

Bridging Finance

Lending Criteria

THIS GUIDE IS FOR INTERMEDIARY USE ONLY AND
SHOULD NOT BE SHOWN TO POTENTIAL CLIENTS

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Loan											
Minimum Loan	£40,000										
Maximum Loan	Aggregated exposure limited to £25,000,000 (£1,000,000 Lending for Costs)										
Term	Minimum 1 Month. Maximum 24 Months.										
Repayment Method	Fully retained, part retained or serviced monthly										
Maximum LTV	Residential and Semi Commercial Bridging: 75% of the Open Market Value Commercial 70% of vacant possession value Lending for Costs: 85% of the Open Market Value in current condition or 75% of the post works value/GDV, whichever is lower. Higher value single dwelling residential properties also have the following LTV restrictions:										
	<table border="1"> <thead> <tr> <th>Property Value</th> <th>Max LTV</th> </tr> </thead> <tbody> <tr> <td>To £2m</td> <td>75%</td> </tr> <tr> <td>>£2m-£3m</td> <td>70%</td> </tr> <tr> <td>>£3m-£5m</td> <td>65%</td> </tr> <tr> <td>>£5m</td> <td>60%</td> </tr> </tbody> </table>	Property Value	Max LTV	To £2m	75%	>£2m-£3m	70%	>£3m-£5m	65%	>£5m	60%
	Property Value	Max LTV									
	To £2m	75%									
	>£2m-£3m	70%									
>£3m-£5m	65%										
>£5m	60%										

Refinance	
Re-mortgage Period	No minimum length since time of purchase.
Capital Raise	Considered for any legal purpose. Capital raises of more than £150,000 or when more than 50% equity is being removed that are not in keeping with profile should have a satisfactory explanation. Ex-pats can be considered if funds are being used for a further purchase of a UK asset.
Repaying a Bridge	Acceptable where the bridge was used to complete works or auction purchase. In other scenarios we will need to understand the reason bridging finance was used.
Developer Exit	Can be considered up to 75% when we have seen sales or exchange of contract for properties within the site. A reduction of 5%-10% will be made to LTV where immediate sale/exchange is not evidenced and is dependent on the strength of the exit presented.

Purchase

Purchase Price	Maximum loan is calculated against the lower of the purchase price or valuation.	
Undervalue Purchase	<p>Subject to:</p> <ul style="list-style-type: none"> • Acceptable when the purchase price is within 20% of the market value and the seller is unrelated to our customer • If the difference in market value and purchase price is over 20% then further investigation will be required • If there is evidence of stressed position of the seller, then we cannot proceed <p>Family related transfers at nil or below market value are acceptable if supported by an explanation for the transaction and evidence that the family member is not in a distressed financial situation.</p> <p>Transfers from associated Ltd companies at less than market value are not acceptable.</p> <p>Purchases where there has been a substantial increase in value since purchase, we require a written explanation which should be referred to the valuer for comment and validation.</p> <p>When there is evidence of an option to purchase agreement and we can understand the reason for the purchase price being less than the market value we can consider lending against the higher figure.</p>	
Deposit	Source	Details
	Personal Savings	Evidence of build-up of funds
	Gift	Acceptable subject to evidence that the third party will hold no interest on the security
	Directors Loan	Acceptable subject to transfer at full MV
	Additional Borrowing	Details of the loan offer should be obtained for an assessment to be made on affordability
	Vendor Deposits and 2nd Charges	Not acceptable
	Builders Incentives	LTV reduced by 5%
	Bounce Back Loans	Are an acceptable form of deposit with supporting evidence of funds within bank statements. These are subject to the loan being used for the benefit of the business.
	Mini-Bonds	Not acceptable
Funding for works	<p>Evidence that the client has or will have available funds to cover the full cost or shortfall of works. Bank statements showing sufficient levels of funds are acceptable.</p> <p>We can consider lending for costs on the light refurbishment of semi commercial/ residential properties products which will involve a larger day one loan advance to support the funding of the build costs. The borrower will receive 100% of the net loan proceeds on day one. We will not consider post completion stage drawdowns. A schedule of works and costs will be required from the borrower and we will need the surveyor to comment positively on the suitability of the proposed works and costs.</p>	

Customers	
Age	<p>Applicants (including beneficiaries and guarantors) must be a minimum of 21 years of age at the start of the mortgage and no older than 80 years of age at the start of the mortgage.</p> <p>Applicants aged 70 years of age either at the start or during the term of the mortgage must have a clear succession plan in place to satisfy Shawbrook with the ongoing serviceability of the loan.</p> <p>The applicant must apply for the loan before the date of their 81st birthday.</p> <p>Applicants who are under 21 years at the start of the term or over 80 years at the end of the term are only acceptable if jointly borrowing with another applicant within policy age limitations above.</p>
Customer Type	<ul style="list-style-type: none"> • Individuals (UK, EU and other foreign nationals residing in the UK, see ID section) • LTD Company (UK Incorporated) • PLC (UK Incorporated) • LLP (UK Incorporated) • Trusts (Minimum Loan size £1m new loans, Refinances case by case) • SIPPS (Minimum Loan size £1m)
Ltd, LLP or PLC	For company applications where shareholding is owned by another company, it will be necessary to trace back the ultimate beneficial owners and obtain the relevant personal guarantees.
Personal Guarantees	As a minimum , a personal guarantee equal to 25% or £50,000 (whichever is higher and subject to a maximum 100% of the loan size) will be required from all directors where they have 25% or more shareholding.
ILA	<p>We will require the following to have independent legal advice:</p> <ul style="list-style-type: none"> • Customers or occupiers over 70. • A customer who will not benefit from the proceeds of the advance. • A customer who is on the mortgage application but not named on the title.

Customers Experience				
Experience	Property Type	No / Light Works	Heavy Works	Lending For Costs
	Residential (including small and large HMOs)	No previous Investment experience	Experience of completing a similar scale project within the last 5 years	No previous experience
	Semi Commercial			
	Commercial	Ownership of a commercial investment property for a minimum of two years or owned and managed at least 2 Investment properties for the last 2 years.		
Ex-Pat Experience	<p>BTL. At least 2 UK investments properties for a minimum of 12 months and at least 1 applicant to have a minimum income of £50,000</p> <p>Commercial. Ownership of a commercial investment property for a minimum of two years or owned and managed at least 2 Investment properties for the last 2 years and at least 1 applicant to have a minimum income of £50,000.</p>			

ID and Residence

Residential Status	Applications are acceptable from UK Nationals residing in the UK and EU/EEA and other foreign nationals residing in the UK. Ex-pats (UK nationals living or working outside of the UK) are acceptable subject to ex-pat experience criteria. Applications from foreign nationals residing outside of the UK where there is no joint UK based joint applicant cannot be accepted.
Proof of Address and ID	Shawbrook uses an automated system for identity and address verification, if this fails or the applicant resides abroad, acceptable evidence will be required. Customers may be required to provide certified signature ID.

Credit Status

Credit Status	CCJs	No unsatisfied in the last 24 months Satisfied in the last 12 months considered by exception Large (>£5,000) historic considered by exception
	Mortgage / Secured Loan / Tenancy Arrears	<ul style="list-style-type: none"> • 0 missed in last 12 months • No historic unpaid arrears
	Defaults	No unsatisfied >£100 in last 24 months
	Unsecured borrowing (not including communications suppliers or utility companies)	No more than 3 instances of arrears or arrangements to pay in last 12 months
	Bankruptcy/CVA/IVA	Discharged for at least 12 months
	CIFAS	No adverse fraud data
	Business Credit Profile	No history of the following within the last 36 months (this extends to associated companies within the same industry) <ul style="list-style-type: none"> • Receivership • Administration order • Winding up petition • Creditors or Compulsory Liquidation • Disqualified director

Affordability

Serviced Interest	Where interest is to be serviced or part serviced monthly, evidence that the customer can meet the monthly interest payments will be required. This can be in the form of a bank statements showing sufficient levels of outside income, portfolio income or savings.
Exit to Term	Assessment that the current debt can be repaid at a rate of 6.5% to ensure exit.
Portfolio Check	For Portfolio Landlords the customers outside portfolio will be reviewed to assess long term affordability. A stress rate of 6.5% will be applied and the rental must cover a minimum of 125%. The overall gearing of the outside portfolio must not be over 75%.

Security	
Security Summary	Shawbrook will require 1st Legal Charge in all cases
Location	England, Scotland, Wales.
Tenure	Freehold and Feuhold (in Scotland) acceptable. Leasehold with minimum 50 years remaining at the end of the mortgage term.
EPC	We only lend on properties with an A-E rating. Where works are required to improve the EPC rating to an E or above and are being carried out during the term of the bridge we can proceed. If the EPC is F or below and no works are being carried the security is unacceptable.
Demand for Letting	Unless stated differently below by asset type 75% LTV Interest Only is permitted when letting is achievable within 0-3 months. AST (Residential) letting demand is classified as follows - Expected 0-3 months – 75% LTV Interest Only is permitted unless stated differently by asset type. Moderate 3-6 months - For moderate cases UW to further consider the case and reduce LTV by 5% to 70% LTV. Weak 6+ months – For weak cases UW to give further consideration and in most cases decline the deal.

Works	
Light Works	Defined as works that can be completed within 180 days (as confirmed by a valuer after reviewing the schedule of works). Basic refurbishment works including, but not limited to: Decorating, replacement/renewal of kitchens, bathrooms, fixtures & fittings, flooring, windows & doors. Minor remedial/repair/improvement works (damp repairs, re-plastering etc.). Refurbishments or HMO conversions with alterations to the building, sub-divide, maximise space or create additional facilities (kitchenettes, additional bathrooms & ensuite facilities). Removal of walls, extensions & loft conversions. Works must not require planning consent (simple planning windows etc considered by exception) or result in a change of use (C3 to C4 acceptable if works do not fall into heavy refurb).
Heavy Works	Defined as works that will be completed in excess of 180 days (as confirmed by a valuer after reviewing the schedule of works). Heavier schemes or works which require planning consent or entail a change of use of the property. More significant repair works including, but not limited to roof replacements, removal of chimney breasts, underpinning & other, significant structural repair works as advised by a qualified structural engineer.
Planning	Applications that have an element of value with the benefit of planning or when enhanced planning is the exit strategy are considered by exception

Exit Strategy	
Sale	Positive commentary on the marketability of the property as well as local market conditions must be confirmed by the valuer to ensure sale within the loan term is a reasonable repayment strategy.
Hold as Investment	An assessment will be made that the proposed market rental would support refinance onto a term loan application.

Flats

Flats in Blocks/entire blocks of flats	Flats located within blocks are acceptable subject to usual criteria. Multiple flats/entire blocks of flats can be considered. Please refer to Valuation Methodology section. Individual flats within cladded blocks or entire cladded blocks of flats are unacceptable without a satisfactory EWS1 form. Properties rated A1, A2 & B1 are acceptable.
Size of Flats	Minimum size for flats is 30 square metres. When we are lending on blocks of flats, if the individual flats are less than 30 square metres, aggregated individual values cannot be used, only the investment block value can be used.
Ex-Local Authority Flats	Acceptable up to 65% LTV in blocks up to 4 storeys subject to sales demand being achievable within 12 months. Acceptable up to 65% LTV in a block of more than 4 storeys, in Greater London, subject to sales demand being achievable within 12 months. Individual flats within cladded blocks or entire cladded blocks of flats are unacceptable without a satisfactory EWS1 form. Properties rated A1, A2 & B1 are acceptable.
Flats Above Commercial	Acceptable to 75% LTV subject to sales demand being achievable within 12 months.

HMO

Size	Small HMO defined as those having up to max 6 occupants Large HMO defined as those having greater than 6 occupants
Student Accommodation	Small HMOs used for student accommodation are acceptable in line with HMO criteria. Student units and Sui Generis HMOs are considered on a case-by-case basis.

Unacceptable Security

<ul style="list-style-type: none"> Grade 1 Listed Grade A (Scotland) Adding floors or basement excavation Cladded blocks Development sites Freehold flats Land Part Completed properties that are not wind and watertight Properties with contaminated land 	<ul style="list-style-type: none"> Agricultural Properties Active Care Homes Equestrian centres Football Clubs Gyms (purpose built) Golf Clubs 	<ul style="list-style-type: none"> Hostels Hotels Holiday Parks Holiday Lets (Individual holiday lets in holiday/caravan/sports parks) Kennels & catteries 	<ul style="list-style-type: none"> Nightclubs Places of Worship Retail Units where exit remains a retail unit Shopping Centres
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Specialist Reports

Works identified by surveyor	When the valuation reports identify specialist reports that have not been mentioned in the planned works we cannot proceed until further commentary is received. Reports include <ul style="list-style-type: none"> Structural Movement Dry Rot Wall Tie Failure Contamination Invasive Plants (i.e., Japanese Knotweed)
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Valuation

A Bank appointed valuation report addressed to the Bank from the pre-approved panel of surveyors with sufficient PI cover must be held or an Automated Valuation Model (AVM).

Validity of Report	Valuations are valid for 6 months.
Residual Valuation	<p>A residual method of valuation is likely to be applied by the Valuer for properties that have planning permission/change of use consent in place or where a property is due to undergo significant refurbishment works. Typical scenarios whereby a residual method of valuation would be used are as follows (the following list is not exhaustive):</p> <ul style="list-style-type: none"> • A commercial property with consent in place to be converted into residential accommodation. • A single residential property with consent in place to be converted into multiple residential units. • A single residential property currently in uninhabitable condition but due to undergo heavy refurbishment works. <p><i>For heavy refurbishment projects, we will be guided by the valuer as to whether a vacant possession or residual valuation is most appropriate.</i></p> <p><i>The published maximum product LTVs will be considered for assets with good demand in their current use. Where there is limited demand for the property in its current configuration lending will be subject to a maximum 60% LTV.</i></p>

Automated Valuations	<p>AVMs can be considered for security when the following standards are met:</p> <ul style="list-style-type: none"> • Purchases Only (including Auction) • England, Wales and Scotland • Property sales particulars including photos from Marketing Agent showing the property is habitable in current condition • Refinance when exit is sale subject to min CL +1 • When either no works or light refurbishment are being undertaken • Rental to confirm viable rental income to support exit to term refinance • Security shall be a single unit-residential property • Maximum value £2m in London and the South-East. £1m elsewhere • Property must not adjoin or be located above commercial premises • Freehold or leasehold with a minimum unexpired term of 85 years • Security shall not be a flat in a converted building • Flats in blocks where no cladding is indicated • No new builds allowed – property must have been built at least 24 months ago 		
	Max LTV	Minimum Confidence Levels (value)	
	75%	≥5.0	
	65%-74%	4.0 – 4.9	
	55%- 64%	3.0 – 3.9	
	Up to 55%	Min 3.0	
	<p>LTV calculated against the corresponding CL (i.e., 4.2CL = 67% LTV) When exit is sale CL level +1 is required</p>		

Flying/Creeping Freehold	The maximum amount considered is 15%.
Second Charge	2 nd charges are acceptable on residential property up to 70% LTV (Taking into account the 1 st charge balance) with a minimum of £25,000 equity being attributed to the 2 nd charge property; Subject to maximum loan of 100% of the lower of the value or purchase price of the 1 st charge security.
Subsequent Charges	<p>Required when:</p> <ul style="list-style-type: none"> The customer owns additional neighbouring property which shares the same access way, rights of support and services as the security property (this would be common in terraced housing or neighbouring parcels of land). These subsequent charges to be registered on the neighbouring properties/land do not need to be first ranking charges. We are offered long leasehold security and the customer, or a related company/person, owns the freehold. In this instance a charge over the freehold is also required.
Solar Panel	Acceptable subject to valuer commentary and terms of the lease arrangement (when solar panels owned by third party).
Japanese Knotweed	Considered on a case-by-case basis subject to evidence of implementation of a professional treatment plan with insurance backed guarantee.
Regulation	<p>Shawbrook cannot consider applications that may be deemed as regulated transactions. These also include:</p> <ul style="list-style-type: none"> The Customer intends to reside in the property taken as security and the residential element of the security (including associated land) forms more than 40% of the total floor area of the entire security (including land) Applications where our proposed customer or a relative of the customer resides or has resided at the security in the last 12 months Ex-pat applications when the security is their previous residential property Applications when the current vendor will occupy the security after completion, and this equates to more than 40% HMO accommodation where a family member or the customer resides Consumer BTL
Non-Standard Construction	<ul style="list-style-type: none"> Any Prefabricated Reinforced Concrete (PRC) dwelling which has not been repaired under the PRC (Homes) Ltd licensed repair scheme is unacceptable Wimpey No-fines are acceptable, other no-fines systems are unacceptable Laing Easiform built after 1945 are acceptable Steel Framed Dwellings are acceptable if readily marketable and mortgageable Large Panel Systems (LPS) are unacceptable Timber Framed Dwellings built prior to 1970 are unacceptable, properties built after 1970 but without brick/rendered block external facings are considered on their individual merits <p>Mundic properties are acceptable only if a Concrete Screening Test has been prepared strictly in accordance with the latest RICS Guidance and the concrete has been classified as A or A/B. Suspect concrete purpose-built and converted flats will not be considered acceptable, unless the entire block has been tested and the concrete classified as A or A/B</p>
Modern Methods of Constructions	<p>The following sustainable construction types are acceptable for buildings constructed 2010 or later:</p> <ul style="list-style-type: none"> Structural Insulated Panels (SIPs) ThermoPlan Beco Wallform Durisol Block Hemcrete/Hempcrete Insulated Concrete Formwork (ICF) Kingspan TEK Haus Cidark P3 System Rockwool Duo Slab HufHaus <p>Suitable warranty documentation and architects sign off (including details of that architects PII) are required. Other modern/sustainable methods of construction can be considered on a case-by-case basis.</p>
Holiday Lets, Serviced Apartments and Airbnb	<ul style="list-style-type: none"> Single dwelling houses and flats only, multi-unit blocks of serviced apartments are not allowed Property must be in a location with a letting demand for an assumed 6-month AST, specialist holiday lets in remote locations where there is no long-term tenant demand are unacceptable Assumed AST rental income will be used for affordability and viability of exit assessment
Vacant Commercial	Can be considered to an experienced client with a track record of managing similar properties/experience of buying properties and obtaining planning permission or where the property is being converted to residential.
Local Authority and Vulnerable Tenants	<p>Acceptable subject to:</p> <ul style="list-style-type: none"> Lease with a professional operator of emergency housing Lease that includes: <ul style="list-style-type: none"> An open market rent with a standard rent review terms including rent review frequency A prohibition on structural alterations Standard landlord obligations. (Please note this list is non exhaustive and please refer to the broker hub for a fuller list of non-acceptable lease term issues. Assumption of a standard AST with private rented sector tenants for affordability and viability of exit assessment (as opposed to lease rental income) Property to be valued as a standard house or an HMO with no premium attributed to the lease A Commercial Valuation <p>Private tenants in receipt of Housing Benefit or Universal Credit are also acceptable.</p>

Criteria	Bridging Loans				
	Bridging/Light Refurbishment	Development Exit	Heavy Refurbishment	Lending for Cost	
Loan	Minimum Loan	£40,000	£500,000	£40,000	£40,000
	Maximum Loan on a single asset	£5,000,000	£5,000,000	£5,000,000	£1,000,000
	Maximum Exposure	£25,000,000	£25,000,000	£25,000,000	£25,000,000
	Minimum Term	1 Months	1 Months	1 Months	1 Months
	Maximum Term	24 Months	24 Months	24 Months	24 Months
	Repayment Method	Interest Fully Rolled Up, Part-Rolled Up or Serviced	Interest Fully Rolled Up, Part-Rolled Up or Serviced	Interest Fully Rolled Up, Part-Rolled Up or Serviced	Interest Fully Rolled Up, Part-Rolled Up or Serviced
	Maximum LTV	75%	75%	75%	85% of the open Market Value in current condition or 75% of the post works value/GDV, whichever is lower
Customer	Age	Applicants (including beneficiaries and guarantors) must be a minimum of 21 years of age at the start of the mortgage and no older than 80 years of age at the start of the mortgage.			
	Type	Individuals (UK and EU nationals residing in the UK), LTD Company, PLC, LLP Trusts (Minimum Loan size £1m), SIPPS (Minimum Loan size £1m) & Ex Pats			
	Personal Guarantees	As a minimum, a personal guarantee equal to 25% of the gross loan or £50,000 (whichever is higher and subject to a maximum 100% of the loan size) will be required from all directors where they have 25% or more shareholding..			
	Credit Status	No unsatisfied CCJ's in the last 24 months. No Mortgage Secured or tenancy arrears in the last 12 months. No unpaid historic arrears. No Unsatisfied defaults over £100 in the last 24 months. Bankruptcy, CVA/IVA discharged or satisfied for at least 12 months. No history of receivership, Administration Order or winding up petition in the last 36 months (this extends to associated companies within the same industry).			
	Experience	Residential - None required Ownership of a commercial investment property for a minimum of two years or owned and managed at least 2 Investment properties for the last 2 years.	Experience of completing a similar scale project within the last 5 years.	Experience of completing a similar scale project within the last 5 years.	None Required.
Security	Charge	1 st legal charge over the security offered			
	Location	England, Wales, and Scotland			
	Tenure	Freehold and Feuhold (In Scotland) acceptable. Leasehold with minimum 50 years remaining at the end of the mortgage term.			
	Minimum	Residential unit size of 30 Sqm			
	Works Allowed	Light works as defined fully in criteria	Works to finish the building can be considered but this minor work. e.g.snagging	Heavy works as defined fully in criteria	Light works as defined fully in criteria

Valuation Method	LTV considered against the lower of Open Market Value or cost. Individual values of flats can be used on an aggregated basis subject to individual leasehold sales demand being within 12 months.
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Criteria	Bridging Loans				
	Bridging/Light Refurbishment	Development Exit	Heavy Refurbishment	Lending for Cost	
Affordability Method	We will consider the potential income as part of the exit strategy if applicable (see below). When a client chooses to service the loan, we will need evidence payments can be made by the way of a bank statement.				
Security	<p>Max. LTV 75% for Property up to £2m value. Max. LTV 70% for Property up >2m-£3m value Max. 65% LTV >£3m-£5m Max. LTV 60% for Property >£5m Value</p>				
Planning	Applications that have an element of value with the benefit or planning or when enhanced planning is the exit strategy are considered by exception.				
Documents required up to 1.25m Single or Aggregable Exposure	Application Form Schedule of works (light refurb)	Application Form Details of the reason for refinance and current development position	Application Form Schedule of works (when Heavy refurb)	Application Form Schedule of works	
Additional documents required over 1.25m Single or Aggregable exposure?	Portfolio Schedule Client interview	Portfolio Schedule Client interview	Portfolio Schedule Client interview	N/A	
Submission	Over £5m	Site Visit	Site Visit	Site Visit	N/A
Exit Strategy	Full details of the proposed exit Valuer confirmation of rental (Hold) and or Valuation confirmation of Sales Demand (Sale)	Full details of the proposed exit. Evidence of sales to date (e.g., completions &/or exchange of contracts to independent parties) Valuer confirmation of rental (hold) and or Valuer confirmation of Sales demand (sale)	Full details of the proposed exit Valuer confirmation of rental (Hold) and or Valuation confirmation of Sales Demand (Sale)	Full details of the proposed exit Valuer confirmation of rental (Hold) and or Valuation confirmation of Sales Demand (Sale)	
Conditions	All	ID Proof of deposit (Purchase) Redemption statement (Refinance) Evidence of Funds to complete works (Light refurb)	ID Redemption statement (Refinance)	ID Proof of deposit (Purchase) Redemption statement (Refinance) Evidence of Funds to complete works (heavy refurb)	ID Proof of deposit (Purchase) Redemption statement (Refinance)
	Serviced Interest	Bank statements evidencing serviceability			



Shawbrook Bank Limited

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