

# Commercial Mortgages

Full Lending Criteria Guide – valid from 11 April 2017

## Commercial summary

| Range  | Borrower type  | Property type   | Maximum loan & LTV  |
|--|--|---|---|
| <b>Commercial Investment and Commercial Owner Occupied</b> | Individuals or corporate body (limited company, limited liability partnerships, etc.). | Commercial office<br>Warehouses<br>Factories<br>Industrial units<br>Retail with living accommodation<br>Retail without living accommodation<br>Purpose-built student accommodation. | Maximum £10,000,000 to 75% LTV. **<br><br>Maximum aggregate exposure to a single customer £15,000,000.<br><br>**Loans above 70% LTV are subject to additional criteria. |

## How we lend

|                                       | Commercial Investment  | Commercial Owner Occupied   |
|---------------------------------------|--|---|
| <b>Approach</b>                       | All applications are underwritten using a combination of rules filtering and manual underwriting. This document provides as much information as is practical, however each application is unique and it is not possible to cover every possible scenario that could be presented. At the underwriter's discretion Aldermore may request any type of additional information or references that may be required to finalise the underwriting decision in the best interests of the customer<br>Applications that don't meet the stated criteria can be considered and should firstly be discussed with the Commercial team   |   |
| <b>Client Interviews</b>              | For applications up to and including £500,000 a telephone interview will be undertaken. * For advances over £500,000 a face to face interview with the applicant and a visit to the proposed security property(ies) will be undertaken. **<br><br>*In circumstances where clarification cannot be dealt with by telephone, a Lending Manager interview at the applicant(s) premises will be required.<br><br>** Where there are geographical constraints which make a physical inspection of the security property difficult (e.g. applicant's office may be in a different location to the security property) the property inspection by an Aldermore employee may be dispensed with for transactions up to £1,000,000. | For applications up to and including £500,000 a telephone interview will be undertaken. For advances over £500,000 a face to face interview with the applicant and a visit to the proposed security property(ies) will be undertaken. |
| Information Requirements              | Commercial Investment  | Commercial Owner Occupied   |
| <b>All advances</b>                   | <ul style="list-style-type: none"> <li>Fully completed Commercial Mortgages application form (to include assets and liabilities statement/full portfolio details)</li> <li>Fully submitted case on Acumen.</li> </ul>  |   |
| <b>Loans up to £250,000*</b>          | <ul style="list-style-type: none"> <li>Evidence of rental income</li> <li>Evidence of personal income.</li> </ul>  | <ul style="list-style-type: none"> <li>3 years' financial account</li> <li>2 months' business bank statements.</li> </ul>   |
| <b>Loans of £250,001 to £500,000*</b> | <ul style="list-style-type: none"> <li>Evidence of rental income</li> <li>Evidence of personal income</li> <li>2 months' personal bank statements</li> <li>Background business information.</li> </ul>   | <ul style="list-style-type: none"> <li>3 years' financial account</li> <li>2 months' business bank statements</li> <li>Background business information.</li> </ul>  |
| <b>Loans above £500,000</b>           | <ul style="list-style-type: none"> <li>3 years' financial account</li> <li>2 months' business bank statements</li> <li>2 months' personal bank statements</li> <li>Background business information.</li> </ul>   |   |

\*The reduced information requirements shown for advances up to £500,000 will only apply when the applicant has completely clean credit searches

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| Credit status  | Commercial Investment  | Commercial Owner Occupied                                       |
|--|--|---|
| <b>Credit searches</b>   | <p>Credit searches will be carried out on all applicants, agreed principals and the business itself. A credit search will be carried out against all UK addresses occupied by each applicant over a period of at least 3 years prior to the date of the application. Undisclosed and linked addresses from this period may also be searched.</p> <p>All credit searches are valid for three months, at which time a new search will be carried out. Should any further relevant information appear, the application will be reassessed, the product may be changed or the application declined. If the application is by a limited company, LLP or PLC, the directorships of all the agreed principals will be investigated and a company search obtained. Other directorships will also be searched.</p>  |   |
| <b>Mortgage/secured loan arrears</b>   | <p>None in last 3 months<br/>No more than 1 month's arrears in last 12 months.</p>   |   |
| <b>Unsecured loan arrears</b>  | <p>Minor missed payments considered</p>  |   |
| <b>County Court Judgements (CCJ)/ Sheriff Court Decrees</b>  | <p>Up to 2 unsatisfied CCJs in the last 24 months up to a maximum value of £5,000<br/>Where there are outstanding CCJs of any value a satisfactory explanation is required and the CCJs should be settled prior to completion.<br/>Business CCJ is treated the same as personal CCJ.</p>   |   |
| <b>Defaults</b>  | <p>Where a single unsecured default is registered within the last 3 years and is for a value of less than £250, a satisfactory explanation should be provided.<br/>Defaults registered over 3 years ago can be considered.</p>   |   |
| <b>Bankruptcy/ Sequestration<br/>Individual Voluntary Arrangement (IVA)/<br/>Corporate Voluntary Arrangement (CVA)/<br/>Trust Deed<br/>Debt Relief Order (DRO)</b> | <p>Satisfied for 3 years</p>   |   |
| <b>Payday loans</b>  | <p>None in last 6 months<br/>(payday loans over 6 months ago considered).</p>  |   |
| <b>Forced or voluntary possessions</b>   | <p>Not accepted.</p>   |   |
| <b>Business credit profile</b>   | <p>Any history of the following corporate gazette history within the last three years is not acceptable:</p> <ul style="list-style-type: none"> <li>• Liquidations – (Compulsory and Creditor), other than orderly winding-up of solvent companies <ul style="list-style-type: none"> <li>• Administration orders</li> <li>• Winding up orders</li> <li>• Receiverships.</li> </ul> </li> </ul>  |   |
| <b>Tenant profile</b>  | <p>Where a tenant is considered an anchor tenant (e.g. equating to more than 20% of the subject rental income) then a credit search and investigations into unexpired lease length will be completed.</p>  |   |
| <b>Debt forgiveness</b>  | <p>Where any application involves a level of debt forgiveness, the following additional information is required:</p> <ul style="list-style-type: none"> <li>• Original date of purchase of the property(ies)</li> <li>• Original loan amount, value and rental income amounts</li> <li>• Details of any further advances made, including the date of advance, sum advanced and valuation</li> <li>• Evidence that the borrower has met all contractual payments on time and in full for a minimum of the last 12 months.<br/>This evidence will typically be through sight of mortgage statements <ul style="list-style-type: none"> <li>• Evidence of the amount the existing lender will accept to discharge their loan</li> </ul> </li> <li>• Details of any discussions/actions which the existing lender has had with the borrower in relation to taking enforcement action</li> <li>• Explanation for the existing lender's rationale for allowing debt forgiveness – e.g. breach of covenant/LTV/withdrawal from the market</li> <li>• Clarity and understanding of the proposed structure of the refinance with any difference to the existing lendin structure being explained</li> <li>• We may request a formal reference from the existing lender where we feel we need additional comfort.</li> </ul> |   |
| Loan   | Commercial Investment  | Commercial Owner Occupied                                       |
| <b>Capital and interest</b>  | Available up to 75% LTV based on an investment valuation.  | Available up to 75% LTV based on a vacant possession valuation. |
| <b>Interest only for 2 years</b>   | Available up to 60% LTV based on an investment valuation.  | Available up to 60% LTV based on a vacant possession valuation. |
| <b>Interest only for 3 years</b>   | Available up to 50% LTV based on an investment valuation.  | Available up to 50% LTV based on a vacant possession valuation. |
| <b>Interest only for 10 years</b>  | Available up to 60% of vacant possession<br>Max term 10 years  | Not available.  |

|                                |  |                                  |
|--------------------------------|--|----------------------------------|
| <b>Part and Part</b>           | Available up to 70% of market value with partial amortisation to 60% of vacant possession value by expiry of the maximum 10 year term.   | Not available.                   |
| <b>Supporting security</b>     | <p>A first or second charge for supporting security may be taken. Where a first charge is taken, standard LTVs apply.</p> <p>The total lending when using supporting security should not exceed 100% of the value of the primary security. Please refer for full details of criteria when supporting security is to be used.</p>   |                                  |
| <b>Purpose</b>                 | Purchase, remortgage or capital raise.   |                                  |
|                                | A purchase transaction involving a property that was previously sold within the last 6 months is not acceptable.   |                                  |
| <b>Minimum term</b>            | 6 years.   |                                  |
| <b>Maximum term</b>            | <p>20 years – capital repayment, 2 and 3 year interest only concessions.</p> <p>10 years – 10 year interest only advance.</p>  |                                  |
| <b>Minimum loan</b>            | Minimum £50,000.   |                                  |
| <b>Bespoke loans</b>           | In certain circumstances the Bank may offer bespoke facilities such as shallow amortisation or balloon repayments. These will be assessed on a case by case basis.   |                                  |
| <b>Loan covenants</b>          | Financial covenants will be included in all advances of £1,000,000 and over. Financial covenants may be included in advances below this level where deemed appropriate by Aldermore.   |                                  |
| <b>Applicants</b>              | <b>Commercial Investment</b>   | <b>Commercial Owner Occupied</b> |
| <b>Acceptable applicants</b>   | Individuals, partnerships, Limited Liability Partnerships (LLP), Private Limited Companies (LTD) and Public Limited Companies (PLC) that are registered and based in the United Kingdom and Northern Ireland (including Channel Islands and Isle of Man)   |                                  |
| <b>Unacceptable applicants</b> | <ul style="list-style-type: none"> <li>• Applicants with diplomatic immunity from UK law</li> <li>• Applicants that have been registered as a Disqualified Director</li> <li>• Any applicants who have been subject to a repossession of a mortgaged property, or have voluntarily entered into repossession within the last three years</li> <li>• Applicants with unspent convictions, or pending prosecutions, which relate to dishonesty or may have a bearing on their ability or willingness to make payments in the future, or to obtain adequate insurance on the security property.</li> </ul>  |                                  |
| <b>Asset/property manager</b>  | Where the Bank is lending to a syndicate formed by an asset/property manager or to an established property landlord/operator, satisfactory confirmation of how the property is managed, the structure of the property management company, their experience in managing properties of the proposed type (to include where appropriate evidence of where they have extracted additional income and value from a property) and related costs should be provided.  |                                  |
| <b>Maximum applicants</b>      | 6 applicants.  |                                  |
| <b>Minimum age</b>             | 21 years (for existing landlords).   |                                  |
| <b>Maximum age</b>             | 85 years (at end of mortgage term).  |                                  |
|                                | Age restrictions do not apply for applications from Limited Companies, Limited Liability Partnerships and established professional partnerships, where there is clear evidence of appropriate experience for the principals and they are capable of running the business as a going concern.   |                                  |
| <b>Direct Debit</b>            | Payments to the mortgage account are to be made monthly by Direct Debit from a bank account in the applicant's name.   |                                  |
| <b>First time landlords</b>    | <b>Commercial Investment</b>   | <b>Commercial Owner Occupied</b> |
| <b>Definition</b>              | A first time landlord is an applicant who has not owned a rental property, with or without a mortgage on that property, in the last 12 months.   | N/a                              |
| <b>Requirements</b>            | <ul style="list-style-type: none"> <li>• Minimum income of £25,000</li> <li>• Maximum loan size is £500,000 <ul style="list-style-type: none"> <li>• Maximum 75% LTV</li> </ul> </li> <li>• Minimum age of 25 years old (in a joint application where one of the applicants is not a FTL, a minimum age of 21 will apply to that applicant) <ul style="list-style-type: none"> <li>• Must own their own home, and satisfactory proof of mortgage conduct will be required for not less than the previous 12 months (If joint application, this must apply to at least 1 applicant)</li> </ul> </li> <li>• If a FTL applicant does not have a current mortgage, and there is no mortgage account visible on credit bureau, proof of property ownership will be required.</li> </ul> | N/a                              |

| Deposit  | Commercial Investment   | Commercial Owner Occupied |
|--|---|---------------------------|
| <b>Builder or vendor deposit</b>                     | Not accepted  |                           |
| <b>Sales incentives provided by house builder</b>    | The valuer must be made aware of any sales incentives offered at the time of valuation. Sales Incentives are acceptable if the value does not exceed 5% of the purchase price.  |                           |
| <b>Gifted deposits</b>                               | Acceptable in purchase transactions (excluding purchase at under-value from family members) where the deposit, or part of the deposit, is being funded by a non-repayable gift from a close relative. Close relative is defined as a parent, child, grandparent, brother, sister, uncle/aunt, foster parent or legal guardian and includes step relatives. In cases of a gifted element of deposit, a letter must be provided by the solicitor acting in the mortgage transaction confirming that the gift is non-repayable and that no charge will be registered on the security property as a result of the gift.   |                           |
| <b>Director's loans</b>                              | Where a director is buying property from their own company, the use of a pre-existing director's loan made to the company can be considered as a form of deposit. The loan documentation should be reviewed by the bank's solicitors to confirm the existence of such facility and the property should be transferred at full market value.   |                           |
| <b>VAT</b>   | Applications where the property is VAT elected must be highlighted in the application. Where the property is not already elected for VAT then the Bank's consent will not be unreasonably withheld. Aldermore can lend on securities elected for VAT but will not consider lending against the value which includes VAT.  |                           |
| <b>When submitting proof of deposit ensure that:</b> | <ul style="list-style-type: none"> <li>Evidence is provided in the form of bank or building society statements or pass book in the applicant's name</li> <li>Any documentation provided is supplied in its original form without any kind of blanking out or alteration</li> <li>The documentation shows that sufficient funds are available and how the deposit has been built up, and any lump sum transactions are explained.</li> </ul>   |                           |
| Transaction  | Commercial Investment   | Commercial Owner Occupied |
| <b>Sitting Tenant Purchase</b>                       | Where the applicants are sitting tenants or investment/improvements to the property by the applicants can be evidenced, we can consider a mortgage of up to 100% of the discounted purchase price. This is subject to the Bank being fully appraised and satisfied with the reason(s) for the discounted price, and provided the loan does not exceed our normal LTV for the scheme based on the market value of the property.  |                           |
| General  | Commercial Investment   | Commercial Owner Occupied |
| <b>What will we not lend on</b>                      | <ul style="list-style-type: none"> <li>Second charge mortgage</li> <li>Borrowing funds to satisfy CCJ, IVA and bankruptcy orders <ul style="list-style-type: none"> <li>Property being acquired under an assignable contract</li> </ul> </li> <li>Property being purchased with the assistance of a local authority grant <ul style="list-style-type: none"> <li>Applicant that has power of attorney for another joint applicant <ul style="list-style-type: none"> <li>Applicants with diplomatic immunity</li> </ul> </li> </ul> </li> <li>Applicants employed on a commission only basis, unless applying jointly with another applicant and income is not being taken into consideration</li> <li>Applicants with seasonally based job (e.g. crop picker/holiday rep), or piece-workers, unless applying jointly with another applicant and income is not being taken into consideration <ul style="list-style-type: none"> <li>Properties in Northern Ireland, Channel Islands, Scilly Isles or Scottish islands <ul style="list-style-type: none"> <li>Regulated buy to let mortgage contracts</li> </ul> </li> </ul> </li> <li>Any transaction or with any party that has the potential to damage the reputation of Aldermore Bank</li> </ul> |                           |
| ID and Residence                                     | Commercial Investment   | Commercial Owner Occupied |
| <b>Summary</b>                                       | Aldermore uses an electronic identity verification system that checks application data against a variety of public databases. If electronic verification does not pass the expected threshold then proof of identity and residency, as appropriate, will be required.   |                           |
| <b>Proof of ID acceptable documents</b>              | <ul style="list-style-type: none"> <li>Valid UK passport</li> <li>Valid UK driving licence – photo card (full or provisional) <ul style="list-style-type: none"> <li>Valid non-UK passport or national ID card <ul style="list-style-type: none"> <li>HM Forces/Police warrant card</li> </ul> </li> <li>Firearms certificate or shotgun licence</li> </ul> </li> <li>Identity card issued by the Electoral Office for Northern Ireland</li> <li>HM Revenue &amp; Customs correspondence - relating to current tax year.</li> </ul>   |                           |
| <b>Proof of Residence acceptable documents</b>       | <ul style="list-style-type: none"> <li>Utility bill</li> <li>Full driving licence</li> <li>Bank or credit card statement <ul style="list-style-type: none"> <li>Latest council tax bill</li> </ul> </li> <li>Current HM Revenue &amp; Customs demand or notice of coding.</li> </ul>  |                           |
| <b>Ensure that the documentation is:</b>             | <ul style="list-style-type: none"> <li>Valid and in date (statements and utility bills must be no older than 90 days old) <ul style="list-style-type: none"> <li>Certified as a true copy (and likeness if photo ID)</li> </ul> </li> <li>Signed and dated by an approved certifier (FCA/PRA authorised introducer or a professional person covered by Anti Money Laundering Legislation (AML) with their name printed).</li> </ul>   |                           |

| Nationality   | Commercial Investment  | Commercial Owner Occupied   |
|---|--|---|
| <b>UK and EU Nationals</b>  | Applicants must be UK or EU nationals and have been continuously resident in the UK for the last 2 years.  |   |
| <b>Non UK and EU Nationals</b>  | We can consider non-UK and EU nationals providing they have been resident in the UK for the last 2 years and also have a non conditional and permanent right to reside (i.e. indefinite leave to enter/remain or right to abode)   |   |
| Affordability   | Commercial Investment  | Commercial Owner Occupied   |
| <b>Minimum income</b>   | <p>There is no minimum level of outside income required save for First Time Landlords (FTL), where the minimum income level is £25,000.</p> <p>Applicants are required to demonstrate they have sufficient income to cover their existing expenditure Personal credit commitments, including any unsecured debt, credit cards (calculated at 3% of outstanding balance annualised), HP liabilities and mortgage/domestic rent payments, will be annualised and cross referenced to the individual's annual income to establish their Debt to Income Ratio ( DTIR). The DTIR should not ideally be more than 40%.</p> <p>Surplus rental income over that required to meet our stressed affordability requirements can be included in personal income.</p> |   |
| <b>Serviceability calculation</b>                                       | All income calculations are required to cover the gross loan amount.   |   |
|   | The rental income from the property alone should be sufficient to cover the loan cost  | <p>Net Operating Income (NOI) = Net profit before tax &amp; add back depreciation and relevant loan costs (that element of interest which is being replaced by the proposed loan) to achieve an earnings before interest, tax, depreciation and amortisation (EBITDA) figure. Any other additional and surplus income from parties to the loan will be added to the NOI. Where rental add backs are appropriate, these should be included, for example a sitting tenant purchase.</p> <p>Where the property and business have common ownership and a form of leaseback is involved, an owner occupier stress calculation should be employed and the transaction will not be regarded as an investment and the advance will be calculated against the vacant possession value.</p> |
| <b>Term Variable and 5 Year Fixed Rate - Interest Only loans</b>        | 160% at pay rate.  | Net Operating income (NOI) to be a minimum of 165% on capital and interest terms, calculated at higher of product or revert rate.   |
| <b>3 Year Fixed Rate – Interest Only loans</b>                          | 160% at higher of product or revert rate.  |   |
| <b>Term Variable and 5 Year Fixed Rate Capital &amp; Interest Loans</b> | 140% at pay rate.  |   |
| <b>3 Year Fixed Rate loans - Capital &amp; Interest Loans</b>           | 140% at higher of product or revert rate.  |   |
| <b>Part and Part loans</b>  | <p>The interest only element of the loan must meet the interest only calculation:</p> <p>The C&amp;I element must meet the C&amp;I calculation that applies.</p> <p>The total income figure must cover both calculations. Therefore once the interest only element has been calculated, the rental income required to cover this element of the loan is to be deducted from the total rental income and the surplus income remaining must be sufficient to cover the C&amp;I calculation.</p>  | N/a   |
| Portfolio   | Commercial Investment  | Commercial Owner Occupied   |
| <b>Aldermore portfolio limit</b>  | No limit.  |   |
| <b>Portfolio limit with other lenders</b>                               | No limit.  |   |
| Employed  | Commercial Investment  | Commercial Owner Occupied   |
| <b>Acceptable income</b>  | <p>Total gross annual income includes:</p> <ul style="list-style-type: none"> <li>• Basic salary</li> <li>• Up to 50% of profit related pa</li> <li>• 100% of London weighting allowance <ul style="list-style-type: none"> <li>• 100% of shift allowance</li> <li>• 100% of car allowance</li> </ul> </li> <li>• 50% of guaranteed and regular overtime/bonus/commission.</li> </ul>  |   |

|   |   |                                  |
|---|---|----------------------------------|
| <b>Additional income</b>                    | <p>100% of the following additional income can also be included:</p> <ul style="list-style-type: none"> <li>Income from trust funds</li> <li>Occupational pension income (state pension as the only source of income is not acceptable) <ul style="list-style-type: none"> <li>Second and other jobs</li> </ul> </li> <li>Investment income (only where supported by full accounts or SA302s/Tax Year Overviews) <ul style="list-style-type: none"> <li>Rental income</li> </ul> </li> </ul> <p>Aldermore will <u>not</u> accept any income derived from state benefits</p>   |                                  |
| <b>Verification of employed income</b>      | <p>One of the following is required:</p> <ul style="list-style-type: none"> <li>Minimum evidence of income required as follows: <ul style="list-style-type: none"> <li>- last month's payslip prior to application (subject to YTD figure evidencing last 3 months<sup>1</sup>); and latest P60 or March year-end payslip (to evidence total earnings for previous year).</li> </ul> </li> </ul> <p><sup>1</sup> In the event that the latest payslip doesn't provide evidence of the past 3 months income then additional payslips/evidence of income will be requested to support the application.</p> <ul style="list-style-type: none"> <li>A reference from the current employer</li> </ul> <p>Hand-written documents will not be acceptable and additional documentary evidence may be requested in support of poor quality references or payslips.</p>   |                                  |
| <b>Contract employment</b>                  | <b>Commercial Investment</b>  | <b>Commercial Owner Occupied</b> |
| <b>Contract workers</b>                     | <p>Applications from individuals that are employed on a contract basis are acceptable subject to the following:</p> <ul style="list-style-type: none"> <li>The current contract must be for a period of at least 6 months</li> <li>If the contract has more than 6 months to run the applicant must have been employed for a minimum of 12 months in the same line of work</li> <li>If the contract has less than 6 months to run the applicant must have a 2 year track record of employment within the same line of work</li> <li>It is acceptable for applicants to be paid via an umbrella company, which pays tax and NI for the applicant</li> </ul> <p>Original or certified copies of the current and previous contracts will be required to confirm that contract period meets criteria</p>  |                                  |
| <b>Self employed</b>                        | <b>Commercial Investment</b>  | <b>Commercial Owner Occupied</b> |
| <b>Minimum trading period</b>               | 3 years minimum trading period.   |                                  |
| <b>Classification</b>                       | <p>Self-employed applicants may be classified into one of four categories</p> <ol style="list-style-type: none"> <li>Sole traders</li> <li>Partners</li> <li>Director - private limited company (if 25% or greater shareholding)</li> <li>Director - public limited company (if 25% or greater shareholding)</li> </ol>   |                                  |
| <b>Verification of self employed income</b> | <p>Sole trader - use of net profit<br/>Partners - use share of net profit<br/>Limited Company Directors - use Director's remuneration, dividend and share of retained profits</p> <p>One of the following is required:</p> <ul style="list-style-type: none"> <li>Three years' accounts (prepared or certified by a qualified accountant);</li> <li>An accountant's certificate covering at the least the last three years; or</li> <li>Three years' HMRC Self Assessment tax returns (SA302's &amp; Tax Year Overviews).</li> </ul>  |                                  |
| <b>Professional partnerships</b>            | Where the applicant is either a new partner or newly qualified it may not be possible for the partnership to verify actual income. In these circumstances, written confirmation from a senior partner or practice accountant of projected future earnings may be acceptable.  |                                  |
| <b>Accountants' qualifications</b>          | <p>Aldermore will only accept accounts or accountant's certificates from practitioners with one of the following qualification</p> <ul style="list-style-type: none"> <li>Institute of Chartered Accountants (England or Wales) (ICAEW) can use the following letters: ACA &amp; FCA <ul style="list-style-type: none"> <li>Institute of Chartered Accountants (Scotland) (ICAS) can use the following letters: CA</li> <li>Chartered Accountants Ireland (CAI) can use the following letters: ACA &amp; FCA</li> </ul> </li> <li>Chartered Association of Certified Accountants (ACCA) can use the following letters: ACCA or FCC</li> <li>Chartered Institute of Management Accountants (CIMA) can use the following letters: ACMA or FCMA</li> <li>Association of Authorised Public Accountants (AAPA) can use the following letters: AAPA or FAPA <ul style="list-style-type: none"> <li>Association of Accounting Technicians (AAT) can use the following letters: MAAT or FMAAT</li> <li>Chartered Institute of Taxation (CIOT) can use the following letters: CTA</li> </ul> </li> <li>Association of International Accountants (AIA) can use the following letters AAIA or FAIA AAIA/FAIA - <ul style="list-style-type: none"> <li>Institute of Financial Accountants (IFA) can use the following letters AFA or FFA</li> </ul> </li> </ul> |                                  |
| <b>Security</b>                             | <b>Commercial Investment</b>  | <b>Commercial Owner Occupied</b> |
| <b>Summary</b>                              | Aldermore must have a first legal charge over all of the primary security (save for where the Bank has agreed to take a second subsequent charge on any additional security).   |                                  |
| <b>Location</b>                             | The security must be located in England, Wales and mainland Scotland only, including the Isle of Wight and Anglesey. This does not include the Channel Islands, the Isle of Man, the Scilly Isles or Scottish Islands.  |                                  |
| <b>Tenure</b>                               | Freehold (heritable title in Scotland) or leasehold (with 60 years unexpired at completion and 40 years at end of mortgage term). Properties held on a commonhold basis are not acceptable  |                                  |

|   |   |   |
|---|---|---|
| <b>Newly formed freehold/leasehold titles</b> | <p>Where security is to be taken over a newly (or recently) created freehold or long leasehold title then we must understand the following:</p> <ul style="list-style-type: none"> <li>• Why the title is being split</li> <li>• What are the terms of the new title</li> <li>• Clarify if our proposed borrower will retain an interest in the freehold element as well as the long leasehold element</li> </ul> <p>In all circumstances the valuer must be made fully aware of the circumstances. Where the assumptions in the valuation report do not match the terms of the lease, this will need to be referred back to the valuer to revise the report.</p> |   |
| <b>Minimum valuation</b>                      | £75,000   |   |
| <b>Corporate lending</b>                      | <p>Personal guarantees from all Directors/Members/Designated Members who have a shareholding of 25% or more are required ideally for 100% of the loan amount, plus interest, plus costs, plus fees. Consideration can be given to cases where a lesser amount is requested, subject to full justification</p> <p>A debenture over the assets of the company should be taken.</p> <p>Where appropriate a cross company guarantee is required.</p> <p>Subordination of director's loans may be required depending upon the Bank's assessment of the borrower's balance sheet.</p>   |   |
| <b>Guest houses/B&amp;B's</b>                 | <b>Commercial Investment</b>  | <b>Commercial Owner Occupied</b>  |
| <b>Requirements</b>                           | N/a   | <p>Minimum property value: £250,000;<br/> Maximum Loan: £1,000,000;<br/> Maximum LTV: 70% of Market Vacant Possession (MV3);<br/> Repayment type: C&amp;I with standard Owner Occupier interest only periods available;<br/> Borrower type: First Time Buyers and Experienced applicants;<br/> Affordability: Earned income to cover a minimum of 25% of DSCR with remainder covered by business profit. DSCR assessment for standard Owner Occupier applies.<br/> Financial Information: 6 (six) months' bank statements demonstrating Guest House income, where available.<br/> Accounting information as standard and projections/business plan;<br/> Applicants: No Limited Company applications, except where secondary income which is being relied upon is earned by directors and can be tied in; and<br/> Business Appraisal: Obtained by sector expert in all cases, and business plan.</p> |
| <b>Bespoke student accommodation</b>          | <b>Commercial Investment</b>  | <b>Commercial Owner Occupied</b>  |
| <b>Requirements</b>                           | <p>Standard LTV and affordability calculations apply. All cases are to be offered on a C&amp;I basis irrespective of loan size, with interest only terms not allowed.</p> <p>Sites are accepted in areas defined as Russell Group Universities and are restricted to the sites in England only, with the exception of Cardiff. Other sites located in Scotland, Wales and Northern Ireland are excluded.</p> <p>The borrower is to evidence that they have experience in this market place. Applications from first time landlords will not be supported.</p>   | N/a   |
| <b>Business centre/serviced offices</b>       | <b>Commercial Investment</b>  | <b>Commercial Owner Occupied</b>  |
| <b>Requirements</b>                           | <p>No single tenant can account for &gt;40% of gross rental income;</p> <p>serviceability will be assessed on net rental income, after deduction for the provision of any management services, utility costs etc.;</p> <p>business centres in rural locations are not acceptable securities;</p> <p>the properties should be purpose built, modern buildings; and</p> <p>where old/converted buildings are offered as serviced offices, further consideration is required as to their suitability and sustainability.</p>   | N/a   |



| New build properties                           | Commercial Investment  | Commercial Owner Occupied |
|--|--|---------------------------|
| <b>Definition</b>                              | “New build” is defined as built in the last 12 months, excepting where the proposed security property has been ‘tested by the market’ (i.e. sold or let) within 12 months of construction/conversion.  |                           |
| <b>Guarantees/certificate</b>                  | <p>Commercial property built within the last ten years must hold an acceptable commercial property latent defects warranty.</p> <p>Acceptable certificates include</p> <ul style="list-style-type: none"> <li>• Build life plans</li> <li>• Premier guarantee <ul style="list-style-type: none"> <li>• Build zone</li> <li>• NHBC</li> </ul> </li> <li>• Local Authority Building Control (LACB)</li> </ul> <ul style="list-style-type: none"> <li>• Collateral warranty from the original contractor (the original contractor must be solvent) <ul style="list-style-type: none"> <li>• Other warranties will be considered on their merits</li> </ul> </li> </ul> <p>All warranties must be fully transferable.</p>  |                           |
| Other property criteria                        | Commercial Investment  | Commercial Owner Occupied |
| <b>Property types we do <u>not</u> lend on</b> | <ul style="list-style-type: none"> <li>• Care homes</li> <li>• Petrol stations</li> <li>• Public houses <ul style="list-style-type: none"> <li>• Hotels</li> </ul> </li> <li>• Purpose built restaurants</li> <li>• Farms, smallholdings or properties with agricultural restrictions in place <ul style="list-style-type: none"> <li>• Properties held on a commonhold basis</li> </ul> </li> <li>• Property where a flying freehold exists and affects more than 25% of the total floor spa</li> <li>• Where satisfactory tenant demand does not exist or the proposed security is considered unsuitable for private renting</li> </ul>  |                           |
| <b>Retentions</b>                              | A retention is valid for 6 months from completion and works should be carried out within that period. Undertakings from the applicant to carry out works will not be acceptable to release retained funds.   |                           |
| <b>Property insurance</b>                      | The property must be insured for at least the full reinstatement value as recommended by the valuer in his report. The acting solicitor will notify the insurer of Aldermore’s interest in the property before completion.   |                           |
| <b>Structural problems</b>                     | <p>If the valuer has indicated that the property is suffering progressive structural movement or movement which requires monitoring, the security will be rejected for mortgage.</p> <p>Alternatively, should the applicant wish to commission a structural engineer’s report on the integrity of the property, the case will be reconsidered only if:</p> <ul style="list-style-type: none"> <li>• The structural engineer is suitably qualified (i.e., MISTRUCT.E., FISTRUCT.E, C.ENG., MICE</li> <li>• The report is approved by the valuer, who should be prepared to state that in his/her opinion the movement is non-progressive and will not affect saleability</li> <li>• Any recommended remedial works are to be dealt with by way of a retention/undertaking according to valuer’s recommendations</li> <li>• The borrower’s buildings insurance company confirms that they will insure the property at normal rates and term</li> </ul> <p>No commitment to lend will be given until the structural engineers report has been seen and approved.</p> <p>If the valuer states that there is structural movement/settlement but it is non-progressive or of a historic nature, no further action is required.</p> |                           |
| <b>Underpinned properties</b>                  | Properties that have been underpinned in the last ten years must have a 20 year guarantee from a reputable company, warranting the works completed. The valuer must also state that there is no sign of new movement. Aldermore will require the solicitors to confirm in writing, prior to completion, that the buildings insurers are aware of the problem and are willing to cover on normal rates and terms.   |                           |
| <b>Japanese knotweed</b>                       | <p>The assessment of Japanese Knotweed must be undertaken by an experienced professional member of the Property Care Association. The RICS framework for invasive species categorises risk into 5 bands, categories 1, 2 and 3 are acceptable to the Bank.</p> <p>If the property has a historic record of Knotweed but has been successfully treated and eradicated with an acceptable guarantee we may consider on its merits – subject to the original infestation being more than 25 metres away from the property itself.</p> <p>For a guarantee to be acceptable it must:</p> <ul style="list-style-type: none"> <li>• Protect against future intrusion and infestation for a minimum of 10 years. <ul style="list-style-type: none"> <li>• Be property specific</li> </ul> </li> <li>• Be transferable and exchangeable to subsequent owners / mortgagees.</li> </ul>   |                           |



| Valuation definitions                            | Commercial Investment   | Commercial Owner Occupied  |               |
|--|---|--|---------------|
| <b>MV (I)– Market Value (Investment)</b>         | The current value of the property in its present condition, with the benefit of the current/potential rental income   | N/a  |               |
| <b>MV (VP)– Market value (Vacant Possession)</b> | N/a   | The current value of the property in its present condition, with the benefit of full vacant possession |               |
| <b>MV with Special Assumption 2</b>              | MV detailed above, subject to the Special Assumption of Exchange of Contracts within 180 days.  |  |               |
| <b>MV with Special Assumption 3</b>              | MV as detailed above, subject to the Special Assumption that the properties are sold as a single investment. This assumption will be applied in the following circumstances but are considered on a case by case basis:   |  |               |
|  | No of units/% of development  | Max LTV – Market Value   | Max LTV – MV3 |
|  | 1 – 5   | 75%  | N/A           |
|  | 6 – 10/less than 40%  | 75%  | 85%           |
|  | 6 – 10/40% or more  | 75%  | 80%           |
|  | 11 – 15/less than 40%   | 75%  | 80%           |
|  | 11 – 15/40% or more   | 75%  | 75%           |
|  | Over 15/less than 40%   | 75%  | 75%           |
| Tenancy  | Commercial Investment   | Commercial Owner Occupied  |               |
| <b>Occupancy</b>                                 | Where the security is occupied by a company/business that is wholly or predominantly owned by the applicant, the transaction will be considered to be owner occupied, however approval of the lease(s) will still be required.  |  |               |
| <b>Commercial leases</b>                         | Occupational leases are to be in place for all tenants for a period of time, potentially up to 25 years, and are to be reviewed and approved by our panel of solicitors prior to completion. Where possible the Bank should have sight of the leases prior to/ coincidental with instructing the valuation, so that the panel valuer has the full facts available for the valuation report. The valuer will provide comment on the leases. Where leases are not available at the point of valuer instruction, then the leases should be provided to the valuer at the earliest opportunity. |  |               |
| <b>AST period</b>                                | An AST for a period of between 6-36 months can be considered (unless the annual rental exceeds £100,000 per annum).   |  |               |
| <b>High value tenancy</b>                        | Where the rental income exceeds £100,000 per annum, Aldermore will require our own format tenancy agreement to be put into place.   |  |               |
| <b>Student lets</b>                              | Multiple AST agreements accepted.   |  |               |
| <b>Corporate lets</b>                            | Acceptable providing they are no more than 5 years in duration, and let directly to registered providers of social housing or Public Limited Companies (PLC).   |  |               |
| <b>DSS and regulated tenancies</b>               | Refer for consideration.  |  |               |
| Fees   | Commercial Investment   | Commercial Owner Occupied  |               |
| <b>Fees</b>                                      | <ul style="list-style-type: none"> <li>Product and funds transfer fees can be added to the loan</li> <li>Where fees are added they will be excluded from the LTV calculation but will be included in the affordability assessment <ul style="list-style-type: none"> <li>Fees added to the loan will attract interest over the mortgage term.</li> </ul> </li> </ul>  |  |               |
| Solicitors                                       | Commercial Investment   | Commercial Owner Occupied  |               |
| <b>Separate legal representation</b>             | <p>Aldermore Bank PLC will instruct its own solicitor.</p> <p>Applicants can choose to use the same solicitor (dual representation) at additional cost (subject to agreement with the acting solicitor), instruct their own solicitor, or remain unrepresented where the transaction is a remortgage (third parties may be required to have separate legal representation).</p> <p>Solicitors acting on behalf of the applicant must have a minimum of 3 partners.</p>  |  |               |