



**Elite Buy To Let
Criteria Guide**
For intermediary use only



Effective from April 2017

Contents

1. Loan Requirements	3
2. Loan Purpose	4
3. Applicants	5
4. Credit History	6
5. Income and Employment	7
6. References and Supporting Documentation	7
7. Security	8/9/10
8. Valuation Report	11
9. Solicitors	12
10. Expatriate Criteria	12

This General Criteria Guide provides an overview of Foundation Home Loans' lending criteria for residential investment properties. On a regular basis Foundation Home Loans will review and update their criteria without any prior notice.

1. Loan Requirements

Loan Size

Minimum £50,000

Maximum £500,000. For portfolios greater than £1m, average loan size must not exceed £400,000. Maximum loan sizes include fees.

Loan to Value

Please see individual product specifications for LTV restrictions.

Portfolio Lending

A maximum of 10 loans with Foundation Home Loans/Paratus AMC Limited per borrower with a maximum exposure limit of £2,000,000. For portfolios greater than £1m, the average loan size must be £400,000 or less.

Unlimited with other lenders.

Gross Rental Cover

Please refer to the latest Product Guide and Product Matrix for details of rental cover by product.

Where an applicant meets the required levels of serviceability based on the interest only tests but the applicant wishes for the advance to be on a capital and interest basis, an additional test will be undertaken to ensure that the rental income covers the proposed mortgage repayments by a minimum of 100%.

Repayment methods

Interest only, capital and interest and part and part loans are available. Details of a repayment vehicle on any interest only element will be required upon application.

Term

Minimum 5 years

Maximum 25 years

2. Loan Purpose

Applications will be considered for the purchase or remortgage of a residential investment property.

Purchase application

The loan will be based upon the lower of the purchase price or current valuation.

Applications involving inter family sales, purchase at under value are not acceptable.

The property on which the mortgage is to be secured must not be subject to a sale and rent back arrangement.

Right to Buy applications are not acceptable.

Properties being purchased via a property club are not acceptable.

It is acceptable for applicants to purchase a property from a Limited Company/SPV (who is a shareholder and director of that company) at open market value, subject to full compliance with all other lending criteria.

Remortgage application

Remortgages that take place within six months of the original purchase of the property will not be considered.

Capital raising for business purposes, payment of taxes or gambling debts is not acceptable. Raising funds for future residential Buy to Let property investment and refurbishment can be considered.

The property on which the mortgage is to be secured must not have been sold in a back to back sale within the last six months.

Applications for a remortgage of an inherited property may be acceptable.

An application for a Let to Buy (or move in with family, partner, etc) is not acceptable. However, consideration can be given where they have not resided in the security for some time and the security has been let for a minimum of 12 months at application.

3. Applicants

Proof of Identity and Residency

Applicants should normally have been resident in the UK for the last three years.

Proof of residency and identity will be required for all applicants.

For individual applications, both applicants must be permanently resident in the UK at the time of application and have indefinite leave to remain or independent right of entry.

Acceptable exceptions are;

- Members of HM Armed Forces who are serving or have served abroad during this period
- Members of the British Diplomatic Corps who are or have been on foreign postings during this period
- Employees of UK based companies who are working or have worked in overseas offices during this period

Ex-Pat

Refer to section 10 - Elite Partners Criteria

Age

Minimum 25 years (primary and secondary applicants)

Maximum 85 years for individual applications. There is no maximum age for Limited Company applications.

Number of applicants

Maximum 2

Maximum four Directors (applicants) for Limited Company applications.

First Time Buyers

First Time Buyers are not acceptable for individual applications. For joint applications, at least one applicant must not be a First Time Buyer. For limited companies, at least one director must not be a First Time Buyer. First Time Buyers are defined as someone who has never owned a property.

First Time Landlords

First time landlords are acceptable (product specific). A first time landlord can be defined as someone who has not operated a Buy to Let property within the last six months.

Experienced Landlords

Experienced landlords can be defined as someone who has been the registered owner of a self funding Buy to Let property in the last six months that has been rented for a minimum of six months.

Guarantors

Not acceptable on Foundation Home Loans accounts.

4. Credit History

Repossessions

Applicants who have been subject to repossession within the last six years are not acceptable.

Payday Loans and Debt Management Agreements

Applicants who have entered in to a payday loan or a debt management agreement in the last 24 months are not acceptable. Applicants who are still repaying a payday loan or debt management agreement that was entered in to over 24 months ago are also not acceptable.

Bankruptcy

No Bankruptcy Order registered against any borrower.

IVA/Administration Order

No IVA or Administration orders registered against any borrower.

Product Specific requirements

Credit Rules	First Time Landlord	Standard	Specialist
CCJs/defaults All CCJs and defaults must be fully satisfied at the time of application	No CCJs/defaults registered within the last six years.	No CCJs/defaults registered within the last 24 months, regardless of whether they have been satisfied.	A maximum of one satisfied CCJ/default up to the value of £2000 within the last 24 months, with none registered in the last 12 months. Any CCJs/defaults must be satisfied and brought up to date at time of application.
Secured loan arrears	None missed within the last six years.	No missed payments or active payment arrangements within the last 24 months.	A maximum of one missed payment within the last 24 months, with none missed in the last six months.
Unsecured loan arrears	None missed within the last six years.	No missed payments in the last 12 months. A maximum of two missed payments on a maximum of one account within the last 24 months.	A maximum of two missed payments on a maximum of one account within the last 12 months, with none missed in the last six months.
Credit cards	None missed within the last six years.	No missed payments in the last 12 months. A maximum of two missed payments on a maximum of one account within the last 24 months.	A maximum of two missed payments on a maximum of one account within the last 12 months, with none missed in the last six months.
Mail orders, mobile phone provider, utility providers	Maximum of four missed payments across all accounts held within the last 24 months.	Maximum of four missed payments across all accounts held within the last 24 months.	Maximum of four missed payments across all accounts held within the last 24 months.

5. Income and Employment

There is no minimum term of employment/self employment.

There is no minimum level of income, however applicants who are in receipt of Job Seekers' Allowance/benefit or Income Support are deemed as not acceptable.

Evidence of source of income will be required.

6. References and Supporting Documentation

Evidence of income

Evidence of source of income must be provided. Acceptable proof of income includes:-

- Last month's payslips and last P60 for employed applicants OR
- Last year's accounts or SA302 for self employed applicants OR
- Evidence of pension income for retired applicants (pension income statement, payslip) OR
- Trust funds, investment and rental income as additional income (SA302 or income statement).
- Bank statements can be supplied for self employed clients that have 1 year or less of trading, or for an employed applicant who does not have a P60 with their current employer

First time landlords must also demonstrate evidence of six months rent cash in the bank based upon the rental income confirmed by the valuer, net of stamp duty, plus £1,000 to cover associated costs (e.g. solicitors' fees).

All bank statements must be from a UK bank account.

Lenders References

Evidence of the last 24 months mortgage payment history (both residential and Buy to Let) will be verified using credit search data where possible. On occasions further mortgage references may be requested.

Where a Buy to Let mortgage has been redeemed within the last 24 months, evidence of the last 24 months active payments of the redeemed mortgage account will be required. If the property was owned outright evidence of ownership will be required to evidence applicants are experienced landlords.

Proof of Deposit

All applicants are required to confirm the source of deposit and provide documentary evidence of this by way of bank statement at application.

7. Security

Location

England and Wales only.

Areas excluded (within UK)

- Isles of Scilly
- Isle of Man
- Northern Ireland
- Scotland

Value

Minimum property valuation is £75,000.

Portfolio Exposure

A maximum of three properties holding a Foundation Home Loans/Paratus AMC Limited mortgage in any one full postcode.

Flats are restricted to 25% within a block, however, up to 50% can be considered.

Unacceptable Tenants

A property secured by a Buy to Let mortgage must not be occupied by the borrower. In addition, the following are unacceptable as tenants;

- Members of the borrower's family
- Houses with multiple occupancy (HMO)
- Asylum seekers
- Tenants in receipt of DWP/Local Authority or Housing Association support
- Individuals who have diplomatic immunity
- Individuals who are sub-letting the property

Tenure

Tenure may be Freehold or Leasehold with unexpired lease (already in existence) term no less than 50 years at the end of the mortgage term.

Commonhold properties are not acceptable.

We will consider lending on a leasehold title when the borrower also owns the entire freehold (100%) of the residential property. However, we would require our charge to be secured on both the leasehold and freehold titles. If the applicant is not willing to allow this then we cannot proceed.

If the customer owns part of the freehold either in conjunction with other leaseholders or a third party (such as spouse or business partner) we cannot proceed.

Letting

Any property purchased or remortgaged with Foundation Home Loans must be;

- Let on an Assured Shorthold Tenancy (AST) or on a Company Let not exceeding 36 months
- Up to four individuals are acceptable on a single AST Agreement
- Let within three months of completion of the mortgage, and remain available for letting throughout the term of the mortgage

Acceptable Security

Subject to the valuer confirming that the individual property forms a suitable security, the following property types are normally acceptable;

- Freehold houses and bungalows of standard construction
- New Build houses
- Leasehold flats and maisonettes
- Some flats or maisonettes over commercial premises (subject to product criteria)
- Modern timber framed construction (with external brick skin)
- Wimpey no fines properties constructed after 1946 (bungalows or flats not acceptable)
- Properties subject to a flying freehold, subject to the Valuer confirming that the presence of the flying freehold will not adversely affect saleability, and the solicitor confirming that the Title Deeds contain adequate rights of shelter and support plus arrangements for maintenance and repair
- Studio flats subject to positive valuer comments
- Studio Flats with:
 - Self-contained with a separate bathroom
 - Natural light required
 - Minimum size of 30 M²
- Laing Easiform properties constructed after 1966 (bungalows or flats nor acceptable)
- Local authority built houses subject to good marketability
- Ex Housing Association flats can be considered on a case by case basis
- Properties with more than seven storeys with a lift can be considered on a case by case basis
- Properties with two kitchens and/or multiple services can be considered on a case by case basis
- Ex Local Authority/M.O.D flats may be considered on a case by case basis subject to construction type, location and having

Unacceptable Security

Some property types will always be unacceptable to the Company. These are listed below. It is important to note that this list is not exhaustive.

- Properties with unexpired lease term of less than 50 years at end of the mortgage term
- Freehold flats and Maisonettes
- Shared Ownership properties
- New build flats or newly converted flats less than two years after first sale
- Properties with more than seven storeys with no lift
- Commercial properties
- Live/Work units
- Properties subject to restrictions e.g. agricultural, retirement flats etc
- Properties with more than five hectares/12 acres
- Basement flats

- Properties with more than six bedrooms
- Properties under ten years old without one of the following;
 - NHBC Certificate
 - Zurich Municipal Guarantee
 - Architect's Certificate (RIBA)
 - Chartered Building Surveyor's Certificate (RICS)
 - Premier Guarantee
 - Building Life Plans
 - Build zone
 - CRL Management Ltd (CRL)
 - Build Assure
 - Local Authority Building Control (LABC)
- Properties where stage payments are required
- Self Build
- Unimproved/uninhabitable properties (no kitchen or bathroom)
- Prefabricated or large panel concrete construction (LPS)
- Pre-fabricated reinforced concrete construction (PRC)
- Concrete block construction designated Mundic
- Properties of High Alumina Cement
- Mundic block materials
- BISF, Metal and Steel framed properties
- Any property designated defective under the Housing Act
- Properties of 100% timber construction
- Properties with ongoing structural movement or movement that requires monitoring
- Underpinned properties where no guarantees are available
- Uninsurable properties, or properties subject to an ongoing insurance claim
- Properties on an unremediated contaminated site or where the Valuer advises a possible contamination issue
- Properties where future saleability may be adversely affected by the presence of electricity pylons mobile masts or other forms of transmitter
- Properties likely to be adversely affected by local planning, e.g. road widening
- Properties where an unsatisfactory Mining Search is received
- Grade I listed buildings
- Second homes/holiday homes
- Mobile homes and houseboats
- Where the valuation report indicates;
 - The interior/exterior condition of the property is poor **and** demand is poor
 - The saleability of the property is affected by local factors **and** demand is poor

8. Valuation Report

A mortgage valuation is required in respect of any property offered as security for a mortgage advance.

Current Fee Table

Up to	Fee
£75,000	£260
£150,000	£290
£200,000	£320
£250,000	£345
£300,000	£370
£350,000	£405
£400,000	£440
£500,000	£495
£600,000	£570
£700,000	£635
£800,000	£690
£900,000	£770
£1,000,000	£830

Specialist Reports

The Valuation Report may recommend that specialist reports be obtained. An Underwriter may also determine from a Valuer's general remarks that reports should be obtained. Such reports may be required either prior to the issue of a Mortgage Offer, or as a condition of the Mortgage Offer, depending upon the nature and extent of works required.

Retentions

No retentions permitted.

9. Solicitors

Foundation Home Loans has an open panel solicitors for all applications. We will therefore allow the borrowers' solicitors to act on our behalf (as well as the borrowers) for both individual applications and limited company applications provided the following criteria can be met:

1. Registered on the Law Society website
2. Have 3 or more SRA-approved managers (no licensed conveyancers)
3. Attained the Lexcel accreditation legal practice quality mark
4. Attained membership to the Law Society's Conveyancing Quality Scheme (CQS)

Checks will be made to ensure that the borrowers' solicitors met all of these requirements. Where any of the above 4 requirements cannot be met, the borrower can continue to use their own selected firm to act on their behalf, but we will instruct one of our panel solicitors to act on our behalf. The legal fees for both firms will then need to be paid by the borrowers through their own funds.

We will also instruct one of our panel solicitors to act on our behalf if the mortgage application is for a residential loan, where there is any element of unsecured debt consolidation being repaid as part of the transaction.

10. Expatriate Criteria

Ex Pat

Ex Pat applications will be considered on Limited Company applications where the applicant:

- Has a credit footprint in the UK
- Pays UK tax or has declared income for UK tax purposes
- Has at least one Buy to Let property in the UK
- Is employed by a multi-national employer or Sovereign entity
- Has written confirmation from their employer of their residential address in the foreign country and period of residency
- Has a UK bank account
- Provides the last two years' SA100 and tax calculations

Acceptable regions for Ex Pats are:

- Europe - All EEA countries (except Bulgaria) and Switzerland
- The Americas - USA and Canada
- Asia - Hong Kong, Singapore, Thailand, Malaysia, Indonesia, South Korea and Japan
- Middle East - United Arab Emirates
Saudi Arabia, Bahrain and Oman will be considered on a case-by-case basis