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Foundation
Home Loans

Buy to Let Criteria Guide

May 2019

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BTL Criteria Guide Contents

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Applicant Criteria

Applicant

Minimum age	<p>At least one borrower must be 21 years</p> <p>All borrowers must be over 18 years</p>
Maximum age	<p>Individual applications: 85 years</p> <p>Limited company applications: No maximum age</p>
Maximum borrowers	<p>Individual applications: 2</p> <p>Limited company applications: Up to 4 Directors</p>
First time landlords	<p>A first time landlord is defined as someone who has not operated a buy to let property within the last 6 months</p> <p>First time landlords considered on the BTL-F1 range of products</p> <p>First time landlords are not considered for the following:</p> <ul style="list-style-type: none"> • HMO or Multi-unit property • Local Authority built houses • Ex Local Authority flats/MOD • Ex Housing Association flats • BTL-F2 & F3 range of products
Portfolio landlords	<p>Borrowers with, or looking to acquire 4 mortgaged properties, will be classed as a portfolio landlord</p> <p>Portfolio landlords are considered subject to:</p> <ul style="list-style-type: none"> • ICR of 125% with stress rate varying on a case by case basis to a maximum of 5.5% • Rental coverage of at least 100% for each mortgaged property in the portfolio • Maximum aggregate LTV across the portfolio of 75% • This assessment includes unencumbered properties <p>The Portfolio Landlord Template (available on the portal/website) must be completed prior to submitting the full mortgage application</p> <p>Business plans and asset & liability details not required</p>
First time buyers	<p>A first time buyer is defined as someone who has never owned a property</p> <p>First time buyers are not considered for individual applications</p> <p>For joint applications, at least one applicant must not be a first time buyer</p> <p>For limited companies, at least one director must not be a first time buyer</p>

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	<p>Where an applicant is currently a non-owner occupier, evidence they have previously owned a property will be required. Suitable evidence would be:</p> <ul style="list-style-type: none"> • Credit Search • Historical mortgage agreement • Land Registry title deeds <p>If an individual applicant is unable to provide this evidence, the applicant(s) will be classed as a First Time Buyer and therefore declined.</p>
Maximum portfolio lending	<p>£3 million with Foundation Home Loans</p> <p>No limit on the number of properties with other lenders</p>
Limited Company <i>(registered in England & Wales)</i>	<p>Considered for the purpose of letting residential property with the following SIC codes:</p> <ul style="list-style-type: none"> • 68100 Buying and selling of own real estate • 68209 Other letting and operating of own or leased rental estate • 68320 Management of real estate on a fee or contract basis <p>Newly incorporated Limited Companies are acceptable, subject to the incorporation being in place in time for the mortgage offer. Umbrella Companies are not acceptable</p> <p>Trading companies are not acceptable</p>
Guarantors	<p>Individual applications: Guarantors are not considered</p> <p>Limited company applications: All Directors will be required to sign a personal guarantee for 100% of the loan amount</p>
Large Loans	<p>Large loans available on BTL-F1 & BTL-F2. See product guide for specific product details</p> <p>Available up to 65% LTV</p> <p>Minimum loan size £500k</p> <p>Maximum loans size £1.5m including fees</p>

Residency

Residency	<p>Applicants (Excluding Expats & HM Armed Forces) must be resident in the UK at the time of application and have indefinite right to remain or indefinite right of entry</p> <p>Applicants should be permanently resident in the UK for the last three years</p> <p>Any applicant who does not meet this criteria may be considered on a case by case basis, see below sections on Expats and Armed Forces</p>
Expats	<p>Defined as UK nationals living and working abroad</p>

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	The Expatriate must be based in either the EEA or an acceptable region <i>(Contact us for more information on acceptable regions)</i> Currently considered for limited company applications only
HM Armed Forces	Members of HM Armed Forces who are serving or have served abroad will be considered
EEA Foreign Nationals	Considered
Non-EEA Foreign Nationals	Considered providing indefinite leave is evidenced
Embassy staff	Not considered

Adverse

All accounts	All accounts must be up to date at the time of application
Satisfied CCJs & Defaults	All CCJ's and Defaults must be satisfied at the time of application irrespective of when they occurred
CCJs	Product dependant – Please refer to product guide
Defaults	
Mortgage arrears	
Unsecured loan arrears	
Credit card arrears	
Other unsecured arrears <i>(Mail Order, Mobile Phone ,Utility)</i>	A worst status of four in the last 24 months per account
Bankruptcy & IVA	No Bankruptcy or IVA Order registered against any borrower
Payday loans	Applicants who have entered into, or are still repaying, a pay day loan in the last 24 months are not considered
Debt management plan	Applicants who have entered into, or are still repaying, a debt management plan in the last 24 months are not considered
Arrangements with lenders <i>(including forbearance)</i>	Active arrangement with other lenders are not considered
Company voluntary arrangements	Directorship of involuntarily liquidated or wound up companies, receiverships and Company Voluntary Arrangements are not considered
Repossession and Voluntary Surrender	No repossession or Voluntary Surrender registered against any borrower

Income and Employment Criteria

Income

Minimum income	No minimum income, income must be declared and evidenced Any applicant in receipt of job seekers allowance or income support will not be considered
Foreign currency	Not considered

Employment type

Employed	No minimum term of employment
Contractors	No minimum term of employment
Self-employed	No minimum period of trading is required Newly formed companies may be considered Where a company director owns 20% or more of the company shares they will be classed as self-employed
Professional landlords	Professional landlords are considered and must evidence income that is sustainable when taking account of total current and known future loan repayments and rental coverage requirements
Retired	Retirement income considered
Trust funds and investment income	Considered as additional income

Loan Criteria																									
Minimum term	5 years																								
Maximum term	30 years																								
Minimum loan	£50k £500k on Large Loan Product Range																								
Maximum loan	£1 million including fees £1.5 million including fees on Large Loan Product Range to 65% LTV																								
Maximum LTV	<table border="1"> <thead> <tr> <th>Property type</th> <th>Up to (£)</th> <th>Standard</th> <th>First Time Landlord</th> </tr> </thead> <tbody> <tr> <td rowspan="4">Standard property</td> <td>£500k</td> <td>80%</td> <td>80%</td> </tr> <tr> <td>£750k</td> <td>75%</td> <td>75%</td> </tr> <tr> <td>£1m</td> <td>65%</td> <td>65%</td> </tr> <tr> <td>£1.5m</td> <td>65%</td> <td>Not considered</td> </tr> <tr> <td rowspan="2">HMO & Multi-unit</td> <td>£750k</td> <td>75%</td> <td>Not considered</td> </tr> <tr> <td>£1 Million</td> <td>65%</td> <td>Not considered</td> </tr> </tbody> </table> <p>Fees can be capitalised up to max loan</p>	Property type	Up to (£)	Standard	First Time Landlord	Standard property	£500k	80%	80%	£750k	75%	75%	£1m	65%	65%	£1.5m	65%	Not considered	HMO & Multi-unit	£750k	75%	Not considered	£1 Million	65%	Not considered
Property type	Up to (£)	Standard	First Time Landlord																						
Standard property	£500k	80%	80%																						
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	£1m	65%	65%																						
	£1.5m	65%	Not considered																						
HMO & Multi-unit	£750k	75%	Not considered																						
	£1 Million	65%	Not considered																						
Re-mortgage	Properties must be owned for a minimum of 6 months Where bridging was involved this will be reduced to 3 months																								
Porting	Foundation Home Loans products are not portable																								
Consumer BTL	Not considered																								
Let to buy	Not considered																								
Right to buy	Not considered if security is still subject to pre-emption																								
Letting	The security must be let on an Assured Shorthold Tenancy (AST), or Company Let, not exceeding 36 months. Short-term letting is only acceptable where the property is suitable for occupation under an assured shorthold tenancy and the standard rental coverage can be met.																								

Deposit Criteria - Individual

Minimum deposit	A minimum of 15% must be from own resource
Overseas deposits	Deposits from overseas accounts can be considered on a case by case basis (therefore please supply full details and evidence as early as possible to avoid delays)
Developer deposit	Considered up to 5%
Gifted deposit	<p>100% gifted deposit considered from immediate family members Family members are only considered from the following list:</p> <ul style="list-style-type: none"> • Parents (including step parents and in-laws) • Grandparents • Grandchildren • Siblings • Children • Spouses • Civil Partners <p>Gifted deposits for First Time Landlords is not acceptable Gifted deposits outside of the UK can be considered</p>

Deposit Criteria - Limited Company

Funds via retained profit, directors or shareholders	Source of Deposit	Criteria
	Cash held within the SPV	Considered Verified through company bank statements
	Capital Raising on Existing Property held within the SPV	Considered, provided assets are legally owned by company Verified through statement of funds offered or drawn
	Directors' Loans	Considered subject to special offer conditions
	Shareholder Funds on incorporation	Considered subject to proof of funds and special offer condition
	Existing Shareholder providing further funds for new buy-to-let investment	Considered subject to special offer conditions and filings
Funds from sources unrelated to the SPV	Source of Deposit	Criteria
	Gifted Deposits	Not considered where gift is directly to the SPV Gifts are permitted to a director

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	Capital Raising on Personal Property	Considered where this is subsequently paid in as a directors loan or shareholder funds
	Funds loaned from a separate legal entity	Considered on a case-by-case basis only where the legal and beneficial ownership is the same as the borrowing SPV

Loan purpose Criteria

Unacceptable loan purpose	Foundation Home Loans will not consider the following loan purposes:
	<ul style="list-style-type: none"> • Back to back sale within the last 6 months • Sale and rent back • Inter family sales • Purchase at under value • Capital Raising for business purposes • Consumer Buy-To-Let • Re-mortgage for repayment of Tax or Gambling debts • Purchase via a property club • Financing Self-Build

Property Criteria

General Property

Minimum value	£75k
Locations	<p>Properties must be located in England and Wales</p> <p>Landlords of properties in Wales must be registered with Rent Smart Wales</p> <p>Properties in Scotland or Northern Ireland are not considered</p>
Retentions	<p>100% retentions considered for new build properties only</p> <p>Partial retentions are not considered and lending will be based on the lower valuation figure before works assuming property has been confirmed as suitable security in current condition by the valuer</p>
EPC Rating	Minimum EPC rating of E
Exposure	<p>Foundation Home Loans will review concentration risk across the whole portfolio where over exposure may necessitate a decline on the application</p> <p>Maximum of three properties holding a Foundation Home Loans mortgage in any one full</p>

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	<p>postcode per borrower</p> <p>Properties where customer separately owns adjacent land or access road will be considered on a case-by-case basis, where the borrower is not a First time Landlord</p> <p>Adjacent terraced or semi-detached properties with shared access and owned by the same borrower not considered</p> <p>Adjacent Flats on the same level are not considered</p>
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Property Types Considered

At the time that the property is inspected by our valuers, it must be in a suitable condition to let and suitable for mortgage purposes with good marketability. Our valuer will be asked to provide recent comparable evidence for both rental demand and recent sales to support the valuations figures being provided.

Flats above commercial premises	<p>Flats or Maisonettes over commercial premises can be considered on a case by case basis (where the borrower is not a First time Landlord) subject to:</p> <ul style="list-style-type: none"> • A maximum LTV of 60% • No commercial food outlets immediately below the property in the same, or adjoining buildings
Modern timber framed construction	Considered with external brick skin
Flying freehold	Properties subject to a flying freehold considered subject to the Valuer confirming that the presence of the flying freehold will not adversely affect saleability, and the solicitor confirming that the Title Deeds contain adequate rights of shelter and support plus arrangements for maintenance and repair
Local Authority built houses	Considered where the borrower is not a First time Landlord and where the valuation indicates good marketability
Ex Local Authority flats/MOD	<p>Considered on a case-by-case basis where the borrower is not a First time Landlord and will also be subject to construction type, location with no balcony access for the subject property or the block</p> <p>Confirmation of a minimum of 75% private ownership from the local authority is required in writing</p>
Ex Housing Association flats	Considered where the borrower is not a First time Landlord and security must already be in private ownership and the block above 75% in private ownership
High rise flats	Properties with more than 7 floors with a lift are considered where the valuation indicates good marketability and rental demand

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Two kitchens (and/or multiple services)	Considered on a case by case basis
Studio flats	Considered subject to below: <ul style="list-style-type: none"> • Self-contained with a separate bathroom • Natural light required • Minimum size of 30 Sq M
Wimpey no fines	Considered if constructed after 1946 and property is not bungalow or flat
Laing Easiform	Considered if constructed after 1966 and property is not bungalow or flat
HMOs & Multi-Units	HMOs: Up to 6 occupants Large HMOs & MUBs: Up to 8 bedrooms and all multi-unit up to a max of 10 units HMOs not considered where the property is currently occupied as a single dwelling
New Build	Definition: Properties that have been built or significantly altered or refurbished within the last two years. Significantly altered or refurbished is further defined as properties that have had structural or planning changes sufficient to change the occupancy or use class of the property. New Build houses: Lending on New Build houses is acceptable New Build Flats: <ul style="list-style-type: none"> • Lending to a maximum of 70% LTV • Lending limit: No more than 5% of a single block of flats/development subject to a minimum of two units • Off-plan: We will allow off-plan subject to a satisfactory re-inspection prior to release of funds • Interest rate coverage must reflect ground rent and service charges where these are deemed to be onerous by the valuer Properties with schemes and restrictions are not considered such as Section 106 restrictions, Keyworker/affordable housing schemes, shared equity.

Tenure

Minimum lease	The lease must have at least 50 years remaining at the end of the mortgage term
Leasehold flats	Borrowers who own the Leasehold flat and whole of Freehold title are considered, where both the leasehold and freehold titles are subject to first legal charge For any other leasehold property, the freehold and leasehold titles must be owned by separate and unrelated entities Borrowers that own the leasehold and a share of the freehold are considered where the freehold is in a formal management structure or agreement

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Freehold	Houses only
Commonhold	Not considered

Reports

Structural Engineer	Where required, must always be obtained prior to any approval of a Mortgage Offer Report to be obtained from an appropriately qualified engineer – S.Eng. MICE or MISE
Timber and Damp	Where required, report to be obtained from one of the following: <ul style="list-style-type: none"> • Property Care Association (PCA) • Wood Protection Association (formerly BWPDA) • Safeguard (Europe) Ltd • Sovereign • Wykamol
Electrical Installation	Where required, report to be obtained from a National Inspection Council for Electrical Installation Contractors (NICEIC) or NAPIT approved contractor
Japanese Knotweed	Considered on a case by case basis
Gas Installation	Where required, Report to be obtained from a Gas Safe registered contractor
Trees	Where required, report to be obtained from a consultant/contractor approved by the Arboricultural Association, NCH ARB, Dip Arb
Cavity Wall Tie	Where required, report to be obtained from a Structural Engineer, qualified Building Surveyor or a reputable specialist company experienced in wall tie replacement

Unacceptable Property

Properties not considered

- Properties valued less than £75k
 - Properties with an EPC rating lower than E
 -
 - Freehold flats and Maisonettes
 - Shared Ownership properties
 - Commercial properties
 - Live/Work Units
 - Properties subject to restrictions e.g. Agricultural, retirement flats etc
 - Basement flats (case-by-case basis where property location is London & over 30 Sq M)
 - Properties with more than 7 storeys with no lift
 - Properties with more than five hectares/12 acres
 - Properties with more than six bedrooms (considered for HMO up to 8 bedrooms)
 - Unimproved/uninhabitable properties (no kitchen or bathroom)
 - Prefabricated or large panel concrete construction (LPS)
 - Pre-fabricated reinforced concrete construction (PRC)
 - Concrete block construction designated Mundic
 - Mundic block materials
 - Properties of High Alumina Cement
 - BISF, Metal and Steel framed properties
 - Any property designated defective under the Housing Act
 - Properties of 100% timber construction
 - Grade I listed buildings
 - Second homes/holiday homes
 - Mobile homes and houseboats
 - Properties under 10 years' old without an acceptable structural defects warranty
 - Properties on an un-remediated contaminated site or where the Valuer advises a possible contamination issue
 - Properties with ongoing structural movement or movement that requires monitoring
 - Underpinned properties where no guarantees are available
 - Uninsurable properties or properties subject to an ongoing insurance claim
 - Properties where future saleability may be adversely affected by the presence of electricity pylons, mobile masts or other forms of transmitter
 - Properties likely to be adversely affected by local planning, e.g. road widening
 - Properties where an unsatisfactory Mining Search is received
 - Where the valuation report indicates:
 - the interior/exterior condition of the property is poor and demand is poor
 - the saleability of the property is affected by local factors and demand is poor
 - Properties originally purchased through Right-To-Buy that are still subject to pre-emption
 - Multi-Unit Freehold Blocks with more than 10 Units
 - Properties where stage payments are required
- HMOs and Multi Unit Property Types** (in addition to the above)
- Multi-Unit Freehold Blocks with more than 10 Units
 - Properties with more than six bedrooms (considered for HMO up to 8 bedrooms)
 - Units below 30 Sq M
 - Properties deemed unsuitable for HMO occupation

Documentation		
Declaration	Must be signed by all borrowers and will be obtained as part of the offer acceptance – originals must be received prior to completion	
Direct debit mandate	<p>Required prior to completion of the mortgage and must be drawn on a UK bank account as follows:</p> <ul style="list-style-type: none"> • Personal account, in the name(s) of a single or joint applicants • Business account, providing the applicant is a sole trader and is named on the bank account title (i.e. “trading as”) • Business accounts for limited companies (Limited Company applications only) 	
Proof of ID & Residency	<p>ID & Residency checks will be made electronically, but where we are unable to satisfy the requirements electronically, documentary proof of identity and/or residency will be required</p>	
	<p>Where the applicant is found on the Voters Roll at the declared residential address, one government-issued document from List 1 is required to verify identity</p> <p>Where the customer is not found on the Voters Roll at the declared residential address, two documents are required, which may be:</p> <ul style="list-style-type: none"> • One from List 1 and one from List 2, on the next page; or • One from List 1 and one from List 3; or • Two from List 2; or • One from List 2 and one from List 3, on the next page <p><i>*For non-face to face transactions one further document to verify either identity or residency is to be obtained</i></p>	
	List 1	List 2
<ul style="list-style-type: none"> • Valid passport • Valid UK photocard driving licence (full or provisional) • EU Member State National Identity Card • Firearms certificate or shotgun licence • Identity card issued by the Electoral Office for Northern Ireland 	<ul style="list-style-type: none"> • Valid old style full UK driving licence • Recent evidence of entitlement to a state or local authority-funded benefit, tax credit, or pension 	<ul style="list-style-type: none"> • Current council tax demand letter or statement • Current bank statement or credit/debit card statement, issued by a regulated financial sector firm in the UK (but not one printed off the internet) • Recent utility bill (but not one printed off the internet)

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Mortgage conduct	Where unable to verify using the applicants credit file then evidence of the past 12 months mortgage payment history will be required
Proof of income	<p>Income must be declared and evidenced through the provision of:</p> <ul style="list-style-type: none"> • Last month's payslips for Employed Applicants • Last year accounts or SA302 for self-employed applicants • Evidence of pension income for retired applicants (pension income statement, payslip) • Trust funds, investment and rental income as additional income (SA302 or Income statement) <p>Where no such proof of income is available, bank statements, showing activity over the last three months, will be accepted for underwriting purposes</p> <p>HMRC Online Tax Calculation acceptable in place of SA302</p>
Bank statements	<p>All bank statements must be from a UK bank account</p> <p>Provision of Bank Statements is not mandatory, but may be requested at the underwriters' discretion, to support the lending decision</p>

Solicitors	
Borrowers solicitor	<p>Considered provided:</p> <ul style="list-style-type: none"> • All solicitors must be registered with the Law Society • Minimum 3 SRA-approved managers/partners (no licenced conveyancers considered) • All solicitors must have attained membership to the Law Society's Conveyancing Quality Scheme
Panel solicitor	Where any of the above 3 requirements cannot be met by the borrowers solicitor then the borrower can continue to use their own selected firm to act on their behalf, but we will instruct one of our panel solicitors to act on our behalf. The legal fees for both firms will then need to be paid by the borrowers through their own funds
Limited company application for Standard Properties	Foundation Home Loans will accept dual legal representation on all limited company applications, provided the firm is experienced in providing the requisite conveyancing for limited companies. The borrower is responsible for their own legal costs
HMO or Multi-Unit Properties	For Houses in Multiple occupancy and Multi-Unit Freehold Blocks, Foundation Home Loans will only accept dual representation from either TLT or TWM solicitors