



**Residential  
Criteria Guide**  
For intermediary use only



**Effective from April 2017**

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Registered in England with Company No. 3489004. Paratus AMC Limited is authorised and regulated by the Financial Conduct Authority. Registration number is 301128.  
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## Applicant Details

**Minimum Age** 18 years (primary and secondary applicants).

**Maximum Age** 75 years (at end of term).

## Credit Details

	<b>Standard</b>	<b>Specialist</b>	<b>First Time Buyer</b>
<b>Active Credit Record</b>	At least one borrower must have active credit history		
<b>CCJs/Defaults</b> All CCJ or defaults must be <i>fully</i> satisfied at the time of application	No CCJs or defaults registered in the last 24 months, regardless of whether they have been satisfied	A maximum of two CCJs defaults registered in the last 24 months up to the value of £2000 (£500 in the case of debt consolidation)	No CCJs or defaults registered in the last 24 months, regardless of whether they have been satisfied
<b>Bankruptcy</b>	No Bankruptcy Order registered against any borrower. Applicants with a financial association bankruptcy are considered to be acceptable and subject to normal Lending policy and full underwriting assessment.	Bankruptcy discharged three, or more, years ago will be considered, subject to the applicant fulfilling affordability criteria and Credit Score	No Bankruptcy Order registered against any borrower. Applicants with a financial association bankruptcy are considered to be acceptable and subject to normal Lending policy and full underwriting assessment.
<b>IVA or Administration Order</b>	No IVA or Administration Order registered against any borrower. Applicants with a financial association IVA or administration order are considered to be acceptable and subject to normal Lending policy and full underwriting assessment.	IVA satisfied three, or more, years ago will be considered, subject to the applicant fulfilling affordability criteria and Credit Score	No IVA or Administration Order registered against any borrower. Applicants with a financial association IVA or administration order are considered to be acceptable and subject to normal Lending policy and full underwriting assessment.

## Credit Details

<b>Mortgage Arrears</b> All accounts must be up to date at the time of application	No arrears in the last 24 months	Maximum of two months arrears in the last 24 months, with none in the last six months	No arrears in the last 24 months
<b>Credit Card</b> Arrears all accounts must be up to date at the time of application	Maximum of one month in arrears in the last 24 months, with none in the last six months	Maximum of two months in arrears in the last 24 months, with none in the last six months	Maximum of one month in arrears in the last 24 months, with none in the last six months
<b>Unsecured Loan Arrears</b> All accounts must be up to date at the time of application	Maximum of one month in arrears in the last 24 months, with none in the last six months	Maximum of two months in arrears in the last 24 months, with none in the last six months	Maximum of one month in arrears in the last 24 months, with none in the last six months
<b>Other Unsecured Arrears</b> (Mail Order, Mobile Phone, Utility)  All accounts must be up to date at the time of application	Maximum of two months in arrears in the last 24 months, with none in the last six months	Maximum of four months in arrears in the last 24 months, with none in the last six months	Maximum of two months in arrears in the last 24 months, with none in the last six months
<b>Repossession and Voluntary Surrender</b>	None in the last six years		
<b>Payday Loans</b>	Neither active loans, nor repaid loans, entered into in the last 12 months, are acceptable		
<b>Debt Management Plan</b> Includes partial settlements	Neither active debt management plan, nor plans entered into in the last 12 months are acceptable		
<b>Arrangements With Lenders (including forbearance)</b>	Active arrangement with other lenders are unacceptable		

## Deposit Sources

The deposit must be from own resources. The borrower's solicitor, as part of FHL's standard Instructions will be required to verify the source.

- Personal Savings, held in a UK bank Account
- A developer
- Gifted deposits from a family member based in the UK
- Capital raising on another property

Additional requirements may be applied depending upon the nature of the deposit as listed below.

### Developer Deposits

A developer deposit/incentive is acceptable up to a maximum of 5%. Where a builder/developer is providing a cashback/financial incentive, the borrower must still provide a minimum deposit from their own resources as required by the product type based on the full purchase price. Developer deposits/incentives secured by way of a second charge are not acceptable.

### Gifted Deposits

100% gifted deposit is acceptable from immediate family members if accompanied by a declaration from the family member(s) confirming no repayment is required and no interest will be held in the property. Family members are considered as:

- Parents (including step parents and in-laws)
- Grandparents
- Grandchildren
- Siblings
- Children
- Spouses
- Civil Partners

Gifted deposits from outside of the UK will not be considered.

## Employment Status

### Employed

Borrowers defined as employed:

- a. Are in permanent, full time employment
- b. Are employed on a fixed term contract or contractors using an umbrella company
- c. Are company directors that own less than 20% of their company

Applicants must have been employed for at least 6 months with their current employer.

Applicants employed under a **fixed term contract** must have at least three months remaining on their contract and must have been employed continually in the same capacity (same industry sector or same industry role) for two years.

### Self Employed

Where a company director owns 20% or more of the company shares they will be treated as self employed.

Borrowers defined as self employed:

- a. Are sole traders or in a partnership
- b. Are day rate contractors using their own limited company
- c. Are company directors that own 20% or more of their company

Contractors must have at least 6 months remaining on their current contract, or proof of renewal, at time of offer.

## First Time Buyers

A First Time Buyer is an individual who has not been party to a mortgage or owned a property at any time. In the case of a joint application, both applicants must qualify as First Time Buyers..

## Income Details

### Employed Income

Income will be evidenced through:

- Last three payslips and the most recent P60.
- Where the applicant is paid weekly we will require the last twelve payslips and the most recent P60.

We may decide on a case by case basis to contact the employer for a reference.

Applicants employed under a **fixed term contract** must have at least three months remaining on their contract.

### Self Employed Income

Income will be evidenced through:

- 2 years accounts produced by an appropriately qualified person
- 2 years SA302s and three months business bank statements

Confirmation of income from the applicant's accountant may be sufficient

### Other Income

We will consider other sources of income in addition to the household primary income. All forms of other income must be evidenced appropriately. Other income is considered as illustrated in the following table:

Other Income	Percentage Allowable
<b>Benefits:</b> Allowable benefits: Working Tax Credit, Child Tax Credit, Child Benefit (for children up to 14 yrs old). Disability Allowance and Parental Leave.	100%
<b>Trust income</b>	100%
<b>Investment income</b> (derived from fixed income products)	100%
<b>Net rental income</b>	75%
<b>Pension</b> (private/occupational) (as primary or secondary income)	100%
<b>Pension</b> (State) (only to be taken into consideration where other income is available)	100%
<b>Maintenance</b> (If evidenced by Court Order or CSA assessment)	100%
<b>Other income</b> (needs to be specified)	50%

## Income into Retirement

Where an applicant is in receipt of pension income at the time of the application, consideration will be given to the nature of the pension income. Income derived from a defined benefit scheme or an annuity will be acceptable. Where an applicant is in receipt of pension income on a drawdown basis will be subject to review by an underwriter.

In general, for new residential mortgages, a mortgage term will not be extended beyond the State retirement age applicable to the individual where the customer's income is required to support the mortgage on an ongoing basis. The maximum retirement age is 70. If an exception is to be considered, by an appropriate mandate holder, further information may be sought, depending on the proximity to retirement. The borrower will be requested to provide details of their planned retirement age, and consideration will be given to its reasonability and plausibility, taking into account the known circumstances.

The maximum age of the eldest applicant at the end of the mortgage term must not exceed 75 where income is taken into account.

Term to Retirement	Action Required
Less than 10 years	<ul style="list-style-type: none"> <li>• Details of both current income and anticipated retirement income will be required</li> <li>• The most recent pension projection should be given, and information should be provided regarding the nature of the pension</li> <li>• The lower of the current income or anticipated retirement income (based on the lowest projected rate shown) will be used for</li> <li>• Affordability purposes</li> </ul>
10 years or more	<ul style="list-style-type: none"> <li>• Current income will be used for affordability purposes</li> <li>• Evidence of pension contributions must be provided, e.g. pension deductions shown on a payslip, or confirmation of payments to known pensions' providers, including policy numbers</li> </ul>

## Loan Details

### Loan Size

Minimum £50,000 (for loans under £90,000 the maximum LTV is 75%, including any fees added)  
Maximum £750,000 including fees (Standard) and £500,000 including fees (Specialist)

### Low Value Properties

If a property is valued at under £75,000 we will not lend. At a valuation below £90,000 LTV is restricted to 75% LTV (60% if new build)

We will only lend in Sterling and not offer foreign currency loans.

### Loan Term

Minimum 5 years  
Maximum 35 years

For normal residential mortgages the maximum term is 35 years. This may be reduced for leasehold properties depending on the remaining term of the lease. There must be at least 60 years remaining on the lease at the end of the mortgage term.

## Loan Purpose

Applications will be considered for the purchase or remortgage of a customer's primary residential property (owner occupied). We will also consider borrowing on a mortgage free property.

We can lend for the following:

### Home improvement purposes

- Structural home improvements
- Non-structural home improvements
- Buy a share in a freehold
- Buy freehold or new extended lease
- Buy land to extend security (current property)

### Non home improvement purposes

- Loans can be used for non home improvement purposes, or a combination of home improvements and non-home improvements.
- Buy land and/or property separate from security - current property\*
- Repay unsecured debts
- Other personal consumption
- Pay off second charge
- Buy out partner's interest (non-borrower)

\*The land and/or property cannot be for the purpose of letting.

# Property Criteria

## Acceptable Property

Subject to the Valuer confirming that the individual property forms suitable security, the following property types are normally acceptable:

- Freehold houses and bungalows of standard construction
- New Build Houses
- Leasehold Flats and Maisonettes
- Flats or Maisonettes over commercial premises can be considered subject to:
  - A maximum LTV of 60% (excluding fees)
  - No commercial food outlets immediately below the property in the same, or adjoining buildings.
- Modern timber framed construction (with external brick skin)
- 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
- Local authority built houses where the valuation indicates good marketability
- Studio Flats with:
  - Self-contained with a separate bathroom
  - Natural light required
  - Minimum size of 30<sup>2</sup> M
- Ex Housing Association flats – security must already be in private ownership and the block above 75% in private ownership
- Properties with more than 7 storeys are acceptable where the valuation indicates good marketability and rental demand
- Properties with two kitchens and/or multiple services can be considered
- Ex Local Authority Flats/MOD will be considered on a case-by-case basis and will also be subject to construction type, location with no balcony access and confirmation of a minimum of 75% private ownership from the local authority
- Wimpey no fines (if constructed after 1946 and property is not bungalow or flat)
- Laing Easiform construction, if constructed after 1966 and property is not a bungalow or flat



# Property Criteria

## Unacceptable Property

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 2 years after first sale
- Basement flats will be considered on a case-by-case basis where property is located in London and over 30<sup>2</sup> M
- 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
- 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

# Property Criteria

## Unacceptable Property - continued

- 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 Page 10 of 12

## New Builds

All new properties being built or converted, and where the developer is a member of the NHBC, will receive a New Home Warranty Certificate. This Certificate will represent confirmation that the property is fully complete and can be accepted by Foundation Home Loans in lieu of a Final Inspection.

New Build Flats or Newly converted Flats less than 2 years after first sale are unacceptable security

# Repayment Types

Foundations Home Loans supports three methods of repayment: Interest Only, Capital Repayment, or a combination of the two.

## Interest Only

The Borrower will pay interest only to Foundation Home Loans. No assignment of any repayment vehicle, such as a life assurance policy, will be required but the lending will be subject to Foundation Home Loans Interest Only Policy as documented in the Responsible Lending Policy.

### For Interest Only Mortgages:

- We will assess affordability on a Capital Repayment basis;
- The maximum loan size for an Interest Only loan may be smaller than for Capital Repayment;
- Interest Only lending is reduced to a maximum of 70% LTV; Sale of Property will be accepted as a repayment method subject to there being at least £200,000 equity (to allow for sale costs); and Repayment methods, other than sale of property, will only be accepted as shown below and satisfactory documented evidence must be obtained for each loan that is agreed on this basis.
- Details of acceptable and unacceptable repayment strategies are set out in the table below:

Acceptable Repayment Strategies	Unacceptable Repayment Strategies
Endowment policies	Cash ISAs
Regular savings and investments	General savings
Pensions	Inheritance
Sale of security property	Equity investments
Sale of other property	Sale of security on death
Lump sum overpayments, e.g. from proven regular bonus payments	Sale of non-properly assets
	Regular overpayments (as a means of total repayment)

## Repayment Types

### **Part and Part Loans:**

A borrower may choose to take a mortgage on a part repayment, part interest only basis. The Lending Policy, as stated, in relation to Interest Only loans will apply to the Interest Only element of the loan. Where a borrower wishes to have a mortgage of more than 70% LTV on a part and part basis, any borrowing over 70% LTV must be on a repayment basis. Part and part mortgages are subject to a maximum of 80% LTV.

### **Capital Repayment**

The Borrower's monthly payment will include elements of both interest and capital. Provided all payments are maintained the loan will be repaid at the end of the mortgage term.

### **Part Capital repayment /Part Interest Only**

The Borrower's monthly payment will include elements of both interest and capital on the Capital Repayment portion of the loan. For the remainder of the loan, the Borrower will pay interest only to Foundation Home Loans.

If a repayment strategy is insufficient to repay the loan, and the Borrower has no other means of repaying, the property will have to be sold.

### **Guarantors**

Guarantors are not currently acceptable.

## Residency

All applicants must be resident in the UK at the time of application and have indefinite right to remain or indefinite right of entry.

Applicants would normally have been permanently resident in the UK for the last three years. Any applicant who does not meet this criteria may be considered on a case by case basis subject to meeting the following criteria:

- 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
- Expatriates

### EEA Foreign Nationals

Under the terms of the EEA agreement, all EEA citizens have full rights to enter, live and work in the UK, provided they are able to support themselves without the need for State benefits. The following countries are in the European Economic Area or their nationals have the same rights to live and work in the UK:

- Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lichtenstein, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and Switzerland

### Non-EEA Foreign Nationals

For applications to be considered, indefinite leave must be evidenced by a stamp in a currently valid passport or written confirmation from the Home Office. Where indefinite leave to remain in the UK is not granted, applications can be considered bathroom meeting the following criteria:

- Minimum 25% deposit which must be from the applicant's own resources. Gifts and builder's cash backs are not acceptable; unless they are in addition to the 25% deposit provided from the applicants own resources.
- Applicants must have been legally resident in the UK for at least the last 3 years
- Applicants must have either Tier 1 or Tier 2 immigration status, the government definitions of Tier 1 And Tier 2 are as follows:
  - Tier 1 for highly skilled workers
  - Tier 2 for skilled workers with a job offer
- Applicants must have their salary paid into a UK bank account

### Sanction Searches

Persons identified as appearing on UN and EU sanctions lists are not acceptable.

### Embassy Staff

In general, Embassy staff can claim diplomatic immunity from any legal action in the UK. They are therefore not acceptable as applicants, because Foundation Home Loans would be unable to enforce its right to possession through the Court in the event of non-payment of the mortgage.

## Proof of Identity and Residency

### 7.2.3 Required Documents

Requirement	Acceptable documents
<p>One government-issued document from List 1, bearing:</p> <ul style="list-style-type: none"> <li>• The applicant's full name; and</li> <li>• The applicant's photograph; and either</li> <li>• The applicant's residential address; or</li> <li>• The applicant's date of birth</li> </ul>	<p>List 1:</p> <ul style="list-style-type: none"> <li>• Valid passport</li> <li>• Valid UK photocard driving licence (full or provisional)*</li> <li>• EU Member State National Identity Card</li> <li>• Firearms certificate or shotgun licence</li> <li>• Identity card issued by the Electoral Office for Northern Ireland</li> </ul>
<p>Or</p> <p>Two government-issued documents [without a photograph] from List 2, bearing:</p> <ul style="list-style-type: none"> <li>• The applicant's full name; and either</li> <li>• The applicant's residential address; or</li> <li>• The applicant's date of birth</li> </ul>	<p>List 2</p> <ul style="list-style-type: none"> <li>• Valid old style full UK driving licence*</li> <li>• Recent evidence of entitlement to a state or local authority funded benefit, tax credit, or pension</li> </ul>
<p>Or</p> <p>One government issued document from List 2, as above, plus one other non-government-issued document from List 3</p>	<p>List 3</p> <ul style="list-style-type: none"> <li>• Current council tax demand letter or statement</li> <li>• Current bank statement or credit/debit card statement, issued by a regulated financial sector firm in the UK (but not one printed off the internet)</li> <li>• Recent utility bill (but not one printed off the internet)</li> </ul>

\* License must show the applicant's current address unless moved within the last three months, in which case a license at the previous address can be accepted.

The same document may not be used to verify both identity and residency.

A document in joint names may not be used to verify identity or residency for both parties. Original documents should not be provided.

Copies must be certified as true copies of the originals, and it should be possible to identify the person/firm certifying the documents. If copying a document results in a photograph being unrecognisable, the certification should include a statement that it bears a good likeness to the individual.

# Proof of Identity and Residency

## Certified Documents

We accept documents certified by the following persons:

- FCA regulated independent financial adviser or mortgage broker
- Member of the legal profession, e.g. solicitor, barrister, legal executive, paralegal, notary
- Commissioner of Oaths
- Justice of the Peace
- Accountant
- Healthcare professional, e.g. doctor, registered nurse, pharmacist, dentist, optician
- Teacher/Lecturer
- Bank/building society official
- Civil servant/Local government officer
- Social worker
- Minister of religion/Salvation Army Officer
- Police officer
- Post Office ID Checking Service

## 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.

## Tenure

### **Properties located in England and Wales will only be considered.**

Tenure may be Freehold or Leasehold. For leasehold properties, the lease must have at least 60 years remaining at the end of the mortgage term. Foundation Home Loans will not accept freehold flats.

## Valuations

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