



## Learning Outcome

## Assessment Criteria

## Indicative Content

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<b>1</b>  <b>25</b> <b>Questions</b>	<b>Explain the key elements of the mortgage process.</b>	<b>1.1</b>	Explain the house buying process and the roles of key parties involved.	<b>1.1.1</b>	England / Wales: Role of estate agent / valuer / conveyancer / legal adviser / intermediary.
				<b>1.1.2</b>	Process to contract exchange / completion and when a contract becomes binding.
				<b>1.1.3</b>	Scotland: Role of estate agent / valuer / legal adviser / intermediary.
				<b>1.1.4</b>	Conditional / unconditional offer for a property.
				<b>1.1.5</b>	Private bargain / private treaty.
				<b>1.1.6</b>	Acceptance / completion / conclusion of missives.
				<b>1.1.7</b>	Process and implications of buying property at auction.
				<b>1.1.8</b>	The different forms of valuation and survey, the requirements of lenders and the rights of the consumers.
		<b>1.2</b>	Explain the different factors that enable the lender to assess the suitability of the property as security for a loan.	<b>1.2.1</b>	The principal factors affecting the value of the property and the implications for consumers and lenders.
				<b>1.2.2</b>	Type of property, age, location, rental income and rentability factors.
				<b>1.2.3</b>	England / Wales: Freehold / commonhold / leasehold – Scotland: Tenure.
				<b>1.2.4</b>	Reinstatement value and insurability.
				<b>1.2.5</b>	Due diligence enquiries, including easements, restrictive covenants and any disputes.
				<b>1.2.6</b>	Local Authority procedures and planning permission, building regulations, listed and heritage properties and contract and building guarantees.
				<b>1.2.7</b>	The principal types of property defect and how these affect the lending process: main types of defect, possible remedies, lenders' requirements.



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		<b>1.3</b>	Explain the factors the lender will use to assess the suitability of the borrower.	<b>1.3.1</b> Residential mortgage customers. <b>1.3.2</b> Options for those who may find it difficult to raise a mortgage, including consumers with poor credit history (including bankruptcy). Credit-impaired consumers, consumers who are unable to prove income / unacceptable income. Those in negative equity. Consumers who lack contractual capacity. Mortgage prisoners, vulnerable customers. <b>1.3.3</b> The requirements under The Mortgages and Home Finance: Conduct of Business Sourcebook (MCOB) for those who are affected. <b>1.3.4</b> Options for those who are buying abroad, including remortgage and foreign currency mortgages. <b>1.3.5</b> Options available for those who are 'self-builders' to finance their projects. <b>1.3.6</b> Buy to let customers - both consumer buy-to-let and business buy-to-let. <b>1.3.7</b> Second charge and bridging finance customers. <b>1.3.8</b> Options available for those who require additional security or forms of guarantee. <b>1.3.9</b> The legal implications of raising a mortgage and second charge loan. <b>1.3.10</b> Explain what factors may disqualify people from borrowing. <b>1.3.11</b> Government incentive schemes: Right to Buy, shared ownership, Government sponsored schemes and other such schemes. <b>1.3.12</b> Vulnerable customers and debt consolidation.



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		<b>1.4</b> Explain how to resolve issues arising post completion.	<b>1.4.1</b>	Risks and costs to the consumer associated with debt consolidation.
			<b>1.4.2</b>	Risks associated with moving loans from unsecured to secured status.
			<b>1.4.3</b>	The implications of effecting a second charge loan.
			<b>1.4.4</b>	Extending the initial loan term / decreasing loan repayments. Capitalising fees, additional costs.
			<b>1.4.5</b>	Arrangements with creditors and issues relating to insolvency.
			<b>1.4.6</b>	How the rules under The Mortgages and Home Finance: Conduct of Business Sourcebook (MCOB) affect those with payment difficulties.
			<b>1.4.7</b>	Borrower - debt advice and arrears counselling, discussion and agreement with lender. Switching from repayment to interest only. Extension of term and arrears consolidation. Loss of life cover and protection.
			<b>1.4.8</b>	Consumer rights in respect of regulated mortgages and second charge loans.
			<b>1.4.9</b>	Lender - Financial Conduct Authority (FCA) requirements regarding the treatment of those in arrears.
			<b>1.4.10</b>	Legal remedies on default. Appointment of receiver. Rights of subrogation of insurers to pursue borrowers.
			<b>1.4.11</b>	Repossession - repossession in England, Scotland, Wales and Northern Ireland.



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2  15 Questions	Explain specialised types of mortgage lending.	2.1	Explain the features and risks of: <ul style="list-style-type: none"> <li>• Remortgaging.</li> <li>• Further advances.</li> <li>• Buy to let mortgages.</li> <li>• Second charge loans.</li> <li>• Bridging finance.</li> <li>• Equity release.</li> </ul>	2.1.1	Remortgaging and further advances - reasons for debt consolidation, second properties, property development, divorce and transfer of equity.
				2.1.2	Second charge loans - reasons for second charge loans. FCA rules for second charge loans. Factors to consider in lending – property, borrower, tacking of charges and procedures relating to postponement and second charge loans.
				2.1.3	Buy-To-Let (BTL) - regulatory status – regulated and non-regulated categories. Different considerations in valuing BTL property and assessing BTL borrowers. Limited company borrowing in the BTL market.
				2.1.4	Bridging finance - regulatory status, open and closed, regulated and non-regulated, bridging for other purposes – auction, development, risks to lenders and borrowers.
				2.1.5	Equity Release, lifetime mortgages, retirement interest-only (RIO) mortgages and home reversion - main features. Main advice issues and regulatory requirements for all forms of equity release.
3  4 Questions	Explain the main challenges in the mortgage industry.	3.1	Explain the features and impact of the following on the mortgage industry: <ul style="list-style-type: none"> <li>• Sources of mortgage funding.</li> <li>• Mortgage customer segmentation.</li> <li>• National and household debt.</li> <li>• Inflation and Government intervention.</li> <li>• Mortgage and secured loan distribution.</li> </ul>	3.1.1	Securitisation of mortgage loans, including the use of special purpose vehicles (SPV), retail deposits, wholesale funding.
				3.1.2	Mainstream mortgage customers credit-impaired customers, property investors, commercial mortgage customers.
				3.1.3	Toxic debt in households, market changes, the UK economy and interaction of lenders.
				3.1.4	Inflationary pressures. Government Intervention.
				3.1.5	The shape of mortgage distribution – advisers, packagers and lenders.
				3.1.6	The property investment market.



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4  11 Questions	Explain the key elements of appropriate mortgage advice, including ethical approaches and positive customer outcomes.	4.1	Explain the following features of mortgage advice: <ul style="list-style-type: none"> <li>Regulatory requirements.</li> <li>Positive customer outcomes.</li> <li>Consumer protection.</li> <li>The role of the mortgage adviser.</li> <li>Affordability.</li> <li>Taxation issues.</li> </ul>	4.1.1	To whom the Mortgages and Home Finance: Conduct of Business Sourcebook (MCOB) Rules apply. Which products and services are covered by the MCOB Rules. Understand MCOB 1 to 13, including definition of home purchase plans. Apply the MCOB requirements to client circumstances. The MCOB rules for second charge loans and bridging finance.
				4.1.2	The UK property market and mortgage lending sector, and the main economic considerations that affect them.
				4.1.3	The role of a mortgage adviser. How a mortgage adviser applies MCOB Rules in their dealings with mortgage customers.
				4.1.4	Affordability - establishing initial and ongoing affordability. Methods of verification of affordability. Lender's requirements for assessing and proving affordability.
				4.1.5	Taxation - Stamp Duty Land Tax / Land and Buildings Transaction Tax / Land Transaction Tax. Taxation of rental income. Taxation on disposal of property – Private Residence Relief, Capital Gains Tax, Corporation Tax, Inheritance Tax.
				4.1.6	High Net Worth Customers and Mortgage Professionals as defined in MCOB.
				4.1.7	Consumer protection, including vulnerable customers and debt consolidation advice - regulatory requirements.
5  4 Case Studies  5 Questions each	Recommend appropriate mortgage solutions to clients with complex needs and circumstances.	5.1	Analyse consumers' complex needs and circumstances.	5.1.1	Identify the factors shaping consumers' circumstances and borrowing purposes. Assess consumers' affordability and suitability.
				5.1.2	Assess, identify and recommend suitable mortgage solutions. Integrate new solutions with existing arrangements.
		5.2	Recommend appropriate mortgage solutions.	5.2.1	Communicate appropriate solutions effectively with clients: Confirm consumers' understanding of recommendations. Satisfy regulatory requirements.



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### Scenarios:

- Mainstream mortgage advice situations.
- Buy to let scenarios – Consumer and Business BTL clients, tax implications, income implications.
- Remortgages.
- Second charge loans.
- Bridging finance.
- Government and other incentive schemes for home purchasers.
- Buying abroad.
- Charges and family gifts.
- Guarantor mortgages and surety arrangements.
- Properties purchased at auction.
- Self-build arrangements.
- Further advances and the postponement of secured loan arrangements.