

Buy to let: Freehold/Leasehold Guide

There are a number of situations under which Foundation is prepared to lend on a leasehold security property. These are covered in the table below:

4 Flats or Fewer in the Block				More than 4 Flats in the Block			2 Flats	Leasehold Houses
Freehold/Lease Arrangements	Freehold Owned by Borrower(s) or a Party Connected to the Borrower(s)*	Freehold Independently Owned by an Unconnected Party	Freehold Shared by the Leaseholders in the block in a Formal Management Structure#	Freehold Owned by Borrower(s) or a Party Connected to the Borrower(s)*	Freehold Independently Owned by an Unconnected Party	Freehold Shared by the Leaseholders in the block in a Formal Management Structure#	Crossover / Tyneside Lease	Scenario 1. Freehold Owned by the Borrower(s) or a Party Connected to the Borrower(s)* - 1st Charge required over the Freehold & Leasehold
2 Flats	1st Charge Required over the Freehold & Leasehold	1st Charge over the Leasehold	1st Charge over the Leasehold. Where the borrower owns all flats, we would require a 1st charge over the freehold	See 4 flats or fewer in the block			Yes	Scenario 2 - Freehold Independently Owned by an Unconnected Party 1st Charge over the Leasehold
3 Flats								
4 Flats								
5 Flats	See more than 4 flats in the block			1st charge over the Leasehold & Minimum of 3 flats independently owned* OR Where the borrower owns all flats, we would require a 1st charge over the freehold	1st Charge over the Leasehold	1st Charge over the Leasehold. Where the borrower owns all flats, we would require a 1st charge over the freehold	Not Applicable	Scenario 3 - Freehold Shared by the Leaseholders in a Formal Management Structure# 1st Charge over the Leasehold. Where the borrower does own all houses, we would require a 1st charge over the freehold
6 Flats								
More than 6 Flats								

*Independent ownership means that there is no connection between the borrower and members of the borrower's family, companies within the same group, trusts and trustees, companies and their directors & shareholders, partners and their families.
In such circumstances we will require a trust deed / other suitable arrangement which contains provisions for the appropriate legal and beneficial interest in the freehold / superior title and leasehold titles to be transferred simultaneously if we exercise power of sale.

Other important information

- In all instances where the borrower owns / is to own 2 flats in the block and the flats are adjacent with a communal wall, we would not be able to lend.
- In all instances a borrower can hold a maximum of three Foundation Home Loans mortgages in any one full postcode.
- Lending on freehold flats and maisonettes is unacceptable.
- Underwriters will make checks on the freehold/leasehold titles to evidence ownership/charges/restrictions.
- Where there is a connected party between the freeholder & leaseholder, it is a requirement for TWMM/TLT to act for FHL. The applicant can elect for them to act for both themselves and FHL, or they can elect to appoint their own independent solicitor to represent them. However, should they choose to do this, they will be liable for both sets of costs.
- Where there is a connection between the Applicant and the freeholder and we require a first charge over the freehold, the underwriter will contact the broker to confirm this.
- Where the Freehold Title incorporates a commercial unit along with residential units this must be referred to FHL for consideration. The referral must include what type of commercial activity is contained within the commercial unit.