

# Criteria Guide



Full lending criteria for The Stafford Building Society

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



**The Stafford**  
For Intermediaries

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# Criteria Guide

## Residential

### Where we lend

England, Wales, and Isle of Wight

### Affordability

The Society lends based on an affordability model with no income multiple constraints. To estimate how much a customer can borrow, please visit the affordability calculator section of our website. The calculator is a guide only and results may change upon receipt of a full mortgage application, confirmation of income and expenditure, and completion of a valuation. A full credit reference check will be conducted to verify all declared commitments.

All loans are subject to affordability.

## Loan Size / Loan to Value Limit

### Minimum Loan Size

£50,000

### Maximum Loan Size and Loan to Value Limits

- 80% LTV - £1,349,999
- 80.01% to 85% LTV - £350,000
- 85.01% to 90% LTV - £300,000
- 90.01% - 95% LTV - £250,000 (Subject to Availability)

Loans in excess of the above limits can be considered by referral and are subject to approval from our higher lending insurers and/or credit committee

## Term & Age Details

### Minimum & Maximum Term

Minimum term: 2 years.

Maximum term: Subject to borrower(s) age.

### 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.

## Credit history

### Acceptable

- Missed payments (including mortgage) not exceeding status 2 within the last 2 years.
- Payment/Debt Management Plans subject to being discharged and cleared over 12 months ago.

Cases within the last 12 months may be referred; approval is at Underwriter discretion.

### Not Acceptable

- Any unsatisfied County Court Judgments (CCJs) or defaults, regardless of the amount.
- Any satisfied CCJs or defaults found on credit reports, in the last 3 years, totalling more than £500.
- Any applicant who has been subject to an individual voluntary arrangement or bankruptcy order which was active within the last three years.
- Any evidence of previous or current property being repossessed.

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

## Income details

### Employed

100% of basic salary.

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

An employment reference may be requested.

### Second Job

Subject to a minimum of 1 year's 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 employment.

### Probationary Period

The probationary period does not need to have been completed if new employment is within the same industry or sector.

### Pending Pay Rise

Acceptable subject to written confirmation of the pay rise from the employer (refer if the increase is not due within three months).

### Maternity/Paternity Leave

Require latest payslip prior to leave to confirm salary

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

Confirmation of childcare costs

Self-employed applicant(s) are by referral and an accountant's reference may be requested.

### Mortgage Subsidy

100% - Subject to written confirmation from the 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 year's 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.

Invoices for the current tax year may be requested to confirm sustainability of income.

### 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 a Court Order, the age of the dependants, together with the last 2 months' bank statements to provide evidence that payments are being received.

Non-Court arrangements are considered by referral.

## 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).

Carer's 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.

SIPPs – 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 draw-down schedule from a qualified professional.

## 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% draw-down of investment fund each year can be used to support affordability. No investment growth considered.

Example: £600,000 pot  $\times$  5% = £30,000 per annum. 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 SA302s and Tax year Overviews.

Note: if including rental income from a mortgaged property from an SA302, you must also enter the corresponding monthly mortgage payment in the second mortgage section.

## Self-Employed

### Sole Trader

We will use an average of the last 2 years' net profit. Latest 2 years SA302s and Tax Year Overviews must be provided.

Subject to underwriter discretion.

### Partnerships

We will use an average of the last 2 years' share of net profits. Latest 2 years SA302s and Tax Year Overviews must be provided. Latest 2 years accounts may be required.

A letter/reference may be accepted from partnership accountant in the absence of 2 years.

Subject to underwriter discretion.

### 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.

Subject to 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 year may be used.
- Declining profits are subject to a plausible explanation.
- Acceptance of 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 will be 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 income;
- One-off payments;
- Scholarships;
- Seasonal work;
- Temporary employment income;
- 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 95% subject to product availability
- Maximum 90% LTV for new build properties

### Acceptable Property Types *(subject to valuer's comments)*

- Standard residential including new build, subject to acceptable warranty
- Rural properties e.g. properties with acreage, agricultural ties, overage clauses, smallholdings for personal use, private water supply/bore hole
- Properties with annexes and outbuildings to be let or for personal use (Note: our Mixed-Use Product must be selected where there is more than one annex/outbuilding which is, or could be, let)

The above is not exhaustive.

### Unacceptable Property Types

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

### Flats – General Requirement

- All flats subject to satisfactory access;
- Lift access required for flats above 5 floors;
- Commercial to Residential subject to valuation;
- 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;
- Flats above retail units subject to valuation;
- Lease must have 85 years remaining at application and 60 years remaining at term end;
- Deck access can be considered on non ex-local authority flats, subject to valuer's comments, providing there is no concern/restriction evidenced on mortgageability/saleability.



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

(Please select the Mixed-Use specific product)

**Defined as a property with residential and non-residential elements e.g. agricultural, retail or lettable.**

- Maximum LTV 80%
- Minimum 40% of the property to be used for residential purposes, subject to valuation and valuer's comments.
- Any additional income earned will be considered subject to evidence (SA302).
- Income generated from the commercial venture to be included in the affordability assessment cannot exceed 25% of the total assessable income.

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 be able to obtain full vacant possession if required.

### The Society will not consider

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

### Second Residential Property

- Defined as when the borrower already owns a residential property and is shown at Land Registry as the proprietor.
- The intended use must be a home for personal residential use only by the borrower.

- Renting the property out is acceptable up to 20 weeks per year.
- 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 or short term letting.

### Debt Consolidation

Debt consolidation can be considered up to a maximum LTV of 80%.

Levels of debt consolidation and reasons must be provided for consideration.

Debt consolidation will be on a repayment basis.

Consolidation of home improvement loans will not be treated as debt consolidation provided the works were done in the last 2 years (evidence and valuer confirmation required).

### 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

(Please select the Shared Ownership specific product)

- Maximum 90% of the share being purchased.
- Initial share of 25%.
- Initial share of 10% by referral.
- Additional borrowing only considered for purpose of staircasing.

## Interest only

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

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

## Acceptable repayment strategies

- Existing properties;
- 25% of the projected personal pension policy – the cash lump sum must cover the capital;
- Suitable investments for which acceptable evidence is provided at the application;
- Sale of main residence (downsizing).

## 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) as a contribution – subject to confirmation by valuer and completion of UK Finance incentives forms; (Not acceptable on a concessionary purchase). Allowed up to 5% of purchase price or valuation (whichever is lower). Borrowers must always have own 5% deposit (unless concessionary purchase from family).
- Deposit raised on another property owned;
- Equity from sale of another property owned;

- Gifted deposit (from immediate relative defined as parent, step-parent, 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);
- Foreign gifted deposits are acceptable, subject to the above and funds being held within the borrower's UK bank account prior to application.
- Inheritance (that has already been received by the applicant or funds held by the conveyancer/solicitor);
- Savings and investments.
- Armed Forces deposit scheme. Monthly payments will be factored into affordability.

## Acceptable Borrower Type

- First-time buyers;
- High Net Worth;
- Lending to members of Armed Forces;
- Up to 4 applicants
- Shared Ownership;
- Right to Buy (RTB).

## The Society Does Not Accept

- Help to Buy Scheme
- Home reversion plans;
- Impaired Credit;
- Lifetime mortgages;
- Near Prime/Sub Prime;
- Shared Equity;
- Unsecured Lending.

## Joint Borrower – Sole Proprietor (Please select the JBSP specific product)

The Society will consider mortgages on a 'joint borrower - sole proprietor' basis. Non family members will be considered, subject to referral.

- The 3rd party to the mortgage will require Independent Legal Advice ('ILA');
- Household income and expenditure for both households will be used for affordability;
- Maximum 90% LTV.



# Criteria Guide

## Buy-To-Let, Holiday Let & ExPat BTL

### Buy-to-Let – General

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

- Minimum mortgage amount £50,000 (may 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.**

### Rental Calculations

Rental yield on the basis that the rent received (as projected by the valuer in his report) will be as follows:

- $ICR \leq 50\% \text{ LTV} - 130\%$  at 5.50% or 2% above product (whichever is higher).
- $ICR > 50\% - \leq 70\% \text{ LTV} - 140\%$  at 5.50% or 2% above product (whichever is higher).

### Applicant Details

- 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 ExPat 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;
- Let-to-buy and inherited property is acceptable, subject to referral, where the motivation for letting meets our definition of a Business BTL venture.

### The Society Does Not Accept

- Houses of Multiple Occupancy (HMOs);
- Top Slicing;
- Capital raising for debt consolidation;

### Portfolio Buy-to-Let

Portfolio Landlords are deemed by the Society as any applicants with 4 or more BTL mortgaged, up to a maximum of 10 in total.

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).

## Holiday Let

*(To be read in conjunction with BTL General)*

- The Society will lend on residential properties to individuals on a BTL basis for renting out as a holiday let property.
- Maximum LTV 70%.
- Holiday parks are not acceptable.
- Occupancy restrictions are considered subject to valuer's comments.
- 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.



## Ex-Pat BTL

*(To be read in conjunction with BTL General)*

- 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.
- Applicants do not need to own a UK property.
- Acceptable applicants must be employed by a nationally recognised company.
- The applicant's company must not be involved in high-risk industries as listed here: <https://www.fca.org.uk/firms/financial-crime/moneylaundering-regulations>
- The Society will require 3 months' salary slips and may request an employment reference provided in English.
- All mortgage payments must be made from a UK bank account in the applicant(s) own name.
- The Ex-Pat BTL 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).

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



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