



HODGE

Mortgage Lending Criteria



Mortgage Lending Criteria



As an intermediary only lender, we're committed to helping your customers buy or remortgage their residential or Holiday Let property.

We'll always act responsibly as a mortgage lender. We'll establish if the mortgage is affordable at the outset and as best we can during the life of the mortgage to ensure it's repaid in full by the maturity date. Any fees will be fair and not excessive and borrowers will be given the opportunity to add the fee to the mortgage or to pay it separately. We recognise that borrowers may get into financial difficulty for a variety of reasons and we'll work with them to find a long term solution. Repossession will always be the last resort.

We'll only accept residential and Holiday Let applications from intermediaries where advice has been given in line with regulation set out by the Financial Conduct Authority.

Criteria policy:	
Adverse Credit	County Court Judgements No more than 1 satisfied CCJ <£250 in the last 2 years No more than 2 satisfied CCJs <£500 in the last 6 years
	Defaults No more than 1 satisfied default <£250 in the last 2 years (exc comms, utilities and mail order) No more than 2 satisfied defaults with a combined total of <£500 in the last 6 years (exc comms, utilities and mail order) No more than 2 satisfied defaults with a combined total of < £250 in the last 2 years provided they relate to mail order, utilities or communications balances. No more than 1 unsatisfied default with a balance of <=£100 in the last 2 years provided it relates to mail order, utilities or communications balances. Defaults for any amount on comms, utilities and mail order from more than 2 years ago can be ignored.
	Arrears – mortgages and secured loans No more than 1 months arrears in last year No more than 2 months arrears in last 3 years Account must be up to date at the point of applicant and have been up to date in the 6 months prior to application.

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Adverse Credit	Other arrears (excluding mail order, comms & utilities)	Maximum of 2 months arrears in last year (i.e. 1,2 on the credit search). All accounts must be up to date at application and unsecured loans must also have been up to date for the 3 months prior to application. Mail order, comms and utilities, no restrictions on historic arrears but must be up to date at application.		
	Repossession	Unacceptable unless more than 6 years ago.		
	Bankruptcy	Unacceptable, unless discharged more than 6 years ago.		
	IVA & Debt Management agreements	Unacceptable, unless satisfied more than 6 years ago.		
Age of Borrowers (Min/Max)	Product	RIO	50+	Holiday let
	Minimum age	50	50	21
Debt Consolidation	Maximum age (at application)	88	No maximum	88
	Debt Consolidation is limited to 60% LTV for all products and should generally be no more than 100% of income.			
Deposits/Gifted Equity	Any deposit should come from the applicants own resources or via a third party gift, there should be no recourse to further borrowing.			

Further Borrowing

Further borrowing may be applied for at any time but will generally not be considered until six months after completion of the latest Holiday let, RIO or 50+ mortgage taken by the customer and only if all payments up to that time have been met in full and on time.

The entitlement to further borrowing will be determined on:

- Affordability and whether the borrowers have sufficient additional eligible income (or rental income for Holiday let) to service the additional interest
- The property value at the time of application for further borrowing and the borrowers maintaining a loan to value in line with the current credit policy
- Subject to Hodge policy at the time of the application for further borrowing
- Borrowers must apply for additional borrowing through a Mortgage intermediary. Independent legal advice may be required in some circumstances e.g. for a transfer of equity or if the applicant is deemed vulnerable.

Holiday Let

Holiday Let guidelines

Underwriting requirements:

- One month personal bank statements will be required
- 'Let to Buy' (LTB) will only be accepted on a referral basis
- First time landlords accepted subject to application. Evidence of savings to cover maintenance and rental voids will be required
- First time buyers accepted subject to application.
- Evidence of funds for deposit will be requested for all purchases to ensure no recourse to further borrowing
- Income details will require the same level of data capture as residential mortgage applications (however evidence not generally required).

We don't accept properties on holiday let complexes. Properties with an annexe that can be sub-let or have 2 kitchens are unacceptable.

Our maximum portfolio size at completion is 10 mortgaged rental properties, irrespective of lender.

For portfolio sizes of between 4 and 10 properties, the whole background portfolio must yield a minimum rental income of 125% of interest payments at a 5% interest rate.

Interest Coverage Ratio (ICR):

- Calculated at 145% of an average of the expected low, mid and high weekly seasonal rates based on an assumed 30 weeks occupancy (unless a lower occupancy is confirmed) at either:
 - 2 year fixed = the higher of pay rate + 2% or 5.5%
 - 5 year fixed = pay rate

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Employed			
Important: We're unable to assess an application without sufficient supporting documentation – please ensure that all mandatory documentation is provided on submission. Applications WILL NOT be assessed until we have received satisfactory evidence of income.			
Income	Nature of Income	Percentage Allowable	Required Proof
	Gross Basic salary	100%	Payslips
	Car allowance	100%	Payslips
	Large Town Allowance/ London weighting	100%	Payslips
	Guaranteed Shift Allowance	100%	Payslips
	Regular Shift Allowance	50%	Payslips and latest P60, if the payments are quarterly or annual the latest two P60s should be obtained
	Overtime	50%	Payslips and latest P60, if the payments are quarterly or annual the latest two P60s should be obtained
	Regular Bonus &/or Commission	50%	Payslips and latest P60, if the payments are quarterly or annual the latest two P60s should be obtained
	Pension (being drawn prior to actual retirement – private or occupational)	100%	Pension payslip or P60
We'll consider these incomes up to the date the borrower states that they'll stop working, up to a maximum age of 80 provided this appears feasible. We wouldn't expect borrowers in jobs requiring physical exertion to work significantly beyond the standard retirement age.			

Income	Self-Employed	
	<p>Defined as having more than 25% of the shareholding of the business (Limited Company Directors, Sole Traders and Partnerships).</p> <p>Applicants must have been trading for at least two years at the time of application. We require verification in the form of 2 years accounts, SA302s and tax year overview or accountants' certificate. The certificate is issued by the Underwriter on receipt of a full application, to the details declared on the application.</p> <p>We'd expect the accountant's certificate to be completed by an accountant who holds one of the following qualifications: ICAEW; CIMA; ACCA; CIPFA; AIA; ICAS; FCA; ICPA; CPA; FCPA; MAAT. Other accountant's qualifications are acceptable subject to underwriter discretion and verification.</p> <p>Generally, we'll use an average of the two years' income confirmed. However, if the most recent year is lower than the two-year average, we'll use the lower (most recent) figure.</p> <p>In addition to verification of income, we'll require the most recent three months business bank statements to evidence income and outgoings.</p>	<p>Retired/Lending into Retirement</p> <p>Pensions in payment</p> <p>Eligible pensions in payment must be payable for the rest of the borrowers' lives, the sources of pensions are:</p> <ul style="list-style-type: none">• Defined benefit pensions in payment• Annuities in payment• State pensions including earnings-related pensions payable by the State which are in addition to the basic state pension and are payable for life (SERPS or S2P)• State benefits can be considered• Defined Contributions, drawdown, SIPPs & SSAS <p>Amounts payable can be confirmed through entitlement statements, payslips, P60s, including whether the income is index linked, and the amount, of spouses' benefits. Given that this is payable for life 100% of the gross amount is eligible.</p> <p>Unvested pensions and drawdowns</p> <p>Amounts to be considered of unvested pensions and drawdowns must be held within a designated pension 'wrapper' and represent savings which have attracted tax relief as they were accumulated.</p> <p>Retired borrowers</p> <p>If the customers are already retired at the time of application, we'll base our lending on the actual pension already being received.</p> <p>Borrowers nearing retirement</p> <p>The minimum age at application for a residential mortgages is 50. Therefore, it's expected that not all proposed borrowers will be already retired. (NB. The minimum age at application for Holiday let mortgages is 21).</p> <p>Underwriting and affordability must therefore be based on projected pension income. Income can be projected up to the date they confirm they'll draw down the pension and any employed income can be used until the date they confirm they're stopping work (or maximum age of 80, subject to a review of the suitability of the employment).</p>

Income

Other

Investment income

The types of investment income must exhibit the following characteristics:

- All sources of income must be derived from an underlying asset or asset pool that itself has value were it to be realised
- For income derived from an asset or asset pool, a surviving spouse must inherit those assets, and the income therefore continues to flow.

Rental income

Eligible rental income shall be derived from the following sources:

- Residential property let and located in the UK (income from lodgers or tenants within the property is not eligible).
Rental income (net of costs and expenses) must be greater than 110% of the mortgage payment to be utilised
- Commercial, Limited Company BTL, and Holiday Let income – Rental income must be in force for at least 2 years to be eligible and also derived from a UK asset.

Maintenance/spousal payments or support (N.B not acceptable if this is the only form of income)

- Must be enforced by a court order or legal agreement and must have been in place for 12 months
- Evidence must be provided to show payments are currently being made
- Only eligible to the appropriate end date.

Foster income

- Must be in force for at least 12 months and can be accepted up until the age of 80 (subject to underwriting assessment)
- Will require 6 months remittance slips and 3 months bank statements and confirmation how long they have been receiving the income.

Contractor income

- Income must be derived from a current contract which must be at least a 6 month contract and have 3 months remaining at application (and is the type of job that is typical for a contractor). Customers must have at least a 12-month history of contracting in a similar role.

Joint Borrowers

With regards to the RIO and 50+ mortgages the impact of the first borrower's death will be considered on cases where the oldest borrower attains their 82nd birthday during the specified mortgage term.

Underwriters must be satisfied that the surviving borrower is able to continue to support the monthly interest payments upon the death of the first borrower until the end of the specified mortgage term.

Lending Area

Properties located within England, Wales and Mainland Scotland (including islands linked by road bridge to the mainland) are acceptable. Northern Ireland, Isle of Man, Channel Islands are Out of Policy.

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Loan Purpose	<p>For house purchase, remortgage, further advance including home improvements, purchase of freehold and transfer of equity.</p> <p>Applicants should confirm the purpose of the loan. Hodge will not accept applications for activities/reasons that are deemed high risk. Examples are:</p> <ul style="list-style-type: none">• new business start-up• repayment of tax debts• purchase of timeshare• clear gambling debts• cases of repeated debt consolidation. <p>Debt consolidation and Home Improvements will be considered. Debt consolidation is limited to 60% LTV for all products.</p> <p>Home-Improvements of up to £30,000 will generally not require any estimates or formal proofs; the customer should provide a breakdown of the work being undertaken however.</p>
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Loan Size	Product	RIO	50+	Holiday Let
	Maximum loan	£1.5m	£1.5m – 75% LTV £750k – 85% LTV	£1.5m – 60% LTV £1m – 75% LTV
	Minimum loan	£20,000	£20,000	£50,000
	Maximum property value	£10m	£10m	£10m
	Minimum property value	£100,000 minimum value	£100,000 minimum value	£100,000 minimum value

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Number of Applicants	<ul style="list-style-type: none">• A maximum of two applicants will be considered for the 50+, Holiday let, and RIO products• For residential mortgages only (not Holiday let) married couples must always be joint applicants and co-habiting couples must always be joint applicants if both parties feature on the title of the security address• If separated, a single application will be considered subject to the separated party not living at the security address with the applicant.
Offer Validity	<p>All Decision in Principle Agreements are valid for two months.</p> <p>Holiday let, RIO & 50+ Mortgage Offers are valid for three months, provided that the valuation report remains valid (see below). If an offer expires, a further credit search will be carried out before extending the offer.</p> <p>Valuation reports are valid for 6 months from the date survey is carried out. The survey must be within date to issue an offer.</p>
Portability	<p>Hodge will allow borrowers to port their mortgage from one property to another as a result of moving house, provided that the new property is suitable security for mortgage purposes, and is of sufficient value to meet the LTV related criteria. A repayment may be required if the borrower moves to a lower value property in order to bring the LTV within policy. Porting requests will require that the applicants meet the prevailing mortgage lending criteria at that time.</p>
Property Occupation	<p>For residential borrowing Hodge will only consider applications on properties which are the applicant's main residence.</p> <p>A second home or holiday home can be considered by exception where affordability can be verified to cover the costs and expenditure associated with running two households.</p> <p>For Holiday let the property is not required to be the applicant's residence, but they can use it for their own purposes for up to 90 days per calendar year.</p> <p>All applicants must have a current fixed address.</p>
Remortgages	<p>Applicants should have owned their property for at least 6 months before applying for a remortgage.</p> <p>A 'day one' remortgage can be considered under certain scenarios and at the underwriter's discretion. An example might be where an applicant has recently inherited a property.</p>

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Repayment Strategies

Repayment strategies are the key element to all interest only lending, allowing borrowers some flexibility with how they choose to repay the capital element of their mortgage at the end of the term. An acceptable repayment strategy must be in place on all interest only mortgage applications. The repayment strategies that can be considered are:

- Sale of the mortgaged property to downsize London £250k. North west, North East, Yorkshire & Humber £120k. Scotland (exc Edinburgh) £120k. Rest of UK 150k.

Please note: while these serve as a minimum, a plausibility check on the remaining equity will also be completed.

- Realisation of investments
- Endowment maturity
- Pension lump sum
- Sale of other property owned by the applicant(s). Held within the United Kingdom.

Sale of mortgaged property (Holiday let)

As a Holiday let is not the applicant's main residence, it can generally be accepted that the repayment strategy will be the sale of the security at the end of the mortgage term.

Residence

We can consider applications from applicants who are British citizens, EEA Nationals and Non-EEA nationals who can demonstrate they have indefinite leave to remain in the UK and have been resident in the UK for the last three years. If a returning UK ex-patriate, we can consider a case where they have been in the UK for at least 6 months, so Hodge can carry out a full credit search.

Hodge will not consider mortgage applications from customers who have diplomatic immunity.

Property value

- Minimum Value – £100k
(please refer to minimum equity for downsizing)*
- Maximum Value – £10 million.*

- Ex public sector houses minimum value £150,000
- Ex public sector flats and maisonettes minimum value £250,000.

*in current condition

Security

Property type

- Houses and bungalows
- Flats and maisonettes in private blocks of up to 10 storeys (flats above the third storey must be serviced by a lift)
- Flats with cladding, curtain wall glazing and/or with balconies which have flammable materials will be subject to a suitable EWS1 rating
- Refer to separate criteria for ex public sector.

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Security	<h3>Tenure</h3> <ul style="list-style-type: none">• Freehold, leasehold and absolute houses and bungalows• Leasehold flats and maisonettes in England and Wales, absolute ownership flats in Scotland (see below)• Flying freehold less than 10% of total floor area.
	<h3>Leasehold</h3> <ul style="list-style-type: none">• Term Mortgage (50+/Holiday Let) – Flats and maisonettes minimum 85 years remaining on the lease on completion• No Term Mortgage (RIO) – Flats and maisonettes minimum 85 years remaining on the lease on completion• Houses – Minimum 250 years remaining on the lease on completion.
	<h3>Ex public sector</h3> <ul style="list-style-type: none">• Houses – minimum value £150,000 subject to valuers confirming suitable construction• Flats –<ul style="list-style-type: none">a) Have a minimum value of £250,000b) No more than 4 storeysc) Do not have communal balconiesd) Do not have open communal accesse) Have at least 50% private ownership in the block and development.
	<h3>Annexe</h3> <p>Properties with one attached annexe with shared services and not capable of being sub-let are acceptable, provided the planning consent only permits occupation by related parties to the property owner.</p>
	<h3>Holiday or second home</h3> <p>Holiday or second home must be affordable and for the applicants' own personal use only.</p>
	<h3>Other</h3> <ul style="list-style-type: none">• Properties with more than 3 acres of land are a refer with a maximum of up to 10 acres of land being acceptable as long as there are no agricultural ties• Properties with 6 or less bedrooms.• No history of subsidence• Small scale "home office" business use is acceptable• No flood history and/or low flood risk.

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Security	Construction	Not accepted
	<ul style="list-style-type: none">• Standard traditional construction• Wimpey "No Fines" for Houses Only• Laing Easiform post 1945• Solid brick, stone or concrete block – minimum thickness 225mm• Cavity brick, stone or concrete block – minimum thickness 275mm• Pitched roofs of concrete, slate or stone tiles• Flat roofs of traditional materials where the area is less than 50% of the total roof area.	<ul style="list-style-type: none">• Modern timber framed houses built after 1950 in Scotland and 1970 in England and Wales with a separating cavity and an outer leaf of brick, stone or concrete block with a minimum overall width of ~ 275mm are acceptable. Flats are subject to a maximum height of 4 storeys• Crosswall construction is acceptable as long as the party wall in the roof void is of masonry construction and subject to a maximum of 2 storeys maximum height• Period timber frame (up to 1900) with a minimum wall thickness 220mm in good repair.
	Not accepted	<ul style="list-style-type: none">• Timber framed properties in flood risk areas• Above or adjoining commercial uses – (Holiday Let refer)• Office conversions• Coach houses spanning access ways• Studio flats• Japanese Knotweed outbreaks falling into Categories A and B are unacceptable.• Properties which have a self-contained annexe which is tenanted on Assured Residential Tenancies (in Scotland on Private Residential Tenancies)• Listed property Grade I or Grade II star in England and Wales, Grade A in Scotland. <ul style="list-style-type: none">• Period timber frame property• Cob/Clum construction• Multi-units• Properties with spray foam to the underside of roofs• Properties which have been retrospectively fitted with external insulation to the walls• Period timber frame property (pre 1900) with walls less than 220mm, or in poor repair• PRC Homes which do not have a PRC Homes Limited Certificate and where all adjoining properties have not been repaired under the scheme• Properties without suitable demand for owner occupation.

New build

New build properties are defined as any property built or converted within the last 12 months, which is subject to its first registration/sale

- For acceptable Warranty providers refer to UK Finance Lender Handbook lendershandbook.ukfinance.org.uk/lenders-handbook/
- The UKF Disclosure of Incentives Form will be required on all new build cases. Incentives in excess of 5% of the value will not be permitted.

Mortgage Lending Criteria



Find your BDM

Our ten strong Business Development team are experts in the specialist markets we service and cover England, Scotland and Wales. To ensure you get the support you need, all our brokers have two dedicated Business Development Managers. One in the field and one on a telephony basis.

Visit hodgemarketing.co.uk/intermediaries/find-bdm to find your local BDM.

Holiday Let Mortgage loans are not regulated by the Financial Conduct Authority.

Hodge is a trading name of Julian Hodge Bank Limited which is registered in England and Wales (No. 743437). It is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Its registered office is One Central Square, Cardiff, CF10 1FS.



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