

# Lending Criteria

September 2024

Appendix 9, 10 & 11



YOUR HOME MAY BE REPOSSESSED IF YOU  
DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE

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# Lending Criteria – Residential

## Where we lend

England and Wales Only (all applicants must be UK resident).

## Affordability

The Society lends based on an affordability model. To seek a guide to how much a customer can afford to borrow with the Society please visit the affordability calculator section of our website.

This is only a guide and may change upon receipt of a full mortgage application along with confirmation of income, expenditure and completion of a valuation. The Society will carry out a full credit reference check on the applicant(s) to verify all declared agreed commitments.

A maximum income multiple of 4.5 x income will also be applicable.

All loans are subject to affordability.

## Loan Size / Loan to Value Limits

### Minimum Loan Size

£50,000 (can be product specific).

### Maximum Loan Size and Loan to Value Limits

£660,000 up to 80% Loan to Value.

£350,000 between 80.01% and 85% Loan to Value

£300,000 between 85.01% and 90% Loan to Value

Loans above £660,000 up to and including £1,000,000 are considered up to 80% LTV with Credit Committee Approval.

Loans above £1,000,000 are considered with Board Approval.

The above limits can be product specific.

## Term & Age Details

### Minimum & Maximum Term

Minimum term 5 years. Maximum Term 40 years.

### Minimum & Maximum Age

Minimum age 18. Maximum age 85 (subject to proof of pension income post age 75 or declared retirement age, whichever is sooner).

### Maximum Age Employed

Maximum age 75 or declared retirement age, whichever is sooner).

Income from non-active roles can be considered by Underwriters post age 75. LITR limits apply.

## Credit history

### Acceptable

- Missed payments (inc. mortgage) reaching no more than a status 2 within the last 2 years

### Not Acceptable

- Any unsatisfied County Court Judgements (CCJs) or default irrespective of amounts;
- Any satisfied CCJ's or defaults found on credit reports, in the last 3 years totalling more than £500;
- Any insolvency, bankruptcy or Individual Voluntary Agreement (IVA) is detected unless 6 years from the granted date has elapsed and is satisfied;
- Any evidence of previous or current property being repossessed;
- Payment/Debt Management Plans (satisfactorily conducted or discharged).

The Society reserves the right to decline an application on the basis of non-disclosure of financial information.

# Lending Criteria – Residential

## Income details

### Employed

100% of basic salary.

Up to 100% of additional pay providing track record can be evidenced in P60 / payslips.

An employment reference may be requested.

### Second Job

Subject to minimum of 1 years' service up to a maximum of 50 hours per week for both jobs.

### NHS Bank Work

Accepted subject to a minimum of 6 months' history. Capped at 50 hours per week for all employments.

### Probationary Period

Probationary period does not need to have been completed if new employment within the same industry / sector and has been employed for 12 months.

### Pending Pay Rise

Acceptable subject to written confirmation of pay rise from employer (must be receiving within 3 months). A period greater than 3 months is subject to Credit Committee referral.

### Maternity/Paternity Leave

Require latest payslip prior to leave to confirm salary

Reference from employer confirming return to work date and whether any change to working hours

Confirmation of childcare costs

### Mortgage Subsidy

100% Subject to written confirmation from employer.

### Agency Workers

Subject to a minimum 1 years' history.

We will calculate an annual income figure from an average of the last 12 months from a combination of payslips and latest years' P60.

### Zero Hours Contracts

Must have been continuously employed for the last 2 years.

### Bursaries

Minimum 2 years remaining.

### Stipend

Minimum 12 months remaining.

### Contractors / Fixed Term

Where the contract is in the name of a limited company this must be treated as a Self-Employed – Limited Company.

Contractor: Day rate is calculated at Day Rate x 5 x 48 weeks.

Minimum 12 months contract with at least 6 months remaining or 6-month contract renewed at least once. Copy of current contract required.

### CIS Contractors

We will require the latest SA302 and Tax year overview to prove the payment of National Insurance and invoices to confirm tax paid.

### Foster Care Income

Assessed on a self-employed basis, and subject to; Latest 2 years SA302's and Tax Year Overviews.

### Maintenance Payment

100% Subject to Court Order together with the latest 2 months bank statements to evidence payments are being received.

### Child Benefit and Carers Income

Can be considered when it is not the sole income.

Benefits received cannot exceed earned income.

Child Benefit (50% subject to age of children).

Carers Allowance (50%).

Consideration will be given to the time the applicant will be in receipt of the income.

### Pension(s)

100% of confirmed State, Private and Service Pension.

SIPP's – We will need to know the current fund value and the level that funds can be drawn at or if already being drawn, at what level.

We will generally use 5% of current value as an annual income (disregarding potential growth). The fund must not be exhausted at term end.

The above may be subject to verification of drawdown schedule from a qualified professional.

# Lending Criteria – Residential

## Investment Income

We will need to know the current fund value and the level that funds can be drawn at or if already being drawn, at what level.

For undrawn investment income a maximum of 5% drawdown of investment fund each year can be used to support affordability. No investment growth considered.

Example: £600,000 pot. 5% = £30,000 pa. In 15 years £450,000 would have been used leaving £150,000 at the end of the term for applicants to utilise.

Subject to a forecast from the fund manager and the fund not being exhausted at term end.

## Rental Income

As declared on the latest 2 years SA302's and Tax year overviews.

## Self-Employed

### Sole Trader

We will use an average of the last 2 years net profit. SA302's and Tax Year Overviews must be provided.

Latest years can be used at Underwriter discretion.

### Partnerships

We will use an average of the last 2 years share of net profits. Latest 2 years Partnership Accounts, SA302's and Tax Year Overviews must be provided.

### Limited Companies

The Society will use an average of the latest 2 years' salary and dividends or shareholder(s) share of profit after tax. Latest 2 years Accounts, SA302's and Tax Year Overviews must be provided.

Latest years can be used at Underwriter discretion.

### Shareholders / Directors

Where the applicant has a shareholding of 25% or more, the applicant will be treated as Self-Employed - Limited Company.

### Underwriter discretion

- Where the most recent year shows an increase latest years' may be used
- Declining profits subject to a plausible explanation;
- Retained profits
- An average of the last 2 years share of after tax profits may be considered over dividends drawn;

- Sole Trader to Limited Company within the last 2 years considered subject to a 2 year history of the business and satisfactory income verification.

A projection from a suitably qualified accountant for the upcoming year may be required in the above scenarios.

An accountant's reference and 6 months business bank statements may be requested as part of the application.

The Society reserves the right to decline any application even where the income is adequate and affordability is proven.

### Unacceptable Income Types

- Gratuities;
- Income from lodgers;
- Non-EEA;
- One off payments;
- Scholarships;
- Seasonal work;
- Temporary employment income;
- Tier 2 Visa unless main earner UK resident;
- Foreign Currency;
- Social Security payments that are not guaranteed for life;
- Unemployment benefit / working tax credits.

## Property Security

As prime security, the Society is only permitted to accept first legal charges over land and buildings in England and Wales:

- Minimum property value £100,000.
- Maximum LTV 90% subject to product availability

### Acceptable Property Types

- Bore holes and private water supply;
- Help-to-Buy in respect of standard re-mortgages only;
- Holiday Let up to a maximum 70% LTV (holiday parks not acceptable);
- Leasehold Flats (subject to 85 years remaining at application and 60 years remaining at term end);
- New Build Properties – subject to acceptable warranty type;
- Properties with annexes and outbuildings to be let or for personal use;
- Properties with an agricultural tie;
- Properties with acreage in excess of 10;
- Farms - subject to personal use only;
- Residential properties which contain home based offices (subject to valuers comments).

# Lending Criteria – Residential

## Unacceptable Property Types

- Caravans;
- Deck access flats;
- Freehold Flats;
- Houseboats;
- Mobile homes;
- Retirement properties for the over 55's.

## Flats – General Requirements

- All flats subject to satisfactory access;
- Lift access required for flats above 5 floors;
- Commercial to Residential are not acceptable;
- Subject to no onerous terms or restrictions contained within the lease;
- Ground rent and service charges are reasonable;
- Ground rent review is reasonable;
- No unfair financial penalties contained within the lease;
- Estate Rent Charges not acceptable;
- Flats above retail units with A1 or A2 usage only.

Converted Flats can be considered subject to conversion being undertaken with full planning and building regulation consent and that there are no onerous conditions contained within the lease, and that the building is being professionally managed. A suitable warranty will be required if the conversion has been undertaken within the last 10 years.

## Mixed Use Properties

- Minimum property value of £250,000
- Maximum LTV 75%
- 60% of the property to be used for residential purposes

## The Society will consider

- DIY Liveries;
- Properties with land used for third party grazing, subject to an annual grazing license;
- Small scale agricultural/horticultural enterprise subject to this not being the applicants only/primary income source;
- Properties with a garage or outbuilding converted as a consulting room, grooming parlor or similar;
- Buildings on site may be used for Holiday Let or Buy to let purposes and must conform to relevant planning and local authority approval (if applicable).

All consents, permissions, and covenants must be in place and confirmed by the solicitor/conveyancer at completion (condition on the COT). The Society must have first charge over all land and property on the title and obtain full vacant possession if required.

## The Society will not consider

- Properties with land subject to a formal lease, farming or business tenancy;
- Caravan/Camping sites;
- Buildings on site rented out to 3<sup>rd</sup> parties for business use;
- Garages, storage of goods such as scaffolding etc;
- Heavy Industry;

Interest Only is available subject to interest only criteria.

Any additional income earned will be considered subject to evidence (SA302).

## Second Residential Property

A Second Residential Property is defined when the borrower already owns a residential property and is shown at Land Registry. The intended use is a home for personal residential use only by the borrower (not for business purposes or rent).

- Maximum 80% LTV;

Affordability must be met for all properties.

Solicitors will be required to confirm the following as part of the mortgage offer:

- The appropriate rate of stamp duty is being paid;
- Vacant possession; and
- No restrictions in insurance provision in relation to occupancy duration.

## Debt Consolidation

- Debt consolidation can be considered up to a maximum LTV of 75%. (Levels of debt consolidation and reasons to be provided for consideration).

## Lending In & Into Retirement

- Lending In Retirement to borrower already retired is considered at a maximum 75% LTV at the point of application;
- Lending Into Retirement is considered up to 90% LTV with a maximum LTV of 70% at the point of retirement.

## Shared Ownership

- Maximum 90% of share being purchased
- Initial share of 25%
- Additional borrowing only considered for purpose of staircasing

# Lending Criteria – Residential

## Interest only

Interest only is available on residential mortgages in the following circumstances:

- Maximum 70% on Interest Only
- Part and Part mortgages are acceptable providing the Interest Only element does not exceed 70% LTV. Any lending above 70% LTV will need to be on a capital and repayment basis.
- Minimum equity of £200,000 or £350,000 if within M25

## Acceptable repayment strategies

- 25% of pension plan lump sum (subject to suitable evidence being received) must cover the capital balance to be repaid or suitable investments for which acceptable evidence is provided at application;
- Downsizing is acceptable, a check is carried out of the proposed property for purchase to ensure there is sufficient equity available;
- Sale of existing property
- Suitable Investments

## Unacceptable repayment strategies

- An expectation that the value of the property will increase over the term of the mortgage;
- Regular overpayments or future bonus payments;
- Inheritance;
- Growth on stocks and shares.

## Acceptable Deposits

Proof of deposit is required for all house purchases.

Acceptable sources of funds are:

- Builder's deposit/incentives (New Build only) – subject to confirmation by valuer and completion of UK Finance incentives forms;
- Deposit raised from another property owned;
- Equity from sale of another property owned;
- Gifted deposit (immediate relative defined as parent, stepparent, child, sibling/siblings, grandparent/grandchild, aunt/uncle, spouse, guardian or partner; must be verified by a letter being received from the donor clearly stating the gift is non-repayable);
- Gifted deposits acceptable, subject to funds being held within a UK bank account;
- Inheritance (that has already been received by the applicant or funds held by the conveyancer/solicitor);
- Savings and investments.

## Acceptable Borrower Type

- Ex-Pat Buy To Let;
- First-time buyers in respect of residential;
- High Net Worth;
- Lending to members of Armed Forces;
- Up to 4 applicants in respect of residential, mixed use or buy to let mortgage;
- Shared Ownership;
- Right to Buy (RTB).

## The Society Does Not Accept

- Help to Buy (Help to Buy remortgages are acceptable with no additional borrowing);
- Home reversion plans;
- Impaired Credit;
- Lifetime mortgages;
- Near Prime/Sub Prime;
- Shared Equity;
- Unsecured Lending.

# Lending Criteria – Buy-to-Let, Holiday Let & Ex-Pat BTL

## Buy-to-Let – General

Maximum LTV 70%. Can be considered on repayment, interest only or part and part.

- Minimum mortgage amount £70,000 but can be product specific;
- The Society does not lend on Regulated/Consumer BTL mortgages.

Our definition of Consumer BTL is where the applicant is not looking to benefit from rental income or house price appreciation as their primary motivation for letting out their property, and/or may wish to occupy, or for a family member to occupy the property in the future. We do not currently lend on a Consumer BTL basis.

### Minimum & Maximum Term

Minimum term 5 years. Maximum term 40 years.

### Minimum & Maximum Age

Minimum age 21. Maximum age 85 (subject to proof of pension income post age 75 or declared retirement age, whichever is sooner).

### Maximum Age Employed

Maximum age 75 or declared retirement age, whichever is sooner).

Income from non-active roles can be considered by Underwriters post age 75.

### Applicant Details

- Rental yield on the basis that the rent received (as projected by the valuer in his report) will be as follows:  
ICR  $\leq$  50% LTV - 130% at 5.50% or 2% above product whichever is the higher;  
ICR  $>$  50% –  $\leq$  70% LTV – 140% at 5.50% or 2% above product whichever is the higher.
- Be an existing residential homeowner in the UK (excludes Ex-Pat BTL)
- Be in receipt of income separate to that which will be/ is being received from the subject property (rental income from other properties is acceptable)

### Property

- Minimum Energy Performance Certificate (EPC) rating of E or above. EPC exemptions can be considered (unless x-Pat BTL);
- Must be let on assured short-hold tenancy agreement for up to 12 months;
- Minimum property value £100,000
- Must be in England (including Isle of Wight) or Wales.

### The Society Does Not Accept

- House of Multiple Occupancy (HMO's);
- Top Slicing;
- Capital raising for debt consolidation;
- Inherited property;
- Let to buy.

### Portfolio Buy-to-Let

Portfolio Landlords are deemed by the Society as any applications with 4 or more BTL properties, up to a maximum of 10 in total (including those without mortgages).

The Society will apply the following ICR in respect of maintaining and assessing the portfolio;

- ICR stress of 5.50% or 2% above product whichever is the higher at a stress of 150% over the whole portfolio
- ICR stress of 5.50% or 2% above product whichever is the higher using the normal stress criteria (130%/140%) on the Mortgage Security (our loan)

The following portfolio information will be required;

- Property Schedule including, address, property value, mortgage balance outstanding, monthly mortgage payment and monthly rental income;
- 2 months bank statements showing rents receivable for all BTL properties.



# Lending Criteria – Holiday Let & Ex-Pat BTL

## Holiday Let

The Society will lend on residential properties to individuals on a BTL basis for renting out as a holiday let property.

Holiday parks are not acceptable.

Occupancy restrictions are considered subject to valuer's comments.

The Society as part of the valuation will request from the surveyor the current valuation of the property as a 'Buy to Let'.

In addition, the Society requests the applicant(s) to provide independent confirmation from a local agent or comparable online specialist of the predicted holiday rental over 12 months taking into account high, medium and low seasons.

An average taken over a 30-week occupancy assumption applied on the basis of the example below.

If the Low Season is £1,650, the Medium Season £2,300 and the High Season £3,100, an average per week of the 3 seasons (£2,350) will be used and then we will apply a 30-week occupancy assumption. In this example gross rental income per annum would be £70,500. The mortgage payment is then stressed at an ICR of 140% @ 5.5% or 2% above the product whichever is higher of the average monthly holiday let income.

Maximum LTV 70%.

## Ex-Pat BTL

The Society will lend to UK citizens residing out of the country (subject to being on the acceptable countries list) for BTL and HBTL purchases and re-mortgages.

The minimum property value is £100,000.

Acceptable applicants must be employed by a nationally recognised company.

Applicants do not need to own a UK property

The Society will require 3 months' salary slips and may request an employment reference provided in English. The applicant's company must not be involved in high-risk industries as listed here

<https://www.fca.org.uk/firms/financial-crime/money-laundering-regulations>

All mortgage payments must be made from a UK bank account in the applicant(s) own name.

The property must be managed through a UK letting agent.

For Ex-Pat applicants who already own mortgaged UK property(s) they must provide the latest mortgage statement(s) for each mortgaged property(s). All mortgage and rent payments must be through a UK bank account.

## Proof of Deposit

Deposits which originated outside of the UK are accepted subject to the funds being in the applicant(s) UK bank account prior to application. An explanation of how the funds have been acquired as part of the application process must be provided.

## Capital Raising

If an applicant wants to raise funds on their UK property, to fund a deposit/purchase in the Country they currently live in, This is acceptable, subject to the funds being paid to the solicitor acting on the borrowers/Society's behalf

## Acceptable countries

Andorra, Austria, Australia, Belgium, Chile, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Iceland, Ireland, Latvia, Lithuania, Luxembourg, Netherlands, New Zealand, Norway, Portugal, San Marino, Slovenia, Spain, Sweden, Switzerland, United Kingdom, Uruguay

## Countries that would need referring to our Credit Committee on or before application

Albania, Antigua and Barbuda, Armenia, Aruba, Bahrain, Barbados, Botswana, Brunei Darussalam, Bulgaria, Canada, Colombia, Costa Rica, Croatia, Cuba, Cyprus, Dominica, Dominican Republic, Ecuador, Fiji, Georgia, Grenada, Honduras, Hong Kong SAR, China, Hungary, Indonesia, Israel (at war), Italy, Jamaica, Japan, Jordan, Kazakhstan, Liechtenstein, Macedonia North, Malaysia, Malta, Mauritius, Mexico, Moldova, Mongolia, Morocco, Namibia, Pakistan, Palau, Panama, Paraguay, Peru, Philippines, Poland, Qatar, Romania, Saint Lucia, Samoa, Saudi Arabia, Serbia, Seychelles, Singapore, Slovakia, South Korea, Sri Lanka, Taiwan (at conflict), Trinidad and Tobago, Tunisia, Türkiye, Ukraine (at war), United Arab Emirates, United States, Uzbekistan, Vanuatu.

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Stafford Railway Building Society is covered by the Financial Services Compensation Scheme and the Financial Ombudsman Service.

The Stafford Railway Building Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority (Registered no 206063).



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