

Mortgage Lending Criteria

Effective from 3rd May 2019



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Mortgage Lending Criteria

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Section 1 - General Information

Geographical lending area	<p>We lend in England and Wales on Residential, Buy-to-Let and Holiday Lets.</p> <p>Please refer to the product bulletin on our Intermediary website for any restrictions on individual products.</p>
Age-residential applications	<p>Minimum age 18 Maximum age 85</p> <p>If the term of the mortgage takes applicant(s) beyond their state retirement age, then we will assess the likelihood of employment continuing until their stated intended retirement age. If lending into retirement, we will require evidence of pension income and will use this to assess the amount of borrowing.</p> <p>Please refer to interest only, Buy-to-Let and Holiday Let sections for age restrictions.</p>
Term	<p>Minimum 5 years. Maximum 40 years.</p>
Foreign Nationals	<p>We will accept applications from citizens of EEA-countries. Non EEA applicants must have indefinite leave to remain in the UK and, this must be evidenced in their passports which we will require sight of.</p>
UK Address history	<p>All applicants must have been residing in the UK for the last 3 years. In the case of armed forces personnel previously stationed abroad in the last 3 years with a BFPO address please refer prior to submission.</p>
Ex-Pats	<p>We do not lend to ex-pats.</p>
Credit history	<ul style="list-style-type: none"> ● CCJs/Defaults- No more than £500.00 of CCJs or defaults which must have been satisfied over 1 year ago. ● Missed/Late payments - We can consider 1 account up to a status 2 in the last 24 months but no missed payments in the last 6 months or 2 status 1 allowed in the last 12 months but must be up to date at the time of application. ● Bankruptcy/IVA discharged > 3 years ago-can be considered. ● Mortgage Arrears - None in the last 3 years and up to date at the time of application. ● Previous repossession - Not acceptable. ● Payday loans - Acceptable if satisfied over 3 years ago.
Criminal convictions	<p>Except for minor motoring offences, where the applicant has a conviction which is 'unspent', the application will be declined. Convictions which are 'spent' may be disregarded.</p>
Guarantors	<p>Not acceptable.</p>

Property ownership	The property must have been owned for at least 6 months before a re-mortgage can be considered. Exceptions can be agreed prior to submission e.g. inheriting a property, buying a part-exchange property from a national builder where ownership has been registered to the builder.				
Offer validity	<table> <tr> <td>Purchase</td> <td>6 months from the date of the first offer.</td> </tr> <tr> <td>Remortgage</td> <td>3 months from the date of the first offer.</td> </tr> </table>	Purchase	6 months from the date of the first offer.	Remortgage	3 months from the date of the first offer.
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Remortgage	3 months from the date of the first offer.				

Section 2 - Residential Loan & LTV restrictions

Minimum Loan Residential	£40k Please refer to product guide for any product specific restrictions.
Maximum Loan on any single property	£2m Please refer loans over £1m prior to submission. Please refer to product guide for any product specific restrictions.
New Build Properties	95% - Minimum 1 beds, subject to valuers comments.

Section 3 - Income

Maximum no of applicants	4 - We will use any 2 incomes.
Single Income	x 4.50 - please complete online affordability calculator.
Joint Income	x 4.50 - please complete online affordability calculator.
Foreign Currency	Not acceptable - All income must be received in sterling. Foreign currency income paid into a UK bank account and subsequently transferred to sterling is still considered to be foreign currency.
Time in employment	Permanently employed with their current employer for 3 months at the application stage. 1 break of no more than 1 month is allowed between previous roles in the last 2 years.
Probation	We will consider an applicant within a probationary period.
Commission, bonus or regular overtime	100% - If regular. Annual bonuses 50% - Latest two years evidence via payslips, the average of the last two years taken and then pro-rata to a monthly basis.
Shift allowance	All LTV's - 100% if evidenced that shift allowance is integral to the role.
Car allowance	All LTV's - 100% if evidenced as established part of employment.

Additional Duties Allowance	100% - Allowances are given to employees for designated additional duties on a permanent basis.
Income paid in cash	Not acceptable.
Location/Cost of Living Allowance (e.g. London Weighting)	100%.
Fixed Term or Rotational	Where the employer is responsible for Tax and National Insurance payments. Fixed term or continuous contract of 12 months or more, with 6 months remaining, and 2 years of continuous service in the same type of employment at the time of application.
Zero Hours Contract	Zero hours contract, with a minimum of 24 months with the same employer.
Maintenance - by Court Order only	Can be considered - Evidence of Court Ordered maintenance agreement needed and subject to sustainability in relation to the mortgage term.
Maternity/Paternity pay	The Underwriter will carry out sufficient due diligence to be satisfied the loan is affordable at the outset and during the term. If the return to work is 6 months or less then the full return to work salary can be used, subject to appropriate evidence.
Pension Income	We will require the latest pension statement/payslips dated within the last 12 months or the latest 3 months bank statements showing pension credits.
Bursary/Scholarship Benefits/Educational Grants	No.
Rental Income	Not to be used as sole source of income but can be used to supplement income provided it can be proven through SA302s or equivalent at 90% or less.
Acceptable Benefits - Department for Work and Pensions, Child Maintenance, Child Benefit	Considered at underwriters' discretion, cannot be a sole source of income and long term sustainability to be considered. Court ordered maintenance where appropriate.
Additional or secondary income	Considered provided sustainable.

Section 4 - Self Employed

Minimum trading period/ accounts required	2 years.
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Sole Trader	<p>Average of the net profit from the last 2 years SA302's and corresponding tax overviews. The latest documents must not be more than 18 months old.</p> <p>Please refer to our Broker helpdesk if there is a decline in the latest years figures.</p>
Partnership	<p>Average of the partners stated share of the net profit from the last 2 years accounts or SA302's and corresponding tax overviews. The latest documents must not be more than 18 months old.</p> <p>Please refer to our Broker helpdesk if there is a decline in the latest years figures.</p>
<p>Limited Company Director (> 20% shareholding in the company)</p>	<p>Average of the last 2 years salary and dividends. Please note that we do not accept retained profit. We will require the last 2 years accounts which must be prepared by a qualified accountant.</p> <p>Please note the latest documents must not be more than 18 months old. The following qualifications are acceptable:</p> <ul style="list-style-type: none"> • Institute of Chartered Accountants (FCA/ACA) • Institute of Chartered Accountants Scotland (FCAS/ACAS) • Association of Chartered Certified Accountants (ACCA/FCCA) • Chartered Institute of Public Finance Accountants (CIPFA) • Institute of Company Accountants (ASCA/FSCA) • Association of Authorised Public Accountants (FAPA/AAPA) • Association of International Accountants (FIA/AIA) • Chartered Institute of Management Accountants (ACMA/FCMA) <p>Please refer to our Broker helpdesk if there is a decline in the latest years figures.</p>

Section 5 - Affordability

Personal loans/HP/Secured loans/Child Maintenance/CSA	These will be deducted unless they have less than 6 months remaining at the time of completion.
Credit Card balances/Bank Overdraft/Shared Equity loan (Help to Buy Wales only)	3%.
Pension contributions	<p>If it is a company pension and contributions are deducted from salary it does not need to be declared as a commitment as this will be reflected in their net income.</p> <p>If it is a personal pension then it is treated as a commitment.</p>
Share save scheme contribution	Not deducted.
Private school fees	Treated as a commitment.
Childcare/nursery fees	Treated as a commitment.

Existing property not yet sold	Where an existing mortgage commitment is not being redeemed at completion of the new mortgage, the monthly mortgage payment and associated costs of retaining the property must be included in the expenditure for affordability purposes.
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Section 6 - Deposits

Personal	We will always require proof of deposit where it is not coming from the simultaneous sale of the borrower's existing property.
Builder/vendor gifted	No.
Country of origin	Funds must have originated from within the EEA and must not be borrowed from another source.
Gifted-donor living in property	We will not accept deposits if the donor will be living in the property but is not named on the mortgage.
Family gifted	Acceptable. We require a letter from the family member confirming the amount and that it is a gift and not a loan and they will have no interest in the property.
Capital raised from another property	It is acceptable to raise funds on another property.

Section 7 - Interest Only

Maximum LTV	50% (balance on repayment to meet lending criteria).
Minimum income	At least one of the applicants must earn a minimum £50k/joint income £80k. Please refer to sections 3 & 4 regarding acceptable incomes.
Maximum age	Repayment vehicle must repay the loan by 85th birthday. If the term of the mortgage takes applicant(s) beyond their state retirement age then the Society will make an assessment of the likelihood of employment continuing. If lending into retirement we will require evidence of pension income and will use this to assess the amount of borrowing.

Acceptable repayment vehicle	<ul style="list-style-type: none"> • Sale of another UK property (valuation will be required, and equity must be at least 110% of the interest-only loan). • Savings (must have been in place for at least 12 months and must be equal to or greater than the interest-only loan). We will not accept stocks and shares. • Pension (25% of the pension fund based on a mid-growth projection must be equal to or greater than the interest-only loan). • Endowment (100% of the maturity value based on a mid-growth projection must be equal to or greater than the interest-only loan).
Debt consolidation	We will not consider any element of debt consolidation on an interest-only basis. If any element of a loan is for debt consolidation, then the entire loan must be on a repayment basis.

Section 8 - Capital Raising

Debt consolidation	<p>Maximum £30k up to 80% LTV (subject to scheme rules). Debt consolidation not permitted on Buy-to-Let or Holiday Lets. Mortgage must be on a repayment basis. Limited to 25 years for term.</p>
Capital Raising	<p>Allowed for any reasonable purpose (excludes tax liabilities/gambling debts or any business purposes).</p> <ul style="list-style-type: none"> • Purpose of capital raising must be specified.

Section 9 - Buy-to-Let

Maximum LTV	75%
Term	<p>Minimum 5 years. Maximum 40 years.</p>
Loan size	<p>Minimum £40k. Maximum £1m or £2m aggregate.</p> <p>Maximum properties – A maximum of 20 with the Society. Limited company Buy-to-Let maximum properties – A maximum of 20 with the Society (£2m aggregate borrowing still applies).</p> <p>Please refer to product guide for any product specific restrictions.</p>
Applicant(s)	<ul style="list-style-type: none"> • All of the applicants must be an existing owner-occupier. • We will lend to first time landlords.

Age	<ul style="list-style-type: none"> • Minimum Age 21. • Maximum age 85, based on the main earner at the end of the mortgage. • Where the term of the mortgage takes the applicant(s) beyond state retirement age/intended retirement age we will not require proof of projected pension income.
Maximum no applicants	4.
Minimum income	<p>£25k main applicant.</p> <p>Please refer to sections 3 & 4 regarding acceptable incomes.</p>
Credit History	<ul style="list-style-type: none"> • CCJs/Defaults - No more than £500.00 of CCJs or defaults which must have been satisfied over 1 year ago. • Missed/Late payments-we can consider 1 account up to a status 2 in the last 24 months but no missed payments in the last 6 months or 2 status 1 allowed in the last 12 months but must be up to date at the time of application. • Bankruptcy/IVA discharged > 3 years ago-can be considered. • Mortgage Arrears-none in the last 3 years and up to date at time of the application. • Previous repossession-not acceptable. • Payday loans - acceptable if satisfied over 3 years ago.
Professional landlords (i.e. income only derived from rental income)	Refer.
Rental Income requirements	Rental income should be at least 45% more than the mortgage interest payment (based on the initial pay rate + 2% or 5.5% whichever is the greater).
If repayment, do you assess rental coverage on the repayment amount or do you default to interest only?	Interest only.
Portfolio Landlords	We will not lend to applicants who have more than 3 mortgaged Buy-to-Let properties (excluding Holiday Lets) unless as part of a limited company.
Student tenants	Up to 4 provided all on one AST, and the property is used as a single dwelling.
HMO's	Please refer to our Monmouthshire for Business Team.
Consumer Buy-to-Let	Yes – Subject to full income and affordability checks as per residential lending requirements.

Tenancy agreements	Property must be let under a Single Assured Shorthold Tenancy subject to no subletting.
AST term	6-12 months.
Applications will not be considered in respect of:	<ul style="list-style-type: none"> • Right to buy council homes. • Properties sold at auction. • Multiple Lets e.g. students. • Properties let to family members.

Section 10 - Holiday Lets

General	<ul style="list-style-type: none"> • Maximum 3 holiday Lets with the Society. Unlimited holiday Lets/ Buy-to-Lets with other lenders. • Specific products for holiday let purchases and remortgages - Please refer to product guide for any product specific restrictions.
Maximum LTV	Maximum 75% LTV.
Loan size	<ul style="list-style-type: none"> • Minimum loan £40,000. • Maximum loan £1m or total £2m aggregate.
Property	Property must not be on a holiday park or have any restrictions regarding occupancy and must be standard construction.
Term	<ul style="list-style-type: none"> • Minimum term 5 years. • Maximum term 40 years.
Applicant(s)	<ul style="list-style-type: none"> • Each applicant must be an existing owner-occupier. • We will lend to first time landlords.
Age	<ul style="list-style-type: none"> • Minimum age 21. • Maximum age 85 based on the oldest applicant.
Income	<ul style="list-style-type: none"> • Minimum income for 1 of the applicants: £25k. • Income cannot be derived from rental income - if term goes beyond retirement age we will not require proof of pension income. <p>Please refer to sections 3 & 4 regarding acceptable incomes.</p>

Section 11 - Property

Acceptable construction	<p>Roof - Slate/tile/thatch.</p> <p>Walls - Traditional brick/block, timber framed with brick outer skin.</p>
Tenure-freehold/leasehold	<p>Freehold houses (not flats).</p> <p>Leasehold flats & houses - must have 80 years left on lease at the time of completion.</p>

Share of freehold	Yes as long as a management company is in place.
Flats above commercial premises	Please refer to our Monmouthshire for Business Team.
Ex-local authority	Flats/Maisonettes subject to valuer's comments.
Basement Flats	Subject to valuer's comments.
Studio Flats	Acceptable in Central London minimum valuation £250k, minimum size 35m sq. subject to valuers comments within our postcode area N,NW, E, W, SE and SW.
Flying freehold	Flying Freehold element must be less than 10% of total floor area. If the flying freehold is above vehicle access then, this is acceptable as long as the freehold title also includes the access underneath the flat.
Coach Houses	Subject to valuers comments.
Maximum no of kitchens	1.
Local occupancy clause/ agricultural ties	No.
Maximum no of storeys (flats)	Subject to valuers comments.
Maximum land acreage	No restriction but valuation based on house and 1 acre only.
Second Residential/holiday home	Existing residential mortgage monthly payment and associated costs of running residential property must be included as a commitment for affordability purposes. Subject to LTV restrictions.
Annexe	Please refer with full details of the property including how annex is accessed.
Subletting	No part of the property or land can be let out to lodgers.
Non-Traditional Construction	Subject to valuer's comments.
Prefabricated Reinforced Concrete (PRC)	Must be repaired using an approved system-please refer.
Japanese Knotweed	A completion certificate confirming that the Japanese Knotweed has already been fully eradicated with a minimum 10-year insurance backed guarantee must be in place.
Single skin construction	No.

Section 12 - New Build

Definition of new build	<ul style="list-style-type: none"> • A newly built property that has not been occupied. • A property being bought off plan. • A property that has been completely renovated by a builder/ developer who has had vacant possession for the complete property refurbishment. • A newly converted property i.e. conversion of a property that was previously non-residential e.g. a barn.
Warranties	If the property is under 10 years old then it must be subject to a NHBC or similar warranty as detailed in the UK Finance Lenders Handbook or have the benefit of a UK Finance Lenders Professional Consultant Certificate from a qualified architect.
Property types	Flats and houses - must be a minimum 1 bedroom subject to valuers comments.
LTV	Maximum 95% on flats and houses.

Section 13 - Housing Schemes

Help to Buy (equity loan)	<ul style="list-style-type: none"> • Help to Buy Wales only. • Maximum purchase price £300k. • We calculate interest at 3% of the equity loan amount when calculating affordability.
Shared Ownership/Shared Equity	No.
Right to Buy	No.

Section 14 - Fees

Adding product fees to the loan	Please refer to individual products on our Mortgage Bulletin for confirmation if the fee can be added if it takes loan above maximum LTV. Affordability must cover the loan amount including any fees that have been added.
Mortgage application Administration fee	£150 payable at time of submission and non-refundable. Please refer to product guide for any product specific restrictions.
Valuation fee	Payable at time of submission and non-refundable. Valuer will be instructed after initial credit/income checks have been carried out. Please refer to fee tariff on our website.

This criteria is intended for professional intermediaries ONLY. It should not be displayed or used as customer information or promotional material.

Telephone calls may be monitored and/or recorded for security and training purposes.

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and the Prudential Regulation Authority. Financial Services Register Number: 206052.

MLC(04/19-1)