

# Criteria guide

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## Buy to Let Second Charge Loans - available direct through Precise Mortgages

**Important information:** Please ensure that this information is read in conjunction with the relevant product guide.

### Key points

- ▶ Loans for any purpose
- ▶ Capital raise against a buy to let portfolio
- ▶ Top slicing available where rental income meets a minimum 110% ICR at payrate
- ▶ Expand a portfolio or improve a property
- ▶ Applications can be submitted directly or via our Master Broker Panel

 0333 240 6054  
Monday - Friday, 9am - 6pm

 [precisemortgages.co.uk](https://www.precisemortgages.co.uk)

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# Applicant criteria

At a glance

25

Minimum age at application

80

Maximum age at application

2

Maximum number of applicants

## Applicant profile

Minimum age	25
Maximum age	<ul style="list-style-type: none"><li>▶ 80 at the date of application (maximum term of 35 years).</li><li>▶ Top slicing buy to let: Maximum age 75 at end of term, or retirement age if this is sooner.</li></ul>
Maximum number of applicants	2
Guarantors	Not acceptable.

## Allowable adverse - please refer to the relevant product guide for further details

Unsecured arrears	0 in 36 months.
Defaults	0 in 72 months.
CCJs	0 in 72 months.
Mortgage arrears	0 in 36 months.
IVA and bankruptcy	Are not accepted.
Debt management plans	Are not accepted.
Repossessions	Are not accepted.

## Nationality and residency

Residential status	In all cases we require a 3 year UK residential address history.
Non EEA nationals	Must have been resident in the UK for the last 3 years and have permanent rights to reside in the UK.
Diplomatic immunity	Applicants with diplomatic immunity from UK law will not be accepted.

## Minimum earned income

- ▶ No minimum income requirements.

## Employed

- ▶ A minimum of 3 months in current job, with 12 months continuous employment.
- ▶ Applicants must be in permanent employment that is not subject to a current probationary period.
- ▶ Applicants on a fixed term contract basis are acceptable.
- ▶ Agency workers not acceptable.
- ▶ Zero hour contracts are only permitted when the secondary applicant (i.e. not the main income earner) is employed on this basis. Payslips covering the last 6 months and the latest P60 are required. Eligible income is the lower of the average pay from the last 3 months / last 6 months.

### Annual income may comprise of:

Income type	Proportion allowable in calculation
Basic salary	100%
Shift allowance	100%
Large town allowance	100%
Childcare payments	100%
Mortgage subsidy	100%
Car allowance	100%
Overtime/bonus/commission	50% (if regular/guaranteed)

## Self-employed

Where an applicant has a shareholding of 25% or over, or is responsible for the overall payment of their tax and national insurance, they will be classed as self-employed.

Applicants will need to have been trading for a minimum of 12 months.

### Acceptable income:

- ▶ For sole traders - net profit, private pension payments where declared on their SA302 or tax calculation.
- ▶ For partnerships - share of the net profit.
- ▶ For limited company directors - remuneration plus dividends, director's car allowance, director's pension payment.

### Income verification:

- ▶ 1 year's SA302s and HMRC Tax Year Overviews or Tax Calculations and HMRC Tax Year Overviews or accounts (we only accept accounts prepared by accountants with the following qualifications: ACA/FCA, CA, ACCA/FCCA, AAPA/FAPA, CIMA, CIPFA.).
- ▶ We may request 2 years' accounting information on certain cases. The underwriter will advise of this requirement at the earliest opportunity.

## Retired

- ▶ Personal/occupational pension income can be considered as the sole source of income subject to a full review of the application.
- ▶ State pension is not accepted as a sole source of income but may be considered as an additional income.

Once the underwriter has assessed the Decision in Principle, they will advise you of specific documentation requirements.

£10,000

Minimum loan amount

£200,000

Maximum loan amount

3

Years minimum loan term

## General

- ▶ Any loan purpose considered other than speculative investment such as purchasing cryptocurrencies/bitcoins.
- ▶ Applications are not acceptable where the security property has not been owned and rented out for at least 6 months.
- ▶ The existing mortgage must have been in place for at least 3 months.

## Maximum LTV

- ▶ 75% up to £100,000
- ▶ 70% up to £200,000

The maximum loan size will vary by product; please check the relevant product guide for further information (larger loans may be available on referral).

## Loan term

**Minimum:** 3 years.

**Maximum:** 35 years.

## Loan size

**Minimum:** £10,000

**Maximum:** £1,000,000 (on referral).

## Porting

Our products are not portable.

## Repayment method

- ▶ Capital and Interest (not available for top slicing).
- ▶ Interest Only.

## Offer validity

3 months from valuation.

## Portfolio landlords

A portfolio landlord has 4 or more mortgaged buy to let properties or 3 mortgaged buy to let properties, plus at least 1 pending application with Precise Mortgages.

The following should be included in the number of properties a portfolio landlord holds:

- ▶ All mortgaged buy to let properties owned by the applicant whether jointly, in their sole name or by a company of which they are a director or shareholder.
- ▶ Any property owned on a residential basis with Consent to Let.
- ▶ Unencumbered properties do not need to be included but may strengthen the overall portfolio.

As part of our underwriting process we will make an assessment of an applicant's portfolio based on their individual circumstances and taking into account the impact of future interest rate increases.

Please refer to the following on our website for further guidance:

- ▶ Portfolio calculator.
- ▶ Portfolio landlord.
- ▶ Business plan.
- ▶ Personal assets and liabilities statement.
- ▶ Existing property portfolio details.

## Portfolio lending limits

A single customer can have up to 20 individual Precise Mortgages buy to let loans (including buy to let second charge loans and mortgages they guarantee) with a maximum combined value of £10,000,000.

## Rental calculation

The applicant's income tax band will determine the Interest Coverage Ratio (ICR) for the application. Where there are joint applicants with different income tax bands, the higher tax band will apply. The monthly rent should cover the existing first mortgage repayment and the proposed second charge loan repayment by the amount of the ICR at the applicable assessment rate which can be confirmed by the underwriter.

Income type	Proportion allowable in calculation
Basic	125%
Higher	145%
Additional	160%

The interest rate used in the ICR calculation is driven by the product type, as follows:

- ▶ **Tracker** - The higher of pay rate +2%, or revert rate, at a minimum of 5.5%.
- ▶ **Short term fixed rate** - The higher of pay rate +2%, or revert rate, at a minimum of 5.5%.
- ▶ **5yr+ fixed rate** - The initial pay rate.

## Top slicing

If the requested loan amount is not available based only on the ICR calculation, Precise Mortgages will consider using earned income to support the requested loan amount. This is subject to the applicant owning no more than 3 mortgaged buy to let properties (including the security). If this option is used, then the following criteria will apply:

- ▶ All income will need to be validated to the Precise Mortgages underwriter's satisfaction.
- ▶ At least 1 applicant must own their residential property.
- ▶ The repayment method must be Interest Only.
- ▶ Latest 2 months bank statements will be required.
- ▶ The proposed loan must end before the 75th birthday, or declared retired age (whichever comes first) of all applicants whose income is required to support the loan.
- ▶ All existing debt obligations (including court orders and CSA/maintenance/alimony commitments) will be taken into consideration as outgoings.

A fully completed and accurate Decision in Principle form is necessary for us to be able to access an application where earned income is to be used.

# Loan criteria cont.

## Five year fixed rate requirements

If a customer has chosen a 5 year+ fixed rate mortgage extra checks will be required when the LTV is greater than 60% and the minimum ICR is not met at an interest rate of 5.5%, the customer will need to demonstrate one of the following:

**Substantial Net worth** - We will look to verify that a customer has substantial net worth in fixed assets, such as property. This will typically be in the form of at least £250,000 equity in their residential home or at least £500,000 across a property investment portfolio. A fully completed Existing Property Portfolio Form will be required.

**OR**

**Satisfactory level of Liquid assets** - Forms of liquid assets could include (but is not limited to): Cash deposits in savings or investment accounts, ISAs, PEPs, Investment Bonds and Publically listed Stocks & Shares. A fully completed Personal Assets & Liabilities form together with supporting validation demonstrating a sufficient level of assets will be required.

**OR**

**Excess disposable income** - We will require evidence of the customer's income e.g. latest payslip or P60 for PAYE, latest set of accounts or SA302 (or Online Tax Calculation) PLUS corresponding Tax Year Overview for self-employed customers. The customer must have sufficient validated excess disposable income to cover the difference between the monthly interest payment at the fixed pay rate and at a rate of 5.5%.

## Minimum property value

£50,000 or £150,000 in London postcode districts.

## Location

Mainland England and Wales only.

## Tenure

- ▶ Freehold - if the applicant is the sole owner of the freehold to a building that contains the leasehold flat, Precise Mortgages will take a second charge over both the freehold and the leasehold.
- ▶ Freehold flats/maisonettes are not acceptable.
- ▶ Leasehold - minimum remaining lease term is 70 years at application.
- ▶ Flying freehold - considered provided it does not exceed 10% of the total area. The valuer must comment and confirm total percentage.
- ▶ Commonhold - not acceptable.

## Retentions

Are not acceptable.

## Acceptable tenancies

- ▶ Properties in England and Wales must be let under a single assured shorthold tenancy or a common law tenancy (i.e. a company let or where the annual rent is greater than £100,000).
- ▶ Properties in Wales after commencement of the Renting Homes (Wales) Act 2016 must be let on a Standard Occupation Contract which must enable the landlord to terminate the letting on 2 months' notice (including a break clause where the term is fixed).
- ▶ Any type of tenancy must be for a maximum term of 36 months.

## Unacceptable tenancies

Tenancy agreements for tenants in the following categories are not acceptable:

- ▶ Multiple lets and HMOs are unacceptable. Precise Mortgages will refer to RICS guidelines when determining whether or not a property is a HMO.
- ▶ DWP supported tenants.
- ▶ Asylum seekers.
- ▶ Students.
- ▶ Tenants who have the benefit of diplomatic immunity.

Please contact us for full details of unacceptable tenancies.

## Flats/maisonettes/apartments

- ▶ Must be self-contained with private facilities.
- ▶ Must have direct access to the highway via covered common parts.
- ▶ Up to a maximum of 20 storeys.
- ▶ Flats above or adjacent to commercial premises may be considered on an individual basis.
- ▶ Ex-local authority flats or maisonettes may be considered on an individual basis.
- ▶ Studio flats are not accepted.

## Modern Methods of Construction (MMC)

Properties that have any MMC components can be considered providing the property was constructed by one of the following companies:

- ▶ Barratt Developments
- ▶ Bellway
- ▶ Berkeley
- ▶ Bloor Homes
- ▶ Bovis Homes
- ▶ CALA Homes
- ▶ Crest Nicholson
- ▶ Galliford Try
- ▶ Persimmon
- ▶ Redrow
- ▶ Taylor Wimpey

## New Build properties

If the property was constructed within the last 10 years it will need to benefit from one of the following warranties:

- ▶ Advantage HCI
- ▶ Aedis Warranties Ltd
- ▶ Building Life Plans
- ▶ Buildzone
- ▶ Checkmate (Castle 10)
- ▶ International Construction Warranties (ICW)
- ▶ LABC
- ▶ N.H.B.C. Guarantee
- ▶ Premier Guarantee Scheme
- ▶ Professional Consultants Certificate (previously Architect's Certificate)
- ▶ Protek
- ▶ The Q Policy
- ▶ Zurich Municipal "New build"

Please refer to UK Finance Mortgage Lenders' handbook for further information:  
<http://www.cml.org.uk/lenders-handbook/englandandwales/question-list/1913/>

## Unacceptable property types

**If the construction of the property is non traditional please contact us for acceptability.**

### Commercial:

- ▶ Live/work units or any property where commercial usage exceeds 20% will not be accepted.

### Construction:

- ▶ Coach houses.
- ▶ Any property of Easiform construction.
- ▶ Any property containing mundic concrete.
- ▶ Any property containing no-fines concrete.
- ▶ Flats or maisonettes in blocks exceeding 20 storeys.
- ▶ Grade 1 listed buildings.
- ▶ Mobile homes and houseboats.
- ▶ Properties constructed with high-alumina cement, timber framed property with no brick skin or 100% steel or timber framed property. This does not include high rise developments.
- ▶ Properties without a solid brick/stone wall.
- ▶ Property designated defective under Part XVI Housing Act 1985, Housing (Scotland) Act 1987 or Pre-Cast Reinforced Concrete (PRC) property (irrespective of whether repaired under a licence repair scheme).

### Other:

- ▶ Purchase from a company that the applicant has an interest in.
- ▶ Any property affected by Japanese Knotweed.
- ▶ Any property deemed unsuitable security by the valuer.
- ▶ Any property where there is ongoing movement/monitoring is required.
- ▶ Property where material environmental hazards are present.
- ▶ Property where saleability may be adversely affected by local planning or by an unsatisfactory mining search.
- ▶ We are unable to consider any property being purchased under any social housing schemes (e.g. Right to Buy, Shared Ownership, Key Worker etc.). Additionally, we are unable to consider remortgaging any property purchased under any such scheme where the original vendor retains any interest or where any pre-emption clause remains.
- ▶ We will not lend where the property is affected by or within influencing distance of any significant factor which will have a negative impact on the property's value or re-saleability (e.g. overhead pylons, sub stations, etc.).

## Restrictive covenants

We are unable to consider any property that may have a restricted occupancy clause within the planning permission, for example, it can only be occupied for a maximum of 11 months in any one year. Property with unrestricted occupancy can be considered provided our normal requirements are met.

Similarly, property that can only be used for retirement or sheltered accommodation is not accepted. This is the same for any property where a planning restriction (e.g. agricultural restriction) effectively limits a property's appeal on the open market.

# Property criteria cont.

## Structural reports

Reports may be accepted from members of the following bodies:

- ▶ The Institution of Structural Engineers ([www.istructe.org.uk](http://www.istructe.org.uk))
- ▶ The Institution of Civil Engineers ([www.ice.org.uk](http://www.ice.org.uk))

The report must be referred to the valuer for comment. If the report is not addressed to the applicant, written confirmation must be obtained from the originator that its contents may be relied upon by the applicant.

We will not lend on any property with either ongoing movement or where monitoring is required, where this is identified by either the valuer, or where evident in the structural engineer's report.

## Specialist reports

We may require a specialist's report, specialist reports most commonly comprise of:

- ▶ Timber and damp, electrical, trees, cavity wall tie.
- ▶ Mining report.

Any such reports should be prepared by a reputable firm and should be forwarded to us for review and referral to the valuer.

## Other

We are unable to lend where the property has been purchased from a company that the applicant has an interest in.

# Valuation fee scale

## Valuation fee scale

We will look to use a desktop valuation in all cases. If we are unable to use a desktop valuation we will need to do a physical valuation and the corresponding fee will be payable.

Valuation up to	Valuation fee	Valuation up to	Valuation fee
£50,000		£500,000	£350
£100,000		£600,000	£490
£150,000	£220	£700,000	£600
£200,000		£800,000	£700
£250,000		£900,000	£775
£300,000	£250	£1,000,000	£850
£350,000	£275	£1,000,000 +	Please contact our support team.
£400,000	£280		

The valuation fee is refundable if the valuation is not carried out.

## Fees that may be added to the loan

Product fee and telegraphic transfer fee up to 78% LTV (any fees added will not be incorporated into LTV calculation, but will be included in our affordability calculation).

## Property re-inspection fee

Where a reinspection is necessary after the initial valuation is carried out, the following fee is payable.

**£100**

## Telegraphic transfer fee

**£25**

## Redemption administration fee

**£114**

- ▶ Please refer to the 'Tariff of mortgage charges' document for full details. A downloadable version is available on the Precise Mortgages website under 'Document downloads'.
- ▶ All fees include VAT (where applicable) .

## ID and Residency documents

If originals are not available, we are able to accept certified copies of any ID and Residency documents, subject to the following:

- ▶ The documents must be certified by an independent professional; e.g. Broker (if FCA regulated), Solicitor, Accountant etc. and not by an applicant, guarantor or close relative.
- ▶ All documents must be certified that the copy is **'a true copy of the original'**.
- ▶ Where the document contains a photograph it must be certified as **'a true likeness'** of the individual.
- ▶ The name of the person and employer/firm certifying the documents must be clear.

Please refer to our Anti Money Laundering Guidelines for full details of our ID and Residency validation requirements.

## Supporting Documents

If originals are not available, the following are acceptable subject to the documents being fully legible and the underwriter having no concerns in respect of authenticity:

- ▶ Photocopies
- ▶ Scanned images
- ▶ Photographic images
- ▶ Digital images

Precise Mortgages retains the right to request original documentation when considered appropriate.

# Submission requirements

Application submission form	<input checked="" type="checkbox"/> Yes
Application form	<input checked="" type="checkbox"/> Yes
Direct debit mandate	<input checked="" type="checkbox"/> Yes
Authority to 1st Mortgage	<input checked="" type="checkbox"/> Yes
Authority to release information	<input checked="" type="checkbox"/> Yes, if applicable.
Standard declaration	<input checked="" type="checkbox"/> Yes
Proof of income	<input checked="" type="checkbox"/> Yes, if income is used to support the loan.
Bank statements	<input checked="" type="checkbox"/> Yes, if applicable.
Copy of assured Shorthold Tenancy Agreements	<input checked="" type="checkbox"/> Yes
Asset and liabilities form	<input checked="" type="checkbox"/> Yes, detailing all investment properties owned by the applicant.
Identification	If applicant fails electronic identification check.
Proof of address	Where the applicant has not been on the electoral register for the 12 months prior to the application.
Portfolio landlord	<ul style="list-style-type: none"> <li>▶ Existing Residential Property Portfolio details.</li> <li>▶ Assets and Liabilities statement.</li> <li>▶ Business Plan.</li> <li>▶ Latest 3 months' bank statements showing rental income and mortgage repayments.</li> </ul> <p>This information can be provided using our forms, the landlords forms or any other format.</p>

**You must provide this information when submitting the application. You must notify the applicant(s) of these requirements and that they need to provide correct and complete information. We will not be able to proceed with the mortgage application if they do not and as a result we are unable to assess affordability.**

**Please note that further documents can be requested at the discretion of our underwriters if required to approve the mortgage. Where information/additional documentation is required, our underwriters will communicate these requirements to you and the associated time scale for their submission. Our approach to suitability of lending will take in to account Responsible Lending and financial ability considerations.**

# Document requirements

If original documents are not available we will accept copies subject to the documents being fully legible and the underwriter having no concerns in respect of authenticity. Please see page 13 for full details.

<b>Standard declaration</b>	Must be signed and dated.
<b>Rental income confirmation</b>	<ul style="list-style-type: none"> <li>▶ AST and 1 month's bank statement confirming rent received (if the rental figure is not supported by the valuation/AVM we will require 6 months' bank statements pre-dating this application.)</li> </ul>
<b>Earned income confirmation</b>	<ul style="list-style-type: none"> <li>▶ 2 monthly payslips (3 if using overtime/bonus).</li> <li>▶ 3 weekly payslips (4 if using overtime/bonus).</li> <li>▶ P60.</li> <li>▶ Zero hour contracts - payslips covering the last 6 months and the latest P60 (this will only be considered for secondary applicant).</li> <li>▶ Bank statement showing salary credit transaction for poor quality/Sage/internet payslips.</li> <li>▶ Most recent bank statement evidencing rental income.</li> <li>▶ 2 months bank statements (certified or internet copies) to be supplied for the direct debit account.</li> <li>▶ 1 year's SA302/Tax Calculation and Tax Year Overview/Accounts (&lt;75% LTV).</li> <li>▶ 1 year's SA302/Tax Calculation and Tax Year Overview/Accounts (If &gt;75% LTV, 400 plus score &amp; maximum 4xLTI).</li> <li>▶ 2 years' SA302s/Tax Calculation and Tax Year Overview/Accounts (&gt;75% LTV).</li> <li>▶ 1 months' bank statements (Certified copy or Internet).</li> </ul>
<b>Letting licence information (if applicable)</b>	<p>From one of the following:</p> <ul style="list-style-type: none"> <li>▶ Barking.</li> <li>▶ Dagenham.</li> <li>▶ Liverpool.</li> <li>▶ Newham.</li> <li>▶ Waltham Forest.</li> </ul>

If the customer has an existing property portfolio, we will require a list of the property addresses.

## Get in touch with our intermediary support team

 0800 116 4385 9am to 6pm, Mon to Fri

 0800 131 3180

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 [enquiries@precisemortgages.co.uk](mailto:enquiries@precisemortgages.co.uk)

 [precisemortgages.co.uk](http://precisemortgages.co.uk)

**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.**

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