

Mortgages

Certificate in Mortgage Advice and Practice (CeMAP™)

Module 2 – Syllabus

Learning Outcomes

Unit 3 Mortgage Law, Policy Practice and Markets

On completion of the module, candidates will be expected to

Demonstrate a knowledge of:

- 1 the definition of a mortgage.
- 2 the house-buying process, the key parties involved and their roles.
- 3 the principal types of property defect that surveys can identify and understand their implications when seeking a mortgage, including the options available to consumers.
- 4 the process and implications of buying property at auction
- 5 the common types of borrower and how their main mortgage related requirements may differ and what factors may disqualify people from borrowing

Demonstrate an understanding of:

- 1 the main requirements of the Mortgage Conduct of Business Rules and the legislation affecting mortgages.
- 2 the economic and regulatory context for giving mortgage advice

Unit 4 Mortgage Applications

On completion of the module, candidates will be expected to

Demonstrate an understanding of:

- 1 the role of a Mortgage Adviser and the importance and principles of providing advice, including the key factors affecting the advice given
- 2 the implications for consumers of 'gazumping' and 'gazundering'

- 3 the purpose of additional security, including the role of guarantors
- 4 the fees and charges involved in arranging a mortgage, identify where these apply, the services they cover, when they become due, which are refundable and how the opportunity for refunds diminishes as the process nears completion.
- U5 the principal factors affecting the value of property, including their implications for consumers seeking mortgages and when consumers should be referred for specialist advice.
- U6 the different forms of valuation and survey and which might be appropriate for different properties and/or the borrower's circumstances.
- U7 the need to obtain Local Authority planning consent for house development/extensions.

Unit 5 Mortgage Payment Methods and Products

On completion of the module, candidates will be expected to

Demonstrate an understanding of:

- 1 the key features of the different types of mortgage repayment options and their advantages and disadvantages for different types of borrower
- 2 the key features of the common types of mortgage product and interest rate options
- 3 the structure and features of other types of mortgage
- 4 the main features and functions of different forms of life assurance and other insurances (eg mortgage payment protection insurance (MPPI), life, accident and sickness insurance (ASU), building insurance, contents insurance) associated with arranging a mortgage

Unit 6 Mortgage Arrears and Post-Completion

On completion of the module, candidates will be expected to

Demonstrate an understanding of:

- 1 the principles and procedures associated with raising additional money and the circumstances when further borrowing might be appropriate.
- 2 the principles, procedures and costs associated with transferring mortgages.
- 3 the principles of using mortgages within debt consolidation arrangements.
- 4 the implications for the borrower of the non-payment of mortgages, other breaches of the Mortgage Deed, non-payment of building insurance and the options available.
- 5 the legal rights/remedies available in respect of non-payment from borrowers.
- 6 the main provisions made by the State to assist consumers in difficulties over the repayment of mortgages.

Detailed Syllabus

Unit 3 *Mortgage Law, Policy Practice and Markets*

Attainment Levels	Outcome	Indicative Content	Approximate Weighting
Demonstrate a knowledge of:	1 the definition of a mortgage.	K1.1 definition as given in the FSA Handbook	5%
	2 the house-buying process, the key parties involved and their roles	<i>England/Wales</i> K2.1a role of estate agent/valuer/conveyancer/legal adviser; K2.2a process to contract exchange/completion and when a contract becomes binding; K2.3a proposed use of home information packs OR <i>Scotland</i> K2.1b role of estate agent/valuer/legal adviser; K2.2b conditional/unconditional offer; K2.3b private bargain/private treaty; K2.4 acceptance/completion/conclusion of missives; see separate 'Mortgage Conduct of Business Rules' requirements'	15%
	3 the principal types of property defect that surveys can identify and understand their implications when seeking a mortgage, including the options available to consumers	K3.1 main property defects; K3.2 how property defects may affect the lending decision and/or require immediate remedial works.	10%
	4 the process and implications of buying property at auction.	K4.1 requirement for funding (ie cash/mortgage commitment) to be in place up front; K4.2 contracts exchanged, with associated deposit, on the day	10%

	<p>5 the common types of borrower and how their main mortgage related requirements may differ and what factors may disqualify people from borrowing</p>	<p>K5.1 private/residential borrowers; K5.2 intermediary/business/commercial borrowers (outline only); K5.3 those who cannot borrow:</p> <ul style="list-style-type: none"> • undischarged bankrupts; • mentally incapacitated; • minors 	<p>10%</p>
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Demonstrate an understanding of:	1 the main requirements of the Mortgage Conduct of Business Rules and the legislation affecting mortgages	<p>Requirements of the Mortgage Conduct of Business Rules</p> <p>U1.1 National House-Building Council guarantees</p> <p>U1.2 Property Misdescriptions Act</p> <p>U1.3 Contract Law</p> <p>U1.4 Principles of Agency</p> <p>U1.5 Consumer credit law</p> <p>U1.6 Principles of testacy and intestacy, including grants of probate and letters of administration</p> <p>U1.7 Legal obligations and guarantors</p> <p>U1.8 Lenders Rights and Borrowers Covenant</p> <p>U1.9 Financial Services and Markets Act 2000 (including the Mortgage Conduct of Business Rules)</p> <p><i>England/Wales/Northern Ireland:</i></p> <p>U1.10 Property Law (Law of Property Act 1925, Leasehold Reform Act 1967, Leasehold Reform, Housing and Urban Development Act 1993)</p> <p>OR</p> <p><i>Scotland:</i></p> <p>U1.11 policies, as determined by the Scottish Executive, affecting the mortgage process and property market in Scotland;</p> <p>U1.12 Matrimonial Homes Act (e.g. single borrowers require an affidavit);</p> <p>U1.13 Tenancy Act;</p> <p>U1.14 Mortgage Rights Act;</p> <p>U1.15 Statutory Repair Act;</p> <p>U1.16 Bankruptcy Act (refers to 'sequestration' in Scotland);</p> <p>U1.17 Land Tenure Reform Act (note – new legislation due 2003);</p> <p>U1.18 legislation regarding intestacy – impact upon partner where mortgagee dies intestate;</p> <p>U1.19 Feu disposition (reference Land Certificate in England/Wales);</p> <p>U1.20 Court decree (reference County Court Judgment in England/Wales).</p>	40%
	2 the economic and regulatory context for giving mortgage advice	<p>U2.1 the property market and the main conditions that affect it</p> <p>U2.2 interest rates and their drivers</p> <p>U2.3 the UK mortgage lending sector</p> <p>U2.4 mortgage regulation: MCOB and its implications for the mortgage adviser</p>	10%

Unit 4 Mortgage Applications

Attainment Levels	Outcome	Indicative Content	Approximate Weighting
Demonstrate an understanding of:	1 the role of a Mortgage Adviser and the importance and principles of providing advice, including the key factors affecting the advice given.	U1.1 affordability; U1.2 suitability; U1.3 risk; U1.4 term of mortgage U1.5 principles of ethical advice, including FSA guidance (for example, Treating Customers Fairly) U1.6 methods of verifying information supplied by consumers U1.7 methods of checking that mortgage solutions match consumer immediate and long term needs and circumstances U1.8 ways of advising clients in arrears who have differing attitudes to risk and indebtedness	30%
	2 the implications for consumers of 'gazumping' and 'gazundering'	U2.1 gazumping U2.2 gazundering	5%
	3 the purpose of additional security, including the role of guarantors	U3.1 the requirement for guarantors to be advised to seek independent legal advice U3.2 MIGs and other types of security (life policies and collateral)	10%

	<p>4 the fees and charges involved in arranging a mortgage, identify where these apply, the services they cover, when they become due, which are refundable and how the opportunity for refunds diminishes as the process nears completion</p>	<p><i>Commonly applicable charges and fees:</i> U4.1 reservation fees; U4.2 application fees; U4.3 arrangement fees; U4.4 lenders reference fees; U4.5 Land Registry fees; U4.6 valuation fees; U4.7 estate agent fees; U4.8 legal/solicitors fees; U4.9 Stamp Duty Land Tax; U4.10 Local Authority searches; U4.11 bankruptcy searches; U4.12 telegraphic transfer costs; U4.13 environmental searches, eg flooding, mining <i>Less common/other party charges (outline only):</i> U4.14 survey fees and fees for other specialist reports; U4.15 booking fees; U4.16 title indemnity fees; U4.17 higher lending charge U4.18 brokers fees</p>	<p>20%</p>
<p>Demonstrate an understanding of</p>	<p>5 the principal factors affecting the value of property, including their implications for consumers seeking mortgages and when consumers should be referred for specialist advice</p>	<p>U5.1 type of property; U5.2 location; U5.3 building materials and any restrictions; U5.4 age of property; U5.5 freehold/commonhold/leasehold (England & Wales); U5.6 tenure (Scotland – note: new legislation from 2003); U5.7 multiple use; U5.8 vacant possession; U5.9 reinstatement value; U5.10 whether it is insurable; including but not limited to risk of flooding/subsidence/heave U5.11 planning permission; U5.12 building regulations; U5.13 contract guarantees; U5.14 listed/heritage; U5.15 easements, including but not limited to rights of way; U5.16 due diligence enquiries, including but not limited to outstanding disputes; U5.17 covenants.</p>	<p>15%</p>

	6 the different forms of valuation and survey and which might be appropriate for different properties and/or the borrower's circumstances	U6.1 forms of valuation and or survey (basic valuations, homebuyer's report, building survey, full structural survey); U6.2 requirements of lenders; U6.3 rights of the consumer	15%
	7 the need to obtain Local Authority planning consent for house development/extensions	U7.1 the legal basis of local authority planning procedures U7.2 the main procedures in obtaining local authority planning consent U7.3 development limitations that apply to different categories of listed buildings	5%

Unit 5 Mortgage Payment Methods and Products

Attainment Levels	Outcome	Indicative Content	Approximate Weighting
Demonstrate and understanding of:	1 the key features of the different types of mortgage repayment options and their benefits and dis-benefits for different types of borrower	U1.1 capital and interest repayment (repayment mortgages); U1.2 interest payment (interest only mortgages); U1.3 implications for the consumer of the under-performance of repayment options U1.4 Repayment vehicles used in conjunction with interest only mortgages – endowment policies; personal pension plans; ISAs; OEICS; Unit Trusts	20%

	<p>2 the key features of the common types of mortgage product and interest rate options</p>	<p>U2.1 standard variable rate mortgages; U2.2 straight repayment tracker mortgages (variable rate/LIBOR/base rate tracker mortgages); U2.3 interest only tracker mortgages; U2.4 fixed rate mortgages; U2.5 capped rate (including capped and collared) mortgages; discounted rate (including cash back/gift) mortgages; deferred rate low start mortgages; U2.6 equity release mortgages (links to mortgage/home reversion schemes); U2.7 flexible mortgages; U2.8 all in one/current account mortgages/offset mortgages, including drawdown facilities; U2.9 CAT marked mortgages; U2.10 hybrid arrangement products, for example – 'part and part' mortgages U2.11 the performance and volatility of fixed and variable interest rates for different types of borrower</p>	<p>35%</p>
	<p>3 the structure and features of other types of mortgage</p>	<p>U3.1 commercial mortgages; U3.2 lifetime mortgages (defined term for 'equity release' mortgages for older consumers); U3.3 low start/deferred interest mortgages; U3.4 self build mortgages; U3.5 100%/125% mortgages; U3.6 foreign currency mortgages; U3.7 new build mortgages; U3.8 buy to let mortgages (including types of tenancy); U3.9 'right to buy' Council property mortgages; U3.10 shared appreciation mortgages; U3.11 shared ownership mortgages (Housing Association); U3.12 equity share mortgages; U3.13 adverse credit/sub-prime mortgages (for 'non-conforming' or 'non-status' borrowers, with, e.g. CCJs/arrears/discharged bankruptcy); U3.14 Sharia-compliant mortgages (also known as Islamic mortgages)</p>	<p>25%</p>

	<p>4 the main features and functions of different forms of life assurance and other insurances (eg mortgage payment protection insurance (MPPI), life, accident and sickness insurance (ASU), building insurance, contents insurance) associated with arranging a mortgage</p>	<p>U4.1 life assurance; Pension term assurance U4.2 accident/sickness/critical illness/unemployment/redundancy insurance; U4.3 permanent health insurance; U4.4 buildings and contents insurance; U4.5 waiver of premium benefit; U4.6 mortgage indemnity insurance</p>	<p>20%</p>
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Unit 6 *Mortgage Arrears and Post-Completion*

Attainment Levels	Outcome	Indicative Content	Approximate Weighting
Demonstrate an understanding of	1 the principles and procedures associated with raising additional money and the circumstances when further borrowing might be appropriate	U1.1 homeowners reversionary income plans; U1.2 home income plans; U1.3 further advances; U1.4 draw down facilities; U1.5 release of part security (equity release products, home income schemes, home reversion plans U1.6 remortgages, second mortgages); U1.7 bridging loans; U1.8 charging structures; U1.9 legal implications	25%
	2 the principles, procedures and costs of transferring mortgages.	U2.1 transfer of mortgage to a new lender; U2.2 implications of property moves; U2.3 converting one mortgage to another; U2.4 removing or adding one party from or to a joint mortgage; U2.5 redeeming a mortgage before/at the end of its term; U2.6 making additional/lump sum capital repayments on a mortgage, during its term	25%
	3 the principles of using mortgages within debt consolidation arrangements	U3.1 relationship between costs/penalties/repayments/term; U3.2 risk to the consumer associated with consolidation; U3.3 risks associated with moving loans from unsecured to secured status; U3.4 draw down facilities	15%
	4 the implications for the borrower of the non-payment of mortgages, other breaches of the Mortgage Deed, non-payment of building insurance and the options available	U4.1 when to provide a mortgage warning, ensuring that this is understood; U4.2 possible courses of action available (eg Scotland mortgage to rent scheme); U4.3 FSA requirements regarding the treatment of those in arrears; U4.4 Mortgage Rights Act (Scotland);	15%

	5 the legal rights and remedies available to lenders in respect of non-payment from borrowers	U5.1 role of Citizens Advice and other agencies; U5.2 rights of subrogation of insurers to pursue borrowers; U5.3 legal remedies for the lender on default	15%
	6 the main provisions made by the State to assist consumers in difficulties over the repayment of mortgages	U6.1 Income Support for Mortgage Interest (ISMI) U6.2 52 week linking rule	5%