of the loan.
B. is satisfied that the borrower has adequately serviced the loan for at least 3 years.
C. agrees that the guarantor may be released from his responsibilities.
D. agrees that the borrower has adequately serviced the loan for at least 10 years.

30. Terry was discharged from bankruptcy a month ago and he is now considering purchasing a new home. How will this affect his mortgage application, if at all?

A. It will not affect his application in any way.
B. He must disclose that he is a discharged bankrupt if the lender asks.
C. If he waits one year, it will not affect his application in any way.
D. If he waits two years, it will not affect his application in any way.

31. What core underwriting criterion is used when assessing an application for a buy-to-let mortgage is **NOT** used on a standard residential mortgage application?

A. The applicant's net profit.
B. The cost of ground rent.
C. The cost of management fees.
D. The rental income.

32. A physiotherapist is purchasing a large house as her **main** residence and requires a mortgage. She intends to use one room occasionally as a consulting area for her private practice. **Most** lenders would treat her mortgage advance as a

A. commercial mortgage only.
B. residential mortgage only.
C. commercial mortgage, with a residential element charged at a reduced rate.
D. residential mortgage, with a commercial element charged at a higher rate.

33. Rob and Kirsty are buying a villa in France for the euro equivalent of £65,000 and have a deposit of £25,000 in the bank. They have a mortgage of £150,000 on their **main** residence, which is valued at £170,000. What would be the **most suitable** method of financing the property in France?

A. A buy-to-let mortgage in the UK.
B. A commercial mortgage in the UK.
C. A foreign currency mortgage in France.
D. A remortgage of their main residence.

34. What is the **main** advantage that a remortgagor's application may have over a first-time buyer's?

A. It will be considered for an enhanced affordability assessment when approving the mortgage.
B. Higher percentage loan to value mortgages will always be available.
C. It will have a payment track record to take into account.
D. A higher lending charge will not have to be paid if a charge was paid on the original loan.

35. Why is it **NOT** possible for minors to borrow mortgage funds?

A. They do not have the capacity to contract.
B. They still live at home.
C. They may not have sufficient income.
D. They are not mentally capable of making such a decision.

36. John has offered to be a guarantor for his son's mortgage. What would **normally** be his legal liability should his son default on the mortgage repayments?

A. John will be liable to make the mortgage repayments until the mortgage is repaid.
B. John will be required to sell his house to repay his son's mortgage.
C. John will not be liable if the mortgage has been running for more than five years.
D. The higher lending charge insurer will repay John's liability.

37. Who sets the Bank of England base rate?

A. The Cabinet.
B. The Chancellor of the Exchequer.
C. HM Treasury.
D. The Monetary Policy Committee.

38. How does a building society **primarily** finance its mortgage lending?

A. From its members' savings and deposits.
B. From money raised on the money market.
C. From securitisation of its mortgage book.
D. From the issue of corporate bonds.

39. Imogen has net monthly income of £3,600, committed expenditure excluding mortgage payments of £400 per month, basic essential expenditure of £600 per month and basic quality-of-living costs of £400 per month. If a mortgage lender will consider a mortgage advance with monthly payments of up to 75% of her monthly surplus income, what is the **maximum** permissible mortgage monthly payment?

A. £1,650
B. £1,950
C. £2,400
D. £2,700

40. Why would a lender **generally** require accounts from a controlling director of a limited company who is looking to borrow money to purchase his **main** residence?

A. To confirm that the limited company is a separate legal entity.
B. To confirm that the company has sufficient profits for the director to maintain earnings.
C. To confirm the director's credit history.
D. To confirm that the director is a key person in the company.

41. Tim receives a basic income of £15,000, guaranteed shift allowance of £3,000, regular overtime of £4,000 and an occasional bonus of £500. The lender's criteria allows the full use of guaranteed income and half of regular non-guaranteed income, but will **NOT** allow non-regular income. What income figure may be used in a lending affordability calculation?

A. £18,500
B. £20,000
C. £20,500
D. £22,000

42. Jas has monthly gross income of £3,600, with deductions for tax and National Insurance of £925. She has committed expenditure of £1,200 per month including rent of £450 per month. She has other total expenditure of £700 per month. Jas now wishes to buy her first home. In assessing affordability, what **maximum** amount of surplus income would a **typical** mortgage lender consider?

A. £775
B. £1,225
C. £1,475
D. £1,925

43. Sarah, aged 35, has a gross taxable income of £67,000 per annum. She has an interest-only mortgage of £100,000 and is considering different repayment vehicles to repay the mortgage. She has a medium to high attitude to risk and is looking to repay the mortgage in 25 years' time. She would like to benefit from tax relief. What repayment vehicle is **likely** to be the **most suitable**?

A. A cash ISA.
B. A personal pension.
C. A stocks and shares ISA.
D. A whole of life policy.

44. Mia, a mortgage adviser, is making a recommendation to a mortgage applicant and is explaining the various methods of mortgage repayment. Before she makes the recommendation what **primary** factor **must** Mia consider?

A. The client's attitude to risk.
B. The interest rate type chosen.
C. The loan to value percentage.
D. The size of the mortgage loan.

45. Charlotte has applied for a mortgage of £200,000 and received her offer. She has now requested that the mortgage be increased to £201,000. If there are no material changes to the mortgage, by what latest stage **must** her mortgage adviser provide a revised European Standardised Information Sheet (ESIS)?

A. Within 2 working days of the request being made.
B. Before the change is processed.
C. As part of the revised offer process.
D. Before the mortgage is completed.

46. Lucy owns a house and is purchasing a second residential property with an agreed purchase price of £200,000. How much Stamp Duty Land Tax, if any, will she pay?

A. Nil.
B. £1,500
C. £7,500
D. £15,000

47. Simon is buying a two-bedroomed cottage. What is the first fee that he is **likely** to pay to his solicitor?

- **A.** A conveyancing fee.
- **B.** A Land Registry fee.
- **C.** A local search fee.
- **D.** Stamp Duty Land Tax.

48. Paul and Sarah have agreed the purchase of their first home for a purchase price of £510,000. What amount of Stamp Duty Land Tax will they pay?

- **A.** £5,100
- **B.** £15,500
- **C.** £20,400
- **D.** £25,500

49. James, a first-time buyer, is buying a new home with a purchase price of £350,000. At what rate(s) will Stamp Duty Land Tax be levied?

- **A.** 0% on the amount between £125,001 and £300,000 and 2% on the amount above £300,000.
- **B.** 0% on the amount between £125,001 and £300,000 and 5% on the amount above £300,000.
- **C.** 2% on the amount between £125,001 and £250,000 and 5% on the amount above £250,000.
- **D.** 2% on the full purchase price.

50. Who does title indemnity insurance **always** protect?

- **A.** The buyer.
- **B.** The buyer's solicitor.
- **C.** The mortgage lender.
- **D.** The vendor.

51. Bill is concerned about how he will pay his mortgage if he is made redundant. In order to relieve this concern, which insurance policy would **usually** be recommended?

- **A.** A critical illness insurance policy.
- **B.** An income protection insurance policy.
- **C.** A mortgage payment protection insurance policy.
- **D.** A mortgage protection assurance policy.

52. Which insurance policy is **always** a condition of a mortgage loan?

- **A.** A buildings insurance policy.
- **B.** A higher lending charge insurance policy.
- **C.** A mortgage payment protection insurance policy.
- **D.** A mortgage protection assurance policy.

53. Pam has taken out a critical illness insurance policy to cover her mortgage. What form would the benefits **normally** take in the event of a valid claim?

A. A taxable lump sum.
B. A tax-free lump sum.
C. Taxable monthly payments.
D. Tax-free monthly payments.

54. What is the **principal** reason for a borrower paying a higher lending charge?

A. To borrow a higher loan to value percentage.
B. To ensure that monthly payments will be covered in the event of unemployment.
C. To guarantee to the borrower that the loan will be repaid if the property is sold.
D. To guarantee that the loan will be repaid at the end of the term.

55. For how long will a mortgage payment protection insurance policy **usually** cover mortgage interest payments in the event of redundancy?

A. For up to two years or when the policyholder is re-employed, whichever is earlier.
B. For up to two years after Jobseeker's Allowance ceases.
C. Until retirement age if the policyholder fails to find alternative employment.
D. Until the mortgage is repaid.

56. Which type of policy is designed to replace a salary in the event of long-term serious ill health?

A. A critical illness insurance policy.
B. A family income benefit policy.
C. An income protection insurance policy.
D. A mortgage payment protection insurance policy.

57. John wants to pay £20,000 off his £80,000 mortgage, which is at a fixed rate of 6.9% for 5 years. The mortgage is subject to an early repayment charge of 90 days gross interest at the lender's standard variable rate during the fixed rate period. What penalty will John have to pay if the variable rate is 8.2%?

A. £340.20
B. £404.38
C. £1,361.10
D. £1,617.50

58. Ganesh advises his mortgage adviser that he would like to make regular capital payments to his mortgage in addition to the regular monthly amount due. Which method of repayment calculation would be **most beneficial** to him?

A. Daily interest.
B. Monthly interest.
C. Quarterly interest.
D. Annual interest.

59. A lender may seek to add a further advance to an original mortgage deed in order to

A. secure the advance as a second charge.
B. ensure that the borrower benefits from lower interest rates for the larger loan.
C. ensure that all of the terms and conditions of the original loan automatically apply to the further advance.
D. postpone a second mortgagee's interest in the property.

60. Jack and Angela wish to redeem their mortgage early, however, the precise date for completion of the process **CANNOT** be established at the outset. Their solicitor will know the exact amount to be repaid, as the lender will provide a fixed amount to include capital, interest and

A. all charges which apply to a fixed date when the process must be completed.
B. all charges which apply, provided the process is completed in a reasonable time.
C. all charges which apply to a fixed date, together with a daily interest amount to be added if that date is passed.
D. all charges which apply to a fixed date and then invoice any additional amounts due after the process has been completed.

61. Lionel is two years into a five-year fixed-rate mortgage, which is subject to an early repayment charge. He intends to sell his present property and rent in a new area for a few months before buying again. His current mortgage offer states that the loan is portable. Providing that he completes his new purchase within a very short period of time, how would **most** lenders deal with the portability?

A. Place the present mortgage on hold until Lionel finds a new property and then transfer it to the new property, subject to a satisfactory valuation survey.
B. Redeem the present mortgage and not make an early repayment charge at all.
C. Redeem the present mortgage and make an early repayment charge, but refund the charge when the new mortgage starts.
D. Redeem the present mortgage and automatically add the early repayment charge to the new mortgage.

62. Which type of equity release scheme involves selling part or all of an individual's home to a private company?

A. A lifetime mortgage.
B. A home reversion plan.
C. An interest-only mortgage.
D. A shared appreciation mortgage.

63. What is an Individual Voluntary Arrangement (IVA)?

A. An agreement with a mortgage lender to take a payment holiday.
B. A form of County Court Order.
C. A formal arrangement with creditors to repay personal debt.
D. A voluntary form of bankruptcy.

64. Under the Home Finance: Conduct of Business Sourcebook (MCOB), how long **must** a lender keep records of dealing with a customer's arrears?

A. One year.
B. Two years.
C. Three years.
D. Five years.

65. A lender may **only** repossess the property of a borrower in England who is in arrears with his mortgage payments if

A. a court order has been granted.
B. the mortgage is 6 months or more in arrears.
C. the mortgage is 12 months or more in arrears.
D. the borrower has been offered local authority housing.

66. Simon and Mary took out a 100% loan to value mortgage and paid a higher lending charge. They were unable to keep up payments and the property was repossessed and sold for less than the mortgage amount. The lender has recovered its loss from the higher lending charge insurer. What will be Simon and Mary's position regarding the balance of the loan outstanding when the property is sold?

A. They will be potentially liable to repay the balance outstanding to the lender.
B. They will be potentially liable to repay the balance outstanding to the higher lending charge insurer.
C. They will be released from any liability to repay the balance outstanding by the higher lending charge insurer.
D. The balance outstanding will be covered by Support for Mortgage Interest (SMI).

67. The Financial Conduct Authority requires a lender to treat a customer fairly in the event of mortgage arrears and repossession **unless**

A. there was intention to defraud.
B. the mortgage is on a buy-to-let flat.
C. the mortgage is on a holiday home.
D. the mortgage is on a property that is used 50% for commercial purposes.

68. Who should a borrower **normally** contact **first** if he has financial difficulties and thinks that he may be unable to pay his mortgage?

A. Citizens Advice.
B. A debt advice agency.
C. The Department for Work and Pensions.
D. His mortgage lender.

69. Under the right-to-buy legislation in England, after what period, if any, can the owner **usually** sell the property without penalty?

A. 18 months.
B. 3 years.
C. 5 years.
D. There is always a penalty.

70. Under the rules for Support for Mortgage Interest (SMI), when would the payments commence for a 40-year-old claimant, who is in receipt of income support and effected a residential mortgage in January 2018?

A. After 8 weeks.
B. After 13 weeks.
C. After 26 weeks.
D. After 39 weeks.

71. Paul, aged 67, has a mortgage of £100,000 and is in receipt of State Pension Credit. Under the rules for Support for Mortgage Interest (SMI), what is the **earliest** point that his lender may receive SMI payments in the event of making a valid claim?

A. Immediately.
B. After 4 weeks.
C. After 13 weeks.
D. After 39 weeks.

72. For a mortgage loan taken out in September 2017, what is the qualifying **maximum** loan limit in respect of Support for Mortgage Interest (SMI) for a 50-year-old new claimant?

A. £125,000
B. £150,000
C. £200,000
D. £250,000

73. Why would a developer **usually** decide to sell a newly-built property on an equity share basis?

A. To make the property more affordable.
B. To defer the liability for Stamp Duty Land Tax.
C. There is strong demand for the property.
D. To maximise the term of the mortgage.

74. John and Jane, an unmarried couple, have a joint mortgage on a flat which they own as joint tenants. John has effected a mortgage protection policy on his own life, which is **NOT** assigned or written under trust. John dies without making a will. In what situation is Jane left following John's death?

A. Jane is the sole owner of the flat and is responsible for the whole mortgage.
B. Jane is the sole owner of the flat and John's share of the mortgage is repaid by policy proceeds.
C. Jane's share of the mortgage is repaid by the policy proceeds, but she is co-owner of the flat with John's estate.
D. Jane is co-owner of the flat with John's estate, which also receives the policy proceeds.

75. Under the Leasehold Reform, Housing and Urban Development Act 1993, leaseholders are permitted to

A. extend their leases by five years for a standard charge.
B. extend their leases for an indefinite period.
C. group together to purchase the freehold of a building containing more than two flats.
D. reassess the level of annual ground rent when in excess of £500 per annum.

76. An independent financial adviser (IFA) arranges a buy-to-let interest-only mortgage for a customer who is purchasing a property for investment purposes. The property will **NOT** be let to family members. Which aspect of the IFA's advice is regulated under the Financial Services and Markets Act 2000?

A. The most suitable investment to use as a repayment vehicle.
B. The most suitable mortgage lender.
C. The most suitable type of mortgage loan.
D. The most suitable interest rate option.

77. A fixed-rate mortgage means that the interest rate is

A. fixed at a set amount below the standard variable rate.
B. fixed for an agreed period.
C. fixed at a set amount above the Bank of England base rate for the term of the mortgage.
D. fixed on an annual basis.

78. The **primary** feature of a capped-rate mortgage is that

A. a predetermined interest level is set, which cannot be changed.
B. a maximum interest level is set.
C. a minimum interest level is set.
D. maximum and minimum interest levels are set.

79. What expense can be deducted from the profit made on the sale of a buy-to-let property in order to reduce the potential Capital Gains Tax liability?

A. Any interest paid on a mortgage taken to buy the property.
B. The costs incurred in acquiring and disposing of the property.
C. Any unpaid rent that remains outstanding at the time the property is sold.
D. Any expenses incurred in managing and insuring the property.

80. Interest rates within a tracker-rate mortgage are **most commonly** set in line with the

A. Bank of England base rate.
B. European Interbank Offered Rate (EURIBOR).
C. lender's standard variable rate.
D. London Interbank Offered Rate (LIBOR).

81. Under a self-build mortgage, when is the lender **most likely** to release the final tranche of payment?

A. Once the property has been plastered.
B. Once the wall-plate level has been reached.
C. When all of the work has been completed.
D. When the customer moves into the property.

82. What advantage would there be to a customer arranging a home reversion rather than a lifetime interest-only mortgage?

A. A lower rate of interest would be charged.
B. Interest payments will not be required.
C. Lower fees and costs.
D. Retention of full ownership of the home.

83. Which cost is **likely** to be incurred by a first-time buyer when taking out a two-year fixed-rate mortgage for £60,000 to purchase a property valued at £117,000?

A. An arrangement fee.
B. An early repayment charge.
C. A higher lending charge.
D. Stamp Duty Land Tax.

84. Under which type of home finance arrangement is the borrower **NOT** charged interest?

A. Cap and collar rate.
B. Islamic.
C. Lifetime mortgage.
D. Tracker rate.

85. Piper has a capped-rate interest-only mortgage of £150,000, with a capped rate of 5%. The lender's standard variables rate is 4% at outset. If the standard variables rate increases to 4.75% after six months and then to 5.25% three months later, what will be Piper's monthly payment of interest in month eleven?

A. £333.33
B. £593.75
C. £625.00
D. £656.25

86. George arranged a mortgage denominated in dollars for his holiday home in the US. If the value of sterling decreases against the dollar, what effect will this have on the sterling equivalent of both his monthly repayments and the balance outstanding?

A. Both will decrease.
B. Both will increase.
C. The monthly repayments will decrease and the balance outstanding will increase.
D. The monthly repayments will increase and the balance outstanding will decrease.

87. Both Henry and Alice have variable rate capital and interest mortgages of £100,000 with the same lender. They both have a mortgage rate of 4% and a term of 25 years remaining. Henry's monthly payments are £6 per month more than Alice's payments. What is the **most likely** reason for this?

A. Alice is employed and Henry is self-employed.
B. Alice's mortgage is charged on daily interest and Henry's mortgage is charged on annual interest.
C. Alice's property is freehold and Henry's property is leasehold.
D. Henry's mortgage is charged on daily interest and Alice's mortgage is charged on annual interest.

88. Rod has arranged a mortgage with a £250 cashback. Rod will **typically** receive his cashback payment when

A. the mortgage commences.
B. the mortgage ends.
C. the early repayment charge period expires.
D. 50% of the capital is repaid.

89. A building society is offering a mortgage interest rate that will remain 2% below its standard variable rate for three years. What is this interest rate option?

A. Capped.
B. Discounted.
C. Fixed.
D. Flexible.

90. Subject to a mortgage lender's approval, payment holidays are **usually** a feature of what type of mortgage?

A. A buy-to-let mortgage.
B. A flexible mortgage.
C. A second home mortgage.
D. A shared ownership mortgage.

91. Charlotte, a basic-rate taxpayer, has a savings account linked to an offset mortgage. How does she benefit from this offset arrangement?

A. Gross interest is credited to her savings account.
B. Net interest is credited to her savings account.
C. Notional gross savings account interest is credited to her mortgage account.
D. Notional net savings account interest is credited to her mortgage account.

92. A £100,000 mortgage is to be repaid by a low-cost endowment policy for the same value. In what circumstances, if any, is the policy **guaranteed** to be sufficient to repay the mortgage?

A. There is no guarantee.
B. On death prior to maturity only.
C. At the maturity date only.
D. At the maturity date or upon death prior to maturity.

93. Which type of policy **CANNOT** be assigned to a mortgage lender?

A. A critical illness insurance policy.
B. An endowment policy.
C. A personal pension policy.
D. A term assurance policy.

94. When there is a joint life first death low-cost endowment policy assigned to a lender and one of the borrowers dies during the mortgage term, who **initially** receives the policy proceeds?

A. The deceased's estate.
B. The borrower's solicitor.
C. The surviving borrower.
D. The lender.

95. Scott is purchasing a property for £85,000 with a 90% mortgage. He has chosen an interest-only mortgage at a rate of 4.74%. What will his monthly interest payment be?

A. £284.96
B. £302.18
C. £335.75
D. £373.06

96. What would the **total** interest charge be on a £50,000 interest-only mortgage for a calendar year when the interest rate charged was 6.75% from 1 January to 30 April and 6.50% from 1 May to 31 December?

A. £3,281
B. £3,292
C. £3,312
D. £3,375

97. Assuming that agreed regular payments are maintained, which type of mortgage **always** guarantees to have repaid the mortgage loan at the end of the term?

A. A capital and interest mortgage.
B. An ISA-linked mortgage.
C. A low-cost endowment-linked mortgage.
D. A pension-linked mortgage.

98. Priya is a higher-rate taxpayer with an interest only mortgage. What is the **main** advantage to Priya of using a stocks and shares ISA to repay her mortgage?

A. Dividends received within the ISA are taxed at a rate of 7.5%.
B. Higher rate tax relief may be claimed on any contributions paid into the ISA.
C. The investment proceeds may be withdrawn with income tax deducted at a nominal rate of 10%.
D. The ISA investment proceeds may be withdrawn without liability to income tax and capital gains tax.

99. How is the capital **usually** repaid on a standard interest-only mortgage?

A. In equal instalments included in the regular payments made throughout the mortgage term.
B. In lump sums on predetermined dates throughout the mortgage term.
C. In variable instalments included in the regular payments made throughout the mortgage term.
D. In a lump sum at the end of the mortgage term.

100. What is a Market Value Reduction (MVR) in relation to a mortgage repayment vehicle?

A. A discretionary charge applied to a unit-linked endowment policy by the insurer on early surrender.
B. A discretionary reduction in the value of a with-profits policy applied by the insurer on early surrender.
C. A reduction in the value of an ISA as a result of poor stock market performance.
D. The estimated maturity value of a low-cost endowment policy.

SECTION B

Janet and Jack are first-time buyers and have found a property in Leeds, on which their offer of £135,000 has been accepted subject to a mortgage being granted. They have a 10% deposit available and are looking for a mortgage which offers a set maximum level of payment for a period of time. They expect interest rates to fall in the near future and would like to benefit if possible. They are confused about the different types of mortgage and have approached an independent financial adviser for advice. He has recommended a number of solutions, from a number of lenders, with a variety of interest rates and repayment methods for consideration by Janet and Jack.

As they are first-time buyers, they are unlikely to have any spare funds over the course of the next few years since any extra money is likely to be spent on furnishing their new property. They are also likely to move again within the next four years.

Jack works for a local supermarket and his salary is £25,000 per annum. He has death-in-service benefits and access to a qualifying workplace pension scheme, to which his employer contributes 5% of salary which matches Jack's contributions. Janet is an area manager for an insurance company and her salary is £32,000 per annum. She also has death-in-service benefits and is part of a non-contributory final salary pension scheme. She has a car loan with three years left to run, for which she pays £237 per month, and a personal loan to buy furniture at £110 per month that has six months left to run.

They have read about a Government scheme for assisting home buyers with the purchase of new build properties and wonder if this could benefit them.

101. Using the list of mortgage products on page 41, what would be the **most suitable** mortgage product?

A. Discounted rate for two years.
B. Capped rate for three years.
C. Fixed rate for five years.
D. Flexible mortgage.

102. How much Stamp Duty Land Tax, if any, will Janet and Jack pay if they buy the property in Leeds?

A. Nil.
B. £200
C. £1,350
D. £2,700

103. If Janet and Jack utilise the scheme that they have read about, how will this impact upon their property purchase arrangements?

A. They will receive an extra 10% deposit as a gift from the developer.
B. They will not be able to benefit as they have a 10% deposit.
C. If they are eligible they will receive an equity loan that will eventually be repayable.
D. They will receive a discount of 10% on the purchase price that is repayable when they sell the house in the future.

104. If Janet and Jack were to utilise the scheme that they have read about, what **minimum** deposit, if any, **must** they contribute?

A. Nil.
B. 5%
C. 10%
D. 15%

105. Using the lender's criteria on page 40, calculate the higher lending charge that Janet and Jack would have to pay, assuming they arranged a 90% mortgage to purchase the property in Leeds.

A. Nil.
B. £1,417.50
C. £1,569.38
D. £1,721.25

John bought his home five years ago with the help of a housing association and now lives there with his son. At the time, his income was **NOT** sufficient to buy a house outright so he bought 50% of the property with an interest-only mortgage of £30,000 over a 25-year term. He pays £200 per month rent to the housing association for the remaining 50% of the property. In the last five years, his salary has increased considerably and he would like to buy his house outright. Since it was built, the house has increased in value and the housing association has confirmed the current value of the property as £118,000. The mortgage is protected by an income protection insurance policy. He has no other protection, although he is funding an ISA to repay the existing mortgage.

John is employed as a personal assistant to the Managing Director of a local engineering firm and earns £29,600 per annum. He participates in the company's bonus scheme and has received a bonus of 5% of his current salary for the last three years. His employers are happy to confirm that he has been paid £4,250 overtime in the last 12 months, although they are unwilling to guarantee how much he will be paid in the future.

John currently has £3,400 outstanding on his credit card but has no other loans or debts. He is reasonably cautious and needs to be sure of the **maximum** amount he will have to pay for his mortgage. Interest rates have fallen over the last few years and the payment on his variable rate mortgage has reduced as a result. He would like to benefit from a low rate now and also if interest rates fall further in the future.

106. Using the list of mortgage products on page 41, what would be the **most suitable** mortgage product for John?

A. Capped rate for three years.
B. Discounted rate for two years.
C. Fixed rate for two years.
D. Fixed rate for five years.

107. Using the lender's criteria on page 40, taking into consideration the lender's assessment of mortgage affordability, what amount of John's annual earned income net of committed expenditure will the lender take into account?

A. £29,600
B. £30,425
C. £32,465
D. £33,850

108. What type of life policy would be **most appropriate** for John's existing mortgage arrangement?

A. A decreasing term assurance policy.
B. A family income benefit policy.
C. A level term assurance policy.
D. A mortgage protection assurance policy.

109. What does John's existing income protection insurance policy cover?

- **A.** A percentage of his salary in the event of accident, sickness or redundancy.
- **B.** A percentage of his salary in the event of being absent from work due to accident or sickness only.
- **C.** His full salary in the event of a prolonged absence from work.
- **D.** The full value of his mortgage in the event of his death.

110. Assuming John borrows the full amount necessary, how much will his **total** mortgage be after purchasing the remaining share of the property from the Housing Association?

- **A.** £59,000
- **B.** £88,000
- **C.** £89,000
- **D.** £148,000

Tony, aged 35, and Rebecca, aged 36, are engaged to be married and have decided that they will now purchase their first property together. They would like advice on how much they can borrow before they can make an offer on a property.

Tony has a basic salary of £38,600 per annum. He has a student loan with a current balance of £4,500 which he is repaying at £55 per month. He also has a credit card balance of £1,000.

Rebecca has a basic salary of £36,500 per annum. She has a car loan with approximately two years left to run, for which she pays £100 per month. She has no other debts. Tony and Rebecca both have access to a pension scheme, where they pay 3% of their salary and their employer pays a 6% contribution. They wish to retire at age 60.

Tony and Rebecca do **NOT** want any increase in their payments whilst the car loan is being repaid. Tony's parents are giving them £25,000 as a wedding gift. They intend to use this to repay Tony's credit card balance and are going to use £5,000 of this to cover moving fees and furniture, with the remainder being used as a deposit.

Tony and Rebecca are relatively risk-averse and are concerned about future anticipated rate rises. As this is their first property purchase, the ability to budget is important to them and they would prefer **NOT** to be subject to, or tied into, a variable rate at any time.

111. Using the lender's criteria on page 40, taking into consideration the lender's assessment of affordability, what amount of Tony and Rebecca's joint combined income, net of committed expenditure, based on current commitments, will the lender take into account?

A. £72,640
B. £73,190
C. £73,300
D. £75,100

112. Using the lender's criteria on page 40, assuming that Tony and Rebecca meet the lender's affordability criteria, what is the **maximum** property purchase price they can afford, based on their available deposit?

A. £171,000
B. £190,000
C. £200,000
D. £250,000

113. Tony and Rebecca have found a property with a purchase price of £170,000. Using the list of mortgage products on page 41, what type of mortgage product would be **most suitable**?

A. Discounted rate for two years.
B. Fixed rate of 2.99% for two years.
C. Fixed rate for five years.
D. Flexible mortgage.

114. What **maximum** mortgage term would be **most suitable** for Tony and Rebecca?

- **A.** 22 years.
- **B.** 23 years.
- **C.** 24 years.
- **D.** 25 years.

115. What type of mortgage would be **most suitable** for Tony and Rebecca?

- **A.** A capital and interest mortgage.
- **B.** An endowment-linked mortgage.
- **C.** An ISA-linked mortgage.
- **D.** A personal pension-linked mortgage.

Bryan, aged 48, is single and lives in a property valued at £125,000. He has an interest-only mortgage on the property of £75,000 with 11 years left to run and is currently paying interest at the lender's standard variable rate. The mortgage was to be repaid using a low-cost endowment policy, which now has an estimated maturity value of only £50,000.

Bryan is employed as an office manager by a local insurance company with a salary of £36,000 per annum. He is a member of the company's occupational pension scheme, with a normal retirement age of 62, and he is committed to contributing 5% of gross salary to the pension scheme each month. He has regular overtime of £2,000 per annum and guaranteed bonuses of £4,000 per annum.

Bryan insists that he wants to be sure that his mortgage payments **CANNOT** increase for as long as possible, as he believes the interest rates are going to rise in the next few years. He no longer wants his mortgage payments to be linked to a variable rate, nor take any further risks.

As a classic car enthusiast, Bryan has the opportunity to buy a car that he has always wanted. The cost is £35,000, and as his savings amount to only £5,000, he has been trying to arrange a personal loan of £30,000 to buy the car. Bryan has a credit card balance of £2,000 which will remain. The interest rates charged for personal loans have come as something of a shock, so he is considering a remortgage of his home instead to clear the existing mortgage and raise the money needed to buy the classic car.

116. What are the two **main disadvantages** of Bryan remortgaging his home to raise money to purchase the classic car, rather than effecting a personal loan?

A. Early repayment charges on his current mortgage and increased interest rates compared to personal loans.
B. He will no longer be able to use his low cost endowment as a repayment vehicle and monthly payments will be higher.
C. The loan is secured and the total interest charges will be greater as the term of the loan will be longer.
D. He will need to increase the term of the mortgage on his home and will not be able to repay any part of the new mortgage early.

117. If Bryan decides to proceed with a remortgage. Using the lender's criteria on page 40, calculate what annual income figure net of committed expenditure the lender would use to calculate affordability?

A. £35,800
B. £37,800
C. £39,000
D. £39,800

118. Using the lender's criteria on page 40, calculate the amount of the higher lending charge, if any, that Bryan would pay in respect of the required loan.

A. Nil.
B. £1,050.00
C. £1,162.50
D. £1,275.00

119. Using the list of mortgage products on page 41, what type of mortgage would be **most suitable** for Bryan's remortgage?

A. Capped rate for three years.
B. Discounted rate for two years.
C. Tracker rate for two years.
D. Fixed rate for five years.

120. If Bryan continues with his current endowment policy and takes into account the current projection, how should he repay his new mortgage?

A. £50,000 endowment-linked and £55,000 capital and interest.
B. £55,000 endowment-linked and £50,000 capital and interest.
C. £75,000 interest-only and £30,000 capital and interest.
D. £105,000 interest-only.

Chris, aged 31, and Sarah, aged 30, are planning to buy their first home together. Chris owns a house, in which they live at the moment. The house is on the market for £190,000 and they want to sell it to raise the deposit for the new property. Chris has an interest-only mortgage of £145,000 supported by a low-cost endowment policy with a death benefit value and estimated maturity value of the same figure maturing in 18 years' time.

They have seen a semi-detached house on which Chris is positive that an offer of £252,500 would be accepted. They anticipate that their moving expenses, including estate agent and legal fees, will be in the region of £10,000. They have no savings built up to pay these.

Chris' basic salary is £62,000 per annum with guaranteed overtime of £7,000 per annum, which his employer will confirm. Sarah's salary is £60,000 per annum with confirmed variable overtime of £3,000. Chris took out a loan for Sarah's car, which costs £280 per month and has 21 months left to run.

They have a number of objectives for their new mortgage. They do want to be able to enjoy a fixed budget but also keep their total monthly costs to a **minimum** for the first few years. Sarah and Chris are still happy to use the endowment, but are more cautious in their approach to additional borrowing. They are keen to ensure that any new mortgage balance is protected in the event of death or serious illness.

121. Calculate the amount that Chris and Sarah need to borrow, assuming that they sell Chris' house for the planned figure and their offer on the new semi-detached house is accepted.

A. £205,000
B. £207,500
C. £215,000
D. £217,500

122. Using the list of mortgage products on page 41, what would be the **most suitable** mortgage product?

A. Fixed rate of 2.99% for two years.
B. Fixed rate of 3.99% for two years.
C. Capped rate of 4.5% for three years.
D. Fixed rate of 4.99% for five years.

123. If Chris and Sarah proceed with their intended mortgage repayment method, what protection policy would be **most suitable**?

A. Decreasing term assurance.
B. Level term assurance with critical illness cover.
C. Mortgage protection assurance with critical illness cover.
D. Income protection insurance.

124. What is the **most suitable** repayment method for Chris and Sarah?

A. A part endowment-linked, part ISA-linked mortgage.
B. An interest-only mortgage.
C. A part endowment-linked, part capital and interest mortgage.
D. A capital and interest mortgage.

125. If Chris is successful in selling his house and their offer is accepted for the semi-detached house they have seen, how much Stamp Duty Land Tax will they pay?

A. £2,525
B. £2,625
C. £5,050
D. £10,200

LENDER'S CRITERIA

<table>
<tr><td>Maximum loan to value</td><td colspan="2">90% of the purchase price or valuation, whichever is the lower.</td></tr>
<tr><td>Self-employed applicants</td><td colspan="2">For income purposes, take the higher of the average of the last three years' actual net profit or the latest actual net profit figure if the net profit figure progressively increases year on year.</td></tr>
<tr><td>Other income</td><td colspan="2">Guaranteed overtime, i.e. employer will confirm in writing that it is guaranteed - take 100%.

Regular overtime, i.e. not confirmed as guaranteed, but evidenced by payslips, P60 etc - take 50%.

Where an applicant has two sources of income, the full value of both income amounts may be used.

Car allowance - take 100% providing it is contractual.

Bonuses - use 50% of confirmed bonus for the previous tax year.</td></tr>
<tr><td>Committed expenditure</td><td colspan="2">Committed expenditure should be deducted from annual income when considering affordability, using the following criteria:
• For loans, the annual cost of repayments is the committed expenditure amount.
• For credit cards, assume a 5% monthly payment of the balance outstanding as committed expenditure.
• For maintenance payments, the annual cost of payments is used as committed expenditure.
• If an existing mortgage is to remain in place, the monthly payments must be taken into account as committed expenditure.</td></tr>
<tr><td>Other</td><td colspan="2">• Leasehold properties must have 25 years left to run after the term of the mortgage has expired.</td></tr>
<tr><td rowspan="4">Higher lending charge</td><td>• Up to and including 85% of valuation</td><td>Nil.</td></tr>
<tr><td>• 85.01% to 87.49% of valuation</td><td>7.0% of the amount of the loan over 75% of the valuation.</td></tr>
<tr><td>• 87.5% to 90.0% of valuation</td><td>7.75% of the amount of the loan over 75% of the valuation.</td></tr>
<tr><td>• Loans above 90% (where available)</td><td>8.50% of the amount of the loan over 75% of the valuation.</td></tr>
</table>

LIST OF MORTGAGE PRODUCTS

Type	Interest Rate	Maximum Loan to Value (excluding higher lending charge)	Completion Fee	Early Repayment Charge Period	Early Repayment Charges
Standard variable rate	5.70%	90%	Nil	Nil	Nil
Lifetime discount	4.50%	80%	£300	Nil	Nil
Fixed rate for two years	3.99%	90%	£300	Two years	3%
Fixed rate for two years	2.99%	60%	£500	Two years	4%
Fixed rate for five years	4.99%	90%	£350	Five years	5%
Tracker rate for three years	3.5% ≈	80%	£500	Three years	3%
Discounted rate for two years	3.95% (1.75% off standard variable)	90%	Nil	Two years	3%
Capped rate for three years	4.50%	90%	£300	Three years	4%
Capped rate for five years	5.25%	90%	£350	Five years	4%
Flexible offset mortgage*	4.70%	80%	Nil	Nil	Nil

*** Flexible offset mortgage**
- Daily interest.
- Up to two payment holidays per year.
- Regular overpayments of any amount.
- Lump-sum overpayments – minimum £500 per overpayment.
- Borrow back overpayments – minimum £1,000 per withdrawal.
- Offsetting of saving account interest applies.

≈ Tracker Rate
- Rate shown is the charging rate - inclusive of Bank of England base rate plus percentage margin.

STAMP DUTY LAND TAX

	Residential
Value up to £125,000	0%
£125,001 - £250,000	2%
£250,001 - £925,000	5%
£925,001 - £1,500,000	10%
£1,500,001 and over	12%

- *Stamp Duty Land Tax (SDLT) is payable in England and Northern Ireland only. Land Transaction Tax (LTT) is payable in Wales and Land and Buildings Transaction Tax (LBTT) is payable in Scotland. The rates for LTT and LBTT are different to the rates shown above.*
- *Additional SDLT of 3% may apply to the purchase of additional residential properties purchased for £40,000 or greater.*
- *SDLT may be charged at 15% on interests in residential dwellings costing more than £500,000 purchased by certain corporate bodies or non-natural persons in some circumstances.*
- *First-time buyers benefit from SDLT relief on purchases up to £500,000 when purchasing their main residence. On purchases up to £300,000, no SDLT is payable. On purchases between £300,000 and £500,000, a flat rate of 5% is charged on the balance above £300,000.*
- *Additional rates of LBTT and LTT apply in Scotland and Wales respectively for the purchase of additional residential properties. First-time buyers benefit from LBTT relief in Scotland. There is no LTT relief for first-time buyers in Wales.*

Specimen Examination Answers and Learning Outcomes Covered

Question	Answer	Learning Outcome	Question	Answer	Learning Outcome	Question	Answer	Learning Outcome	Question	Answer	Learning Outcome
Standard Format Section									**Scenario Section**		
Learning Outcome 1			**Learning Outcome 6**			**Learning Outcome 13**			**Learning Outcome 16**		
1	D	1.2	39	A	6.3	74	A	13.1	101	B	16.1
2	C	1.2	40	B	6.3	75	C	13.1	102	A	16.1
3	B	1.2	41	B	6.3	**2 Questions**			103	C	16.1
4	C	1.2	42	B	6.3				104	B	16.1
5	D	1.2	43	B	6.4	**Learning Outcome 14**			105	C	16.1
6	A	1.2	44	A	6.1	76	A	14.1	106	A	16.1
7	A	1.1	45	C	6.2	77	B	14.2	107	B	16.1
7 Questions			**7 Questions**			78	B	14.2	108	C	16.1
						79	B	14.1	109	B	16.1
Learning Outcome 2			**Learning Outcome 7**			80	A	14.2	110	C	16.1
8	C	2.1	46	C	7.2	81	C	14.1	111	A	16.1
9	C	2.1	47	C	7.1	82	B	14.1	112	B	16.1
10	A	2.3	48	B	7.2	83	A	14.2	113	C	16.1
11	C	2.1	49	B	7.2	84	B	14.1	114	B	16.1
12	A	2.1	50	A	7.1	85	C	14.2	115	A	16.1
13	B	2.1	**5 Questions**			86	B	14.1	116	C	16.1
14	B	2.3				87	B	14.2	117	B	16.1
15	B	2.2	**Learning Outcome 8**			88	A	14.2	118	A	16.1
16	A	2.2	51	C	8.1	89	B	14.2	119	D	16.1
17	D	2.2	52	A	8.1	90	B	14.2	120	A	16.1
10 Questions			53	B	8.1	91	C	14.2	121	D	16.1
			54	A	8.1	**16 Questions**			122	B	16.1
Learning Outcome 3			55	A	8.1				123	C	16.1
18	D	3.1	56	C	8.1	**Learning Outcome 15**			124	C	16.1
19	B	3.3	**6 Questions**			92	B	15.1	125	B	16.1
20	D	3.3				93	C	15.2	**25 Questions**		
21	D	3.3	**Learning Outcome 9**			94	D	15.2			
22	C	3.2	57	B	9.2	95	B	15.1			
23	C	3.1	58	A	9.2	96	B	15.1			
24	C	3.1	59	D	9.1	97	A	15.1			
25	A	3.1	60	C	9.2	98	D	15.1			
26	B	3.2	61	C	9.2	99	D	15.1			
27	C	3.3	62	B	9.1	100	B	15.1			
28	C	3.1	**6 Questions**			**9 Questions**					
11 Questions											
			Learning Outcome 10								
Learning Outcome 4			63	C	10.1						
29	C	4.3	**1 Questions**								
30	B	4.2									
31	D	4.1	**Learning Outcome 11**								
32	B	4.1	64	C	11.2						
33	C	4.2	65	A	11.3						
34	C	4.1	66	B	11.2						
35	A	4.2	67	A	11.2						
36	A	4.3	68	D	11.1						
8 Questions			**5 Questions**								
Learning Outcome 5			**Learning Outcome 12**								
37	D	5.1	69	C	12.2						
38	A	5.1	70	D	12.1						
2 Questions			71	A	12.1						
			72	C	12.1						
			73	A	12.2						
			5 Questions								