

Higher National Unit Specification

General information for centres

Unit title: Mortgage Lending

Unit code: DE60 35

Unit purpose: This Unit is designed to enable candidates to understand the principles of mortgage lending. It will examine both theoretical and practical aspects of lending against residential property and will enable the candidate to prepare for further study at a higher level. Candidates will consider the range of residential mortgage and related products and will identify their best use in given situations.

The Unit is relevant to those who are preparing for a career in the financial services industry with a view to advising on, or lending against residential property. It is suitable for those who have some limited knowledge and who may have a particular interest in the subject material. It is also useful for those candidates who later study towards regulatory examinations.

On completion of the Unit candidates should be able to:

1. Explain the law relating to property in Scotland.
2. Explain the house buying and mortgage application processes.
3. Explain the range of mortgage products and methods of repayment.
4. Explain the methods used to manage mortgage accounts.

Credit value: 2 HN Credits at SCQF level 8: (16 SCQF credit points at SCQF level 8*)

**SCQF credit points are used to allocate credit to qualifications in the Scottish Credit and Qualifications Framework (SCQF). Each qualification in the Framework is allocated a number of SCQF credit points at an SCQF level. There are 12 SCQF levels, ranging from Access 1 to Doctorates.*

Recommended prior knowledge and skills: Access to this Unit is at the discretion of the centre. However, candidates would normally be expected to have good written communication and numerical skills. These may be demonstrated by the achievement of core skill Communication at Intermediate 2 level, or by possession of Standard Grade English, or a suitable NC module, and core skill Using Numbers at Intermediate 2 level by possession of a relevant Unit or Module.

Core skills: There may be opportunities to gather evidence towards core skills in this Unit, although there is no automatic certification of core skills or core skills components.

General information for centres (cont)

Context for delivery: This Unit is included in the framework of the HNC and HND Financial Services group awards. It is recommended that it should be taught and assessed within the context of these particular group awards to which it contributes.

Assessment: It is preferred that this Unit be assessed by an instrument of assessment that would require candidates to answer questions based on a case study relating to a mortgage lending scenario(s).

If you wish to use a different assessment mode, you may wish to seek prior moderation of the assessment instrument(s) you intend to use. Please note that candidates must achieve all of the minimum evidence specified for each Outcome in order to pass the Unit.

It is expected that the assessment will require the candidate to complete **six** questions, two each from Outcomes 2 and 3 one each from Outcomes 1 and 4. It would be acceptable to provide a choice of questions for the candidate to attempt from each Outcome.

It is expected that the assessment should not normally take the average candidate more than two hours to complete.

An exemplar instrument of assessment and marking guideline has been produced to indicate the National standard of achievement required at SCQF level 8.

Higher National Unit specification: statement of standards

Unit title: Mortgage Lending

Unit code: DE60 35

The sections of the Unit stating the Outcomes, knowledge and/or skills, and evidence requirements are mandatory.

Where evidence for Outcomes is assessed on a sample basis, the whole of the content listed in the knowledge and/or skills section must be taught and available for assessment. Candidates should not know in advance the items on which they will be assessed and different items should be sampled on each assessment occasion.

Outcome 1

Explain the law relating to property in Scotland.

Knowledge and/or skills

- Development of Land Tenure system
- Classification of property
- Land registration
- Definition of a mortgage
- Types of borrowers
- Contents of a Standard Security
- Third party Guarantees

Evidence requirements

Each knowledge and skill is matched by a corresponding evidence requirement.

To ensure that a candidate has successfully achieved the standard required of each of the knowledge and skills listed above the corresponding evidence requirement from the list below should be met.

Evidence for the knowledge and skills in the Outcome will be provided on a sample basis. This evidence may be presented as part of a written report or in response to a specific question or questions.

The sample must comprise of **one** of the knowledge and skills with a different combination of knowledge and skills being used each time the Outcome is assessed.

Higher National Unit specification: statement of standards (cont)

Unit title: Mortgage Lending

Where an item is sampled, a candidate's response can be judged to be satisfactory where the evidence provided is sufficient to meet the requirements for each sampled item by showing that the candidate is able to:

- Summarise the development of the Land Tenure system in Scotland
- Summarise one of the methods classifying property in Scotland
- Summarise the system of registering land ownership in Scotland
- Define the form and nature of a mortgage and/or the parties to it
- Describe at least two typical types of borrowers
- Explain the content of at least two of the terms and conditions that are contained within a standard security
- Explain the use of guarantees in mortgage lending

Assessment guidelines

It is suggested that the assessment of this Outcome be combined with the other Outcomes as part of a larger assessment and that a copy of the case study, when used, be given to candidates 7-10 days before the assessment opportunity. Candidates may bring a copy of the case study to the assessment but may not bring any other material. A sample of a case study has been produced as part of the exemplars.

Outcome 2

Explain the house buying and mortgage application processes.

Knowledge and/or skills

- Initial advice
- Factors influencing decisions to buy
- Methods of sale and buying process
- Role of the solicitor
- Assessment of mortgage applications
- Matters affecting the value of land as security
- Adequacy of security
- Stages in the application process

Evidence requirements

Each knowledge and skill is matched by a corresponding evidence requirement.

To ensure that a candidate has successfully achieved the standard required of each of the knowledge and skills listed above the corresponding evidence requirement from the list below should be met.

Higher National Unit specification: statement of standards (cont)

Unit title: Mortgage Lending

Evidence for the knowledge and skills in the Outcome will be provided on a sample basis. This evidence may be presented as part of a written report, or in response to a specific question or questions.

The sample must comprise of **two** of the knowledge and skills with a different combination of knowledge and skills being used each time the Outcome is assessed.

Where an item is sampled, a candidate's response can be judged to be satisfactory where the evidence provided is sufficient to meet the requirements for each sampled item by showing the candidate is able to:

- Summarise the stages involved in giving initial advice to prospective borrowers
- Explain at least three of the factors that influence the decision to buy
- Summarise the selling or buying process
- Explain the role of the solicitor in property transactions
- Summarise the content of a mortgage application form
- Summarise the at least three of the factors that affect the value of land as security
- Explain the operation of at least one of the survey and valuation services that can be used to ascertain adequacy of security
- Summarise the main stages in the application process

Assessment guidelines

It is suggested that the assessment of this Outcome be combined with the other Outcomes as part of a larger assessment and that a copy of the case study, when used, be given to candidates 7-10 days before the assessment opportunity. Candidates may bring a copy of the case study to the assessment but may not bring any other material. A sample of a case study has been produced as part of the exemplars.

Outcome 3

Explain the range of mortgage products and methods of repayment.

Knowledge and/or skills

- Types of mortgage facilities
- Specific products variants
- Pricing of mortgage facilities
- Methods of repayment
- Use of long-term investment products
- Levels of service specified in the Mortgage Code
- Mortgage protection products

Higher National Unit specification: statement of standards (cont)

Unit title: Mortgage Lending

Evidence requirements

Each knowledge and skill is matched by a corresponding evidence requirement.

To ensure that a candidate has successfully achieved the standard required of each of the knowledge and skills listed above the corresponding evidence requirement from the list below should be met.

Evidence for the knowledge and skills in the Outcome will be provided on a sample basis. This evidence may be presented as part of a report, or in response to a specific question or questions

The sample must comprise of **two** of the knowledge and skills with a different combination of knowledge and skills being used each time the Outcome is assessed.

Candidates must provide a satisfactory response to the theoretical questions.

Where an item is sampled, a candidate's response can be judged to be satisfactory where the evidence provided is sufficient to meet the requirements for each sampled item by showing the candidate is able to:

- Summarise the main features of at least two types of standard mortgage facility
- Summarise the main features of at least two types of non-standard mortgage facility
- Explain the methods use to price mortgage products
- Summarise the main features of one of the main methods of repaying a mortgage facility
- Explain how at least one long-term investment product is used to repay a mortgage facility
- Outline the key commitments on services set out in the Mortgage Code
- Explain the features and use of at least two mortgage protection products

Assessment guidelines

It is suggested that the assessment of this Outcome be combined with the other Outcomes as part of a larger assessment and that a copy of the case study, when used, be given to candidates 7-10 days before the assessment opportunity. Candidates may bring a copy of the case study to the assessment but may not bring any other material. A sample of a case study has been produced as part of the exemplars.

Higher National Unit specification: statement of standards (cont)

Unit title: Mortgage Lending

Outcome 4

Explain the methods used to manage mortgage accounts

Knowledge and/or Skills

- Rights of the mortgage lender to charge interest and other fees to an account
- Variation of mortgage deed conditions
- Conversion of mortgage types
- Dealing with shortfalls at the end of mortgage terms
- Provisions of the Mortgage Code in relation to complaints and disputes
- Dealing with the accounts of deceased borrowers

Evidence requirements:

Each knowledge and skill is matched by a corresponding evidence requirement.

To ensure that a candidate has successfully achieved the standard required of each of the knowledge and skills listed above the corresponding evidence requirement from the list below should be met.

Evidence for the knowledge and skills in the Outcome will be provided on a sample basis. This evidence may be presented as part of a written report, or in response to a specific question or questions.

The sample must comprise of **one** of the knowledge and skills with a different combination of knowledge and skills being used each time the Outcome is assessed.

Candidates must provide a satisfactory response to the theoretical questions.

Where an item is sampled, a candidate's response can be judged to be satisfactory where the evidence provided is sufficient to meet the requirements for each sampled item by showing the candidate is able to:

- Summarise the lender's right in relation to charging interest and fees on mortgage
- Explain the procedures relating to at least one of the circumstances leading to variation of conditions of a mortgage deed
- Explain the procedures involved in changing the repayment of a mortgage from one method to another
- Summarise the options for dealing with shortfalls that are likely to arise in mortgage accounts due to under performance of long term investments
- Summarise the main provisions of the Mortgage Code in relation to dealing with complaints and disputes
- Explain the methods used to deal with the death of a borrower

Higher National Unit specification: statement of standards (cont)

Unit title: Mortgage Lending

Assessment Guidelines:

It is suggested that the assessment of this Outcome be combined with the other Outcomes as part of a larger assessment and that a copy of the case study, when used, be given to candidates 7-10 days before the assessment opportunity. Candidates may bring a copy of the case study to the assessment but may not bring any other material.

Administrative Information

Unit code:	DE60 35
Unit title:	Mortgage Lending
Superclass category:	AL
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Higher National Unit specification: support notes

Unit title: Mortgage Lending

This part of the Unit specification is offered as guidance. The support notes are not mandatory.

While the exact time allocated to this Unit is at the discretion of the centre, the notional design length is 80 hours.

Guidance on the content and context for this Unit

Outcome 1 looks at the law relating to property in Scotland and to the process involved in the creation of a mortgage. It is expected that centres will cover the following topics:

- Land Tenure system
 - Allodial, udal and feudal systems
 - Feudal chain
 - Interests in land
 - Creating feudal estate
 - Joint and common property
 - Common interest
- Classification of property
 - Real and personal rights
 - Corporeal and incorporeal property
 - Moveable and heritable (rights over interest in land) property
- Land Registration
 - Register of Sasines
 - Land Register
 - Land certificate
 - Charge certificate
 - Guarantee of title
 - Registration of title procedures
 - Registration of inhibitions and adjudications
- Definition of a mortgage
- Parties to a mortgage agreement
- Types of borrowers
 - Single borrowers
 - Joint borrowers
 - Married couples
 - Co-habiting couples
 - Other relationships
 - Buying to lease
 - Students
 - Self employed
- Problems encountered by different types of borrowers

Higher National Unit specification: support notes (cont)

Unit title: Mortgage Lending

- Standard Security
 - Advantages and disadvantages
 - Forms A and B
 - Personal obligation
 - Property description
 - Standard conditions
 - Maintenance, management and insurance
 - Rights and remedies
 - Warrandice
 - Completion of the security
 - Valuing the security
 - Matrimonial homes;
 - Leases
- Guarantees
 - Effect of guarantee
 - Rights of guarantor and lender
 - Code of practice

Outcome 2 looks at the procedures involved in buying a property and the steps taken in processing a mortgage application. It is expected that centres will cover the following topics:

- Initial advice
 - Eligibility
 - Borrowing limits
 - Affordability
 - Funding requirements
 - Potential problems
 - Fees and taxes
 - Pre-mortgage approval
- Factors influencing decision to buy
 - Supply and demand
 - Price range
 - Personal preferences;
 - Location
 - Availability
 - Local developments
 - Where to buy
 - Regulation
- Method of sale and buying process
 - Fixed price
 - Offers over
 - New property
 - Auction
 - Formal offers and missives

Higher National Unit specification: support notes (cont)

Unit title: Mortgage Lending

- Role of the solicitor
 - Preparing offers
 - Investigation of title
 - Completing missives
 - Completing legal documentation
 - Dealing with finance
 - Completing the transaction
- Assessment of mortgage applications
 - Status assessments
 - Mortgage application forms
 - Income assessment and corroboration
 - Employees and self employed
 - Outgoings and commitments
 - Existing debt
 - Credit searches
 - Dealing with previous financial difficulties
 - Assessing risk
 - Credit scoring
 - Risk of fraud
- Matters affecting land value
 - Location
 - Access to amenities
 - Status
 - Type and condition of property
 - Method of construction
 - Tenure
 - Third party rights
 - Multiple occupancy
- Adequacy of security
 - Valuation reports
 - Specialist reports
 - Guarantee schemes
 - Self-build projects
 - Additional security
 - Assignment of policies
 - Mortgage indemnity schemes
 - Mortgage code position on security
- Processing applications
 - Approval
 - Offer of advance
 - Completion
 - Further advances
 - Regulated loans

Higher National Unit specification: support notes (cont)

Unit title: Mortgage Lending

Outcome 3 examines the range of mortgage facilities available for borrowers and considers the different methods of repayment. It is expected that centres will cover the following topics:

- Types of mortgage facilities
 - Capital and interest
 - Interest only
 - Pension
 - ISA
 - Mortgage code position
 - Variable
 - Fixed rate
 - Capped and collared
 - Cash back
 - Flexible
- Non-standard mortgage facilities
 - Current account
 - Equity share
 - Shared ownership
 - LIBOR related
 - Foreign currency
 - Deferred interest
 - Equity release
 - Negative equity
- Pricing of mortgage facilities
 - Quotations
 - Illustrations
 - Annual, monthly and daily interest
 - Fees and charges
 - APR
 - Cost transparency
- Long-term investment products
 - With profits endowment
 - Unit linked policies
 - ISAs
 - Pension schemes
- Mortgage Code
- Mortgage protection products
 - Property insurance
 - Sickness, accident and redundancy insurance
 - Permanent health insurance
 - Critical illness

Higher National Unit specification: support notes (cont)

Unit title: Mortgage Lending

Outcome 4 considers the complex issues relating to management of mortgage accounts. It is expected that centres will cover the following topics:

- Rights to change interest and fees
- Variation of mortgage deed conditions
 - Adding names to mortgage
 - Removing names
 - Transferring equity
 - Redeeming a mortgage
 - Rules of tenancy
- Conversion of mortgage types
 - Changing mortgage term
 - Changing method of repayment;
- Dealing with shortfalls
 - Action taken when long term investment shortfalls occur
- Additional borrowing: further advances
- Provisions in the Mortgage Code
- Dealing with deceased borrowers: confirmation and estate settlement

Open learning

If this Unit is delivered by open or distance learning methods, additional planning and resources may be required for candidate support, assessment and quality assurance.

For information on normal open learning arrangements, please refer to the SQA guide *Assessment and Quality Assurance of Open and Distance Learning* (SQA, 2000).

Special needs

This Unit specification is intended to ensure that there are no artificial barriers to learning or assessment. Special needs of individual candidates should be taken into account when planning learning experiences, selecting assessment instruments or considering special alternative Outcomes for Units. For information on these, please refer to the SQA document *Guidance on Special Assessment Arrangements* (SQA, 2001).

General information for candidates

Unit title: Mortgage Lending

This Unit is designed to introduce you to the principles and practice relating to lending against residential property (mortgage lending). It will equip you with the necessary knowledge and skills required to understand the process involved in assessing mortgage applications and the procedures involved in completing the transaction. The Unit also examines the procedures used by lenders to vary the terms of existing mortgage accounts.

The Unit will prepare you for the regulatory requirements of the industry in relation to mortgage advice but will not provide you with exemption from regulatory examinations relating to mortgage advice.

You will be required to complete tasks relating to four main areas of mortgage lending

- Property law
- House buying and mortgage application processes
- Mortgage products and payment methods
- Non standard lending applications

There is likely to be one assessment for this Unit. This assessment is likely to consist of a range of questions based on a case study. You will not be advised of the questions in advance of the assessment nor will you be allowed to bring any material to the assessment. It is expected that the average candidate will take not more than two hours to complete the assessment.

You will need to complete all tasks to the required standard before achieving a pass in the Unit.