



Bridging Finance 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 (£50,000 for regulated bridging)								
Maximum Loan	Aggregated exposure limited to £25,000,000 (£5,000,000 for regulated bridging. £500,000 Lending for Costs)								
Term	Minimum 1 Month. Maximum 24 Months. (12 months for regulated bridging)								
Repayment Method	Fully retained, Part retained or Serviced monthly (Fully retained only for regulated bridging)								
Maximum LTV	<p>Unregulated Bridging: 75% of the Open Market Value Lending for Costs: 85% of the Open Market Value in current condition or 75% of the post works value/GDV, whichever is lower Regulated Bridging: 75% of the Open Market Value</p> <p>Both Regulated and Unregulated Bridging: Higher value single dwelling residential properties also have the following LTV restrictions:</p> <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-£5m</td> <td>70%</td> </tr> <tr> <td>>£5m</td> <td>65%</td> </tr> </tbody> </table>	Property Value	Max LTV	To £2m	75%	£2m-£5m	70%	>£5m	65%
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Refinance									
Re-mortgage Period	No minimum length since time of purchase.								
Capital Raise	<p>Considered for any legal purpose for non-regulated bridging. Please see below for acceptable purposes for regulated bridging. 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.</p> <p>Ex-pats can be considered if funds are being used for a further purchase of a UK asset.</p>								

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.																		
Purchase																			
Purchase Price	Maximum loan available 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 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 for the purchase price being less than the Market valuer we can consider lending against the higher figure.</p>																		
Portfolio undervalue	Can be considered 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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Funding for works	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.																		

	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.
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Reasons for Regulated Bridging

Acceptable	<ul style="list-style-type: none"> ■ Chain break ■ Light refurbishment when the property does not comply with standard residential mortgage requirements (e.g. internal condition, no kitchen/bathroom) ■ Capital raise on current property to fund the onward purchase of a private residential property ■ Downsizing (including scenarios when the customer is borrowing 100% of the purchase price of the new property with exit via sale of the current property) ■ Auction Purchase ■ Divorce settlement subject to terms of the Financial Settlement Order in place
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Not Acceptable	<ul style="list-style-type: none"> ■ Below Market Value purchases (purchase price should be reflection of the open market value) ■ Right to Buy ■ School fees ■ Tax bills ■ Starting a new business ■ Injecting funds to an existing business to support cashflow ■ Debt consolidation ■ Consumer BTL ■ Repaying a bridge
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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 the youngest applicant must be no older than 80 years of age at the start of the mortgage term. Applicants older than 80 years at the end of the mortgage term should have a clear succession plan in place.
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Customer Type	<ul style="list-style-type: none"> ■ Individuals (UK, EU and other foreign nationals residing in the UK, see ID section) ■ Expats ■ 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) ■ For regulated bridging, applications are only available to UK nationals residing in the UK
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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.
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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.
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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.
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Customers Experience

Experience (not applicable to regulated bridging)	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	Having owned or managed 1 investment property within the same sector in the last 5 years.		

Ex-Pat Experience	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
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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. Applications from foreign nationals residing outside of the UK where there is no UK based joint applicant cannot be accepted.</p> <p>For regulated bridging, applications are only available to UK nationals residing in the UK.</p>
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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.
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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	0 missed in last 12 months
	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) <ul style="list-style-type: none"> ■ Receivership ■ Administration order

		<ul style="list-style-type: none"> ■ Winding up petition ■ Creditors or Compulsory Liquidation ■ Disqualified director
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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.
Regulated Bridging	<p>In instances where the customer will be obtaining a personal mortgage to repay the Regulated Bridge, we must be provided with satisfactory evidence that the customer has suitable income to obtain a sufficient level of finance. A Decision in Principle from a mainstream mortgage lender can be requested to support. Where repayment of the Bridge is via sale of customer's current property, an independent valuation report is required, confirming that demand for sale is no longer than 12 months.</p> <p>Regulated Bridging products have no monthly payments due during the loan term; interest is added to the mortgage balance each month and is repayable at the end of the term, along with the capital balance.</p> <p>As such, affordability assessment requirements differ from usual lending criteria. Assessment must be focused on ensuring the customer's proposed repayment strategy is sufficient to repay both (a) the capital borrowed and (b) the interest payable over the loan term, by the final end date of the loan.</p> <p>Our responsibilities relate specifically to:</p> <ol style="list-style-type: none"> a) Obtaining evidence that the customer has a clearly understood, and credible repayment strategy, and b) As far as can reasonably be assessed, the repayment strategy will enable the full repayment of the capital borrowed and any interest reasonably expected to be accrued during the loan term.

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 55 years remaining at the end of the mortgage term

Works

Light Works	<p>Defined as works that can be completed within 180 days (as confirmed by a valuer after reviewing the schedule of works).</p> <p>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.). Basic conversion to HMOs where there are no significant alterations to the layout of the property.</p> <p>Works must not require planning consent or result in a change of use (with the exception of C3 to C4).</p> <p>Light works are allowed on regulated bridging.</p>
Heavy Works	<p>Defined as works that will be completed in excess of 180 days (as confirmed by a valuer after reviewing the schedule of works).</p> <p>Heavier schemes of works which require planning consent, building regulations approval or entail a change of use of the property.</p>

	<p>Refurbishments or HMO conversions with substantial alterations to the building, often where alterations are needed to sub-divide, maximise space or create additional facilities (kitchenettes, additional bathrooms & en-suite facilities).</p> <p>Structural alterations including, but not limited to: removal of walls, installation of RSJ beams, removal of chimney breasts, extensions & loft conversions.</p> <p>More significant repair works including, but not limited to: roof repairs & replacements, underpinning & other significant structural repair works as advised by a qualified structural engineer.</p> <p>Heavy works are not allowed on regulated bridging.</p>
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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
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Exit Strategy For Unregulated Bridging (for Regulated Bridging please refer to Affordability section)

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.
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Hold as Investment	An assessment will be made that the proposed market rental would support refinance onto a term loan application.
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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 within cladded blocks or entire cladded blocks of flats are unacceptable without a satisfactory EWS1 form.</p>
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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.
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Ex-Local Authority Flats	<p>Acceptable up to 65% LTV in blocks up to 4 storeys subject to sales demand being achievable within 12 months</p> <p>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.</p> <p>Individual flats within cladded blocks or entire cladded blocks of flats are unacceptable without a satisfactory EWS1 form.</p>
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Flats Above Commercial	Acceptable to 75% LTV subject to sales demand being achievable within 12 months.
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HMO

Size	<p>Small HMO defined as those having up to max 6 occupants</p> <p>Large HMO defined as those having greater than 6 occupants</p>
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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.
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Unacceptable Security

- Cladded blocks
- Freehold flats
- Holiday parks
- Land
- Development sites
- Hostels
- Live work units

- Equestrian centres
- Ex/current petrol stations (Unless evidence of no ground contamination)
- Grade 1 Listed Grade A (Scotland)
- Holiday lets in holiday / sports parks
- Car Showrooms
- Kennels & catteries
- Full Development
- Adding floors or basement excavation

(The above list is not exhaustive)

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

- Structural Movement
- Dry Rot
- Wall Tie Failure
- Contamination
- Invasive Plants i.e. Japanese Knotweed

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.

Automated Valuations

AVMs can be considered for security when the following standards are met:

- Purchases Only – No Auction Purchases
- England, Wales and Scotland
- Property sales particulars including photos from Marketing Agent showing the property is habitable in current condition
- When either no works or light refurbishment are being undertaken
- When the exit strategy is to a term refinance
- 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 up to 4 storeys (for flats in blocks of more than 4 storeys a full valuation report is required)
- No new builds allowed – property must have been built at least 24 months ago
- Allowed on Regulated bridging loans up to a maximum 60% LTV and an additional 1 on the CL level. i.e. 60% = 4.5 Rental N/A

Max LTV	Minimum Confidence Levels (value)	Minimum Confidence Level (rental)
75%	≥5.0	4.0

65%-74%	4.0 – 4.9	4.0
55%- 64%	3.0 – 3.9	4.0
Up to 55%	Min 3	4.0
LTV calculated against the corresponding CL i.e. 4.9CL = 74% LTV Rental Confidence between 4-4.9 require a second automated verification		

Other	
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	Required when: <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 these cases 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 (Not applicable for Regulated Bridging Applications)	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 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

	<ul style="list-style-type: none"> ■ 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>	<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>Vacant Commercial</p>	<p>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.</p>
<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 ■ 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>

