

# Important - Changes to our Lending Policy

Following one of our regular reviews of the mortgage market, we can confirm a number of changes to our residential mortgage lending policy. These changes are effective from Monday 16th June 2014. The key changes are described briefly in the following bullets and explained fully in the table below.

- We have made our policy more flexible in areas such as Right to Buy, Buy to Let, Let to Buy, and applications from professional sportspeople and entertainers.
- We have defined our policy more clearly for pay day loans.
- We have updated our information requirements for self employed applications.
- The maximum number of applicants is now two.
- will no longer offer Guarantor cases as these accounted for a very small part of our business and did not justify the commitment in resource and cost to maintain policy, documents, systems and processes.
- Similarly, we will no longer accept cases for properties in Northern Ireland as these too account for an extremely small part of our business and do not merit the required resource and cost to maintain our proposition.

We hope these changes are clear but if you do have any queries please don't hesitate to get in touch with our Intermediary Support Team on 0845 602 2338.

Newcastle Building Society – Residential Lending Policy changes. Effective 09.06.14.

Intermediary Services is a registered trading name of Newcastle Building Society. Newcastle Building Society registered office Portland House, New Bridge Street, Newcastle Upon Tyne, NE1 8AL email: [intermediary.lending@newcastle.co.uk](mailto:intermediary.lending@newcastle.co.uk)

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## Residential Lending Policy Review 2014 High Level Changes (Effective 16<sup>th</sup> June 2014)

We have made the following changes to our residential lending policy. For full details please visit <http://www.newcastle.co.uk/criteria.aspx>

Policy Rule	Current Position	Agreed Change
<b>Back to Back Housing</b>	Not acceptable unless within the M62 corridor where ready and sustainable demand exists.	Any form of back to back housing is no longer acceptable.
<b>Guarantor Lending</b>	Available to both direct and introduced customers.	We no longer accept guarantor mortgages.
<b>Family purchase/ Holiday Homes/ 2<sup>nd</sup> Properties</b>	Max loan for all is currently £1m.	Reduce to a maximum loan of £500k.
<b>Maternity Leave Policy</b>	We currently base income on pre-maternity level unless we are told they are returning to work on an alternative basis.	Affordability should now be based on expected income once applicant has returned to work. To facilitate this, we will require confirmation of return to work date, salary and this should be verified by employer.
<b>Minimum Purchase Price / Estimated Value</b>	Currently £40,000	Increased to £50,000
<b>Multiple Applicants</b>	Maximum of 4 applicants.	We no longer accept multiple applicants. Maximum number of applicants will now be 2.
<b>Non EEA Nationals</b>	Loans greater than 75% LTV for all non EEA nationals are referred to underwriters for approval via a Decision in Principle	Increased referral point to underwriters via a Decision In Principle to 80% LTV.
<b>Northern Ireland</b>	Currently lend in Northern Ireland to new and existing customers up to a maximum of 80% LTV.	We no longer lend in Northern Ireland for any new business.

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<b>Pay Day Loans</b>	No current policy exists	Applications to be referred to underwriters for review in the following circumstances:  - 1 or more payday loan taken out in last 6 months - 2 or more in last 12 months
<b>Professional Sportspersons / Entertainers</b>	Maximum LTV is currently 80% unless agreed by underwriter	Will now be assessed as a standard loan with a maximum LTV of 95%.  We will still require full details of how the applicant will continue to support the loan post retirement and may require full documentary evidence of this to ensure the loan is affordable.
<b>Right to Buy</b>	Will consider lending 100% of the discounted purchase price and up to 90%LTV on open market value where funds are solely for home improvements  Where we are lending additional funds above the discounted purchase price then we require estimates of works to be carried out and a full retention is imposed until works completed.	We will continue to lend up to 100% of the discounted purchase price but will reduce the maximum loan to 80% of open market value where borrowing additional for home improvements.  We will consider a release of up to £5,000 upfront, in addition to funds to purchase the property, to fund home improvements. This would be subject to sight of estimates for works prior to Offer.  Under no circumstances must additional funds be used for capital raising or payment of fees to a solicitor or third party / intermediary.
<b>Let to Buy</b>	1. All loans where apps are not selling current property are referred to underwriters regardless of LTV.  2. Where expected rental income does not pass stress test of 120% coverage we deduct the whole current monthly payment as a commitment for affordability purposes.	1. Only refer to underwriter via a Decision in Principle where:  - LTV is >80% OR - Rental stress test fails i.e. 120% coverage not met.  2. - Where there is a shortfall based on rental stress test the difference can be taken as a monthly deduction and is acceptable if loan continues to be affordable.
<b>Buy to Let (properties in background)</b>	We currently ask for evidence of the last 12 months rent as well as copy of Assured Shorthold Tenancy agreement to prove self supporting	Where we can clearly see the mortgage being conducted satisfactorily via the credit report then we only require the following:  - Copy of current AST & - Last month's bank statement to prove rent received or invoice from letting agent

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<p><b>Self Employed Applicants</b></p>	<ol style="list-style-type: none"> <li>1. The income level to be used will be based on the average of last 2 years net profit. Care must be exercised where net profits are falling or drawings are exceeding net profit. If this is a continuing trend then the case should be declined.</li> <li>2. Currently accept 2 years accounts <b>OR</b> HMRC Tax Assessments</li> </ol>	<ol style="list-style-type: none"> <li>1. The income level to be used will be based on the average of last 2 years net profit.</li> </ol> <p>Where net profit is declining then we use only the most recent tax year for affordability purposes and a projection from an accountant must be requested to ensure that the projected net profit for forthcoming tax year is at least at the same level.</p> <p>Where net profits have declined each year or drawings continue to exceed net profit then application will be declined.</p> <ol style="list-style-type: none"> <li>2. We now require 2 years accounts <b>and</b> Tax Assessments in all instances to be supplied with the application. Exceptions will only be made for those applicants who self assess.</li> </ol>
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