

# Residential Mortgage Criteria & Affordability Guide



Your clients home may be at risk if they do not keep up repayments on their mortgages.

## Loan Criteria

Criteria	50+ Mortgage	RIO Mortgage	Holiday Let Mortgage
Type of mortgage	Residential Mortgage		
Loan amount	Min: £20,000 Max: £2million		Min: £50,000 Max: £1.5 million
Term	Min: 5 years Max: 41 years	Lasts the lifetime of the customer - no end date	Min: 5 years Max: 40 years
Repayment type	Repayment or Interest-only (Repayment vehicle required for interest-only, see below)	Interest-only No repayment vehicle required (repaid on sale of property or on death or move into care)	Property to be sold or loan redeemed by the end of the agreed term
LTV	Max: 85% for repayments or 75% for interest only		Max: 75%
Minimum remaining equity	London - £250k Scotland (excl Edinburgh & Dundee) and North East - £100k North West, Yorkshire & Humber and Wales - £120k Rest of UK - £150k (minimum property value £100,000)	No minimum equity requirement (minimum property value £100,000)	No minimum equity requirement (minimum property value £100,000)
Permitted loan purposes	Purchase of main residence or re mortgage Raising capital (e.g. home improvements) Debt consolidation		Purchase or re mortgage of property to rent out to people holidaying in the UK
Loan purposes not permitted	Business injection Payment of taxes Clearing gambling debts Purchase of timeshare Right to buy Shared equity or shared ownership		



## Borrower Criteria

Criteria	50+ Mortgage	RIO Mortgage	Holiday Let Mortgage
Borrower age at application	Min: 50 Max: 88		Min: 21 Max: 88
Number of borrowers	Max: 2		
Residency	Must be UK resident for at least three years with indefinite leave to remain in the UK (Ex-pats returning to the UK with at least 6 months residence will be considered)		
CCJs	<b>Satisfied:</b> Max £500 in total within the last 3 years OR > registered 3 years ago for total balances > £500 <b>Unsatisfied:</b> Max £250 in the last 6 years and must have been registered > 3 years ago <b>Comms &amp; Utilities:</b> Can be accepted subject to Underwriter discretion, satisfied or unsatisfied		
Previous secured loan or mortgage arrears	No arrears in the past six months Maximum one month arrears in the last year Maximum two months arrears in the last two years		
Unsecured arrears	Maximum two months arrears in the last 2 years Must be up to date at application There is no restriction on historic arrears for comms and utilities but must be up to date at application		
Defaults	No more than £500 of satisfied defaults in total in the last 3 years Unsatisfied defaults from over 3 years ago allowed where total balance is <£250 Comms & Utilities defaults (satisfied or unsatisfied) can be ignored, unless the amount of the default(s) and general credit conduct indicates cause for concern		
Previous repossession	Not acceptable unless more than 6 years ago		
Bankruptcy, IVA or debt management program	<b>Bankruptcy:</b> Acceptable if discharged for at least six years <b>IVA:</b> Acceptable if discharged for at least three years <b>Debt Management Plan:</b> Acceptable if discharged for at least three years		
Guarantors	Not permitted		

## Key Property Criteria

Criteria	50+ Mortgage	RIO Mortgage	Holiday Let Mortgage
Property value	Min: £100,000 Max: £10 million	Min: £100,000 Max: £10 million	Min: £100,000 Max: £10 million
Occupancy	Main residence only		Holiday Let with up to 90 days personal occupancy
Location	England, Wales and mainland Scotland		

Please see the relevant Property Eligibility Factsheet for detailed property criteria  
We will consider properties above the maximum valuation stated subject to referral to our Property team

## Other Criteria

Criteria	Requirement
Proof of deposit	<ul style="list-style-type: none"> <li>Required on all purchase applications unless funded wholly from sale of current property</li> </ul>
Purchased properties	<ul style="list-style-type: none"> <li>Vendor must have been the registered owner for at least six months prior to purchase date</li> <li>Loan to value based on lower of purchase price or valuation</li> </ul>
Re-mortgaged properties	<ul style="list-style-type: none"> <li>Applicant must have owned the property for at least six months prior to re-mortgage application date (application of less than six months considered)</li> </ul>
Overseas income and assets	<ul style="list-style-type: none"> <li>Not eligible</li> </ul>
Loan repayments	<ul style="list-style-type: none"> <li>Direct Debit only, drawn on single or joint bank account in borrower's name(s)</li> </ul>
Bank statements	<ul style="list-style-type: none"> <li>Latest 2 months bank statements required for all applications over £250,000 or upon request (not applicable to Holiday Let)</li> </ul>
Online bank statements	Acceptable, provided that: <ul style="list-style-type: none"> <li>They are full statements</li> <li>The name, account number and bank branding are clearly visible</li> </ul>
Copy documents	<ul style="list-style-type: none"> <li>Copy documents are acceptable</li> </ul> Please note, for ID verification documents we require certified copies

## Affordability Tests

Our affordability tests are applied as follows:

Criteria	50+ Mortgage	RIO Mortgage	Holiday Let Mortgage
<b>Basic assessment</b> Borrower's income must exceed their outgoings over the term of the mortgage	Applied over the specified mortgage term	Applied over the borrower's lifetime (assumed to be age 95)	There are no minimum personal income requirements for holiday let mortgages, but your client will need to show the property can yield a minimum rental income of 145% of interest payments at either:  2 year fixed – the higher of pay rate + 2% or 5.5% *  5 year fixed – pay rate  We take an average of 30 weeks rental income using an average of the weekly high, medium and low season rental income figures provided.
Interest rate stress test	Stress rate SVR + 1% for less than 5 year or pay rate for 5 year. (Can vary dependent on whether the fixed term rate period is 5 or more years or fixed for life)		
<b>First death stress</b> The loan must remain affordable based on the income of a survivor in the event of death of their spouse or partner	Not applied if the loan term ends before the oldest borrower's 87th birthday. Otherwise mortgage must be affordable for the remainder of the term.	Applied to applicants from age 82 onwards.	

## Acceptable Repayment Strategies

	50+ Mortgage	RIO Mortgage	Holiday Let Mortgage
Acceptable repayment strategy required?	Yes	No The mortgage will be repaid with the proceeds of the sale of the mortgaged property on the customer's death or entry into long-term care	Property to be sold or loan redeemed by the end of agreed term

The below section applies to the 50+ Mortgage only

Repayment strategy	Valuation	Evidence
Sale of mortgaged property (downsizing)	Current property value minus this mortgage	<ul style="list-style-type: none"> <li>Borrower must provide an outline of what their downsizing plan may be</li> <li>See application form for further details</li> </ul>
Sale of other property	Current equity	<ul style="list-style-type: none"> <li>Full address and postcode of each property</li> <li>Statements of outstanding mortgages</li> </ul>
Realisation of investments	Current portfolio valuation	<ul style="list-style-type: none"> <li>Statements of investment holdings and valuations.</li> <li>Income from the nominated portfolio cannot be taken into account for affordability purposes.</li> </ul>
Existing endowment policy	Projected maturity value based on 'mid- growth' assumption	<ul style="list-style-type: none"> <li>Statement dated within the last 12 months.</li> </ul>

Borrowers may use more than one repayment strategy.

The total value of the repayment strategies must exceed the loan balance at inception.

## Sources of Acceptable Income

Income type	Criteria	Eligible Amount
Employment Income	<ul style="list-style-type: none"> <li>Income included in affordability assessment up to expected retirement date</li> <li>Acceptance of employment income beyond age 70 is subject to underwriter discretion, and subject to a maximum age 80.</li> </ul> <p>Evidence: Two months payslips and the most recent P60. Additional P60's may be requested if we need to verify additional regular and guaranteed income.</p>	100% and 50% for bonuses and regular overtime
Self-employment income	<ul style="list-style-type: none"> <li>Lower of the last years net profits/dividends, or the average of the last two years for a sole trader</li> <li>Lower of the last years dividends &amp; salary paid or the average of the last twyears for Directors of Limited Companies</li> <li>Lower of the last years drawings or the average of the last two years for Partnerships</li> </ul> <p>Evidence: Accountant's Certificate. Last 2 years SA302 supported by tax year overviews or last 2 years accounts</p>	100%
State pensions and certain state benefits	<ul style="list-style-type: none"> <li>Can be based on amounts in payment or expected future entitlement</li> <li>State benefits are eligible if payable indefinitely</li> </ul> <p>Evidence: DWP statement/letter confirming eligibility/evidence shown on two consecutive months bank statements</p>	100%
Pensions in payment	<ul style="list-style-type: none"> <li>Can include annuities, personal pensions or company pensions</li> </ul> <p>Evidence: Annual statement confirming amount of income, plus evidence of index-linking and spouse's entitlements if relevant</p>	100%
Drawdowns, unvested pensions and collective investments	<ul style="list-style-type: none"> <li>Annual amount is calculated as a percentage of the fund value on a sliding scale based on age to be drawn as shown in table.</li> <li>For Pensions 100% of pot is used.</li> <li>For Investments 75% of pot is used.</li> <li>Income assumed to pass 75% to spouse on death.</li> </ul> <p><b>Evidence:</b>            DB: Statement of income payable at retirement.            Drawdown and DC: Statement of fund value.            Collective investment: statement of fund values</p>	<p><b>AGE % USED</b></p> <p>50 - 3.3%</p> <p>51 - 3.3%</p> <p>52 - 3.4%</p> <p>53 - 3.5%</p> <p>54 - 3.6%</p> <p>55 - 3.7%</p> <p>56 - 3.8%</p> <p>57 - 3.8%</p> <p>58 - 3.9%</p> <p>59 - 4.0%</p> <p>60 - 4.2%</p> <p>61 - 4.3%</p> <p>62 - 4.4%</p> <p>63 - 4.5%</p> <p>64 - 4.7%</p> <p>65 - 4.8%</p> <p>66 - 5.0%</p> <p>67 - 5.2%</p> <p>68 - 5.4%</p> <p>69 - 5.6%</p> <p>70 - 5.8%</p> <p>71 - 6.0%</p> <p>72 - 6.3%</p> <p>73 - 6.5%</p> <p>74 - 6.9%</p>

## Sources of Acceptable Income (continued)


Income type	Criteria	Eligible Amount
Collective investments	<ul style="list-style-type: none"> <li>• Eligible, based on a level of sustainable income that can be withdrawn from these funds</li> <li>• Sustainable income calculated as 5% of the fund value</li> <li>• Income assumed to pass 100% to spouse on death credit score</li> </ul> <p>Evidence: Statement of fund values</p>	75%
Rental income	<ul style="list-style-type: none"> <li>• Eligible, based on the net income earned from residential property income, commercial rental income, Ltd company residential income and holiday rental income</li> <li>• Income assumed to pass 100% to spouse on death</li> <li>• Income assumed to be index-linked</li> </ul> <p>Evidence: Portfolio details, last years SA302 and tax year overview or via an Accountants Certificate.</p>	75% - 90%
Spousal/maintenance income	<ul style="list-style-type: none"> <li>• Income can be included up to age of 75</li> <li>• Must have a history of foster income</li> </ul> <p>Evidence: Annual income derived from six months remittance and three months bank statements</p>	100%
Pensions in payment	<ul style="list-style-type: none"> <li>• Must be enforced by a court order or legal agreement and have been in place for 12 months.</li> <li>• Not acceptable if this is the only form of income.</li> </ul> <p>Evidence: Court order or legal agreement with evidence of payments</p>	90%
Sub-contractor income	<ul style="list-style-type: none"> <li>• Income must be derived from a current contract which must be at least a 6-month contract.</li> <li>• Customers must have at least a 12-month history of contracting</li> </ul> <p>Evidence: Contract (daily rate x 5 x 40 weeks) used to calculate the acceptable amount.</p>	100%

This table does not reflect our full criteria in respect of eligible sources of income, and we reserve the right to decline or reduce the contribution from an income source.

Our Holiday Let requires no minimum income and each application will be assessed at our underwriter's discretion.

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