



 **Shawbrook
Bank**



BTL Lending Criteria



**Property
Finance.**

Proudly different.

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

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Contents.

Loan	
Minimum Loan	£40,000
Maximum Loan	Aggregated exposure limited to £25,000,000 subject to single asset exposure being limited to £5,000,000.
Term	Minimum 3 years. Maximum 30 years.
Repayment Method	Interest only and capital repayment options are available.
Maximum LTV	75%.

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 when the bridge was used to complete works or an auction purchase. In other scenarios we will need to understand the reason bridging finance was used.
To complete works	Minor works (Décor/internal fittings/general upkeep etc) to the security property are permitted where the value and structural integrity of the building will not be compromised.

Purchase																			
Purchase Price	The maximum loan is calculated against the lower of the purchase price and valuation.																		
Undervalue Purchase	<p>Subject to:</p> <ul style="list-style-type: none"> ■ Acceptable when the difference in purchase price and market value is within 20% 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 with an acceptable explanation for the transaction with evidence that the family member is not in a distressed financial situation. We will require:</p> <ul style="list-style-type: none"> ■ Mortgage history/credit search (at our discretion) ■ Letter of no interest ■ Clear bankruptcy search against outgoing owner ■ Declaration of Solvency ■ Indemnity policy <p>Transfers from associated Ltd companies at less than market value are unacceptable.</p> <p>Increase in value since vendor purchased – For 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 for the purchase price being less than the Market valuer we can consider lending against the higher figure.</p>																		
Portfolio undervalue	Can be considered by exception when we lend no more than 75% of the value and 90% of purchase price. The minimum portfolio value should exceed £1.25m.																		
Deposit	<table border="1"> <thead> <tr> <th>Source</th> <th>Details</th> </tr> </thead> <tbody> <tr> <td>Personal Savings</td> <td>Evidence of build-up of funds</td> </tr> <tr> <td>Gift</td> <td>Acceptable subject to evidence that the third party will hold no interest on the security</td> </tr> <tr> <td>Directors Loan</td> <td>Acceptable subject to transfer at full MV</td> </tr> <tr> <td>Additional Borrowing</td> <td>Details of the loan offer should be obtained for an assessment to be made on affordability</td> </tr> <tr> <td>Vendor Deposits and 2nd Charges</td> <td>Not acceptable</td> </tr> <tr> <td>Builders Incentives</td> <td>LTV reduced by 5%</td> </tr> <tr> <td>Bounce Back Loans</td> <td>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.</td> </tr> <tr> <td>Mini-Bonds</td> <td>Not acceptable</td> </tr> </tbody> </table>	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
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Customers															
Age	Customers (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, and the youngest applicant must be no older than 95 years of age at the end of the mortgage term.														
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) ■ Ex-pats 														
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) of the loan size will be required from all directors where they have 25% or more shareholding.														
Incorporations of BTL Portfolios	<p>Considered by referral subject to the following being to our satisfaction</p> <ul style="list-style-type: none"> ■ Partnership Accounts, Tax Returns, Partnership Agreements and partnership Bank Statements ■ Accountant's Advice Letter ■ Minimum of 10 BTL Properties ■ Business purchases are acceptable in England, Scotland & Wales 														
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Customers continued

Experience	Property Type	Experienced Landlords	First Time Landlords
	Residential	At least 1 BTL property for a minimum of 12 months within the last 5 years	Minimum income of £50,000. Full I&E review will be undertaken, and disposable income must enable clients to cover void periods
	Small HMOs	At least 1 HMO property for a minimum of 12 months or 1 other BTL + £30,000 minimum income or 5 BTL properties	
	Large HMOs	At least 1 similar sized HMO or property with equivalent numbers of beds for a minimum of 12 months	Not acceptable
	Ex-pats	At least 1 UK investments properties for a minimum of 12 months and at least 1 applicant to have a minimum income of £50,000	
	Portfolio Landlords	Successful track record of owning relevant properties in the same sector	

Landlord Type

Portfolio Landlord (4+ properties)	A Customer with four or more mortgage <u>d</u> buy to let properties either jointly or separately owned.	
	Enhanced checks are required in addition to the standard application requirements.	
	Requirements	Assessment
	Portfolio Schedule	<ul style="list-style-type: none"> ■ Evaluation that the outside portfolio is geared no higher than 75% LTV ■ Affordability check to ensure the portfolio can meet a stressed interest rate at 5.5% with a minimum 125% cover
Business Bank Statements	<ul style="list-style-type: none"> ■ Review rental streams and ensure enough cash flow is evidenced ■ For Landlords with 4-10 properties, instead of requesting Bank Statements we may be able to verify cashflow automatically. If data is not available, then Business Bank Statements will be required 	
Assets and Liabilities Form	<ul style="list-style-type: none"> ■ Understanding of outside financial position 	
Non-Portfolio Landlord (1-3 properties)	A Customer with no more than 3 mortgaged properties either with Shawbrook or other borrowing entities.	
	Standard Application requirements with no portfolio check required. If the Credit search shows more mortgages than declared, an explanation as to why will be required.	

ID and Residence

Residential Status	<p>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.</p> <p>Applications from foreign nationals residing outside of the UK where there is no joint UK based joint applicant cannot be accepted.</p>
Proof of Address and ID	<p>Shawbrook uses an automated system for identity and address verification, if this fails or the applicant resides abroad, acceptable evidence will be required.</p> <p>All customers must provide certified signature ID.</p> <p>(See Documents & Conditions Checklist).</p>
ILA	<p>We will require the following to have independent legal advice:</p> <ul style="list-style-type: none"> ■ Customers over 70 years old ■ 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.

Affordability

The loan must meet the minimum debt service cover ratios (DSCR) in order to confirm affordability:

		5+ year fixed rate on 10+ year + term only			All variable term loans up to 30 years and all fixed rate up to 5 years total term		
		Payrate DSCR Cover			Stress rate DSCR cover		
Property type	Product type	Personal application	Ltd company application	Stress rate	Personal application	Ltd company application	Stress rate + product margin
BTL, Multi-Unit Blocks & Portfolios	Single BTL, Complex BTL	140%	125%	Pay rate only	140%	125%	The higher of the All in rate + stress rate of 2% OR 5.5%
HMO & HMO Portfolios	Complex BTL, Large HMO	195%	165%		180%	165%	

The following information may be used to assess affordability and calculate the Debt Service Cover Ratio:

Security Type	What we accept	What do we use
Single Residential (Flat/House)	Valuer confirmation	Market rental
Multi-Unit Block	Valuer confirmation or Passing rental	Whichever is the lower
HMO	Valuer confirmation	<p>Adjusted Gross Rental – AGR considers the operating cost that the landlord will incur being:</p> <ul style="list-style-type: none"> ■ Licencing costs ■ Repair ■ Maintenance costs ■ Voids ■ Management costs

Affordability continued	
Vacant Units	Are acceptable if the property is a multi-unit block or large HMO and the DSCR is not met based on the received rental, we would like to understand how the client intends to service the loan before tenants are found.
Capital and Interest	Loan amounts will be calculated on an interest only basis although for borrowers who wish to have a C&I loan this can be accommodated subject to evidence of supporting income to cover the difference.
Outside income	<p>Should the rental income from the security provide less than the required minimum ICR then outside income can be used to support ICR requirements. The use of outside income is subject to a minimum 110% ICR being received from the property</p> <p>Acceptable Proof of Income (see Document & Conditions checklist) is required together with an asset and liability statement and an Income and expenditure statement.</p> <p>When assessing expenditure, the following is deducted from the net income position:</p> <ul style="list-style-type: none"> ■ Credit commitments – this should include all mortgages (which should be stressed accordingly), credit cards, finance agreements and loans. The declared amounts should be checked against available sources such as bank statements and credit search data ■ Essential living costs – to include food, utilities, council tax, phone bills, ground rent, service charge, essential travel and childcare. These should be declared by the borrower in their I&E ■ Other committed expenditure – such as school fees, child maintenance

Security	
Security Summary	Shawbrook must have 1st legal charge.
Location	England, Scotland, Wales.
Tenure	<p>Freehold and Feuhold (in Scotland) acceptable.</p> <p>Leasehold with minimum 50 years remaining at the end of the mortgage term is acceptable.</p>
Tenancy	<p>An assured shorthold tenancy agreement (AST) for a period of between 6 to 12 months is required. Protected tenancies are unacceptable.</p> <p>See also "Other" for Holiday Lets, Serviced Apartments and Airbnb and Local Authority and Vulnerable Tenants.</p>
Demand for Sale	Unless stated differently below by asset type 75% LTV Interest Only is permitted on all security when sales are achievable within 12 months.
Demand for Letting	Unless stated differently below by asset type 75% LTV Interest Only is permitted on all security when letting is achievable within 6 months.

Flats	
Flats in Blocks/entire blocks of flats	<p>Flats located within blocks are acceptable subject to usual criteria. If the block is over 5 storeys, it must have a lift.</p> <p>Multiple flats/entire blocks of flats can be considered. Please refer to Valuation Methodology section.</p> <p>Individual flats with cladded blocks or entire cladded blocks of flats are unacceptable without a satisfactory EWS1 form.</p>
Size of Flats	<p>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.</p>
Ex-Local Authority Flats	<p>Acceptable up to 65% LTV in blocks up to 5 storeys subject to sales demand being achievable within 12 months (Cladded blocks are unacceptable without a satisfactory EWS1 form).</p> <p>Acceptable up to 65% LTV in blocks over 5 storeys in Greater London subject to sales demand being achievable within 12 months.</p>
Flats Above Commercial	<p>Acceptable to 75% LTV subject to sales demand being achievable within 12 months.</p>

HMO	
Size	<p>Small HMO defined as those having up to 6 Occupants maximum 75% LTV Interest Only subject to sales demand being achievable within 12 months.</p> <p>Large HMO defined as those having greater than 6 Occupants maximum 75% LTV Interest Only subject to sales demand being achievable within 12 months.</p>
Licences	<p>Refinances - All HMO refinances will be subject to the customer having an HMO licence (when a licence is applicable) or where recent works have been completed the property being confirmed as viable for an HMO licence by the valuer.</p> <p>Purchases - All HMO purchases will be subject to the Valuation report confirming the property is a viable HMO.</p>
Student Accommodation	<p>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.</p>

Unacceptable Security			
<ul style="list-style-type: none"> ■ Cladded blocks without a satisfactory EWS1 form ■ Development sites ■ Equestrian centres ■ Ex/current petrol stations 	<ul style="list-style-type: none"> ■ Freehold flats ■ Grade 1 Listed Grade A (Scotland) ■ Holiday lets in holiday / sports parks 	<ul style="list-style-type: none"> ■ Holiday parks ■ Hostels ■ Kennels & catteries 	<ul style="list-style-type: none"> ■ Land ■ Live work units ■ Properties with no valid EPC rating or rating below E (unless exempt)

Other	
Flying/Creeping Freehold	The maximum amount of flying or creeping freehold that we can consider is 15%.
Second Charge	2 nd charges are acceptable on residential property up to 70% LTV (Taking into account the 1st 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	Required when: <ul style="list-style-type: none"> ■ Where the security and adjoining owned property share the same access way ■ When we are offered long leasehold security and the customer is also the freeholder
Solar Panel	Acceptable subject to valuer commentary and terms of the lease arrangement (when solar panels owned by third party).
Japanese Knotweed	These can be considered on a case by case basis subject to evidence of implementation of a professional treatment plan with insurance backed guarantee.
Concentration by Volume	Shawbrook consider property postcode on a case by case basis being considerate to the customer Shawbrook and non-Shawbrook portfolio.
Regulation	Shawbrook cannot consider applications that may be deemed as regulated transactions. These also include: <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 customer or a relative of the customer resides at the security at the point of completion; or where they have resided at the security in the last 12 months and intend to move back there in the future ■ Ex-pat applications if the customer intends to move into the security upon their return to the UK ■ 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	Unacceptable. The following type of applications will be considered as consumer BTLs in line with the Mortgage Credit Directive Order: <ul style="list-style-type: none"> ■ The client does not own any other BTL properties, and we are offered either a property inherited or the property they, or a related person, previously resided at. ■ If the borrower is a first-time landlord and the transaction is a Let to Buy
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 ■ 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 ■ Thatched roof properties considered on their individual merits

<p>Modern Methods of Constructions</p>	<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) ■ Insulated Concrete Formwork (ICF) ■ ThermoPlan ■ Kingspan TEK Haus ■ Beco Wallform ■ Cidark P3 System ■ Durisol Block ■ Rockwool Duo Slab ■ Hemcrete/Hempcrete ■ 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>
<p>Holiday Lets, Serviced Apartments and Airbnb</p>	<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
<p>Local Authority and Vulnerable Tenants</p>	<p>Acceptable subject to:</p> <ul style="list-style-type: none"> ■ Lease with a professional operator of emergency housing ■ 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 <p>Private tenants in receipt of Housing Benefit or Universal Credit are also acceptable.</p>

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).

<p>Validity of Report</p>	<p>Valuations are valid for 6 months.</p>
<p>Qualifications</p>	<p>Fellow of the Royal Institution of Chartered Surveyors (FRICS) Member of the Royal Institution of Chartered Surveyors (MRICS)</p>
<p>Automated Valuations</p>	<p>AVMs can be considered for security when the following standards are met:</p> <ul style="list-style-type: none"> ■ Single-unit residential property and small HMOs valued on a single dwelling basis ■ Maximum value £2m in London and the South East, £1m elsewhere ■ Maximum LTV and minimum confidence levels for capital value shall be in accordance with the table below ■ England, Wales, Scotland ■ No property above or adjoining commercial premises ■ Freehold or minimum unexpired 85-years leasehold ■ No converted flats ■ Flats in blocks up to 4 storeys (for flats in blocks of 5 storeys and more, a full valuation report is required) ■ No new-build property built within last 24 months ■ Report is valid for 6 months ■ Rental income should be taken from the lower of passing and AVM rental value for DSCR purposes

	Max LTV	Minimum Confidence Levels (value)	Minimum Confidence Level (rental)
	75%	≥6.0	5.0
	65%	5.0 – 5.9	5.0
	55%	4.0 – 4.9	5.0
	40%	3.0 – 3.9	5.0
Valuation Methodology	Security Type	What value we use	
	Single Residential Flat/House	Open Market Value confirmed by the surveyor or an AVM.	
	Block of Flats (up to 10)	Individual values of the flats can be used on an aggregated basis subject to individual leaseholds sales demand being within 12 months.	
	Block of Flats (11 and more)	Investment block value must be used.	
	Small HMO (up to 6 tenants)	<p>If the property is being used as an HMO, but the works to convert it back to a single-family dwelling are minimal, then a single dwelling value based on direct comparable evidence will be used.</p> <p>If the property has been extensively adapted to meet HMO legislation (e.g. changes to room sizes or added en-suite facilities) then valuer will reflect the premium element either by yield-based investment valuation or purchase price plus costs of works approach.</p>	
	Small HMO (up to 6 tenants) in an Article 4 Direction area	Yield-based investment valuation: valuer will consider comparable yields in the area and gross rental. Given that Article 4 Direction is in place, the property must hold C4 planning use.	
Large HMO (7 and more tenants)	Yield-based investment valuation: valuer will consider comparable yields in the area and gross rental. Planning must be in place for the property to be used as a large HMO (Sui Generis).		

Specialist Reports			
Report	Note	Requirements	Qualifications
Structural	Where the valuer has confirmed evidence of ongoing movement.	<ul style="list-style-type: none"> ■ Structural engineers report If movement noted <ul style="list-style-type: none"> ■ 100% retention ■ Reinspection ■ Insurance backed guarantee 	FIStruct.E or C. Eng or MIStruct.E
Dry Rot	Where the valuer has confirmed the possibility of or evidence of Dry Rot.	<ul style="list-style-type: none"> ■ Dry Rot report If Dry Rot noted <ul style="list-style-type: none"> ■ 100% retention ■ Reinspection ■ Insurance backed guarantee 	PCA
Wall Tie	Where the valuer has confirmed that there is evidence of possible wall tie failure.	<ul style="list-style-type: none"> ■ Cavity Wall tie report If evidence of failure <ul style="list-style-type: none"> ■ 100% retention ■ Reinspection ■ Insurance backed guarantee 	FIStruct.E or C. Eng or MIStruct.E
Environmental	Where the valuer has confirmed that there is evidence of possible contamination or other environmental issues.	<ul style="list-style-type: none"> ■ Desktop environmental report ■ If the report confirms that there is evidence of contamination or that further in-depth environmental reports required we cannot consider lending 	Enviroscreen or similar
Roofing	Where the valuer makes comment that the roof is not watertight or where it is recommended that the roof requires immediate overhaul.	<ul style="list-style-type: none"> ■ Estimate for works ■ 100% retention ■ Reinspection ■ Insurance backed guarantee 	
	Where the valuer makes other comments relating to the roof which are not referring to its structural integrity or water tightness but which need specialist comment.	<ul style="list-style-type: none"> ■ Roofing report ■ Confirmation from valuer valuation not affected ■ Lend against before works valuation 	
Building Survey	If a property has a number of outstanding repairs the valuer may make a recommendation for a detailed survey.	<ul style="list-style-type: none"> ■ Building survey report ■ Depending on level of works a full retention and reinspection maybe required 	MRICS or FRICS
Damp Rot, Wood Infestation and Defective Gas or Electrical Installation	Where the valuer makes reference to these defects or the need for specialist reports.	Reports are only required before formal offer if the level of works / suggested retention equates to more than 3% of the Property value. The valuer must confirm the security is marketable in its current condition and we must work against the current value. If there are no further derogatory comments than a copy of the report is not required before completion.	PCA, Gas Safe, NICEIC
Energy Performance Certificate (EPC)	Where there is no valid EPC	Unacceptable for BTL lending, property to be assessed before completion	
	Where EPC rating is below E	Unacceptable for BTL lending, property to be upgraded and re-assessed before completion (unless exempt)	

COVID-19

Off-Panel Valuations	Not acceptable.
Valuation and Offer Extensions	These cases will be re-underwritten rather than automatically extended.
Payment Holiday	<p>New Lending & Product Switches</p> <ul style="list-style-type: none">• Where a customer requests any additional lending or a fundamental change to product, this will not be considered until they have completed their payment holiday and made at least two subsequent payments in full after the holiday expired• If a customer does not wish to wait until the end of the agreed payment holiday and are only part way through, they will need to cancel the payment holiday and make up any payments that have been deferred before we can consider any additional lending• They must also evidence sustainability of income during the holiday period via bank statements/up to date proof of income. Until this is provided, we cannot proceed or consider an application• Where a customer is requesting both additional lending and a payment holiday, they will need to select one of these options only – not both <p>If the client has requested a payment holiday from another lender, we can still consider lending to them if we are satisfied with their reasons for needing the payment holiday and the below requirements are met:-</p> <ul style="list-style-type: none">• Clear CAIS/Insight data confirming no late payments and that the accounts have been performing as agreed with the current lender• If a payment holiday with another lender is in place, or has been previously, we will not require them to make up payments to the other lender• If there were any receipt of rentals during the payment holiday, we would require bank statements to support the build-up of cash reserves and evidence acceptable levels of voids. We understand that clients entered into payment holidays for various reasons in order to support their property portfolio• Standard portfolio assessment / stressing via eTech and due diligence needs to meet our standard criteria• Where other lenders are incorrectly reporting arrears on genuine holiday payments, we will need evidence of the error and that the customer is in an agreed payment holiday. The evidence must be supplied from the lender to confirm this

