

Mortgages

Leeds Building Society
**Instructions to Solicitors and
Licensed Conveyancers**
(England and Wales)

www.leedsbuildingsociety.co.uk
105 Albion Street, Leeds LS1 5AS
Tel: 0113 225 7777

LB1042 03/08

Leeds
Building Society

Lenders Handbook

We have adopted the Lenders' Handbook agreed between the Council of Mortgage Lenders and the Law Society to provide you with comprehensive instructions as to our requirements. A summary of these requirements is set out below. You should already have a copy of Part 1 of the Handbook, setting out main instructions and guidance which must be followed by Conveyancers following the Handbook. Part 2 of the Handbook, which sets out our specific procedural requirements, is available at www.cml.org.uk

Definitions

'The Property' means the property to be held as security

'We/Us' means the organisation issuing the mortgage offer which is either Leeds Building Society or its subsidiary company ('Subsidiary') namely Leeds Building Society Mortgage Funding Limited

'You' means solicitors/licensed conveyancers instructed on our behalf

'The Advance' means the amount to be lent to the Borrower

'The Borrower' means the persons taking the loan from Us

'Mortgage Conditions' means Leeds Building Society Mortgage Conditions 2007 (England & Wales) or those of the Subsidiaries, where appropriate

What we require you to do

1. To protect our interests as Lenders and proposed mortgagee of the property
2. To investigate and report to Us on the title to the Property
3. To ensure that all relevant documents are executed by the Borrower and all other interested parties prior to completion
4. To complete the Advance and carry out all stamping, registration and other formalities as required to perfect our security
5. To ensure that our charge is a first legal charge which ranks in priority over any form of second or subsequent charge or repayable discount or grant
6. To ensure that the Property has a good and marketable title free from any incumbrance, onerous restriction or obligation, save those which have been specifically referred to and agreed by Us
7. To comply with all applicable instructions set out in the special conditions noted in the Offer of Advance
8. You must ensure that the Borrower pays all costs incurred in connection with the Advance and the perfection of our security

Mortgage Conditions

Conflict of Interest

The Lenders' Handbook does not affect any responsibilities You have to Us under general law or any practice rule issued by your professional body. In particular You may not continue to act for both Us and the Borrower if a conflict of interest arises. The Handbook and Rule 3 of the Solicitors' Code of Conduct 2007 detail some of the circumstances in which a conflict may arise. If the Borrower refuses to authorise the disclosure of any information to Us which is necessary to enable You to comply with Our instructions, or if You become aware that the Borrower does not intend to comply with the Mortgage Conditions, then a conflict will arise. If there is a conflict, You must not act for Us and must return Our instructions.

CML Lenders' Handbook for England and Wales

Part 2 Leeds Building Society

Date last amended

30 October 2007

Paragraph Number	Issue of Query	Lenders' Response
1.7	Contact point to see if you will lend when borrower and mortgagor are not one and the same.	Mortgage Lending Department
1.11	Contact point for standard documents.	Mortgage Lending Department, PO Box 337, Leeds LS1 5PR. DX 12299 Leeds 1. Direct Dial Tel: see Mortgage Offer
1.11	Contact point if standard documents are inappropriate.	Legal Services, 105 Albion Street, Leeds LS1 5AS. Tel: 0113 225 7796.
1.13.2	May my firm act if the person dealing with the transaction or a member of his immediate family is the seller?	Yes.
1.14	May my firm act if the person dealing with the transaction or a member of his immediate family is the borrower?	No.
A 3.2	Contact details if you need to be notified when the seller does not have legal representation.	Mortgage Lending Department.
A 3.3	What other documents are acceptable for verifying identity?	Pension Book, full UK (or EU) driving licence.
B 3.2	Contact details if you need to be notified when the seller does not have legal representation.	Mortgage Lending Department.
4.1.1	Is there a valuation report.	Yes.
4.1.1	If so do you provide it?	No, you should obtain this from the borrower.
4.1.3	Contact point if assumption stated by a valuer are incorrect	Mortgage Lending Department.
4.2	Contact point if re-inspection required.	Mortgage Lending Department.
4.2	Where should the certificate of title be sent?	Mortgage Lending Department.
5.1.1	Contact point if the seller has owned the property for less than 6 months.	Mortgage Lending Department. Require confirmation of the seller's date of original purchase and price paid. For remortgages also require confirmation that property is currently owned by the applicant.
5.2.4	Do you want to receive environmental or contaminated land reports?	Yes.
5.2.5.1	Do you accept personal searches? * all personal searches without limitations. * only personal searches carried out by firms registered under particular codes of practice. * if "yes", please specify which code(s) * No	Yes. No. Yes. Searches carried out in accordance with the Search Code monitored by the Property Codes Compliance Board. Not Applicable.
5.2.5.2	Do you accept search insurance, if so what are your requirements?	Yes, at your risk and provided you are satisfied that our interests are safeguarded.
5.3.1	Do you limit your requirements in terms of time for: * planning consents? * building regulation consents? If so please specify your requirements	No. No. Not applicable.
5.3.4	Contact point for reporting if evidence of breach and all outstanding conditions will not be satisfied by completion.	Mortgage Lending Department.
5.3.4	Do you require the following documents to be sent to you: * original copy/planning permission? * original copy/building regulation consents? * certificates of lawful use or development/established use certificate?	Yes, after completion. Yes, after completion. Yes, after completion only where the property is new or has been physically altered or extended in the last 4 years or has had a material change of use in the last 10 years.
5.3.5	Contact point if the property is subject to restrictions which may affect its value or marketability.	Mortgage Lending Department. Agricultural Restrictions are not acceptable.
5.5.1	Do you lend on flying freeholds?	No, but if a small part of the Property is affected this may be acceptable - refer to Mortgage Lending Department.
5.5.1	Do you lend on freehold flats?	No.

Paragraph Number	Issue of Query	Lenders' Response
5.5.2.1	Contact point of the property comprises a flying freehold/freehold flat.	Mortgage Lending Department.
5.5.3	Do you lend in these circumstances?	Yes.
5.5.4.2	Do you lend in these circumstances?	Yes.
5.5.5	Do you lend on commonhold?	Yes.
5.6	Contact point if there is a restriction on use.	Mortgage Lending Department.
5.9	Contact point if borrower is not providing balance of purchase price from funds/proposing to give second charge.	Mortgage Lending Department
5.10.1	What minimum unexpired lease term do you accept?	Mortgage term plus 40 years.
5.10.7	Contact point for matters connected with the lease.	Mortgage Lending Department.
5.10.8	Contact for service charge matters.	Mortgage Lending Department.
5.10.9	Do you accept indemnity insurance where the terms of the lease are unsatisfactory?	Refer to Mortgage Lending Department.
5.10.10	Do you require a clear ground rent/service charge receipt to be sent to you?	Yes, after completion - to be included in deeds.
5.10.11	Do you require a receipted copy of notice or evidence of service to be sent to you?	Yes, after completion - to be included in deeds.
5.10.13	Contact point if there is an absentee/insolvent landlord.	Mortgage Lending Department.
5.10.13	Do you accept indemnity insurance if the landlord is absent or insolvent?	Refer to Mortgage Lending Department.
5.11.2	Contact point if there are apparent problems with the management company.	Mortgage Lending Department
5.11.2	Do you require the following to be sent to you: * management company share certificate? * signed blank stock transfer form? * management company's memorandum and articles of association?	Yes, after completion. Yes, after completion. Yes, after completion.
5.12.2.2	Contact point if unable to certify search entry does not relate.	Mortgage Lending Department.
5.13.3	Do you require the following to be sent to you? * power of attorney? * statutory declaration of non-revocation of power of attorney?	No. No.
5.15	Contact point for lending on affordable housing, shared equity and shared ownership and where relevant your requirements.	If this is a shared ownership mortgage, you will need to comply with the Society's shared ownership requirements. If the property is being purchased through a shared equity/affordable housing scheme, the Society's requirements in relation to such schemes must be complied with. The requirements for both shared equity/affordable housing schemes are available on the Society's website at the following address www.leedsbuildingsociety.co.uk/solicitors/index.htm .
6.1.3	Contact point if borrower is not taking up the mortgage offer.	Mortgage Lending Department.
6.2	Contact if any discrepancies in property's description.	Mortgage Lending Department.
6.3.1	Contact point for any issues relating to purchase price.	Mortgage Lending Department.
6.3.1	Do I have to report incentives?	Yes.
6.3.2	Contact point if I will not have control of the purchase price.	Mortgage Lending Department.
6.3.2	Do I have to report incentives?	Yes.
6.3.3	Contact point if we will not have control over the payment of all the purchase money.	Mortgage Lending Department.
6.4	Contact point if vacant possession is not being given.	Mortgage Lending Department.
6.5.1	Contact point if property is let/to be let and to check you lend on buy-to-let.	Mortgage Lending Department.
6.5.2	Contact point when you do not have details of current letting or letting to take place at completion.	Mortgage Lending Department.

Paragraph Number	Issue of Query	Lenders' Response
6.5.3	Do you require counterpart/certified copy tenancy agreement to be sent to you?	No.
6.5.4	Do you lend where the property comes within the definition of a house in multiple occupation?	No.
6.5.4	If yes, what are your requirements?	Not applicable.
6.6.1	Please provide list of new home warranty schemes acceptable to you. * the National House-Building Council (NHBC) Buildmark scheme. * the Zurich Municipal Newbuild scheme. * the Zurich Municipal Rebuild scheme. * the Premier Guarantee for Private Housing and Completed Housing. * the Building Life Plans scheme.	
6.6.2	What New Home Warranty documentation should be sent to you?	Policy and certificate.
6.6.3	Should any assignments of building standards indemnity schemes be sent to us?	Yes, after completion - to be included in deeds.
6.6.4	Will you proceed if the property does not have the benefit of a new home warranty scheme?	Refer to Mortgage Lending Development
6.6.6	Do you require the professional consultant's certificate to be sent to you?	Yes, after completion.
6.7.1	Contact point if no agreement and bond for an unadopted road or sewer.	Mortgage Lending Department.
6.8.1	Contact point if necessary easements are absent.	Mortgage Lending Department.
6.9.2	Who will you release any retentions (or instalments of the advance) to?	The Borrower (see Special Conditions for instalments).
6.10	Contact point if property is affected by redevelopment and road proposals.	Mortgage Lending Department.
6.11	Contact point if pre-emption rights, resale restrictions, options etc will affect our security.	Mortgage Lending Department.
6.12	Contact point if property is affected by improvement/repair grant which will not be discharged.	Mortgage Lending Department.
6.13.1	Contact point if property is not insured in accordance with your requirements.	Mortgage Lending Department.
6.13.1	Do you need the buildings insurance in joint names/your interested noted?	Either.
6.13.3	What are your requirements if the total sum insured is less than the total number of flats multiplied by the amount set out in the mortgage offer?	Refer to Mortgage Lending Department.
6.13.5	What is the maximum excess you will accept on buildings insurance policy?	£200 (£1000 on a subsidence policy).
6.13.6	Do you require confirmation that all the insurance risks are included?	Yes.
6.13.7	Do you require insurer's confirmation to notify you of non-renewal/cancellation of buildings insurance policy?	Yes.
6.13.8	Do you require a copy of the buildings insurance policy and last premium receipt to be sent to you?	No.
7.3	Do you require a consent to mortgage from all occupants aged 17 or over?	Yes, use our standard form.
7.4	Contact point if doubts about accuracy of information disclosed.	Mortgage Lending Department.
8	May I also advise of any of the specified third parties?	No.

Paragraph Number	Issue of Query	Lenders' Response
9	Do you require the indemnity insurance policy to be sent to you?	Yes, after completion.
9.2	What limit of indemnity insurance do you require?	Agree with Mortgage Lending Department.
10.2	Will the mortgage advance be paid: * electronically. * by cheque. What is the minimum number days notice you require? * electronically. * by cheque.	Yes. No. Five working days. N/A.
10.2	What are the standard deductions made from the mortgage advance?	TT Fee.
10.3.4	On a delayed completion, when and how is advance to be returned?	Funds must be returned if delayed more than 10 days. You will be liable for accrued interest from the date of transfer of funds if funds are not returned after 10 days.
10.5	Contact point if completion delayed.	Mortgage Lending Department.
10.6	How long can I hold the mortgage advance before returning it?	10 days.
10.7	What, if any interest do you charge if return of the advanced is delayed?	10 days.
12.3	Contact point for release of retentions/mortgage advance instalments?	Mortgage Lending Department.
14.1.3	Do you require me to make a form CH2 application?	No.
14.1.4	Do you require the original mortgage deed to be sent to you?	Yes.
14.2.1	Where should the title deeds and documents be sent?	Mortgage Deeds Department, 105 Albion Street, Leeds LS1 5AS. DX 12299 Leeds 1.
14.2.2	Which documents must I send after completion?	Pre-registration deeds need not be sent and may be forwarded to the borrower for retention.
16.1	Contact point for title documents.	Mortgage Deeds Department.
16.3.1	Do you have a standard form of a transfer/deed of covenant?	No.
16.3.1.2	Contact point for finding out the debt amount.	Mortgage Redemptions Department.
16.3.3	Do you require the transfer of equity to be sent to you?	Yes, after completion.
16.3.6	Contact point for obtaining execution of transfer equity.	Mortgage Deeds Department.
16.3.6	What form of attestation clause do you use?	The Common Seal of Leeds Building Society was hereto affixed in the presence of.....duly authorised by the Board of Directors.
16.4.1	Contact point for application for consent to letting.	Mortgage Lending Department before completion or Mortgage Administration Department after completion. NB not applicable to Buy to Let Mortgage.
16.4.1	Does a copy of a proposed tenancy need to be sent to you?	No.
16.5.2	Contact point for confirming proposed deed or agreement will adversely affect you.	Mortgage Lending Department.
16.5.3	Where should the following documents be sent for execution: * Deed of variation; * Deed of rectification; * Deed of easement; * Option agreements.	Mortgage Administration Department. Mortgage Administration Department. Mortgage Administration Department. Mortgage Administration Department.
17.1.1	Contact point for redemption statement	Mortgage Redemptions Department.
17.2	Where do I send the discharge and repayment remittance?	Mortgage Redemptions Department.
17.2	Do you send the discharge via: * a DS 1 form * direct with the Land Registry.	Yes. No.

Shared Ownership Leases

1. General

- 1.1 We understand that the Borrower wishes to acquire a share of a property under an equity sharing lease. You are instructed to follow these additional instructions in addition to the general Instructions to Solicitors and Licensed Conveyancers already provided.
- 1.2 The Borrower must be acquiring a percentage of the market value of the property and will be paying a rent to the landlord in respect of the further interest in the property. The lease should provide for the Borrower to acquire further interests in the property up to 100% of its total value. This is known as staircasing. The Borrower must not hold his share upon trust with the landlord. The Lease must be granted to the Borrower alone.
- 1.3 The initial share to be purchased by the Borrower must be at least 25% based on the market value of the whole property.
- 1.4 The correct form of restriction on variation must be registered at the Land Registry at the same time as a new lease is registered, and proof of registration provided to us upon request.
- 1.5 A written undertaking, in the form of the CML model undertaking, to provide us with not less than 28 days notice of intention to commence possession proceedings, must be obtained from the landlord.

2. Staircasing

- 2.1 If the lease does not enable the Borrower to acquire a full 100% of the value of the property then you should revert to us for further instructions. There should be no time limits in the lease with regard to staircasing.
- 2.2 The lease must provide for a mortgagee in possession to either assign the lease or to staircase up to a full 100% of the value of the property.
- 2.3 Where the lease makes provision for the sale of a share back to the landlord, it should also provide that our consent is obtained prior to such sale.

3. Disposal of the Property

- 3.1 If the lease provides that, upon his disposal of property, the Borrower must assign his share to a person nominated by the landlord, then the lease must also provide that any such person must be nominated and contracts exchanged within a reasonable time. Failing this, the Borrower must be able to dispose of the property on the open market.
- 3.2 If the lease contains pre-emption rights in favour of the landlord then reasonable time limits should also be included and the landlord should pay the full market value of the shares it is acquiring.
- 3.3 There must be no obligation in the lease for the lender to release its security upon payment of anything less than the full amount of the outstanding mortgage.

4. Definition of Market Value

4.1 For Staircasing Purposes

If the Borrower acquires further shares in the property, the price of such shares will be determined by the open market value of the property at the time of the acquisition of such further shares, but the market value will not at any time be less than the initial purchase price. The open market value will be assessed disregarding the following:-

- 4.1.1 Any improvements made by the tenant.
- 4.1.2 Any failure by the tenant to comply with the terms of the lease.
- 4.1.3 The rights of any third parties in the property.
- 4.1.4 Any mortgage over the property.

4.2 For Surrender or Assignment Purposes

There should be no onerous restrictions in respect of the market value in the event of the interest of the Borrower being assigned or surrendered. The value of any improvements should be taken into account. After surrender, the landlord should be allowed to deduct any sums due under the lease and also the cost of putting the property into good repair so long as it has been valued on the basis that the tenant has complied with the terms of the lease.

4.3 In the event of a Dispute

The lease should provide for a valuation by an independent expert in the event of any disagreement between the landlord and the tenant. The independent expert should be one agreed by the landlord and the tenant or one appointed by the President for the time being of the Royal Institution of Chartered Surveyors or, where the landlord is the Local Authority, the District Valuer.

5. Mortgagee Protection Clause

- 5.1 The Lease should contain a mortgagee protection clause which will protect us against any losses we may sustain should we have to take the property into possession, exercise our right to complete the final staircasing and assign the lease.
- 5.2 The clause should provide that the amount payable by us to complete the final staircasing shall be either:
 - 5.2.1 the sum as calculated under the terms of the lease or
 - 5.2.2 the sale price less the sum total of the following:
 - the total principal and interest (which shall not exceed 12 months) due under the terms of the mortgage; estate agents, legal fees and other costs and disbursements incurred by us in completing the final staircasing and assigning the lease; and
 - rent, service charge or other sums due to the Landlord or due under an endowment or mortgage protection policy whichever is the less amount.

Shared Equity

1. Definition

The Society defines shared equity as where the borrower only pays a percentage of the full open market purchase price of the property but acquires ownership of 100% of the property and the balance of the purchase monies are provided by an equity sharing lender (often the vendor). Our requirements in relation to such schemes are set out below in clause 3.

2. General

- Acceptance of shared equity cases in the past is no guarantee of future acceptability and you should advise your clients accordingly;
- Please note that conveyancers acting for Leeds Building Society accept the usual responsibilities of conveyancers acting for mortgagees, including the requirements of the CML Lenders' Handbook. These notes do not detract from those general responsibilities.
- The Society will only lend on shared equity schemes in England and Wales.

Shared equity should not be confused with shared ownership (where the borrower buys an initial percentage of the market value of the property and has the right to acquire additional shares in the future up to 100%) or the Homestake scheme. Our specific requirements in relation to shared ownership and Homestake can be found at www.leedsbuildingsociety.co.uk/solicitors/index.htm.

3. Requirements

The Society's requirements are as follows:

- The borrower pays a percentage of the full purchase price (e.g. 75%) but must acquire ownership of 100% of the property.
- The balance of the purchase price (e.g. 25%) must be provided by an equity sharing lender as an interest free loan which is secured by a second charge on the property. Any future change in the value of the equity in the property, on a disposal or sale, will be shared between the borrower and the equity sharing lender in the relative percentages (e.g. 75% for the borrower and 25% for the equity sharing lender). The right of the equity sharing lender, to share in the equity, will be secured by the terms of the second charge. When ascertaining the amount to be repaid to the equity sharing lender, the calculation must disregard any increase in the overall total value of the property as a direct result of material home improvements made by the borrower.
- No rent is paid by the borrower in respect of the equity sharing lender's percentage.

- On disposal of the property, or earlier on expiry of the term of the borrower's agreement with the equity sharing lender, the equity sharing lender's percentage must be repaid (allowing 100% equity share for a future purchaser or the existing borrower).
- The repayment term of the borrower's agreement with the equity sharing lender must be at least 10 years from the date of purchase and it must also include an additional 5 year repayment period option for customers in financial hardship.
- If the equity sharing scheme gives the borrower the right to "buy out" / repay the equity sharing lender's percentage (or part of it) prior to the disposal of the property / expiry of the term of the borrower's agreement with the equity sharing lender, any such "buy out" / repayment must be at the current open market value.
- **The Society, as mortgagee in possession, must have the ability to sell the property on the open market and at full open market value, with access to 100% of the equity of the property in satisfaction of its charge, and free of any restrictions whatsoever.**
- The Society's mortgage must be secured by a first legal charge on the property.
- You should check the terms of the mortgage offer to ensure that the customer has selected a shared equity product. The Society will only lend on a shared equity basis when a shared equity product has been selected. If you are in any doubt, you must phone 0113 225 7889.
- You must ensure that the cumulative total borrowing does not exceed 100% of the value.
- You must ensure that the Society's mortgage does not exceed the amount which represents the percentage of the purchase price which is to be paid by the borrower.

If the scheme does not meet all of the above requirements, the Society will not lend.