

# The Loughborough for Intermediaries

Mortgage Lending Criteria for Intermediaries

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## Section I Residential Mortgages – General Information

This information should be read in conjunction with the individual mortgage product features. Where the information differs, the individual mortgage product features will take precedence over the information stated below.

### The Application

**Advice:** We only accept residential applications on an ‘advised’ basis.

### The Loan

**Term:** Maximum 40 years.

**Loan size & LTV limits:** see individual product features.

**Purchase or Remortgage:** see individual product features for restrictions.

NOTE for remortgages, properties that have been owned for less than six months will be considered on referral.

### Repayment Methods

Capital and Interest, Interest Only or a combination are permissible.

#### Interest Only

- Allowable up to a maximum of 75% LTV. (Except sale of mortgaged property, max. 60% LTV)
- We require in writing, a description of the repayment vehicle to repay the mortgage at the end of the mortgage term.
- We require the repayment vehicle to have been in place for twelve months before the mortgage application is submitted.
- Applicants will be required to complete a declaration as part of the mortgage offer documentation.

Examples of acceptable repayment strategies:

- Endowment.
- Cash lump sum from a Personal/Occupational pension plan.
- Equity ISA/PEP. ^
- Unit Trust. ^
- Sale of mortgaged property – We will accept sale of mortgaged property subject to a max. LTV of 60%, subject to a minimum equity in the mortgaged property (at application) as set out below:

PROPERTY LOCATION*	MINIMUM EQUITY
North (East & West), Yorkshire & Humberside	£200,000
Midlands (East & West) & Wales	£225,000
South (East & West)	£350,000
London (within M25)	£500,000

\*see regional postcodes below

The 60% LTV limit applies to the interest only part of the loan, if the customer wants to take a combination of Capital and Interest (repayment) and Interest only they would be permitted to take the interest only portion up to 60% LTV and the rest on repayment up to a total LTV limit of 80%, this is subject to the required minimum equity position at application (as set out above).

Interest only is excluded for the following lending types (permitted only on a repayment basis);

- Shared ownership and First Homes Scheme
- Residential Impaired Credit
- Deposit Guarantee

PROPERTY LOCATION	MINIMUM EQUITY	POSTCODE
North East & West, Yorkshire & Humberside	£200,000	BB, BD, BL, CA, CH, CW, DH, DL, FY, HD, HG, HU, HX, L, LA, LS, M, NE, OL, PR, SK, SR, TS, WA, WF, WN, YO
Midlands East & West & Wales	£225,000	B, CO, CB, CF, CV, DE, DN, DY, HR, IP, LD, LE, LL, LN, NG, NN, NP, NR, PE, S, SA, ST, SY, TF, WR, WS, WV
South East & West	£350,000	AL, BA, BH, BN, BR, BS, CT, CM, CR, DA, DT, EN, EX, GL, GU, HA, HP, IG, KT, LU, ME, MK, OX, PL, PO, RG, RH, RM, SG, SL, SM, SN, SO, SP, SS, TA, TN, TQ, TR, TW, UB, WD
London (central London)	£500,000	E, EC, N, NW, SE, SW, W, WC

- Sale of investment property or second home:
  - We will accept the sale of an investment property or second home in the UK, provided the equity in the property is currently sufficient enough to cover the amount being borrowed (ownership must be evidenced via land registry and value via Halifax Price Index).
  - Where a shortfall is identified, this element must be on either a capital and interest repayment basis or the shortfall made up by means of increasing the deposit.
  - It is your clients' responsibility to ensure they have sufficient capital to repay the mortgage at the end of the term.
    - ^ We require any such vehicle to have a monthly contractual payment and have been in place for 12 months before the application for the mortgage (evidence of such payments can be provided via bank statements or annual statements). We will require an illustration from the vehicle provider of the projected future value at the end of the mortgage term based on assumed growth rates (2%, 4% and 6%).

Examples of Interest Only repayment strategy sources we don't accept:

- Conversion to repayment in the future.
- Cash ISA.
- Overpayments from income.
- Inheritance.

## Financing the Deposit

All applicants are expected to provide a minimum 5% deposit out of their own savings or proceeds of sale.

The following alternatives are acceptable sources of deposit:

- Sitting tenants purchasing under right to buy.
- Interest free loan or gift from relative.
- Purchase under value (special purchase price) there must be a relationship between buyer and seller e.g. parent and child.
- Buy for Uni purchases and First Time Buyer Family Deposit mortgages.
- Sitting tenant purchasing under right to buy or right to acquire provided the LTV is below 80%.

Sources we don't accept for deposit:

- Builders deposit unless the applicant has paid a minimum 5% from their own funds. If the applicant is receiving a discount on the purchase price but there is no family relationship with the seller a minimum 5% deposit of the agreed purchase price (not property value) is required (Right to Buy is excluded from this requirement).
- Vendor cash deposits.
- Personal loan or other credit.

## Capital Raising

CAPITAL RAISING REASON*	Maximum % LTV
Property related i.e: home improvement (builders estimates required above 80%)	95%
Help to Buy Buyout	90%
Transfer of Ownership	90%
Deposit on or purchase of 2nd home, holiday home or Buy to Let	80%
Family reason e.g. university fees, wedding, lifetime gift, bank of mum and dad	85%
Capital injection into business (not permitted for borrowing in/into retirement)	80%
Debt consolidation Not available for Specialist Self-Employed or applicants currently in financial difficulty	80%

\* Note: there is a broader range of acceptable reasons for borrowers aged 80 and over, although lower LTV limits apply.

## The Applicant(s)

### Minimum age

18.

### Maximum age

80 at the end of the mortgage term for general products. Post age 80 Borrowing in/into Retirement products apply and, post age 70, borrowing in/into retirement criteria applies.

### Residency

The applicant/s must have resided in the UK for the past three years. HM Armed Forces personnel who have been temporarily stationed abroad are deemed to have been resident in the UK during their period of overseas deployment.

#### a) Non-UK residents:

- We don't accept mortgage applications for non-UK residents.
- Requests from existing LBS members will be given consideration.

#### b) Non-UK nationals:

- Mortgage applications from non-UK nationals from EEA countries will only be considered where the applicant has permanent rights to reside in the UK, or Indefinite Leave to Remain (ILR) under the EU settlement scheme, or has made a successful application for 'settled status' or has pre-settled status having been resident for 3 years.

#### c) Dual Nationality

- If an applicant has dual nationality they must have a British passport, or information from the Home Office to confirm they are a British national.

In addition, if the applicant is not from an EEA country, appropriate documentation by way of a Biometric Residence Permit or Home Office letter to confirm permanent rights to reside, or Indefinite Leave to Remain or Enter, and permission to work should be provided.

We do not accept applicants on working Visas.

## Credit History

Product restriction may apply. **Applications which have complex credit considerations will be offered a limited choice of product options. For more information see page 8.** General criteria is provided below.

### Arrears / Defaults / Missed or Late Payments

- Missed/late payments are acceptable providing the missed payments have not exceeded 2 months' payments within the last 2 years, any missed payments are satisfactorily explained and the account has been up to date for the last 6 months. Max 95% LTV (product dependent) and no referral required.
- Where enquiries reveal arrears equivalent to 3 months payments or more overdue on any major commitment (e.g. mortgage, secured loan, unsecured personal loan or credit card) within the last 2 years, the application must be referred with a full explanation for the arrears and will be subject to a maximum 70% LTV.
- Mail order/utilities/telecoms/current accounts arrears or defaults with no other complex credit issues and repaid at least 3 months before the date of application are acceptable and no referral is required. Where arrears/default are outstanding or were repaid within the last 3 months – must be referred up to 95% LTV.

## **CCJs**

- CCJs registered more than 3 years ago and satisfied more than 3 years before application are disregarded.
- Up to 3 CCJs of less than £500 in total and satisfied at least 3 months before the date of application are acceptable up to 95% LTV (product dependent) and no referral required.
- Up to 3 CCJs with a total amount up to £1000 and any of the CCJs have not been satisfied more than 3 years before the date of the application may be considered on referral and are subject to a maximum 70% LTV.

## **Bankruptcy**

- Applicants who are currently bankrupt are unable to apply for a mortgage.
- Applications from individuals who were bankrupt but who have been formally discharged for a minimum of 3 years will be considered provided they have been in continuous employment for at least 12 months and all other criteria has been met.

## **Individual Voluntary Arrangement (IVA) and Debt Management Plans (DMP)**

- IVAs / DMPs registered more than 3 years ago and satisfied more than 3 years before application are disregarded.
- All cases that have an IVA or DMP which has been satisfied for less than 3 years from the date of the application are subject to a maximum 70% LTV and must be referred.
- Applications from individuals with current IVA's or DMP's will be considered provided the IVA or DMP has been conducted satisfactorily for a minimum period of 2 years from the date of the application. Maximum LTV 70% and must be referred.

## **Pay Day Loans**

- Considered by referral provided the applicant doesn't have a reliance on short term e.g. numerous repeated loans in the last 12 months, with other credit repayment issues or bank account conduct issues.

## **Complex Credit**

For Shared Ownership, Special Purchase Price, Right to Buy the max. LTV will be 70% of the reduced purchase price or the share being purchased. For Family deposit/assist the application must be referred and minimum collateral deposit 30%.



Credit Criteria	Prime +1 products are restricted to a Max LTV of 70% and apply to the scenarios below
Arrears	We will consider by referral: Worst status 3-6 months in last two years
Defaults (Mortgage, Secured Loan, Credit Card or personal loan)	We will consider by referral: Defaults satisfied or unsatisfied within the last two years with a full explanation of the facts
CCJs	We will consider by referral: Up to 3 CCJ's, satisfied or unsatisfied, totalling a combined maximum of £1,000.
IVA/DMP	We will consider by referral: Applicants who have been subject to a DMP/IVA which has been satisfied within the last 3 years. Applicants currently in an IVA/DMP must have conducted the arrangement satisfactorily for a minimum of 2 years prior to the date of application
Bankruptcy	We will consider by referral: Discharged for more than 3 years with other complex credit issues
Repossession	We will consider by referral: Discharged for more than 3 years with other complex credit issues
Mail Order, Utilities, Telecoms	We will consider by referral: Arrears/Defaults with other credit issues and/or not satisfied at least 3 months before the date of application
HCSTC (High-Cost Short Term Credit) e.g. Pay day loans	We will consider by referral: 2-3 in last 12 months with a full explanation as to the reason for the HCSTC (excludes Self-Build)

## Section 2 Employment Status

### Employed

- Employed applicants are required to provide 12 months employment history.
- Applicants previously in education/vocational training, who have not completed 6 months in the role, or have a contract of employment to start in the next 3 months, are acceptable for the following occupations:  
Medical Doctor  
Medical consultant/Surgeon  
Anaesthetist  
Optometrist  
Solicitor  
Barrister  
Dentist  
Vet  
Pilot  
Accountant
- Less than one year's employment history is permissible provided that the applicant was previously in full time education/vocational training and minimum 6 months in role.
- Pieceworkers must have been in their current job for at least a year.
- If an applicant is in a probationary period, there are no additional requirements provided that the applicant can provide a minimum of two years employment history and/or stability of employment e.g. consistency of type of employment or no more than two other employers in the last two years
- The applicant must be on the permanent staff (i.e. not a temporary position).

### Self Employed

- Sole Trader/Partnership – must have been trading a minimum of 2 years, with completed accounts available to verify.
- Director of a Limited Company – company must have been incorporated for the last 2 years.

A qualified accountant (ACCA, CIMA, CIPFA, ICAEW, CIT or FCCA) must provide details for the last two trading years. Where the business has been trading for less than three years, at least two years accounts should be provided plus a projection for year three will be required from the accountant. Three years SA302s can be accepted.

If the accountant is not a member of one of the bodies stated above, additional verification of taxable income should be obtained from the Inland Revenue – three years SA302s.

Where the latest information is based on draft accounts, the accountant should confirm that, to the best of his/her knowledge, no material changes are likely.

### Fixed Term Contracts

- Employees on a fixed term contract with a minimum of six months until expiry are acceptable, provided they are professionals (i.e. excludes unskilled, manual, clerical workers) and have worked in the same profession for a minimum of one year.

### Temporary/Agency Workers

- Income from temporary employment may be taken into consideration where the applicant has a continuous work history of similar employment over a 12 month period and can evidence regular earnings for the last six months (if the Temporary/Agency work has a fixed end date see Fixed Term Contracts).

### Secondary Employment

- Income is acceptable where earnings can be shown from this source for the last six months. Due regard will be given to the nature of the work, the total number of working hours and the feasibility of this being sustained.

## Maternity / Paternity Leave

Where it is known that an applicant is, or will be, on maternity / paternity leave, the following information is needed:

- Anticipated return to work date and whether returning on a full time/part time basis.
- Maternity / paternity income whilst off work (weeks at full pay/90% pay/SMP) and any savings provisions in place whilst on reduced pay.
- Payslip prior to maternity leave showing normal income.

We will assess the 'anticipated' return to work salary.

## Section 3 Affordability

We will assess an applicant/s borrowing ability using an affordability calculation based on their income, commitments and expenditure. This will confirm the maximum amount we will be prepared to lend.

For applications with more than two applicants, the first two incomes ONLY will be assessed.

Employed Income: the affordability calculator will automatically apply deductions to gross income, based on tax bands and NI contributions to calculate the net income.

Income multiples will be used to cap the maximum borrowing potential of an applicant even if the financial statement assessment indicates a high lending potential.

The maximum income multiples is 4.5 times (Joint or Single), subject to product maximums. Income multiples of 3.5 times (Joint or Single) apply for Borrowing in/into Retirement where the applicant is aged 80 years or older; see section 6 for more information.

### 5.5x Income – Product Specific (Standard Residential)

Enhanced income multiples of 5.5x (Joint or Single) are permissible for high earners for specific products only and subject to;

- minimum level of income; £50,000pa sole borrower / £75,000pa joint borrowers
- self-employed applicants require a minimum of 2 years accounts.

### Assessable Income Types

Primary income is defined as basic salary, net profit from a sole trading business or partnership, or salary and dividends from a Company Director with a 25% shareholding.

### Employed

INCOME TYPE	AMOUNT	CONDITIONS
Overtime/bonus/ shift allowances	100%	Must be the same amount on at least the last three payslips in order to guarantee
	50%	If regular as opposed to guaranteed (see above)
Commission	50%	
Car Allowance	100%	
Maintenance	50%	If NOT by court order
Maintenance	100%	Subject to CSA/court order
Large town (London) allowance	100%	
Mortgage/housing subsidy	100%	
Secondary employment	50% – if not related to primary occupation 100% – if nature of work is similar or identical to primary occupation	Subject to a minimum six months in this employment.

## Self Employed

STATUS	
Sole Trader	100% of the last year net profit unless showing a reduction, then average at least two years net profit*
Partnership	100% of their share of the net profit unless showing a reduction, then average at least two years net profit*
Director of a Limited Company	100% of applicant's salary & any Dividends taken (provided there is a net profit). Consideration can be given to assessing 100% of the applicants share of the net profit (after dividends have been paid) plus salary and Dividends for those businesses with minimal/no stock or cash dependencies e.g. service business, providing the net profit is sustainable*.

\* If there is a reduction of more than 15% then an explanation is required and the case will be referred.

### 1 year's self-employed (Maximum LTV 80% )

STATUS	
Sole Trader	Must have been trading a minimum of 12 months, with completed accounts available.
Partnership	Must have been trading a minimum of 12 months, with completed accounts available.
Director of a Limited Company	Company must have been incorporated for the last 12 months, with completed accounts available.

Applicants must be able to demonstrate a history of work in a similar industry (line of work) or have recently qualified in the profession or skilled trade. A qualified accountant (FCCA, ACCA, CIMA, CIPFA, ICAEW or CIT) or registered auditor to provide details for the 1st years trading. If the accountant is not a member of one of the above bodies, additional verification of taxable income should be obtained from the Inland Revenue – SA302s. If the business has been trading for a minimum of 18 months a projection of net profit, prepared by a qualified accountant (as above) or registered auditor, for the 2nd year may be considered at the Underwriters discretion.

### Benefits

\*\* In all circumstances benefit income must not exceed more than 50% of total income \*\*

BENEFIT	% ACCESSIBLE
Universal Credit (UC)	100
Child Benefit	100
Working Tax Credit (WTC)	50
Child Tax Credit (CTC)	50
Personal independence Payment (PIP)	50
Disability Living Allowance (DLA)	50
Attendance Allowance (AA)	100
Constant Attendance Allowance (CAA)	100
Job Seekers Allowance (JSA)	100
Employment & Support Allowance (ESA)	50
Pension Credit (PC)	100
Adult Disability Payment (ADP)	50
Carers Allowance (CA)	100

Please note we will not accept the Housing Benefit Element of the Universal Credit Claim, this will be deducted from the net amount the applicant receives.

## Miscellaneous

INCOME TYPE	% taken for assessment
Pensions (state, Personal, Occupational) – evidence required	100%
Investment/Trust Income – evidence required: if guaranteed if NOT guaranteed	100% 50%
Maintenance (must not exceed 50% of total assessable income): if by Court Order if NOT by Court Order	100% (two years minimum) 50% (two years minimum)
Bursary – evidence required	100%
Foster Carers	We do not assess Foster Carers income
BTL rental income*: if 2 or less properties if 3 or more properties *Income from BTL(s) will be profit declared for tax evidenced from last two years SA302s or accounts submitted by suitably qualified accountant	50% of evidenced income 100% of evidenced income
Other household income – evidence required	50%
Where it can be evidenced this income is verified and sustainable, examples of this type of income may be: • a partner not named on the mortgage but living in the property and contributing to the household income (max. 70% LTV applies) • a lodger or tenant under the rent a room scheme	

## Contractor

Treated as self-employed for affordability purposes.

An umbrella company, or PAYE umbrella, is a company that self-employed contractors can join as an alternative to setting up (and working through) their own limited company. The umbrella acts as an intermediary between the applicant and their recruitment agency. The Umbrella company deals with administration (like accountancy and taxes) and also handles payroll. The umbrella company invoice and get paid for the work the applicant completes. Then pay the applicant through PAYE, deducting costs like taxes, National Insurance contributions and workplace pension payments.

Contractors paid via an umbrella, payroll service company, are acceptable (where the Umbrella company deducts full tax and NI). The contractor must have a fixed term contract with a minimum of 6 months until expiry and have worked in the same profession for a minimum of 1 year. Income to be assessed as for employed applicants. We will assess the last 3 months payslips averaged and multiply by 52.

## Sub-contractor

If the applicant has been working for one sole company and has done so for the last 6 months or more, we can treat as employed by the company i.e. assessing 100% of gross annualised income from last 3 months payslips or employers reference.

## Zero Hours Contracts

Provided the employee has worked for a minimum of 6 consecutive months with the same employer on a zero hours contract with no more than two weeks void of work, the average income per week over the previous six months can be assessed.

## Commitments & Expenditure

The affordability calculator will ask for all monthly commitments and household expenditure. The household expenditure should be based on the property to be mortgaged.

### Loans and Credit Cards

We will deduct as a monthly commitment any loan or credit card payments (including student loans) where there is an outstanding term of 6 months or more. We will use 3% of the outstanding balances on any/all credit card and mail order accounts as the monthly commitment figure.

### Payday Loans

Provided the applicant(s) do not have a reliance on short term credit the case should be acceptable; an explanation as to why the payday loan was taken out must be provided. If there is evidence of a reliance on short term credit e.g. numerous repeated loans in the last 12 months, with other credit repayment issues or bank account conduct issues, we will not accept an application. **Also see page 8.**

### Ground rent/Services charges – Leasehold properties

Where the proposed security is leasehold and there will be service and/or maintenance charges such a charge is to be treated as a commitment when assessing affordability.

The applicant will need to provide details of any such charges.

### Gambling

Consideration should be given to expenditure to gambling e.g. amount being placed each week/month, and any impact on the customer's management of finances e.g. missed payments or exceeding overdraft etc. Please Refer to Lender.

## Section 4 Property

### Tenure

Both freehold and leasehold are acceptable. If leasehold, the minimum required unexpired term on a lease must be at least 85 years from commencement of the mortgage and maximum ground rent is £250 pa (£1,000 in London). If ground rent exceeds this limit Forfeiture of Lease Insurance is required.

### Acceptable properties

Properties must be in mainland England & Wales and of traditional construction (e.g. brick and tile).

- Timber framed construction may be considered if brick clad.
- Wimpey 'no fines' and Easy Form can be considered subject to a satisfactory valuation.
- New build:
  - New build houses are acceptable up to 95% LTV (we do not accept builders' deposits unless the applicant has paid a minimum of 5% from their own funds).
  - New build flats /apartments/maisonettes for owner occupiers and BTL applications considered up to a maximum of 80% LTV.
  - New build warranties – we accept NHBC, Premier Guarantee, Building Lifelans Limited (BLP, and Allianz Guarantee), Buildzone, LABC (New Home Warranty), Protek, Checkmate Castle 10 and One Guarantee. Other warranty policies are not acceptable.
- Properties with flying freeholds up to a maximum 25% of floor area.
- Self-build.
- Flats / Apartments / Maisonettes for owner occupation:
  - Maximum of 5 floors, if our security is above the 2nd floor, the apartment must be serviced by a lift.
  - Up to a maximum of 80% LTV (90% available in the East Midlands only).
  - Subject to the valuer confirming the security is 'readily resaleable'.
  - External balcony / open deck access to individual flats is unacceptable.
  - Flats above lockup garages are not acceptable.
  - No Studio or Ex-RTB.
  - Above commercial premises will be considered via referral.

### Unacceptable properties

- Pre-fabricated properties.
- Steel framed properties.
- Timber framed/timber clad properties.
- Flat roofed houses.
- Any construction covered by Housing Defect legislation, such as high alumina cement; prefabricated reinforced concrete; large panel system.
- Ex-local authority & housing association (ex-public sector) flats are not acceptable.
- Second homes / holiday homes are not accepted.
- Shared equity is not acceptable.

### Solar panels

- Houses fitted with solar panels are acceptable, provided that adequate insurance is in place to cover any damage caused to the property by the solar panels, solicitors to confirm.
- For re-mortgage applications on houses with solar panels fitted these must have been fitted under a lease agreement, solicitors to confirm.

### Valuations

All properties are subject to a physical valuation. These are instructed via a panel management company and encompass a variety of national surveying firms.



## Section 5 Second Mortgages

### Let to Buy

New residential mortgages can be considered where the customer is, for example, upsizing or relocating with their job. We need to be satisfied that the existing mortgages will be converted to a permanent letting agreement and we require:

- Consent to let confirmation, in writing, from the existing lender or a copy of the LTB re-mortgage offer from the new lender.
- Rental coverage of 130% (Basic Rate Tax Payers) or 165% (Higher Rate Tax Payers) of the mortgage commitment (based on a notional 5.5% interest rate). This calculation must include any additional capital raising for deposit funds. If the rental coverage is less than 130% (Basic Rate Tax Payers) or 165% (Higher Rate Tax Payers), any shortfall will be annualised and deducted from income before applying our income multiples to new residential mortgages. No surplus rental income will be assessed.
- A professional letting agents letter confirming the potential rental income.
- Where the existing property has little equity or is in negative equity, we may not be able to assist and the case should be referred to us before submission.

### Residential applicants who own other properties

Applicants must be current owner-occupiers for us to consider proceeding where there are any other mortgages in the background. We may consider an application where the customer is temporarily living with family or renting, due to work commitments and they still own their ex-residential property. We must be totally satisfied that our security will be the customer's main permanent residence. We may require proof of deposit for the new purchase.

### Existing residential property up for sale

Where the customer/s have, for example, their existing residential property up for sale, but may not have sold by the time they complete on the new purchase. We will treat the existing mortgage payment as a monthly commitment.

Where the existing matrimonial or dependent relative(s) mortgage is to remain, we must be satisfied that the new residential property to be purchased is for the customer/s own use. We will assess the existing mortgage as a monthly commitment.

### Existing Buy-to-Let properties in the background

- Applicants must be current owner-occupiers.
- Professional landlords will be considered and treated as self-employed and we require 2 years' accounts and/or tax assessments. They will be required to complete an Assets and liabilities statement.
- For Non-Professional landlords, we will consider treating the BTL mortgages as self-financing, subject to:
  - Rental coverage of 130% (Basic Rate Tax Payers) or 165% (Higher Rate Tax Payers) of the mortgage commitment (based on a notional 5.5% interest rate). This calculation must include any additional capital raising for deposit funds. If the rental coverage is less than 130% (Basic Rate Tax Payers) or 165% (Higher Rate Tax Payers), any shortfall will be taken into account in the affordability calculation.
  - Proof of rental income and mortgage payment/s on the most recent bank statement/s.
  - Consent to let will be required or proof the mortgage is on a BTL basis (BTL mortgage statement).

## Section 6 Solutions

### Borrowing in and into Retirement

#### The applicant

Applications for Borrowing into/in Retirement products will only be accepted from applicants who are already over the age of 80, or whose required mortgage term will take them beyond age 80.

For joint applications if the definition applies to only one of the applicants, then eligibility for a mainstream product will need to be considered taking into account whether affordability relies on the income of the older applicant.

Joint applicants are eligible for the entire product range (subject to criteria) in cases where:

- There is no reliance on the income of the older borrower and the term does not take the younger borrower beyond age 80.
- Reduced maximum LTV limits apply to older borrowers:
  - Up to age 70 at the end of the mortgage term - Max 95% LTV
  - Up to age 70 at the start of the mortgage term and under 80 years old at end of term - Max 80% LTV
  - Over age 70 at the start of mortgage term and under 80 years old at the end of term - Max 70% LTV
  - 80 years and over at end of the mortgage term - Max 60% LTV

Maximum two borrowers per application.

We will NOT accept applications where a Power of Attorney is already active i.e. where the PoA wants to arrange a mortgage on behalf of the donor, we would decline.

Capital raising accepted for some purposes, maximum % LTV limits apply depending on the specified reason – please refer to lender.

For all applications Independent Legal Advice will be required.

#### Borrowing ability

- Where the proposed mortgage term is likely to exceed our assumed applicant retirement age of 70, the ability to continue to pay the mortgage on the applicant(s) pension income must be assessed. We will use state pension plus any personal/occupational pension income, to cover the remaining mortgage balance at retirement age.
- Applicants must be in receipt of employed, self-employed, personal or occupation pension income.
- Applicants who will be wholly reliant on state pension and benefits only will not be accepted.
- If working after the age of 70, the type of employment will need to reflect their ability to work beyond that age.
- Absolute maximum income multiples of 3.5 times for applicants already in retirement, or beyond age 80 (joint or single, income multiples will be used to cap the maximum borrowing potential of the applicant(s) even if the financial statement assessment indicates a higher lending potential).

#### Buy to Let (as per residential with the following exceptions)

- We will accept applicants who have no previous mortgage experience (i.e first time buyers/first time landlords) excluding Family BTL where applicants must be current owner occupiers of their own residential property with a mortgage, or have previously had mortgages for which evidence can be obtained (consideration will be given to applicants who are co-habiting with a partner in a mortgaged property).
- Regulated Buy to Let are accepted. We will lend to landlords who have close family members as a tenant i.e. the applicants current or ex spouse or civil partner, parent, sibling, child, grandparent, grandchild, step relative or in law.
- We will **NOT** lend where the application is in the name of a non-individual i.e. a Company, Trust or Partnership.
- We will **NOT** lend for Sale and Rent back scenarios or distressed sales.

- Maximum four borrowers per application.
- Minimum age 25.
- Maximum age 80 (at the end of the mortgage term).
- Minimum income for the applicant is £25,000pa. Joint applicants using combined income to achieve the minimum £25,000 may be considered by referral.
- Capital and Interest, Interest only or a combination are permissible (The Society considers that the sale of the property at the end of the mortgage term is an acceptable repayment strategy).
- The interest coverage ratio must meet 130% (Basic Rate Tax Payers) or 165% (Higher Rate Tax Payers) of the monthly mortgage payment based on interest only. This is based on the gross rent receivable, and is stressed at the product rate plus 2% or 5.5% whichever is higher.

### **Holiday Let**

In addition to the BTL criteria set out above the following additional criteria applies to Holiday Lets:

- Max 60 days for applicant(s) own use
- Not intended for use as a long term let therefore maximum continuous let is 12 weeks
- A holiday let rental assessment is required from a local agent confirming the number of lettable weeks and the total expected annual rental income
- Rental coverage is set at 130% regardless of the applicant(s) tax position
- It will be a condition of the mortgage that a holiday lettings management company be in place for the duration of the let
- Portfolio Landlords are NOT accepted for Holiday BTL
- The property must not have any restrictive covenants on use i.e holiday let only/owner occupied only
- Specialist buildings insurance will be required as a condition of mortgage
- Holiday lets must be included in the total of lettable properties mortgaged by the borrower for Portfolio landlord purposes
- Letting must be managed via a reputable Holiday Letting Company

### **Shared Ownership**

- Only from Housing Associations where the Lease is based on the government April 2015 Model Lease.
- Minimum purchase 25% of the property.
- We will only accept Capital and Interest. We do not accept Interest Only or a combination.
- Flats/Apartments - New Build apartments/flats/maisonettes will be considered for Shared Ownership up to a maximum 80% LTV of the share being purchased and established purpose built or conversions may be considered subject to a maximum of 90% LTV of the share being purchased.
- Applications will not be accepted on properties with re-sale restrictions or clauses.
- Re-mortgages are only accepted if the lease includes the mortgage protection clause.
- Applications may be considered on referral for re-mortgage purposes for straight swaps, stair-casing, and additional borrowing for home improvements/essential repairs and transfers of equity where written consent has been obtained from the Housing Association.

### **Right to Buy and Right to Acquire**

- Maximum loan 100% of discounted purchase price.
- If after the RTB or RTA discount is applied the LTV based on the property value is above 80%, the applicants will be required to put down a minimum 5% of the discounted purchase price as per page 6 financing the deposit.
- Additional borrowing for home improvements is not available.
- The RTB is usually restricted to the official tenants who must also be party to the mortgage.
- A copy of the RTB letter should be obtained.

- Remortgage of a RTB property within the 5 year pre-emption period can be considered if there is no additional monies being raised.
- The second charge will be subject to a Deed of Postponement at extra cost to the applicant/s (unless there is only 12 months of the discount period remaining in which case no Deed of Postponement will apply).
- Right to Buy/Right to Acquire Flats not acceptable.
- If the LTV is below 80% the Society will consider lending up to 100% of the discounted purchase price.

### Family Deposit

- The applicant must be a first or second time buyer.
- The applicant must satisfy standard affordability requirements and be able to make the mortgage payments in their own right (up to 25% if Joint Borrower Sole Proprietor).
- We will only accept Capital and Interest. We do not accept Interest Only or a combination.
- Applications are acceptable for purchase or re-mortgage of the applicants residential home and the application may be supported by a deposit guarantee, a joint borrower guarantee or both.
- The Society will lend up to 100% of the purchase price (or valuation whichever is lower) subject to a minimum deposit of 20% financed via a cash security (held on deposit with the Society), a collateral security (a legal charge on the joint borrowers/guarantors property) or a combination of both.
- The joint borrower/guarantor must be a parent, step-parent or grandparent. Other close family members such as Aunt, Uncle or sibling may be considered on referral.
- If collateral security is used, then the current balance of any existing mortgage secured on the collateral property PLUS the Society's own charge for the deposit must not exceed 75% of the current valuation of the collateral property.
- If a collateral charge is to be used, then the Society will only accept the joint borrower/guarantor main residential home. We will not accept a collateral charge on a Buy to Let, second home or holiday home owned by the Joint borrower/guarantor.

### Buy for University

- The applicant must be a University student with a minimum one year remaining of their University studies.
- The Society will lend up to 100% of the purchase price (or valuation whichever is lower) subject to a minimum deposit of 20% financed via a cash security (held on deposit with the Society), a collateral security (a legal charge on the Guarantor's property) or a combination of both.
- The Society will accept applications for purchase only.
- We will accept Interest only and Capital and Interest (repayment) or a combination.
- Maximum term 7 years.
- Affordability will be determined by the rental potential of the vacant rooms to be sufficient to meet the affordability requirements, using 130% interest coverage ratio stressed at 5.5% or 2% above the product pay rate whichever is the higher (no rental income from the assisted borrower should be assessed). Family member(s) income can be assessed along with the rental potential of the property for the vacant rooms (see Joint borrower sole proprietor).
- A joint borrower is required and must be a parent, step-parent or grandparent. Other close family members such as Aunt, Uncle or sibling may be considered on referral.
- If collateral security is used, then the current balance of any existing mortgage secured on collateral security property PLUS the Society's own charge for the deposit must not exceed 75% of the current valuation of the collateral security.
- If a collateral charge is to be used, then the Society will only accept the joint borrowers main residential home. We will not accept a collateral charge on a Buy to Let, second home or holiday home owned by the joint borrower.

## Second Homes/Holiday Homes (Borrowers own residential use only)

- Maximum LTV of 80% although reduced maximum LTV limits apply to older borrowers; see Borrowing in and into Retirement in section 6 for more information.
- Maximum income multiples of 4.5 times apply although reduced maximum income multiples apply to older borrowers; see Borrowing in and into Retirement in section 6 for more information.
- Available on Capital and Interest, Interest Only or a combination.
- Properties with restrictive occupancy will not be accepted.
- Affordability assessment will be based on the ability to meet the costs of running both properties.

## Joint Borrower Sole Proprietor

A joint borrower sole proprietor mortgage (JBSP) **allows additional people (non-owning joint borrowers) to be added to a mortgage while only the owner-occupier(s) (proprietors) are named on the deeds and therefore on the proprietorship register.**

**The non-owning joint borrower will be 'jointly and severally' responsible for the mortgage payments and for obliging by the terms and conditions of the mortgage.** The Society's obligations in terms of responsible lending are the same as for all parties to the mortgage.

### Acceptable reasons for JBSP

The application must be for the owner occupiers main residential home and they must reside in the mortgaged property.

It enables the owner-occupier (proprietor(s)) to maximise their mortgage borrowing capability by combining incomes a non-owning joint borrower but retaining sole ownership of their property and may be used in cases where:

The proprietor(s) independent income derived from employment, self-employment &/or pension sources is not enough to support the required level of borrowing without assistance.

### Acceptable non-owning joint borrowers

Due to the commitment required, only family members are accepted. The family member(s) must be related as; Son(s) / Daughter(s), Parent(s), Step-Parent(s), or Grand Parent(s).

We may accept other family member(s) such as Uncle, Aunt, Sibling (s) and Step-Siblings on referral at the Underwriters discretion.

The non-owning joint borrower must be resident and have permanent rights to reside in the UK and have done so for the last 3 years.

First-time buyer non-owning joint borrowers are not permissible. The non-owning joint borrower must have/ or have had a mortgage in their own name. Consideration will be given to non-owning joint borrowers who are co-habiting with their partner in a mortgaged property.

For all applications Independent Legal Advice will be required.

## Affordability

### a) Owner-occupier

The owner-occupier **must have** independent employed, self-employed and/or pension income and **must be able** to cover a minimum of 25% of the loan amount based on income multiples.

The income and expenditure assessment is carried out on the owner-occupier as per current affordability test for standard residential applications to calculate the shortfall in the stressed payment amount based on capital and interest repayment.

The overall income and expenditure assessment can include the income from all borrowers (max. 4).

## **b) Non-owning joint borrowers**

The non-owning joint borrower will need to demonstrate a reliable level of income from an acceptable and verifiable source sufficient to meet the value of the shortfall in the owner-occupier's income, having first taken into account their own financial commitments.

The affordability test must cover all expenditure including any existing mortgages held by the non-owning joint borrower.

### **Credit History**

As per section I of this document for both proprietor and non-owning joint borrower(s).

### **Maximum number of parties to the loan**

Up to 2 owner occupiers and up to 2 non-owning borrowers on a JBSP mortgage (up to 4 people in total will appear on the mortgage).

### **Minimum and maximum age**

The minimum age at the start and the maximum age at the end of a JBSP mortgage term as per section I of this document, and this applies to all parties i.e. non-owning joint borrower(s) and owner occupier(s)

### **Maximum % LTV**

As current criteria, this depends on age of the oldest borrower (proprietor and non-owning joint borrower) at the end of the mortgage term (product dependent):

Up to 70 years old	- max 95% LTV
70 – 80 years old	- max 80% LTV
Over 80 years old	- max 60% LTV

### **Mortgage type**

Available for purchase and re-mortgage.

### **Repayment type**

Capital & interest only.

Interest only and part & part are permitted for retired owner occupiers and subject to requirements set out in the Underwriting criteria for Lending in/into Retirement.

Acceptable types of lending include; First and next time buyers, Borrowing in/into Retirement, First Time Buyer Family Deposit and Buy for University, all for purchase and re-mortgage.

Excluded product types include;

Buy-to-let,

Shared ownership,

Self-build

Specialist self-employed (where there are less than 2 years accounts).

Joint borrowers who would be categorised as specialist self-employed (where there are less than 2 years accounts) are not permitted.

### **Acceptable property types**

Standard criteria applies (contact 01 509 631953 for more information).

## Independent legal advice

All parties to the mortgage must obtain independent legal advice so that they are aware of their responsibilities and rights and what might be involved should there be a change in circumstances and the non-owning joint borrower wants to have their name removed from the mortgage at some future date. This will be a condition of the mortgage offer.

## Homes England – First Homes scheme

We will accept applicants under the First Homes scheme, the property can be:

- A new home built by a developer
- A property being purchased/remortgaged which was originally purchased as part of the scheme.

To qualify the applicant must be able to provide:

- An 'Authority to Proceed and Eligibility certificate'
- A deposit of 5% of the discounted purchase price

In addition to the Society's standard residential lending criteria, the following additional criteria applies to First Homes:

- We will only accept Capital and Interest repayment mortgage; we do not accept Interest Only or a combination.
- Available on houses only. Flats/Apartments & Maisonettes are not permitted.
- Applications may be considered for remortgage purposes for straight swaps, home improvements, transfers of equity where written consent has been obtained from the Local authority including confirmation of the current value and percentage discount the borrower originally received.

## Discount Market Value (DMV) scheme

We will accept applicants under a DMV scheme, the property can be:

- A new home built by a developer.
- A home purchased from someone else who originally bought it as part of the scheme.

The local authority may also set some eligibility conditions. The applicant must have submitted an application for the First Homes/DMV scheme to the local authority and received back an 'Authority to Proceed' and Eligibility certificate, which the Society will require a copy of.

## The Loan

### Purchases

The minimum mortgage advance amount is the equivalent of 50% of the discounted purchase price. The maximum LTV is 95% of the discounted purchase price.

### Remortgages & Further Advances

We will accept Remortgage and Further Advance applications for the following purposes: - Straight swaps (like for like remortgage) - Capital raising may be considered for the following reasons: - home improvements, - transfer of ownership i.e to buy a party out.

Other purposes may be considered **at the Underwriters discretion. All applications (inc. Further Borrowing) will require written agreement from the Local Authority (Authority to Proceed (ATP) and Eligibility Certificate) and confirmation of the current value and percentage discount the borrower originally received.**

## **Repayment methods**

We will only accept Capital and Interest. Interest only or a combination is NOT permissible.

## **Property**

Available on houses only. Flats/apartments & maisonettes are not permitted.

Under the First Homes scheme the property cannot cost more than £250,000 (£420,000 in London) after the discount has been applied.

## **Section 106**

To be eligible for an LBS DMV mortgage, the S106 Agreement would need to include at least one of the following clauses:

- Property eligibility restrictions to be reviewed or removed no longer than 3 months from the date of decision to sell, with no restriction on marketing for sale at all after 6 months.
- A Mortgagee Exclusion clause would apply immediately on possession and would continue in force for successors in title to the mortgage ensuring that all successors also are free from the relevant restrictions and the above cascade mechanism is in place for the borrower.
- The restrictions only apply to the lender and borrower on the first transaction and is subsequently dis-applied to any future transactions.

The Society would require the Solicitor acting for the purchaser to confirm that a suitable S106 Agreement was in place.



## Section 7 Packaging your application

For each applicant we require:

### Evidence of Income

Employed applicants

- Last three months' pay slips – main occupation.
- Last six months' pay slips – secondary occupation/income.

Self Employed applicants (directors/partners of Limited Co. with 20%+ shareholding)

- Last two years audited accounts or Inland Revenue SA302s.

Non borrowing occupants

- Confirmation is required of the relationship and the period of co-habiting, plus the last three months documentary evidence of household income contribution e.g. bank statements.

Holiday Let

- Confirmation of the average annual rental potential of the property is required from a local letting agent.

### Affordability Assessment

To be completed and submitted for all applications.

### ID

- Current signed UK or EU Passport.
- Current UK Photo card Driving License (full or provisional). ^
- Current UK Paper Driving License (full only).
- National Identity Card (non-UK nationals).
- Firearms Certificate or Shotgun License.
- Identity Card issued by the Electoral Office for Northern Ireland.

**Proof of Address** – it is assumed that proof of address will be verified by the electoral roll search we undertake. If verification doesn't occur, you'll be asked to submit one of the following documents:

- Current council tax statement or demand letter – no more than 12 months old.
- Current bank statement or credit/debit card statement issued by a regulated firm in the UK, EU or equivalent jurisdiction – no more than three months old.
- Utility bill – no more than three months old.
- Current (old style) full driving license. ^
- Recent evidence of entitlement to a state or local authority-funded benefit (including housing benefit and council tax benefit), tax credit, pension, educational or other grant for Northern Ireland.
- Instrument of a court appointment (such as liquidator, or grant of probate).

^ We can't use the same document to check the applicants ID and their address. (If you can't provide any of the above documents, please contact [brokers@theloughborough.co.uk](mailto:brokers@theloughborough.co.uk))

We reserve the right to carry out any further checks of the applicant's identity and address if we think we need to do so in order to comply with our legal obligations.

### Additional Requirements

Maintenance by court order – a copy of the court order must be obtained and the last 3 months bank statements confirming receipt of the maintenance amount outlined in the order.

Maintenance with no court order – last six months bank statements confirming the amount of maintenance declared is paid monthly.

December 2024

The Loughborough Building Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Financial Services Register number: 157258.

