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Foundation
Home Loans

Residential Criteria Guide

18 March 2019

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Applicant Criteria

Applicant

Minimum age	18 years
Maximum age	75 years where affordability can be assessed. Otherwise lend to current applicable state pension age
Maximum borrowers	2 4 if there is a family tie between the applicants and the LTV is less than 80%
First time buyers	A first time buyer is defined as someone who has not been party to a mortgage or owned a property at any time. In the case of a joint application, both applicants must qualify as First Time Buyers First time buyers considered
Marital status	Married/civil partnership applications can be considered in sole names
Guarantors	Guarantors are not considered

Residency

Residency	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 Applicants should be permanently resident in the UK for the last three years Any applicant who does not meet this criteria may be considered on a case by case basis, see below section on Armed Forces
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

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Adverse	
All accounts	All accounts must be up to date at the time of application
Satisfied CCJs & Defaults	All CCJs 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>)	
Bankruptcy & IVA	
Payday loans	Applicants who have entered into, or are still repaying, a pay day loan in the last 12 months are not considered
Debt management plan	Applicants who have entered into, or are still repaying, a debt management plan in the last 12 months are not considered
Arrangements with lenders (<i>including forbearance</i>)	Active arrangement with other lenders 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

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Employment type

Employed	Minimum 6 months with current employer
Contractors	<p><u>Fixed Term Contracts:</u> Fixed term contracts and contractors using an umbrella company considered</p> <p>Applicants must have 3 months remaining on their contract and must have been employed continually in the same industry for two years</p> <p><u>Contractors:</u> Contractors must have at least 6 months remaining on their current contract, or proof of renewal, at time of offer</p>
Self-employed	<p>Minimum 2 years prior to application</p> <p>Where a company director owns 20% or more of the company shares they will be classed as self-employed</p>
Retired	<p>Retirement income considered at 100%</p> <p>Private Pension: considered as primary or secondary income</p> <p>State Pension: only considered where other income is available</p>

Other income sources

Foundation Home Loans will consider other sources of income in addition to the household primary income	
Benefits	<p>100% considered</p> <p>Allowable benefits:</p> <ul style="list-style-type: none"> • Working tax credits • Child tax credits (for children up to 14 years old) • Child benefit (for children up to 14 years old) • Disability allowance • Parental leave
Trust income	100%
Investment income	100% provided derived from fixed income products
Net rental income	<p>75% of net rental income considered You must include any proposed buy-to-let purchases in the affordability assessment.</p> <p>Enter both current and future annual rental income in 'Net rental income' on Employment page of the DIP Enter both current and future monthly mortgage payments in 'Secured loans' on Employment page of the DIP</p>
Maintenance	100% where evidenced by a Court Order or CSA agreement
Overtime, Bonus & Commission	<p><u>Overtime:</u> Subject to being earned for the 6 months</p> <p><u>Bonus:</u> Average of the last 3 years</p> <p><u>Commission:</u> Average of the last 12 months</p> <p>Maximum of 50% of each element, to a maximum in total of no more than 100% of basic income</p>

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Loan Criteria	
Minimum term	5 years
Maximum term	35 years
Minimum loan	£50k
Maximum loan	F1, F2 & F2 FTB: £750k (including fees) F3: £500k (including fees)
Maximum LTV	F1, F2 & F2 FTB: 85% F3: 80% Interest only: 70% Part & Part: 80% Loans below £90k (net of fees) are permitted at a maximum of 75%; and 60% if new build house Fees can be added up to the maximum loan size for the product
Re-mortgage	Properties must be owned for a minimum of 12 months
Porting	Foundation Home Loans products are not portable
Let to buy	Not considered
Right to buy	Not considered if security is still subject to pre-emption

Deposit Criteria	
Overseas deposits	Deposits from overseas accounts are not considered
Developer deposit	Considered up to 5%
Gifted deposit	100% gifted deposit considered from immediate family members Family members considered: <ul style="list-style-type: none"> • Parents (including step parents and in-laws) • Grandparents • Grandchildren • Siblings • Children • Spouses • Civil Partners

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	Gifted deposits from outside of the UK will not be considered
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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 • Purchase at under value • Capital Raising for business purposes • Capital Raising for consolidation of Gambling or HMRC Debt

Repayment vehicle Criteria

Acceptable repayment vehicles	<ul style="list-style-type: none"> • Endowment policies • Regular savings and investments • Pension • Sale of security property provided equity at completion of at least £200,000 • Sale of other property • Lump sum overpayments, e.g. from proven regular bonus payments
Unacceptable repayment vehicles	<ul style="list-style-type: none"> • Cash ISAs • General savings • Inheritance • Equity investments • Sale of security on death • Sale of non-property assets • Regular overpayments (as a means of total repayment)

Property Criteria

General Property

Minimum value	£75k
Locations	<p>Properties must be located in England and 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>

Property Types Considered

Flats above commercial premises	<p>Flats or Maisonettes over commercial premises can be considered on a case by case basis 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 valuation indicates good marketability
Ex Local Authority flats/MOD	<p>Considered on a case-by-case basis, 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, the 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
Two kitchens (and/or multiple services)	Considered on a case by case basis
Studio flats	<p>Considered subject to below:</p> <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
New build	<p>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.</p> <p>New Build houses: Lending on New Build houses is acceptable</p>

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	<p>New Build Flats:</p> <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 • Ground rent and service charge payments will be included for affordability assessment <p>Properties with schemes and restrictions are not considered such as Section 106 restrictions, Keyworker/affordable housing schemes, shared equity.</p>
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Tenure

Minimum lease	The lease must have at least 60 years remaining at the end of the mortgage term
Leasehold flats	<p>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</p> <p>For any other leasehold property, the freehold and leasehold titles must be owned by separate and unrelated entities</p> <p>Borrowers that own the leasehold and a share of the freehold are considered where the freehold is in a formal management structure or agreement</p>
Freehold	Houses only
Commonhold	Not considered

Reports

Structural Engineer	<p>Where required, must always be obtained prior to any approval of a Mortgage Offer</p> <p>Report to be obtained from an appropriately qualified engineer – S.Eng. MICE or MISE</p>
Timber and Damp	<p>Where required, report to be obtained from one of the following:</p> <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	

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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	<ul style="list-style-type: none"> • Freehold flats and Maisonettes • Shared Ownership properties • • Basement flats (will be considered on a case-by-case basis where property is located in London and over 30 Sq M) • Properties with more than 7 storeys with no lift • Commercial properties • Live/Work Units • Properties subject to restrictions e.g. Agricultural, retirement flats etc • Properties with more than five hectares/12 acres • Properties with more than six bedrooms • Properties under 10 years' old without an acceptable structural defects warranty as determined from time to time. • Self build • Properties where stage payments are required • 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 • Properties of High Alumina Cement • Mundic block materials • BISF, Metal and Steel framed properties • Any property designated defective under the Housing Act • Properties of 100% timber construction • 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 on an un-remediated contaminated site or where the Valuer advises a possible contamination issue • 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 • Grade I listed buildings • Second homes/holiday homes • Mobile homes and houseboats • Where the valuation report indicates: <ul style="list-style-type: none"> • 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
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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, below; 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, below <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	List 3
	<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)
Mortgage conduct	Where unable to verify using the applicants credit file then evidence of the past 12 months mortgage payment history will be required		

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Proof of income	<p>Income must be declared and evidenced through the provision of:</p> <ul style="list-style-type: none"> • Last three payslips for Employed Applicants and most recent P60 • If paid weekly then last 12 payslips and most recent P60 • 2 years accounts or SA302 and three months bank statements 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>HMRC Online Tax Calculation acceptable in place of SA302</p>
Bank statements	Last three months bank statements

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	<p>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</p>
Debt Consolidation	<p>Where the re-mortgage purpose is for Debt consolidation then the applicant(s) are required to use TWM solicitors.</p>