

A guide to changes in our approach to second charge lending

Areas of lending	Will we lend?
Residential	Yes
Consumer Buy to Let	Yes
Buy to Let (Property Investor)	Yes
Foreign Currency	No

Changes to second charge lending

Advised or Execution only sales	We will only allow Advised sales on residential second charge loans.
KFI+ or Mortgage Illustration (ESIS)	It is a mandatory requirement to provide a Mortgage Illustration (ESIS). Our system will produce this document and will include the new APRC and APRC2 requirements.
Who sends the Illustration	The Master Broker or the credit intermediary responsible for the sale.
Mortgage Offer	A mortgage offer will be made available as soon as all underwriting conditions have been fulfilled.
Who sends the Mortgage Offer	When all underwriting and validation has been fully satisfied, then the Mortgage offer will be made available to the Master Broker to send to the customer with all associated documents.
Changes to Affordability	No change is required. Our method is already aligned.
Stress testing	No change is required. Our method is already aligned.
Changes to product structure	We do not anticipate any changes to product structure.
Changes to System	We will operate 2 versions of Precise View (CCA and MCD compliant versions). CCA pipeline will be managed via the CCA version of Precise View until 21st March 2016 at which point the CCA pipeline will simply need to be moved to the new system. You will need to reconfirm certain information to ensure advice/adequate explanations and the mortgage illustration have been given; however, your pipeline will remain, largely unaffected – you should not experience any negative impact on your conversion rates because we already apply the appropriate stress test to the first and second charge within our affordability. What fits today should fit on the 22nd March 2016.
Reflection Period	The reflection period will commence once all underwriting validation has been completed and the binding offer is sent to the customer.
Who is responsible for the sale?	The credit intermediary, who carried out the sale, should be named on the Mortgage Illustration together with details of their complaints process.
Fees	Moving to the new regulatory regime allows for greater flexibility and options for fees that may be charged for arranging and packaging the second charge loan. You must also now offer the customer the option on how these fees are to be paid so they can be paid up front rather than added to the loan. Precise View provides flexibility to enable you to tailor your fees that are most appropriate to your customer's circumstances.
XML	We have developed a new XML service for second charge loans. For details of this service, please contact our Intermediary support team on 0800 116 4385.
Outsource Agreement	You will be required to complete a new Outsource Agreement. We will send this new agreement out to you before the Go Live date.
Permissions	We will need to verify your permissions held – please provide your FCA number when submitting your new Outsource Agreement. Remember that you will need to notify the regulator that you intend to offer consumer buy to let – further information can be found on page 3.

Consumer Buy to Let

If you intend to offer consumer buy to let you must ensure that you have consumer buy to let advisor and consumer buy to let arranger permissions. You should make the necessary application to register with the FCA as a consumer buy to let credit intermediary to:

- ▶ Act as a consumer buy to let arranger (all sales); **and**
- ▶ Act as a consumer buy to let adviser (advised sales only)

For more information visit: www.fca.org.uk/firms/firm-types/mortgage-brokers-and-home-finance-lenders/mcd/cbtl

A buy to let mortgage will normally only be classed as 'consumer buy to let' if the applicant has only one buy to let property and didn't purchase that property to let (e.g. inherited it or originally purchased it to live in).

Useful websites

FCA - www.fca.org.uk/

FCA full permissions - <http://register.fca.org.uk/>

Mortgage Credit Directive - www.fca.org.uk/mcd

Mortgage Conduct of Business - www.handbook.fca.org.uk/handbook

We can provide literature in large print, Braille and audio tape. Please ask us for this leaflet in an alternative format if you need it.