



Second Charge Mortgages

Criteria Guide

**Property
Finance.**

Proudly different.

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The Applicant

Highlights

21

Minimum age at application

85

Maximum age at end of term

3_{MONTHS}

Minimum time in property

Applicant Profile

Minimum age	21 at the time of application
Maximum age	85 at the end of the loan term
Maximum number of applicants	2
Signature identification	<p>A copy of the applicant's signature identification is required in all cases and we can accept one of the following items as proof of signature:</p> <ul style="list-style-type: none"> ▪ Current full signed passport ▪ Current full or provisional UK/EU photo card style driving licence ▪ Copy of front and back of the applicant's signed bank debit/credit card (CVV number must not be recorded)
Photographic identification	<p>When E-ID fails on the identity check, we require a certified copy of the applicant's photographic identification and we can accept one of the following items as proof of ID:</p> <ul style="list-style-type: none"> ▪ Current full signed passport. For non-UK/EU passports, we will require confirmation of permanent rights to reside ▪ Current full or provisional UK/EU photo card style driving licence <p>The certification must include the following statement:</p> <p><i>I certify that this is a true likeness of the applicant (stating their title and full name) and I have seen the original document</i></p> <p>We will accept the certification from the introducing, advising or master broker depending on who has had sight of the original document in the presence of the applicant. The person certifying the document must provide a name, FCA number and signature</p> <p>For non-UK issued documents, the following certifiers are acceptable:</p> <ul style="list-style-type: none"> ▪ Embassy, consulate or high commission officer in the country of issue ▪ Legal professional (solicitor, Legal Conveyancer, certified paralegal, barrister or notary public)
Applicant status	<ul style="list-style-type: none"> ▪ Applicants who are married or are joint owners of the property must both be party to the loan ▪ Applicants who are co-habiting but not related, must both be party to the loan. Where the applicants are related, both applicants must own the property
Minimum time in property	3 months and must be owner occupied

Other occupants

- Anyone aged 17 or over residing in the property and not party to the loan, will be required to sign a Waiver Consent Form. This is not a requirement in Scotland
- Any occupier aged 70 or over and not party to the loan will be required to have their Waiver Consent Form witnessed by a solicitor or a Licensed Conveyancer
- Any occupier over the age of 17 years and 11 months at the time of the Binding Mortgage Offer issue date, will be treated as an adult financial dependant unless advised otherwise

Proof of residency

In all cases, we require proof of residency to cover the last 3 years. Where the applicant is not registered on the electoral roll, one of the following items (certified as 'original seen') will be required to prove residency at the declared address(es) for the missing period in the last 3 years (internet bills are not acceptable):

- A utility bill
- A local authority council tax bill
- A credit card statement
- A bank/building society statement

Right to reside

Applications are acceptable from UK and EU nationals residing in the UK

Other nationalities are considered subject to evidence of permanent rights to reside in the UK

Tiered visas are unacceptable. We will review on a referral basis if we are not using the applicant's income and the main applicant is a UK resident

Power of attorney

Unacceptable

Independent legal advice

Independent legal advice will be requested for:

- Applicants aged 70 and over at the time of the application
 - Applicants who do not appear to be benefitting from the loan
 - Applicants whom we have concerns over their understanding of the application or its implications
 - Non-English-speaking applicants
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Credit Profile

CCJs	None in the last 12 months
Defaults	None in the last 12 months
Mortgage arrears	None in the last 12 months (classed as made if paid within 28 days of the due date and evidence will be required)
Unsecured arrears	Highest arrear: 1 in the last 12 months, providing currently up to date
Bankruptcy, Individual Voluntary Arrangement (IVA) or Debt Management Plan (DMP)	Only considered when satisfied or completed for over 3 years, maximum 60% LTV
Minimum credit score	<ul style="list-style-type: none"> ▪ 350 ▪ 375 where part or all of the loan is being used for debt consolidation (this includes any secured or unsecured credit being repaid) <p>We will consider cases that do not meet our minimum credit score requirements on a referral basis subject to the score not having been affected by credit impairing issues</p>
Minimum mortgage history	<p>12 months</p> <p>Where the applicants have been renting within the last 12 months, we can accept a rental reference from a reputable letting agent (private landlord unacceptable) or a copy of the AST with supporting bank statements</p>

Income

Highlights

**No minimum income
threshold**

3 MONTHS

Minimum time in employment

Minimum income

There is no minimum income threshold

Employed Applicants

Minimum time in employment

3 months – permanent and not subject to any probationary period

All applicants must be UK based and in receipt of taxed income in Sterling GBP

The most recent payslip must be dated within 2 months (6 weeks if paid weekly) of the Binding Mortgage Offer issue date. All payslips must be originals or certified copies, we will not accept handwritten or amended payslips. Internet payslips will be accepted where full PDF versions are provided, the URL address is visible and the applicants have given consent for us to contact their employer, if required

Where the applicant's payslips do not show the URL address or if the payslips are of a basic standard such as typed, word processed, Sage, IRIS, bank statements will be required to support the payslips. The bank statements (including internet statements) can be filtered to only show salary credits

The below table details the **documentation** and **assessment** required for each acceptable source of income

Income Type	Documentation	Assessment
Basic salary	Last 2 months' consecutive payslips (3 if paid weekly)	100%
Employed by a family member	Last 3 months' consecutive payslips (6 if paid weekly) and Bank statements showing the corresponding salary credits	100% Subject to no shareholding in the company
Agency workers	Last 2 months' consecutive payslips (3 if paid weekly) Confirmation from employer of long-term employment arrangement; Or Written confirmation from a reputable agency of ability to secure further positions	100% (providing the applicant is in a professional role (such as an IT contractor) and has been in the same continuous employment for at least 12 months)
Commission/overtime	A P60 or month 12 payslip detailing the previous 12 months' level of additional income above the basic pay will be required to confirm this to ensure that the	100% Calculate the year to date income from the latest payslip, which will need to be
COVID - 19 update: currently we are only using basic salary, overtime will		

be considered on a referral basis only for key workers	overtime or commission is not reflecting a false income position	checked against the P60 or month 12 payslip. (We will use the lower of the two figures)
Bonus COVID - 19 update: currently we are only using basic salary, bonuses will be considered on a referral basis only	Payslip for the bonus period/s	100% if guaranteed (contractual) 50% if discretionary (not guaranteed)
Income during parental leave	Latest payslip and last payslip prior to parental leave showing full salary and Letter from the employer confirming: agreed return to work date, return to work hours and salary and The applicants to confirm what their child care arrangements and costs will be once they have returned to work	100%
Second job (where ongoing and sustainable)	Confirmation from employer that the position has been held for a minimum of 12 months or a P60 Employed applicants will need to provide 2 months' consecutive payslips (3 if paid weekly) Second job income must be added to the gross and net income fields on DJ	100%

Self Employed Applicants

Minimum time self-employed 12 months

All applicants must be UK based and in receipt of taxed income in Sterling GBP

Applicants holding 25% or more of the issued share capital or is responsible for overall payment of their tax and national insurance will be classed as self-employed

The below table details the period of self-employment, the **documentation** and **assessment** required for self-employed applicants

Where there is a reliance on dividend income for company directors; Company accounts are to be requested and reviewed to support income sustainability

Time Self-Employed	Documentation	Assessment
>12 months but < 2 years	<p>SA302 or tax computation dated within 21 months of the tax year end (being 31st of January)</p> <p>and</p> <p>Tax year overview statement that corresponds with the SA302</p> <p>(Note: This must come from the Inland Revenue)</p> <p>and</p> <p>The latest month's business bank statement dated within 2 months of the Binding Mortgage Offer being issued</p> <p>SA302 Tax Calculations are acceptable where they have been printed from the HM Revenue and Customs' (HMRC) online services, or where the Customer or their accountant uses commercial software to file the Applicant's tax return</p>	<p>The document will show the calculations for both Income Tax and National Insurance, which are both to be deducted to leave the net income</p>
≥ 2 years	<p>Two years' SA302s or tax computations dated within 21 months of the tax year end (being 31st of January)</p> <p>and</p> <p>Tax year overview statements that correspond with the SA302s</p> <p>(Note: This must come from the Inland Revenue)</p> <p>and</p> <p>The latest month's business bank statement dated within 2 months of the Binding Mortgage Offer being issued</p> <p>SA302 Tax Calculations are acceptable where they have been printed from the HM Revenue and Customs' (HMRC) online services, or where the Customer</p>	<p>The document will show the calculations for both Income Tax and National Insurance, which are both to be deducted to leave the net income</p> <p>We will use the income as stated in the latest SA302, except in the following scenario:</p> <p>If >20% increase on the latest SA302 then we will use an average of the last 2 years</p> <p>To calculate if there has been more than a 20% increase, please see example below:</p> <p>2017/2018 income: £100,000 2018/2019 income: £121,000</p>

or their accountant uses commercial software to file the Applicant's tax return

$(£121,000 - £100,000)/£100,000 = 21\%$, which is greater than 20%

In instances where the income has increased by greater than 20% and you wish to use the latest SA302 for income purposes, we will allow a referral to be submitted where a reasonable/plausible explanation will be required. This must cover the reason for the increase and sustainability of the current income

Where the latest years SA302 is lower than the previous year, we will still work from the latest year and will require a plausible explanation to cover the reduction and sustainability of the current income

Where the year-on-year income has decreased by more than 15%, we will use the income on the latest SA302 and will also require a reasonable explanation that must include the reason for the reduction and sustainability of the current income

Where the year on year income has increased by more than 20% or decreased by more than 15%, we will require the latest fully signed business accounts (audited, if available) for further assessment. Abbreviated or filtered accounts are unacceptable

Contractors

Contractor income

Copy of current contract, signed by both parties

and

Last two months' bank statements to show payments being received from contracting

Payslips and/or invoices, if applicable

First time contractors are acceptable, provided the current contract is in same profession/industry as to which they have been working for the last 2 years. Evidence will be required in the form of a signed letter from the applicant confirming details of their employment history over the past two years

If the current contract has less than three months' remaining, a copy of the new contract, signed by both parties will be required

Spider/umbrella companies, zero hour contracts and rolling contracts are not acceptable (contracts must have a start and an end date)

100%

Minimum time in current contract is three months, with a history of contracting over last 12 months

Any industry considered

Calculation for gross income: Multiply the day rate by 5 days and then by 48 weeks (this needs to be in line with bank statement credits and will work off the lower of the two)

'Listen to taxman' to be used to calculate the net income

Maximum gap in contract that is acceptable is 4 weeks in the last 12 months, subject to this not being in last 3 months

If the applicant is paid via the contracting company to their Limited Company, the applicant must be a 100% shareholder of the Limited Company to use the income

Other Income Sources

<p>Pension income</p>	<p>Last 3 months' pension payslips (with the latest no older than 3 months from the Binding Mortgage Offer issue date). If paid more frequently than monthly, last 5 weeks' payslips required (with the latest no older than 5 weeks from the Binding Mortgage Offer issue date);</p> <p>Or</p> <p>Latest bank statement evidencing payment from the pension company with either:</p> <ol style="list-style-type: none"> 1. Pension statement; or 2. Annuity/Pension letter; or 3. P60 <p>For State Pension, the following is acceptable:</p> <p>DWP State Pension entitlement letter issued within the last 12 months</p> <p>Or</p> <p>Latest bank statement identifying payment from DWP</p>	<p>100%</p> <p>Where the pension income is the only source or is the majority of income, the LTI will be restricted to 4.5x</p>
<p>Foster care</p>	<p>A copy of the contract held with the Local Authority or fostering organisation</p> <p>and</p> <p>Latest SA302 and tax year overview that corresponds with the SA302</p> <p>and</p> <p>The last 3 months' bank statements showing the payments being received</p>	<p>100%</p> <p>Applications are to be assessed on a referral basis only</p>

The following income types are acceptable and can be considered up to the limits within the assessment section providing they are not the main source of income being used

<p>Child Tax Credit</p>	<p>The latest annual statement or entitlement letter must be obtained for each of the income types along with the last 3 months' bank statements showing the payments being received</p>	<p>100%</p> <p>(proportion of the amount showing on entitlement letter or annual statement will be based on the number of children who will be 18 years of age and under at the end of the term)</p>
<p>Working Tax Credit, Incapacity Benefit, Disability Living Allowance, Severe Disability Allowance and Carer's Allowance</p>	<p>The most recent statement must be dated no more than 5 weeks from the Binding Mortgage Offer issue date</p>	<p>100%</p> <p>(Carer's allowance cannot be used if being received for someone who is not party to the loan)</p>
<p>Child Benefit</p>	<p>No evidence required</p>	<p>100% where the applicant is currently in receipt and where the child is no</p>

	Please refer to www.gov.uk/child-benefit for details on current payment rates	older than 12 years of age at the time the Binding Mortgage Offer is issued Child Benefit cannot be used if one of the applicant's gross income exceeds £50,099.99, unless evidence that the applicant is paying the 'High Income Child Benefit Charge' is provided
Maintenance/CSA	Official documents and the last 2 months' bank statements showing the payments received	100% must be court ordered The applicant must qualify for the maintenance/CSA payment for the full term of our loan
Rental income	The rental receipts will need to be evidenced with the applicant's last 3 months' bank statements and A fully completed Assets and Liabilities form	To calculate the rental income, please refer to the 'Rental Income Affordability Calculator' on the DJ Broker Hub If the applicant has less than 4 BTL properties, please complete the 'Non-portfolio landlords' calculator, and the 'Portfolio landlords' calculator, if the applicant has 4 or more BTL properties The annual income will display on the calculator and if this is a positive figure, this can be added in the 'Net rental income' field on the Applicants Details page of the DJ Broker Hub. This figure can also be entered in the gross annual income field If the annual income displayed is a negative value, this cannot be used for income purposes and will need to be added as an additional item of expenditure If SA302s are provided, we will consider using but will work off the lower of the rental calculator or SA302

Unacceptable Income Types

- Income Support
- Housing Benefit/DSS assistance with first mortgage payment
- Job Seekers Allowance
- Applicants solely receiving benefit income
- Seasonal, piece work and temporary employed applicants
- Attendance Allowance
- Benefit payments being received on behalf of anyone other than the applicant(s)

Affordability

Expenditure

We use an automated expenditure model directly in our affordability assessment however, further information will be requested in the following scenario:

- Where **any** part of the loan is being used for material unsecured debt consolidation (defined as greater than £35,000) **and** where disposable income is over £1,000 per month, we will require the last 2 months' consecutive bank statements for any sole or joint current accounts used by the applicant(s)

Bank statements will be assessed for account conduct, evidence of additional undeclared commitments and evidence of vulnerability (e.g. gambling transactions)

It is important to note that whilst we use an automated expenditure model, there are certain types of miscellaneous expenditure not covered by the model, so all applicants must declare their committed expenditure for these items (where applicable) and this will be added to the automated monthly figure

The areas of miscellaneous expenditure are: Ground Rent/Service Charge, Maintenance/Child Support, School/University Fees and Childcare/Nursery Fees

Employed applicants only: Pension contributions (where not shown on the applicant's payslip or verified elsewhere) will be deducted at a rate of 3% of allowable gross income and will be included in the income calculation

Stress testing

3% will be applied to both the first and second charge mortgage payments

The 3% stress test is not applied to our 5 year fixed rate products and/or where the first charge has more than 5 years remaining on the fixed rate (evidence will be required). In this instance, the stressed affordability will be subject to a minimum surplus of £100 per month

Loan to income (LTI)

The table below defines the maximum LTIs, which are dependent on LTV

LTV	LTI
0% - 85%	6x

Where pension income is the only source or is the majority of income, the LTI will be restricted to 4.5x

Buy to let properties

The rental income calculator on the DJ Broker Hub must be completed in all instances where the applicants have buy to let properties. If the rental income is to be used for affordability purposes, you will need to complete the Rental Income Affordability Calculator (See 'Other income sources – rental income on page 12)

Where the rental income is not being used for affordability purposes, you will need to complete the 'Rental Income Expenditure calculator' to ensure there is no shortfall. Should the calculator show a negative figure, this must be included as an additional item of expenditure

Lending into retirement

If the loan term takes the applicant past the age of 67 or they declare an earlier retirement age, they must provide an explanation of how they will maintain the loan payments for the duration of the loan. At the time of application, if the applicant is within 10 years of their planned or standard retirement age of 67 (whichever is lower), we will require evidence of how they will maintain the loan payments for the duration of the loan

The matrix below demonstrates how we will assess an applicant that has more than 10 years until they retire, and the documentation required for an applicant who is within 10 years of retirement

Explanation	Documentation ≤ 10 years until retirement	Assessment > 10 years to retirement
Applicant confirms they will continue to work	Applicants must explain how they would meet the repayments in the event they are unable to continue to work and provide suitable evidence to support this	The nature of the work will need to be feasible.
Pension	<p>We require a copy of the pension statement and an assessment of likely income that this will provide using a 4% annuity rate</p> <p>The case must fit on affordability using pension income alone</p> <p>Where the pension income is the only source or is the majority of income, the LTI will be restricted to 4.5x</p>	Evidence is required in the form of pension contributions evident on payslips
Downsizing property	The remaining equity will be factored into the assessment to validate the property will generate the levels of surplus, available to downsize	
Additional BTL properties that can be sold and/or receive income from	Mortgage balances to be taken from the Equifax credit search and cross referenced against an AVM on that property	

The Loan

Highlights

85%

Maximum LTV

£500,000

Maximum gross loan

Acceptable purposes (not an exhaustive list)

- Home improvements (including replacement kitchens and bathrooms) where the total amount borrowed exceeds £50,000, over running costs will need to be discussed
- Debt Consolidation
- Business purposes (subject to a satisfactory reason for the funds being raised)
- Repay a tax bill
- Holiday
- Car purchase (maximum term is 5 years)
- Deposit for purchase of additional property (monthly payment for any additional borrowing to be added to the expenditure along with any running costs associated with a holiday home)

Unacceptable purposes (including but not limited to)

- Bridging finance
- Debtor, creditor, supplier arrangements
- Financial speculation
- Gambling
- Heavy refurbishment
- Business start-up

Minimum net loan	£5,000	Maximum gross loan	£500,000
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Minimum term	3 years	Maximum term	30 years
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Maximum loan to value (LTV)	85%
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Repayment method	Capital and interest repayment basis only
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Property Criteria

Highlights

£70,000

Minimum property value

85%

AVMs up to 85% LTV

No LTV restriction on ex-council houses

The Property

Property

The loan must be secured on the applicant(s) primary residential address. This must be in the UK and already have a first charge secured against it. The property must be of mortgageable condition prior to the issue of the Binding Mortgage Offer.

Minimum property value

£70,000

Acceptable security

Residential owner-occupied properties located in England, Wales and mainland Scotland (excluding the Channel Islands and Isle of Man)

LTV by property sector

- Private leasehold flats or maisonettes to a maximum LTV of 75%. Standard LTV applies where the value of the property is equal to or greater than £200,000
- Private leasehold flats in block with more than 5 storeys up to a maximum LTV of 75% subject to a minimum value of £150,000. Standard LTV applies where the value of the property is equal to or greater than £200,000
- Private leasehold flats above commercial premises up to a maximum LTV of 65%, subject to the premises not being a restaurant or food outlet and a full internal valuation
- Ex-council flats up to a maximum LTV of 60%, with a minimum value of £150,000 and a maximum net loan amount of £100,000 and subject to a full internal valuation. Ex-council flats in a block with more than 5 storeys are unacceptable

Unacceptable property types

(not an exhaustive list)

- Commercial properties
- Freehold flats and maisonettes
- Flats over a restaurant/food outlet
- Properties of 100% timber construction
- Private leasehold flats in a block with more than 5 storeys valued less than £150,000
- Ex-council flats in a block with more than 5 storeys
- Steel framed construction unless the property is modern build with a traditional brick outer leaf
- Park and mobile homes
- Properties with agricultural restrictions
- Leasehold properties with less than 65 years remaining at the end of the loan term
- Properties with underpinning
- Properties deemed defective under the Housing Defects Act 1984 and Housing Act 1985

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- Shared ownership or similar schemes
 - Properties with a flying freehold element greater than 25% of the gross floor area
 - Properties with possessory title
 - Grade 1 listed buildings
 - Properties currently for sale
 - Properties with solar panels installed where there is a lease in place for the roof space
 - Flats in a block where there is external cladding

Freehold houses (Feuhold in Scotland)	Acceptable
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Leasehold houses, flats and maisonettes	Acceptable with no less than 65 years remaining on the lease at the end of the term
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Good leasehold	Acceptable
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Valuations

Valuation instruction	Instructed through the DJ Broker Hub An AVM, drive by or full internal valuation is required for each loan application (unless the case qualifies for a valuation bypass)
Valuation report validity	90 days from the date of the inspection
Valuation bypass	Only acceptable where the property has been purchased within the last 12 months and the loan is for home improvement purposes. The purchase price can be used as the valuation figure for loans up to a maximum net loan of £100,000, up to 75% LTV
Drive by valuations	Are available up to a maximum net loan amount of £300,000 up to 85% LTV (subject to the maximum LTV for the product)
AVMs by Hometrack	Automated valuations are acceptable in the following situations, subject to a minimum confidence score of 5 Properties in England and Wales <ul style="list-style-type: none"> ▪ Up to 65% LTV - maximum net loan up to £300,000 ▪ Up to 80% LTV - maximum net loan up to £100,000 ▪ Up to 85% LTV - maximum net loan up to £50,000 Properties in mainland Scotland <ul style="list-style-type: none"> ▪ Up to 65% LTV - maximum net loan up to £100,000 ▪ Up to 80% LTV - maximum net loan up to £50,000 ▪ Up to 85% LTV - maximum net loan up to £30,000



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