A GUIDE TO YOUR OFFSET OPTIONS

ACCORD MORTGAGES

How does an Accord Offset mortgage work?

Accord Offset mortgages include a linked Offset savings account, which we open for you with our parent company, Yorkshire Building Society (YBS). We do this because Accord doesn't provide savings accounts.

Your savings will be held with YBS, but Accord will act as trustee. This simply means we hold the account for your benefit.

The accounts are kept separate, so you'll always have access to your savings.

How this reduces the interest you pay on your mortgage

By having some of your savings in an Offset savings account that's linked to your Offset mortgage, you'll only be charged interest on the difference between the amount in your savings and the amount borrowed on your mortgage.

This means that while you won't earn any interest on the money in your savings account, it will help to reduce the amount of interest you pay on your mortgage loan. So the more you save, the less interest you'll pay on your mortgage.

Here's how it works:

Your savings	Your mortgage	Interest charged on
£10,000	**£75,000**	**£65,000**
If you have money in an offset savings account	the savings will be offset against your mortgage,	so interest is only charged on the difference.

Check that you've chosen the right option for you

There are three Offset options you can choose when you first take out your mortgage, and you can decide to change to a different option at any time simply by letting us know. If you don't specifically choose an option you'll automatically be put onto option 2.

To discuss your Offset mortgage or switch to a different option, call us on 0345 1200 891.

1 LOWER YOUR MONTHLY PAYMENTS NOW

With option 1, your monthly payment is a **net payment**, and is calculated based on the difference between your mortgage balance and your Offset savings balance. So the more savings you have (and the smaller the difference is between your mortgage and savings balance), the lower your monthly payment will be. Your mortgage balance and term won't reduce any quicker than with a traditional non-Offset mortgage, but you'll be using your savings to benefit from lower monthly payments right away.

Then each year at account review, we'll recalculate your payment based on your outstanding mortgage and savings balance at the time. That's why it's important that if your savings balance changes, you let us know so we can recalculate your payment. If you withdraw funds but don't let us know, you could effectively be underpaying on your mortgage.

2 LOWER YOUR MONTHLY PAYMENTS IN THE FUTURE

With this option your monthly payment is a **gross payment** and is calculated based on your full mortgage balance, just like a traditional non-Offset mortgage.

This means that you make your monthly payment as if there was no money in your Offset savings account. However, you still benefit from having Offset savings because they reduce the interest charged on your mortgage overall and therefore your mortgage balance is reduced quicker.

Your monthly payments won't be as low as they would be under option 1 because although your Offset savings are being taken into account in the background, they don't affect your monthly payment immediately. Instead, your monthly payment is recalculated once a year at account review, based on your updated mortgage balance and term (so it should reduce more than it would if you didn't have any Offset savings).

3 PAY YOUR MORTGAGE OFF QUICKER

For this option you'll need to set up a **static payment**. This is a fixed amount that you pay each month, which is higher than your net payment. Your monthly payment will still reduce in the background like it would with option 2, however the static payment you set up overrides this, which means you continue to overpay and therefore your mortgage balance is paid off quicker.

You can change your static payment amount at any time, or switch to this option by getting in touch with us.

In your annual mortgage statement we'll estimate your mortgage end date (compared to your original mortgage term) so that you'll be able to see how much you're benefiting from being on this option, and if you like, we can calculate your static payment amount based on the date that you wish to have your mortgage paid off by.

If your estimated mortgage end date is the same as your original term, it might be because:

- You have an interest only mortgage. In which case, to pay your mortgage off quicker, you'd need to be making a static payment which is high enough to repay the capital as well as ongoing interest, before the end of the current term
- Your estimated monthly payment at the end of a special rate period is higher than your static payment and so your static payment wouldn't be enough to pay off your mortgage balance early
- The interest rate on your mortgage has changed, a recalculation event has occurred, or your Offset savings balance has changed and you need to increase your static payment to make sure you're still paying enough to shorten your mortgage term.

The table below is for illustrative purposes and shows you what your monthly payment would be for each of the three Offset options. The calculations are based on a repayment mortgage with a term of 25 years and a fixed interest rate of 2.50% for the first 2 years, followed by 4.49% for the remaining term. The calculations assume that there are no changes to the savings balance, mortgage term, or the way you've chosen to repay it.

Type of payment required	Option 1 net	Option 2 gross	Option 3 static
Mortgage balance	£100,000		
Offset savings Balance	£15,000		
The balance that interest is charged on	£85,000		
Monthly payment	£418.42	£448.29	£600
Calculation	Your payments are recalculated at account review as if you only had a mortgage balance of £85,000	Your monthly payments are based on the full £100,000, but interest is only charged on £85,000 so although you're paying £448.29, £29.87 is an overpayment (£448.29 – £418.42 = £29.87) Unlike option 3 the payment reduces each year at annual review	You can select a static payment of your choice, though it has to be above the net payment. So where the static payment is £600 you're making an overpayment of £181.58 (£600.00 – £418.42 = £181.58) This static payment of £600 stays in place so as your net payment (£418.42) reduces in the background, you carry on paying £600 which is how the mortgage balance is paid off quicker.
Monthly payment year 2	£418.42	£446.56	£600
Estimated term	25 years	25 years	18 years, 1 month

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GLOSSARY

All options only charge interest on the difference between your mortgage balance and your Offset savings balance however for the:

Net payment, the mortgage payment is calculated taking your Offset savings balance into account straight away

Gross payment, the mortgage payment is the same as what you'd pay if you had a traditional non-Offset mortgage but is reduced further at each account review

Static payment, you pay a fixed amount that you've set up to pay each month (which must be more than the net payment), potentially allowing you to pay your mortgage off quicker

Account review: your monthly payment will normally automatically be recalculated once a year, and this will take into account changes to your balance due to unpaid fees, late payments, interest rate changes during the last year, changes to insurance premiums or the impact of any deposits or withdrawals from your Offset savings account(s)

Recalculation events: circumstances (other than your annual account review) where your mortgage payment may be recalculated for example a product transfer, changes in your savings balance, changing repayment method (i.e. from an interest only to a repayment mortgage), payment holidays and additional borrowing

Important information about compensation arrangements

Your eligible deposits with Yorkshire Building Society are protected up to a total of £85,000 by the Financial Services Compensation Scheme, the UK's deposit protection scheme. This limit is applied to the total of any deposits you have with the following: Yorkshire Building Society, Chelsea Building Society, Norwich & Peterborough Building Society, Egg and Offset deposits through our subsidiary Accord Mortgages Limited. Any total deposits you hold above the £85,000 limit between these brands are unlikely to be covered. For further information please call us on 0345 1200 898, ask in branch, or visit the FSCS website at www.fscs.org.uk.

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE

Our printed material is available in alternative formats e.g. large print, braille or audio. Please call us on 0345 1200 891.

All communications with us may be monitored/recorded to improve the quality of our service and for your protection and security. Calls to 03 numbers are charged at the same standard network rate as 01 or 02 landline numbers, even when calling from a mobile.

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