

# BUY TO LET PROPERTY CRITERIA.

## 1. The Property

All valuations will be instructed by The Mortgage Lender Limited.

Each security will be formally valued by a valuer appointed to The Mortgage Lender Limited's panel. The valuation report will be valid for a maximum period of six months from the date of the inspection. The valuation must be completed on TML's branded valuation form.

We will normally request an EPC rating from the valuer. TML will consider alternative sources of an EPC rating.

If we become aware that a sale is being undertaken at a materially reduced value, we reserve the right to undertake further checks.

A 'Retype' valuation report is acceptable, if completed by a valuer appointed to TML's panel and the original inspection was within the last 3 months.

We will consider lending on residential properties in mainland England, Wales & Scotland. We will also consider properties on the Isle of Wight & Anglesey. Applications in relation to properties in Northern Ireland are not acceptable.

### Audit Valuations

TML reserve the right to undertake an audit valuation ( a second full property inspection) on a case by case basis.

### Post Codes

The following post codes are excluded	
England & Wales	All GY, IM & JE postcodes
Scotland	IV41 - IV51 IV55 & IV56 KA27 & KA28 KW15 to KW17 inclusive PA41 to PA49 PA60 - PA78 PH41 to PH44 All HS & ZE postcodes

### Unencumbered Property

Land Registry search will be obtained to confirm ownership and unencumbered status.

### Inherited Property:

If the customer does not currently own a property and inherits the security, the minimum period of ownership is six months before a mortgage can be applied for. The security also needs to be confirmed at Land Registry. Exceptions may be considered on a case by case basis, provided we are satisfied that the mortgage is not consumer buy to let.

### Holiday & Short Term Let:

The property must be capable of being let on a sustainable AST basis meeting our minimum ICR%. The valuation must confirm that the property is capable of being let on an AST basis with an acceptable level of demand being evidenced by way of rental comparables. This demand should cover a minimum 6 / 12-month period. If no rental demand can be established with comparative evidence provided, the application will not be allowed to proceed.

## 2. Tenure

The tenure of the property must be freehold or leasehold in England & Wales. For Scottish properties, it must be absolute ownership or heritable. All leasehold properties must have an unexpired term of at least 50 years at the end of the mortgage term. Flats and maisonettes in England & Wales must be leasehold, freehold flats and maisonettes are acceptable in Scotland. See Unacceptable Properties section below for further details.

## 3. Minimum Valuation

The minimum acceptable property valuation is £50,000 (unless stated otherwise at a product level), except in London and the South East where the minimum is £120,000.

## 4. Maximum Valuation

None.

## 5. Exposure Limits

The Mortgage Lender Limited will normally restrict the coverage on individual developments and buildings to:

- Maximum of a single unit in developments of up to 7 properties, or 20% of units in developments of between 8 and 50 properties (up to 10 units) and 15% where the development comprises of 50 properties or more (maximum 20 units).
- A maximum of 20% of properties within any individual full postcode area. Exceptions to this may be considered on a case by case basis.

## 6. Ex-Local Authority Properties (England and Wales)

The Mortgage Lender Limited will consider lending on Ex-Local Authority properties in England and Wales, subject to the following criteria:

- Minimum valuation, as per section 3 - outside of London and the South East.
- Minimum valuation, as per section 3 - in London and the South East.
- Maximum 75% LTV.
- Traditional construction only (as opposed to core criteria where non-traditional properties are allowed).
- Maximum 5 floors in block, except in London and the South East, where the maximum allowed is 10.

Ex Local Authority Properties in areas where the majority of homes are not in private ownership, will be considered on a case by case basis.

## 7. Ex-Local Authority Properties (Scotland)

The Mortgage Lender Limited will consider lending on Ex-Local Authority properties in Scotland, subject to the following criteria:

- Minimum valuation, as per section 3.
- Maximum 75% LTV.
- Traditional Construction only (as opposed to Core Criteria where non-traditional properties are allowed).
- Maximum 5 floors in block.

Ex Local Authority Properties in areas where the majority of homes are not in private ownership, will be considered on a case by case basis.

## 8. (HMO) House of Multiple Occupancy Definition

These comprise of individual units that cannot be sold separately and have at least some shared facility. HMO Properties are considered by The Mortgage Lender as:

- Properties with a mandatory or discretionary HMO License requirement.
- A Property with a non-standard layout that would not sell as a family home without alteration.
- A leasehold flat, if there are no restrictions prohibiting such occupation by the landlord or management agent.

All HMO Properties will be valued for rental on a room by room basis and consolidated into a single rental income amount.

## Mandatory Licensing

Licensing is mandatory for all HMOs which have three or more storeys and are occupied by five or more persons forming two or more households.

## Discretionary HMO Licensing

The Housing act gives local authorities the power to extend licensing of multiple unit properties (Discretionary HMO Licensing) which would not meet the requirements for mandatory HMO Licensing TML will accept them under HMO criteria.

## Selective Licensing

Under the Housing act 2004, local authorities have powers to introduce selective licensing of privately rented homes in a specific area. TML will consider such properties on the standard buy-to-let product range provided the subject is not an HMO.

## House of Multiple Occupancy Criteria

- Standard Lending criteria applies to HMOs.
- In all cases TML will take first charge on the freehold title or equivalent.
- TML will lend on HMO Properties with no more than 6 bedrooms, minimum valuation of £120,000 up to a maximum of 75% LTV. Exceptions may be considered on a case by case basis.
- If an HMO Licence is required from the local authority, the conveyancing solicitor needs to ensure our mortgage conditions in this respect is complied with.
- Evidence that the property has planning permission and building regulations will be checked by the solicitor.

## 9. Holiday & Short Term Let

- Standard Lending criteria applies to Holiday & Short Term Let.
- The applicant (including as owner or any shareholders of funding) or immediate family is not permitted to occupy or use this as their main residence at any time over the period of the lend.

- In all cases TML will take first charge on the freehold title or equivalent.
- The property must be capable of being let on a sustainable AST basis meeting our minimum ICR%. The valuation must confirm that the property is capable of being let on an AST basis with an acceptable level of demand being evidenced by way of rental comparables. This demand should cover a minimum 6 / 12-month period.
- If no rental demand can be established with comparative evidence provided, the application will not be allowed to proceed.

The following exclusions also apply:

- New builds, MUBS or HMOs properties are not acceptable. No Expats, albeit these may be considered by exception.
- First Time Landlords are not allowed. At least one applicant or Director must have owned, let and still own one or more Buy to Let property for a minimum of 12 months.
- Regional and property exclusions may apply including concentration and flood risk.
- Properties in holiday parks / village or sharing of communal facilities with other properties are not acceptable.
- Any property where planning or occupancy restrictions apply are excluded (i.e. you must vacate the property for one month of the year).
- No timeshare arrangements are acceptable.
- For any property that may be operating as a B&B or hotel type accommodation, the application will not be allowed to proceed.

## Licensing and other approvals

- All necessary licensing and planning consent requirements should be in place.
- The Property must not be subject to any planning or licensing restrictions or any other restrictions (including, if the Property is leasehold, any restrictions in the lease) which preclude the letting out of the Property on short-term or holiday lets. Our legal adviser must ensure that the Property has any required Planning Permission for short-term and holiday lets.
- TML may request additional evidence that there are no issues outstanding which restrict future renewal of any licensing / planning consent.
- The buildings insurer of the Property should be advised that the Property is occupied as a holiday let and / or short term let.

## 10. Shared Accommodation Definition

Shared houses are dwellings that have not been significantly altered and can sell on the open market as a single residential unit. Shared houses are acceptable on standard buy-to-let mortgage products providing:

- A property with standard layout that would sell as a family home without alteration
- That it is not an HMO (as per definition above)
- That it is not a Holiday & Short Term Let (as per definition above)
- The property must have at least one communal room and it is a condition of the offer that this is maintained
- The rental figure will be based on having a communal room
- The Property can sell as a single residential unit

## 11. New Build Developments, Multi Unit Blocks and Conversions

### New Build

New build developments are properties (Houses and blocks of flats) built or converted within the last 12 months. Newly converted properties, completed by a professional and reputable development company will be treated as new builds. E.G. Office converted flats, professional barn conversions, factory/warehouse converted into flats.

### Multi Unit Blocks (Converted Freehold Properties)

We will consider converted MUB properties (in residential units) on an individual basis based on the following:

- The age of the conversion
- Type of conversion- E.G. Commercial (Pubs & Office Blocks), Houses & barns
- Location of the property
- Whether demand for this type of property is in keeping with the local area
- Compared evidence
- Re-saleability. Property must be suitable for letting/Resale
- Non-Residential locations. Not to lend on conversions in commercial/non-residential locations
- The minimum property value is £120,000

### Types of Conversions

Ex Commercial Properties: Are acceptable either on standard or HMO basis, providing they have been converted to a high standard. All planning, building regulation and change of use must have been obtained for the conversion.

Freehold property split into self-contained units are acceptable provided we receive:

- A satisfactory valuation and that it is considered that the conversion will have no negative effect on resale
- In general, we would expect residential conversions to be fully self-contained (i.e. where a freehold house is converted into 3 flats, each should be self-contained with its own utility services)
- The minimum property value is £120,000
- TML must take a charge on the freehold. We will consider properties that have a maximum of 6 self-contained units. Exceptions may be considered on a case by case basis

For a Freehold split into 3 or more self-contained units the following applies:

- HMO Lending criteria
- HMO Valuation fee scale
- HMO Mortgage Products Rates

Freehold property split into non-self-contained units:

TML will only consider these types of property on a HMO basis. The minimum property value is £120,000 and a maximum LTV 70% TML must take a charge on the freehold.

## 12. Flats above or adjacent to Commercial

Properties impacted by Proximity to commercial:

TML will only consider properties above or adjacent to commercial premises where the following conditions apply.

- Where the valuer comments are not negative and recommends the property as suitable security. This also includes new developments (subject to new build criteria) over commercial premises.

## 13. Specialist Reports

If recommended by the valuer specialist reports will be required without exception (e.g. Structural Reports, Damp and timber) and will be considered by the underwriter as part of the overall lending decision. This may require an EWS1 form for any residential apartments in line with RICS guidance relating to cladding.

## 14. Structural Engineers Reports

Where a valuer recommends a Structural Engineers Report, TML will consider this. TML may choose not to proceed and decline the case. If a structural Engineers Report is required, the report must be completed by one of the following:

- o Fellow or member of the Royal Institution of Chartered Surveyors (FRICS or MRICS)
- o Fellow or member of the Institution of Structural Engineers (F.I.Struct.E. or M.I.Struct.E)
- o Fellow or member of the Chartered Institute of Building (FCIOB or MCIQB)
- o Fellow or member of the chartered Association of Building Engineers (C.Build E MCABE and C.Build EFCABE)
- o Fellow or member of the Institution of Civil Engineers (FICE or MICE)

Alternatives may be considered by the Company if supported by the mortgage industry trade body UK Finance (formerly the CML).

## 15. Timber and Damp report

If a Damp and Timber report is required, then the report and works must be completed by a specialist Contractor with one of the following qualifications: Property Care Association (PCA) or Wood Protection, Offering a long-term guarantee.

## 16. Electrical report

If an Electrical Report is required, then the report and the works must be completed by a specialist contractor with one of the following Qualifications: NICEIC, Domestic Installer Scheme and or the Electrical assessment scheme.

## 17. Tree Report

If a Tree Report is required, then the report and works must be completed by a qualified tree surgeon with one of the following qualifications: MIC Forestry or Arboriculturist.

## 18. Property Types unlikely to be deemed as acceptable

The following is not an exhaustive list of unacceptable properties; further exclusions may apply. If you are unsure about a specific property type or issue, please contact us to discuss further.

- Properties with a panel valuation figure of less than £50,000 or £120,000 in London and the South East
- Property in commercial use
- Where TML is made aware that a property has been subject to a back to back transaction (previously changed hands in the last 6 months)
- Properties with restrictions as regards to occupancy e.g. agricultural, retirement flats or certain serviced apartment flats etc.
- Properties with more than 6 bedrooms except HMO's and MUB
- Flats in a block of more than 5 storeys are limited to a maximum of 70% LTV, excluding properties in London and the South East, where the normal LTV rules apply unless the block is more than 10 storeys which limited to a maximum LTV of 70%
- Properties of more than 4 storeys that do not have a lift
- Ex-local authority houses in an area where the majority of housing remains in local authority ownership (as confirmed by the valuer)
- Properties above or immediately adjacent to commercial property or shops, including food outlets, i.e. properties above restaurants, public houses, nightclubs, take-aways, shops selling perishable foodstuffs, pet shops, workshops, petrol station or any outlet which is highly unsuitable on the grounds of noise, smell or danger to health and safety will not be considered. Properties above or adjacent to other types of commercial property are considered providing:
  - o The proximity
  - o Valuation exceeds £150,000

- o Located in an urban area
- Individual studio flats, where the lounge and bedroom are incorporated into one room, exceptions may be made if the property is located in a city centre location with a confirmed value in excess of £120,000 and where the valuer confirms that there is demand for such property to be sold
- Freehold flats/maisonettes (except former feudal flats in Scotland)
- Live/work properties
- Shared ownership/equity
- Local Authority properties
- Ex Local Authority properties that are subject to a pre-emption period
- Certain flats/maisonettes within blocks owned by Local Authorities (except cottage flats/maisonettes in Scotland)
- Properties identified by the valuer as having re-sale difficulties
- Properties identified by the valuer where there is no sustainable AST demand (or equivalent)
- Properties with continual structural movement – this includes properties that require monitoring
- Properties with dry rot that affect the value of the property
- Properties which comprise one of two leasehold flats in a building where the applicant also owns the freehold reversion of the other flat and the other leaseholder owns the freehold reversion in the applicant's flat (also referred to as a Tyneside lease, or a criss-cross or cross-over lease)
- Properties that have been underpinned within the last three years or require underpinning
- Tie-bars
- Properties likely to be affected by local planning developments / proposals
- Monkey Puzzle Style Houses – these are mid-terrace houses where there are 2 houses interlocked with approximately 50-60% flying freehold therefore not acceptable security
- Flying Freehold (elements of flying freehold can be considered providing the valuer confirms that the flying freehold is no more than 15% of the total property)
- Land locked properties
- Single leaf brick offshoots/extensions (unless the single skin element relates to a non-habitable room)
- Properties with 'over age' clauses
- Any property with a gross floor area of less than or equal to 40sqm outside London and 30sqm in London
- Affordable housing properties
- Uninsurable properties
- Mobile homes, caravans, park homes, houseboats or log cabins
- Holiday home (or Short Term Let) where no sustainable AST demand is evident
- No timeshare arrangements
- Any invasive tree or invasive vegetation in close proximity to the property (including Japanese Knotweed)
- Properties with land included which exceeds 3 acres
- Properties where power lines or electricity supply apparatus are located directly over and/or on the site
- Self builds
- Listed properties with a grade A or grade 1 status
- Properties less than 10 years old and without one of the following Certificates:
  - o National House-Building Council Buildmark Scheme (NHBC)
  - o Zurich Municipal Newbuild Scheme
  - o Premier Guarantee for Private Housing and Completed Housing
  - o Building Life Plans Scheme
  - o Local Authority Building Control (LABC)
  - o Checkmate
  - o Castle 10
  - o Build Assure
  - o ARK
  - o One Guarantee
  - o Build Zone

Others can be considered on referral.

- Architects Certificate, (the Architects Certificate must be completed on The Mortgage Lender's Professional Consultant 's Certificate Format (available on request). The Professional Consultants used must have one or more of the following qualifications:
  - o Fellow or member of the Royal Institution of Chartered Surveyors (FRICS or MRICS)
  - o Fellow or member of the Institution of Structural Engineers (F.I.Struct.E. or M.I.Struct.E)
  - o Fellow or member of the Chartered Institute of Building (FCIOB or MCIOB)
  - o Fellow or member of the Architect and Surveying Institute (FASI or MASI)
  - o Fellow or member of the Association of Building Engineers (FB.Eng or MB.Eng)
  - o Member of the Chartered Institute of Architectural Technologists (MCIAT)
  - o Architect registered with the Architects Registration Board (ARB), even if also a member of another institution, e.g. the Royal Institute of British Architects (RIBA)
  - o Fellow or member of the Institution of Civil Engineers (FICE or MICE)

Other certificate/warranty types may be considered upon review by The Mortgage Lender Limited.

- For any converted property a planning certificate or warranty may be required, depending on the scope of the conversion undertaken and extent of planning required. As a guide warranties are required in every case for any converted or new build where works are undertaken in the last 10 years from the date of practical completion. For any properties beyond 10 years, the valuer may raise specific concerns as to whether further specialist reports are required or recommend that a specialist report is instructed.

## 19. Unacceptable Property Construction Types

The following is not an exhaustive list of unacceptable properties; further exclusions may apply. If you are unsure about a specific property type or issue, please contact us to discuss further.

- Properties listed under the Housing Defects Act unless repaired under the PRC Homes Ltd guarantee scheme including the subject property and all adjoining properties in the structural block
- Reinforced forms of poured or shuttered concrete construction including Easiform construction but excluding Laing Easiform from 1945 onwards and No Fines construction which are acceptable construction types
- Steel clad properties
- Steel framed construction unless modern purpose built flats
- Large Panel System (LPS) built construction flats and maisonettes (houses and maisonettes of not more than 2 storey and height are acceptable subject to a satisfactory report from a structural engineer)
- Timber or metal framed buildings where the cavity between the frame and cladding has been filled with an insulation material after construction
- Pre 1965 softwood timber framed constructions lacking special merit on saleability
- 100% timber construction, unless of high standard and in a location where there is a proven, sustainable demand
- Buildings containing high alumina content
- Walls containing Mundic in Devon and Cornwall built between 1900 and 1960 unless a suitable specialist test of the concrete returns a Grade A classification
- Cranwell Construction
- Scotswood Pine Style
- Reema Construction
- Cross Wall Construction
- Concrete construction, with the exception of Wimpey no fines
- Steel framed construction, which includes: BISF, B1 & B2 Aluminium Bungalows, Trusteel Mk11, Trusteel 3M, Telford, Nissen-Petren (all other types must be referred)
- Pre 1960 timber framed properties
- Any residential apartment above four storeys with cladding that does not have an EWS1 form or an A3 or B2 rating

## 20. Acceptable Modern Methods of Construction

Properties of a modern method of construction are treated on their individual merits and is to be referred to the panel manager. As a general rule, properties with the following will be acceptable;

- o Local Authority approval
- o NHBC or similar ten year warranty
- o BBA/BRE certificates as follows
- o Frame: confirming the building system has a durability of at least 60 years. The certificate must also confirm that the system can be used with appropriate claddings and roof types
- o Claddings: stating what maintenance is required and the life expectancy of them

## 21. Retentions & Stage Build

Retentions will be acceptable where the reason for the retention is for essential repairs only. A full retention will apply where the valuer advises the property is not in a habitable condition. The maximum retention amount allowable is 5% of the current valuation. If the valuer quotes both a current market value and an after essential repairs value, the current market value will be used in the loan to value calculation.

Where a valuer recommends a re-inspection, this must be received prior to completion. Stage build applications are not accepted.

## 22. Predominantly Buy-to-Let Areas

TML will lend in areas that are predominantly Buy-To-Let Properties (E.g. Student lets) but reserves the right to decline such applications (e.g. blocks of flats predominantly owned by landlords).

The Valuer is asked to comment on this to bring any matters that they may be aware of from local knowledge, to our attention and which may affect the security. Positive as well as negative comments, relating to amenities or environment, and factors, which may restrict saleability, should be outlined in this section. This is to include but is not limited to: Anti-social behavior, reputation of the local area, owner occupation of the local area.

## 23. Acceptable Tenancies

The following are acceptable:

- (AST) Assured Shorthold Tenancies either 6 or 12 months. (If the property is in England)
- A Private Residential Tenancy or Short Assured Tenancy (if created prior to 1st December 2017). (If the property is in Scotland)
- An Occupation Contract which is a Standard Contract (If the property is in Wales)
- Holiday Let (or Short Term Let) on the proviso that it can be let out on a sustainable AST basis (or equivalent) and the product type has been selected
- Shared Households & Student Lets- Tenancies may be in individual names or a group of names. These will either be valued as a single tenancy, multi let or on a HMO basis. Properties on student campus are not acceptable to TML
- Corporate Lets- (Incl. Local authority and housing association lets)- (A maximum lease term of 5 years)

- Maximum number of Tenants- Number of tenancies should be commensurate with the size of the property
- Standard format Tenancy- of private sector Lease as per the CML handbook.
- Tenancies in a shared household may be in individual names or a group of names

## **24. Unacceptable Tenancies**

The following are Not acceptable:

- Assured, protected, statutory
- Holiday Lets (or Short Term Let), unless the product type has been selected

The subject property shall not be let (in part or whole) or Occupied by:

- Any of the Applicants, or guarantors or vendor of the property.
- A family member of any of the applicants, or guarantors or vendor of the property.

Please see our Acceptable Tenancies Document for full details

## **25. Energy Performance Certificates**

TML lend on properties with an acceptable A - E rating. Our valuer will confirm if any property is F or G rated and provide a NIL value in these situations, due to these ratings being outside acceptable valuation parameters.



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**FOR CHECKING.**

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