



# Residential Mortgage Criteria & Affordability Guide

## Residential criteria

Max number of borrowers	2.
Min max loan	Min: 50+ /RIO £20k. Hodge Resi £50k.  Max: £2m.
Max Loan by LTV	£2m max 75%.  £1m max 85%.  £850,000 max 90%.
Min/max term	5 – 40 years.
Min/max age at application	Min: 21.  Max: 75 Hodge Resi. 88 50+ /RIO.
Repayment types	Repayment/Interest Only.
Max LTV	90% Repayment Hodge Resi.  85% Repayment 50+.  75% Interest Only.  Where any element of debt consolidation, LTV is capped at 85% on Repayment.
Allowable loan purpose	Purchase of main residence or second home.  Remortgage with capital raising.  Debt consolidation.  Transfer of equity.
Loan purposes not permitted	Business injection.  Payment of taxes.  Clearing gambling debts.  Purchase of timeshare.  Right to Buy, Shared Equity or Shared Ownership.
Income multiples	We apply the following loan to income: <ul style="list-style-type: none"> <li>• Where income is less than £70k we cap at 4.49x Repayment and Interest Only</li> <li>• Where income is £70k or more we cap at: <ul style="list-style-type: none"> <li>- Interest Only 5x</li> <li>- Repayment LTV more than 80% 5.5x</li> <li>- Repayment LTV 80% or less 6x</li> </ul> </li> <li>• Interest Only and Repayment £4£ remortgages 6x</li> <li>• RIO 4.49x.</li> </ul>

## Income & affordability

Employed income	100% of PAYE income is included in affordability assessment up to expected retirement date.
Max working age	Employed income can be used up to a maximum of age 80. If using earned income past the age of 70, the plausibility of the employment will be considered.
Overtime/Commission	Actual amount receivable averaged over 12 months. Up to 100% used if 12 month record shows stability. If sustainability not evidenced we will consider 50% or 2 year average.
Bonus	Annual up to 75% of average of 2 successive payments. For monthly we treat as overtime/commission.

## Self-Employed

Sole Traders and Partners	<p>We require a minimum 12 months trading.</p> <p>We will generally use the latest years figures if sustainable – projections may be requested to support.</p> <p>2 years + trading we require:</p> <ul style="list-style-type: none"> <li>• 2 years SA302s &amp; corresponding tax year overviews.</li> </ul> <p>Less than 2 years trading we require:</p> <ul style="list-style-type: none"> <li>• Min of 1 year's accounts</li> <li>• Accountants projection for the current year coupled with the most recent 3 months of business bank statements.</li> </ul> <p>New Partner role:</p> <ul style="list-style-type: none"> <li>• Replacing an existing partner or becoming a new partner:</li> <li>• <b>Replacing an existing partner</b> - 2 years accounts for the partnership, actual amount of drawings from previous partner for the latest year or 2 year average if lower.</li> <li>• <b>Newly created partner</b> - expected % share of drawings for the latest year or 2 year average if lower.</li> <li>• In the absence of 2 years evidence, we can accept a certificate completed by the practice accountant or managing/senior partner confirming projected income.</li> </ul>
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## Self-Employed cont.

### Ltd Company Directors

We require a minimum 12 months trading.

We will generally use the latest years figures if sustainable – projections may be requested to support.

Affordability is based on salary and dividends. We can also accept Retained profit/earnings (please see criteria below):

2 years + trading we require:

- 2 years Accounts/Accountants certificate.

Less than 2 years trading we require:

- Min of 1 year's Accounts/Accountants Certificate
- Accountants projection for the current year coupled with the most recent 3 months of business bank statements.

We can consider retained profit where:

- Borrower(s) are 100% shareholder(s)
- The business has been trading for a minimum of 2 years
- The retained profit is stable or increasing and an accountant confirms it could be taken as additional income without any adverse impact on the business.

### Day rate contractor

Min 12 months contracting experience with 3 months remaining on the contract at time of application or evidence that provides good certainty the contract will be renewed.

Maximum 48 weeks used for affordability.

Maximum of 3 months break between contracts over a 12 month period.

Day 1 contractors subject to experience and minimum income of £50,000.

Multiple contracts may be considered on a case by case basis for experienced contractors.

### Fixed term contractor

Where the employer pays Tax and NI.

Min 12 months contracting experience with 3 months remaining on the contract at the time of application or evidence that provides good certainty the contract will be renewed.

From day 1, where the applicant has 12-months experience in a similar role and has a contract of 3 months remaining on the contract at the time of application or evidence that provides good certainty contract will be renewed 2 months.

There is no minimum income requirement for an employed fixed term contractor.



## Retirement income

<b>State pensions</b>	Can be based on amounts in payment or expected future entitlement.	
<b>Pensions in payment</b>	100% Can include annuities, personal pensions or company pensions.	
<b>Drawdowns, unvested pensions and collective investments</b>	Amount used for affordability is calculated as a percentage of the projected fund value on a sliding scale based on the planned age of drawdown.	
	<b>Retirement age</b>	<b>Annuity % (sliding scale)</b>
	50-59	Between 3.3% and 3.9%
	60-69	Between 4.2% and 5.6%
	70-69	Between 5.7% and 7.6%
	77+	7%
	<p>We use 100% of the projected pot less any amount the customer declares they'll take tax free.</p> <p>For Investments we use 75% of the projected pot.</p>	
<b>Surviving partner stress test</b>	<p>For joint borrowers affordability is assessed on the customers ability to maintain payments on the mortgage loan for the full term.</p> <p>For joint borrowers if the term exceeds either borrowers 87th birthday we will assess affordability for each applicant in isolation in the event that one party dies. In each scenario, the loan must continue to meet our affordability requirements on the remaining income. We can also consider life insurance policies which will pay off the loan in full or in part.</p>	
<b>Guarantors</b>	Not permitted.	

## Key Credit

<p><b>Unsecured arrears</b></p>	<p>Maximum two months arrears in the last 2 years. Must be up to date at application.</p> <p>There is no restriction on historic arrears for comms and utilities.</p>
<p><b>Secured loan or mortgage arrears</b></p>	<p>No arrears in the past six months and must be up to date at application.</p> <p>Maximum one month arrears in the last year.</p> <p>Maximum two months arrears in the last two years.</p>
<p><b>Defaults</b></p>	<p>No more than £500 of satisfied defaults in total in the last 3 years.</p> <p>Unsatisfied defaults from over 3 years ago allowed where total balance is &lt; £250.</p> <p>Comms and utilities are not taken into consideration.</p>
<p><b>CCJs</b></p>	<p><b>Satisfied:</b> Max £500 in total within the last 3 years OR &gt; registered 3 years ago for total balances &gt; £500.</p> <p><b>Unsatisfied:</b> Max £250 in the last 6 years and must have been registered &gt; 3 years ago.</p> <p><b>Comms &amp; Utilities:</b> Can be accepted subject to Underwriter discretion, satisfied or unsatisfied.</p>
<p><b>Debt Management Plan</b></p>	<p>Acceptable if discharged for at least three years.</p>
<p><b>IVA</b></p>	<p>Acceptable if discharged for at least three years.</p>
<p><b>Repossession</b></p>	<p>Acceptable if more than six years ago.</p>
<p><b>Bankruptcy/ Sequestration</b></p>	<p>Acceptable if discharged for at least six years.</p>
<p><b>Credit Score</b></p>	<p>We use a credit score to asses plausibility.</p>

## Residency

<b>Foreign Nationals</b>	<p>Where the applicant is a foreign national with indefinite leave to remain we will treat as a UK national.</p> <p>Foreign Nationals without indefinite leave to remain can be considered under the following conditions:</p> <ul style="list-style-type: none"><li>• Being on a Tier 1/Global Talent or Tier 2/Skilled worker visa with a minimum of 24 months remaining at time of application and in a Professional occupation.</li><li>• Max LTV of 80%</li><li>• Been resident in the UK for a minimum of 3 years.</li></ul> <p>We can consider a minimum period of 18 months subject to additional underwriter criteria. Hodge do not accept applications from applicants with diplomatic immunity.</p>
<b>EU Settlement Scheme/Irish Nationals</b>	<p>Applicants on the EU Settlement scheme or Irish Nationals must have been resident in the UK for a minimum of 3 years. We can consider a minimum period of 18 months subject to additional underwriter criteria.</p>
<b>Returning expats</b>	<p>Hodge can consider Ex Pats from day 1 of returning to the UK provided:</p> <ul style="list-style-type: none"><li>• They are going into permanent employment or are retired</li><li>• They are resident in the UK at the time of application</li><li>• Credit conduct can be identified on a credit check</li><li>• The maximum time away from the UK is 2 years.</li></ul> <p>A minimum residency of 6 months is applicable where:</p> <ul style="list-style-type: none"><li>• The applicant has been out of the country for more than 2 years</li><li>• They are self employed</li><li>• They cannot be found on the credit file.</li></ul>

## Interest only

<b>Acceptable repayment strategies</b>	<p>Sales of mortgaged property - Subject to regional equity requirements.</p> <p>Sale of other property – current equity must cover loan.</p> <p>Realisation of investments.</p> <p>Existing endowment policy – based on 'mid growth' projected assumption.</p> <p>Lump sum pension payment. We'll take 25% of the mid-point of the projected maturity value.</p>
<b>Min equity for sale of mortgaged property</b>	<p>Scotland (except Edinburgh &amp; Dundee) and North East - £100k.</p> <p>North West, Yorkshire &amp; Humber and Wales - £120k.</p> <p>Rest of UK - £150k.</p> <p>London - £250k.</p>
<b>Max LTV</b>	<p>75% (including debt consolidation).</p>
<b>Min Income</b>	<p>We do not have a minimum income for Interest Only lending.</p>



## Property

<b>Min/max value</b>	<p>Min £100,000.</p> <p>Max £10 million.</p>
<b>Acceptable Locations</b>	<p>England (Including Isle of Wight), Wales, and Scotland (including islands linked by road bridge to the mainland).</p>
<b>Unacceptable locations</b>	<p>Northern Ireland, Isle of Man, Channel Islands.</p> <p>Islands not accessible by road bridge with the exception of the Isle of Wight are unacceptable.</p> <p>Properties on sites of Holiday parks/complexes.</p> <p>Holiday Buy to lets in London are unacceptable due to the capital wide ban on using properties as short term lets for longer than 90 days.</p>
<b>Unacceptable property types</b>	<p>Retirement, Sheltered or age restricted properties, park homes, mobile homes, caravans, and houseboats.</p>
<b>New build</b>	<p>New build properties and Flats are acceptable (Defined as any property built or converted within the last 12 months).</p> <p>Developers must be signed up to the New Homes Ombudsman Service (NHOS).</p> <p>Individual subject to suitable construction and Professional Consultants Certificates.</p> <p>Properties which are on a development of more than three units must meet the requirement of Registration with the New Homes Quality Board.</p>
<b>New build cash incentives</b>	<p>Max 5% include cashback, deposit payments, stamp duty payments or covering of legal fees.</p> <p>Incentives are not required to be deducted from the valuation figure or purchase price but must be matched as a minimum. by the applicant.</p>
<b>Ex public sector</b>	<p>Acceptable subject to minimum value of:</p> <ul style="list-style-type: none"> <li>£150,000 Houses</li> <li>£250,000 flats, and maisonettes.</li> </ul> <p>Ex public-sector flats and maisonettes are acceptable if:</p> <ul style="list-style-type: none"> <li>No more than 4 storeys</li> <li>Do not have communal balconies</li> <li>Do not have open communal access.</li> </ul> <p>Ex Public Sector properties purchased under the "Right to Buy" scheme and still within the pre-emption period are unacceptable.</p>

## Property cont.

<b>Number of bedrooms</b>	Max six acceptable as standard, if more than six please refer for consideration.
<b>Number of kitchens</b>	Two kitchens are acceptable.
<b>Annexes</b>	Properties with one fully self-contained annexe are acceptable providing they are only let on a short-term basis.
<b>Non standard construction</b>	<p>Single skin/half brick walls are only acceptable if the walls are within a single storey structure and only contain non habitable rooms.</p> <p>Modern timber framed houses built after 1950 in Scotland and 1970 in England &amp; Wales are acceptable.</p> <p>Timber framed properties retrospectively filled with insulation to the cavity are unacceptable.</p> <p>Modern Methods of Construction (MMC) may be considered subject to individual review.</p>
<b>Above or adjoining commercial premises</b>	<p>Properties above or adjacent to restaurants, snack bars, cafes, drinking establishments and take-aways may be considered. Please refer in advance of submission.</p> <p>Properties above/adjacent to commercial uses are subject to a minimum value of £150,000 (£250,000 in Greater London).</p>

## Flats and maisonettes


<p><b>Maximum storey</b></p>	<p>Six as standard.</p> <p>Private flats in England and Wales in excess of six storeys can be considered if the developer is signed up to the Developer Remediation Contract (England) or the Welsh Government contract (Wales).</p> <p>If the flat is above the third storey, the block must have a lift (Except Scottish Tenements).</p> <p>Flats of a non-standard construction are limited to four storeys.</p>
<p><b>Service charge and ground rent</b></p>	<p>Annual Service charge must not exceed 1% of the property value.</p> <p>Annual Ground rent must not exceed 0.1% of the property value.</p> <p>Escalating ground rents shall not double more frequently than 20 years and shall not be geared to the value of the building/property.</p>
<p><b>New build flats</b></p>	<p>Acceptable - All flats in the block must be completed and fully habitable, including all communal areas in the block, and have appropriate warranty or certification.</p>
<p><b>Lease hold/free hold</b></p>	<p>Acceptable subject to a minimum lease of 85 years on completion of the mortgage.</p> <p>Freehold flats &amp; Maisonettes are unacceptable.</p>
<p><b>SCOTTISH TENEMENT FLATS</b></p>	<p>Traditional Scottish Tenement flats will be acceptable if they meet the following criteria:</p> <ul style="list-style-type: none"> <li>• Minimum Value £100,000 (£120,000 if above commercial)</li> <li>• Built prior to 1915</li> <li>• Constructed of masonry walls with pitched roofs</li> <li>• No more than 5 storeys</li> <li>• Do not have communal balconies or access.</li> </ul>

## RIO

<b>Age</b>	<p>Min age at application is 50.</p> <p>Max age at application is 88 for oldest applicant.</p>
<b>Repayment type</b>	<p>Interest Only, no repayment vehicle required as loan is repaid through sale of property on death or move into care.</p>
<b>Term</b>	<p>RIO is a lifetime product with no specified term or end date.</p>
<b>LTV</b>	<p>Max 75%.</p>
<b>Min remaining equity</b>	<p>No minimum equity requirement (minimum property value £100,000).</p>
<b>Affordability</b>	<p>Affordability is assessed on the customers ability to maintain payments on the mortgage loan for life.</p> <p>For joint applications, we will assess affordability for each applicant in isolation in the event that one party dies.</p> <p>In each scenario, the loan must continue to meet our affordability requirements on the remaining income.</p> <p>We can consider life insurance policies which will pay off the loan in full or in part.</p>

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