

# Buy To Let Lending Policy

Strictly for Intermediary use only

## Lending Terms & Applicant Types

Loan amount	There is a minimum loan amount of £50,000 for new mortgages, and £5,000 for further advance applications. A maximum loan amount of £1,000,000 applies. Applications for lending over £1,000,000 may be considered on a case-by-case basis.
Minimum & Maximum age	Applicants must be aged 21 years or over at the date of the application. The mortgage term cannot extend past the applicant's 95 <sup>th</sup> birthday.
Mortgage offer	Mortgage offers are valid for 6 months from the date of issue. Where the exchange of contracts has not yet taken place, but the solicitor can confirm completion within 10 working days, offer can be extended with no further checks. Outside this time frame, full re-underwrite and re-inspection of the property is required and a new product will need to be selected.
Mortgage term	There is a minimum term of 5 years and a maximum term of 40 years. The term must not extend past the oldest borrower's 95 <sup>th</sup> birthday.
Number of applicants	Applications will be considered with up to four borrowers.
Tenancies	Assured Shorthold Tenancy agreements (AST) are the only acceptable type of tenancy arrangement. Where an AST is in place or is to be created as part of the application, it must be for a maximum period of 24-months. An AST exceeding 24 months will be considered on a case by case basis. Where the AST is for longer than 12 months, this will be considered when valuing the property. The following types of tenancy arrangement will not be accepted under any circumstances: <ul style="list-style-type: none"><li>• Sub-letting;</li><li>• Student lets;</li><li>• Assured Tenancy;</li><li>• Corporate let;</li><li>• Person with Diplomatic immunity;</li><li>• Multiple occupancy;</li><li>• Local Authority tenants; or</li><li>• Regulated tenancy (property let to family member).</li></ul>
Residency status	Applications from non-UK nationals can be considered subject to the following: <ul style="list-style-type: none"><li>• Each applicant must have lived in the UK for a minimum of 2 years prior to application;</li><li>• Each applicant must provide a valid passport;</li><li>• For expat applications, clients must be British nationals.</li><li>• If we are unable to meet the standard identification criteria, a valid passport may be required.</li></ul>
Repayment methods	We will consider applications on the following basis: <ul style="list-style-type: none"><li>• Capital and interest repayment;</li><li>• Interest only; and</li></ul> Part and part.
Proof of residency	We will require proof of residency over the latest three-year period. Please, <a href="#">click here</a> for acceptable proof of residency, or <a href="#">click here</a> for Ex-Pat applicants.
Unacceptable application types	The Society will not consider the following application types: HMOs, Holiday Let, regulated (Let to Family Member) BTL, Guarantor, Bridging Finance.

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## Deposit, Income and Yield

Affordability assessment	Affordability is calculated against the minimum rental cover and other policy requirements detailed within this document. In the circumstance an application has not progressed to mortgage offer within 90 days, affordability must be reassessed on our current Buy to Let Variable Rate (BTLVR).																				
Deposit	<p>Acceptable deposit types* include:</p> <ul style="list-style-type: none"> <li>• Gifted deposits;</li> <li>• Foreign currency deposits and gifted deposits which originated outside of the UK are accepted subject to the funds being deposited in the applicant(s) UK bank account prior to application. To support the underwriting assessment, an explanation of the source of funds will be required, including originating country, and how the funds have been raised (i.e. savings, or sale of assets);Equity; or</li> <li>• Sales at under value (Concessionary Purchase).</li> </ul> <p><i>*Please note, further criteria may apply.</i></p> <p>Unacceptable deposit types include:</p> <ul style="list-style-type: none"> <li>• Vendors incentives; or</li> <li>• Builder's incentives.</li> </ul>																				
Interest Cover Ratio (ICR)	<p>The minimum ICR stress rates are detailed in the table below</p> <table border="1" data-bbox="524 719 2181 967"> <thead> <tr> <th>Product Rate</th> <th>Basic Rate Taxpayer</th> <th>Higher Rate Taxpayer</th> <th>Limited Co BTL</th> <th>Ex-Pat BTL</th> </tr> </thead> <tbody> <tr> <td>&lt;/=3.50%</td> <td>125% @ 5.50%</td> <td>130% @ 5.50%</td> <td>125% @5.50%</td> <td>125% @ 5.50%</td> </tr> <tr> <td>&gt;/3.50%</td> <td>125% @ product rate + 2%</td> <td>130% @ product rate + 2%</td> <td>125% @ product rate + 2%</td> <td>125% @ product rate + 2%</td> </tr> <tr> <td colspan="5" style="text-align: center;">Or payrate if fixed for 5 years or longer</td> </tr> </tbody> </table> <p>The basic rate taxpayer ICR calculation will be used for expat applications <u>unless</u> an applicant has UK based income that places them into the higher rate tax band, resulting in the higher rate tax calculation being used.</p> <p>In circumstances where fees are being added to the loan, the ICR calculation must be calculated on the gross loan amount (including all fees). The rental income detailed on the valuation report will be used to support the ICR assessment.</p>	Product Rate	Basic Rate Taxpayer	Higher Rate Taxpayer	Limited Co BTL	Ex-Pat BTL	</=3.50%	125% @ 5.50%	130% @ 5.50%	125% @5.50%	125% @ 5.50%	>/3.50%	125% @ product rate + 2%	130% @ product rate + 2%	125% @ product rate + 2%	125% @ product rate + 2%	Or payrate if fixed for 5 years or longer				
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Minimum income	No minimum income required.																				
Stress testing	A stressed rate of 6.5% is applied. For existing portfolios, the ICR requirement must be met across the portfolio. For applications on products fixed for 5 years or more, these will be stressed at product rate.																				

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## Mortgage Type

Capital raising	Capital raising is permitted for any non-commercial reason up to 80% LTV, as defined below: <ul style="list-style-type: none"><li>• Home improvements;</li><li>• Purchase additional land or property;</li><li>• Release of equity for any other non-commercial purpose (e.g family gift, holidays, weddings, etc.); or</li><li>• Transfer of equity.</li></ul>
Consumer Buy to Let (CBTL)	The Society will consider lending on a CBTL property that has at some time in the past, been occupied by the applicant or a member of the applicant's family.
Debt consolidation	Further advances for the purpose of debt consolidation are not permitted.
Ex-pat applicants	The Financial Action Task Force (FAFT) list will refer to all the approved countries, please <a href="#">click here</a> to see the list.
Family lets	Transactions where the property is to be let to a family member are not accepted.
First-time landlords	Applications from first time landlords will be considered.
Further advances	Further advances for existing customers will only be considered where they have held the mortgage with the Society for at least six months and are up to date with their mortgage payments.
Inter-family transaction	Transactions where a family member is the vendor are acceptable providing that it is a clear and transparent sale, and that all appropriate taxes (i.e., stamp duty) are paid at completion. In these circumstances the Society will require separate legal representation for the applicant and vendor.
Home improvements	Applications for home improvements are available up to 80% LTV.
Limited company	Applications will be accepted from Limited Companies on the following basis: <ul style="list-style-type: none"><li>• The company must be a limited company set up solely to own/buy/sell/let property and must have one or more of the following SIC codes (Standard Industrial Classification)<ul style="list-style-type: none"><li>○ 68100: Buying and selling of own real estate;</li><li>○ 68209: Other letting and operating of own or leased real estate; or</li><li>○ 68320: Management of real estate on a fee or contract basis.</li></ul></li><li>• All directors and shareholders must provide a personal guarantee for the loan</li><li>• All applicants must be people and not other limited companies;</li><li>• Maximum of four directors; and</li><li>• There must be no more than 3 buy-to-let properties in mortgage, including the property being mortgaged to the Society.</li></ul>
Non-owner occupier	Non-owner occupier applications are accepted where the applicants already own a property. Accepted for expat applications.
Portfolio landlords	Portfolio landlords accepted with no more than 3 buy to let properties in mortgage, including the property being mortgaged to the Society.
Professional landlords	The Society will accept applications from Professional Landlords (a property owner whose sole source of income is derived from buy to lets).

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## Credit History

<b>Arrangement to pay</b>	Arrangements to pay which have been repaid over 3 months prior to application will be accepted subject to individual case assessment. Arrangements to pay which have been repaid within the last 3 months will be considered on an individual basis.
<b>Bankruptcy &amp; Individual Voluntary Arrangements (IVA)</b>	Applicants who have been discharged bankrupt or have settled IVA over 6 years ago can be considered.
<b>County Court Judgement (CCJs)</b>	One CCJ registered within three years and satisfied over three months prior to application can be considered on an individual basis and requires Lending Committee approval, where the total value does not exceed £500. Up to three CCJs per application registered and satisfied over three years prior to application can be considered on an individual basis, where the total value does not exceed £500. Up to three CCJs per application registered within three years and satisfied over three months prior to application can be considered on an individual basis and requires Lending Committee approval, where the total value exceeds £500.
<b>Defaults</b>	Defaults over £500 and satisfied over 3 years prior to application will be considered on an individual basis. Defaults over £500 and satisfied between 3 years and 3 months prior to application will be considered on an individual basis and require Lending Committee approval. Defaults less than £500 and satisfied over 3 months prior to application will be considered on an individual basis.
<b>Debt Management Plan (DMP)</b>	Debt Management Plans taken out and repaid over 12 months prior to application will be considered based in the overall credit scenario of the applicant. Debt Management Plans taken out and repaid within 12 months prior to the application will be considered on an individual basis.
<b>Payday loans</b>	Payday loans taken out and repaid over 12 months prior to the application will be considered based in the overall credit scenario of the applicant. Payday loans taken out and repaid within 12 months prior to the application will be considered on an individual basis.
<b>Unacceptable credit history</b>	The below will not be considered: <ul style="list-style-type: none"><li>• Insolvency;</li><li>• Logbook loans; and</li><li>• Previous repossession.</li></ul> Circumstances where a partner is not party to the mortgage due to adverse will not be considered.

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## Security and Conveyancing

Conveyancing	Legal Marketing Services (LMS) manage the Society's panel of acceptable conveyancers. To see a full list of acceptable conveyancers, <a href="#">please click here</a> .																													
Construction	<p>Properties are expected to be of standard construction (walls of brick or stone and roof of tile or slate). The below construction types may also be considered, subject to valuation:</p> <ul style="list-style-type: none"> <li>• Timber frame with render cladding;</li> <li>• Solid stone;</li> <li>• SIPS (structural insulated panels);</li> <li>• Oak framed;</li> <li>• Steel framed construction;</li> <li>• Metal (zinc) roof;</li> <li>• Thatched roof;</li> <li>• Grade II listing;</li> <li>• PRC repaired properties with a 30-year insurance-backed guarantee and structural warranty; and</li> </ul> <p>All properties must have basic amenities (hot and cold running water, sink, bath/shower, inside toilet, electrical power, drainage, and waste disposal).</p>																													
EPC rating	The Society requires properties to have a minimum EPC rating of E, or a suitable exemption on application. Properties must also have a minimum potential C rating detailed on the certificate.																													
External cladding	<p>The following rules apply for applications on properties that require an EWS1 form:</p> <ul style="list-style-type: none"> <li>• Properties certified as A1 (there are no attachments whose construction included significant quantities of combustible materials);</li> <li>• Properties certified as A2 (there is an appropriate risk of the attachment confirming that no remedial works are required) are considered subject to approval; and</li> <li>• Properties certified as B1 (a fire risk assessment completed by a Chartered Engineer or Member of the Institute of Fire Engineers, is sufficiently low that no material works are required), will be considered subject to approval.</li> </ul> <p>Properties certified as A3 or B2 as identified on the EWS1 form, are not acceptable.</p>																													
House in Multiple Occupation (HMO)	Applications for HMOs will not be considered.																													
Licensing & selective licensing	<p>If the property is subject to licensing issues, there may be an adverse effect on potential rental income and future saleability of the property. If the property is in a Selective Licensing area and the licensing is in respect of the property owner, the Society will rely on valuers' comments, but applications will be considered. Where our valuer confirms that the property is in a Selective Licensing Scheme due to being in a lower income area the application will be declined.</p>																													
Location	The Society will consider lending on properties across England, Wales and Isle of Wight.																													
Japanese knotweed	Extreme caution will be exercised in the presence of Japanese knotweed or other invasive species.																													
Mining reports	<p>Properties with mines within the boundary will be considered, based on the below valuation amendments:</p> <table border="1" data-bbox="566 1326 1868 1520"> <thead> <tr> <th rowspan="2">Location of entry and potential expected effect on valuation</th> <th colspan="2">Within 10m</th> <th colspan="2">Between 10m-20m</th> </tr> <tr> <th>Untreated</th> <th>Treated</th> <th>Untreated</th> <th>Treated</th> </tr> </thead> <tbody> <tr> <td>Under property/Touching external wall</td> <td>50%</td> <td>25%</td> <td>-</td> <td>-</td> </tr> <tr> <td>Within property boundary</td> <td>25%</td> <td>10%</td> <td>5%</td> <td>5%</td> </tr> <tr> <td>Within neighbouring property boundary</td> <td>20%</td> <td>5-10%</td> <td>5-10%</td> <td>0%</td> </tr> <tr> <td>Outside of property boundary &amp; neighbouring property boundaries</td> <td>20%</td> <td>5-10%</td> <td>Nominal</td> <td>Nominal</td> </tr> </tbody> </table>	Location of entry and potential expected effect on valuation	Within 10m		Between 10m-20m		Untreated	Treated	Untreated	Treated	Under property/Touching external wall	50%	25%	-	-	Within property boundary	25%	10%	5%	5%	Within neighbouring property boundary	20%	5-10%	5-10%	0%	Outside of property boundary & neighbouring property boundaries	20%	5-10%	Nominal	Nominal
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Property age & certification	All properties will be considered on their merits irrespective of age. Properties built or converted within the last 10 years must hold an acceptable form of certification.
Property Types	Houses, bungalows, flats and maisonettes must have a minimum value of £100,000, or £250,000 if located within the M25 corridor. Flats and Maisonettes will be considered subject to the below criteria: <ul style="list-style-type: none"><li>• Up to 95% LTV (or 85% LTV if the property is a new build);</li><li>• Must be a maximum of 10 storeys in the block (including any basements), flats exceeding 10 storeys may be considered on an individual basis;</li><li>• Blocks with 4 or more storeys must have a lift;</li><li>• Ex-local authority flats and maisonettes will be considered to a maximum of 6 storeys and require lift access. Valuers must also confirm the property is in a good area with good resale ability, and consideration given to the level of privately owned property within the block;</li><li>• Must have a minimum of 35m<sup>2</sup> internal floor space;</li><li>• Flats above commercial premises will only be considered subject to valuation;</li><li>• Flats above “Sui Generis” (pubs and drinking establishments) and A5 (hot food takeaways) will not be considered;</li><li>• Freehold flats will only be considered if there is an appropriate management company in place; and</li></ul> Commonhold flats will be considered subject to valuation.
Property insurance	All security properties must have suitable buildings insurance policy.
Security	The Society will only accept a first charge on all properties.
Tenure	The following is considered as suitable tenure for security purposes: <ul style="list-style-type: none"><li>• Freehold (excluding flats or maisonettes);</li><li>• Flying Freehold (maximum 15%);</li><li>• Leasehold (there must be at least 85 years remaining on the term at application and at least 60 at the end of the mortgage term); and</li><li>• Commonhold.</li></ul>
Unsuitable Security	The below will cause a property to become unsuitable security: <ul style="list-style-type: none"><li>• The property is/will be part used for the business purposes (unless it can be clearly demonstrated that this will not affect current value or resale prospects);</li><li>• Properties with spray foam insulation;</li><li>• Restrictive covenants/planning conditions exist which could affect resale (e.g., Agricultural Restrictions); or</li><li>• The property is divided in any way (e.g., to create a bedsit).</li></ul>

## Get in touch

Call: 0121 521 4000

Email: [newbusiness@thetipton.co.uk](mailto:newbusiness@thetipton.co.uk)

Visit: [www.thetipton.co.uk/intermediaries](http://www.thetipton.co.uk/intermediaries)

Strictly for intermediary use only. Under no circumstances should this communication be given, copied, or distributed to customers or potential customers. A Decision in Principle must be submitted to secure funds. Terms and conditions apply. Applications are accepted throughout England, Wales and Isle of Wight. Properties located in Scotland, Northern Ireland or the Isle of Man will not be accepted. Criteria can be amended or withdrawn without notice. Tipton & Coseley Building Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Buy to let mortgages which are for business purposes are exempt from FCA Rules. The Society's firm reference number is: 159601. The Society is a member of the Building Societies Association. Head office: 70 Owen Street, Tipton, West Midlands, DY4 8HG.