

Mortgages

# Residential Lending Policy

For use by Intermediaries



# Newcastle Building Society offers mortgages to cover many situations.

**Residential mortgages are available for the following purposes:**

- Purchase of a residential property
- Remortgage of an existing secured loan
- Capital raising
- Additional borrowing for existing customers
- Scheme Transfers
- Self Build Mortgages (exclusively through BuildStore Financial Services)

**To find out more please read on...**

# General Policy Information

- Max LTV's are product specific and may vary from time to time.
- Minimum mortgage advance is £10,000 (or £1,000 for further advances), maximum advance is £1m. Loans over £350,000 will require Executive approval and must be submitted initially as a Decision in Principle.
- Minimum repayment term is 5 years (or 3 years for further advances) with a maximum loan term of 35 years.
- Minimum age for applicants is 18. Maximum age at the end of the loan term is 75. Where applicants are within 5 years of expected retirement age then sufficient pension income to support the advance throughout the mortgage is required.
- All properties must have a minimum purchase price or valuation (whichever is lower) of £40,000.
- We will accept repayment, interest only or a combination of both as suitable vehicles to repay the mortgage. Where loans are arranged on an interest only basis the maximum LTV is capped at 50%. We will request details of the applicants repayment strategy and this must be reasonable and adequate to cover the loan.

We will accept sale of existing property as an acceptable method of repayment on the basis that the maximum LTV is 50% and there is at least £125,000 equity in the property at the start of the loan.

Arrangement by estate and inheritance are not classed as acceptable means.
- Maximum number of applicants is 4 although we will only assess income from the 2 highest earning.
- Minimum/maximum loan amounts are product specific.
- Applicants must normally have been resident in the United Kingdom for a minimum period of three years. This can be waived for Diplomatic Corps, a member of HM forces, or employees of international based companies, providing their family will be a resident in the property.
- Non-EEA nationals will be restricted to 75% LTV although a higher LTV may be considered on referral to an underwriter. In all instances we will require evidence of indefinite leave to remain in the UK. Professional applicants on long term visas with at least 2 years remaining, will also be considered.
- We will run a credit search on all our applicants' addresses to cover the three year period preceding the application. The results should confirm the applicants are registered at the address and that:
  - No unsatisfied CCJs or Defaults.
  - No CCJ's or Defaults (registered or satisfied) within the last 3 years;
  - No bankruptcy or IVA's, irrespective of being satisfied
  - Current arrears and instances where 3 or more consecutive payments missed in the last 3 years will be referred to underwriters for assessment;
  - No Mortgage arrears within last 12 months (instances where there are, will be referred to underwriters for assessment);
- Applicants who have previously had a property repossessed will not be accepted.

# Maximum Loan to Value Limits

Loan Amount	Maximum Loan to Value*
Up to £300,000	95%
£300,001 to £500,000	80%
£500,001 to £750,000	70%
£750,001 to £1,000,000	60%

## \*Please refer to specific product details for maximum LTV.

- All applicants must fund their deposit from their own resources however gifted deposits from relatives may be allowed dependant on individual circumstances. (The Society reserves the right to have sight of the source of deposit).
- Remortgages for capital raising purposes are restricted to 80% LTV. Capital raising is described as anything other than the replacement of a home purchase loan or a loan for purposes of current home improvements.
- Second homes / holiday homes must be strictly for the sole use of the borrower and dependent family members and must not be let. The maximum loan to value for such properties is 75% and the borrower must be able to afford all mortgages within the one income multiple calculation (i.e. not deducting the current monthly mortgage payment).
- Let to Buy applications are restricted to 75% LTV although a higher LTV may be considered on referral to an underwriter. In addition, we will require a evidence of consent to let from existing lender or the buy to let offer along with confirmation of expected rental income from a ARLA/NLA registered letting agent. The expected rental income must cover our rental stress test of 110% of a fixed 5% on an interest only basis.
- Borrowers with existing investment portfolio's will be considered up to 95% LTV providing that the rental income covers at least 110% of the current mortgage payment. We would also require sight of tenancy agreements, proof of mortgage payments and a portfolio summary for those with a number of loans.

## Self Build Mortgages

We offer self build mortgages exclusively via BuildStore Financial Services who can be contacted on **0845 223 4888**. Alternatively, visit their website [www.buildstore.co.uk](http://www.buildstore.co.uk) for more details. We offer self build mortgages on the following basis:

- Where applicants wish to buy land and build a new property
- We will consider lending up to 80% LTV to purchase land / property and up to 80% of cost of each stage during the build subject to valuation
- Funds are released on an arrears stage payment basis

**Please contact BuildStore to discuss your client's requirements in full.**

# Affordability Assessment

- The Society no longer assesses your borrowing capacity through income multiples and has developed a new Affordability Calculator which is now more tailored to your individual circumstances. Assessment of how much you can borrow is now calculated through a combination of your income, regular commitments and household/lifestyle expenditure.
- In assessing affordability all unsecured loans which have more than 6 months to run, credit cards and maintenance will be deducted. In addition deductions will also be made for declined household and lifestyle expenditure which is compared against statistical data for accuracy.
- If you have any questions regarding the calculator please contact our Intermediary Services Support Team on 0845 602 2338

# Income Assessment Requirements

	Up to and including 80% LTV*	Over 80% LTV*
Employed	<p><b>New Borrowers &amp; NBS Homemovers (porting / new product)</b></p> <ul style="list-style-type: none"> <li>■ 1 payslip dated from the last 2 months</li> </ul> <p><b>Further Advance</b></p> <ul style="list-style-type: none"> <li>■ 1 payslip dated from the last 2 months</li> </ul> <p><b>For both new and further lending, the last P60 will be required where overtime / bonus / commission is required to establish track record.</b></p>	<p><b>New Borrowers &amp; NBS Homemovers (porting / new product)</b></p> <ul style="list-style-type: none"> <li>■ 3 most recent payslips and latest P60</li> </ul> <p><b>Further Advance</b></p> <ul style="list-style-type: none"> <li>■ 3 most recent payslips and latest P60</li> </ul>
Self Employed	<p><b>New Borrowers &amp; NBS Homemovers (porting / new product)</b></p> <ul style="list-style-type: none"> <li>■ Last 2 years certified/audited business accounts <b>OR</b></li> <li>■ An accountants reference confirming income <b>OR</b></li> <li>■ Tax assessments</li> </ul> <p><b>Further Advance Max 80% and less than 25K additional borrowing</b></p> <ul style="list-style-type: none"> <li>■ Last 1 years certified/audited business accounts <b>OR</b></li> <li>■ An accountants reference confirming income <b>OR</b></li> <li>■ Tax assessments</li> <li>■ If over 80% and/or more than 25K then revert to 80%+ verification opposite.</li> </ul>	<p><b>New Borrowers &amp; NBS Homemovers (porting / new product)</b></p> <ul style="list-style-type: none"> <li>■ Last 2 years certified/audited business accounts <b>OR</b></li> <li>■ Last 2 years tax assessments where accounts have not been prepared and signed by a professional qualified accountant <b>AND</b></li> <li>■ Projection for the current year</li> </ul> <p><b>Further Advance</b></p> <ul style="list-style-type: none"> <li>■ Last 2 years certified/audited business accounts <b>OR</b></li> <li>■ An accountants reference confirming income <b>OR</b></li> <li>■ Last 2 years Inland Revenue tax assessments</li> </ul>

**\*Please refer to specific product details for maximum LTV.**

# The following points will be taken into account when considering the applicants' ability to meet mortgage payments:

- Applicants who have fixed term contracts within professional occupations such as doctors, teachers and solicitors, will be regarded as in permanent employment. Applicants from contract workers in other fields will be considered on their individual merits.
- Foreign national applicants (nationals of all EEA countries) are expected to have resided in the UK for at least 3 years and this can be verified (via credit search on either voters roll or through CAIS information) along with 6 months bank statements.
- Proof of payment for the preceding 12 months is required where the applicant has had a previous mortgage or has been a tenant and the data is not available via a credit check.
- For all forms of additional income which is being taken into account, documentary evidence will be required.
- Guarantors are acceptable to the society subject to a maximum LTV of 95%.

Applicants generally need to be able to support mortgage payments but we will consider applications where affordability is split between applicant and guarantor. The guarantor must be a close family relative (parent, child, grandparent) and needs to be fully aware of their commitment and potential liability. It is a requirement that they take independent legal advice. Maximum age for the guarantor at application is 60.

- In assessing affordability all unsecured loans that have more than 6 months to run, credit cards and maintenance will be deducted. In addition, deductions will also be made for declared household and lifestyle expenditure which is compared against statistical data for accuracy. The stress rate applied for affordability is our current standard variable rate + 1%.
- In all mortgage applications the applicant's income will be assessed. We do not offer self certification or non-verified status mortgages.

# Identification Requirements

## The following information is required in support of a mortgage application:

- In the event that the applicants are not registered on the electoral roll, they must supply proof of residence. Any utility bill, council tax bill, voters roll enquiries, bank statements or mortgage statements are acceptable, provided the original documents are supplied and they are from within the last 3 months.
- The Society will be required to confirm identity. Acceptable documents include a, passport or driving licence or a recent bank statement.
- Intermediaries are responsible for ensuring that applicants identity and Proof of Residency are verified as part of the application process.

# Property Information

- The society will make advances on any acceptable security in England, Scotland, Wales and Northern Ireland.
- Properties in Scotland still require a transcript of existing report from the applicant on the proviso that the valuer is on our panel and the transcript is addressed to NBS. Alternatively, we will instruct our panel valuers.
- The tenure of acceptable properties will be freehold or leasehold in England, Wales and Northern Ireland, or their Scottish equivalent.
- All properties must be assessed by a suitably qualified valuer with sufficient professional indemnity cover. All valuation instructions (with exception of Scotland) will be made by the society via our nominated panel. 3rd party instructions are not acceptable.
- We will consider New Build properties up to 80% LTV. There will be no allowance for incentives, LTV will be calculated solely on the purchase price as detailed in the Certificate of Title and the CML disclosures form.

# Unacceptable Properties

- "Flying-freehold" - if more than 25% of property involved.
- Houses with rooms let or likely to be let to several tenants where premises have not been converted or constructed for this purpose.
- Properties where the unexpired lease, less the term of the proposed mortgage, have a residue of less than 35 years.
- Unmodernised flats and flats which are above commercial premises.  
Exceptions can be made for exclusive developments and certain areas of larger British cities where the valuer has confirmed that there is a ready and sustainable demand.
- Large old unmodernised houses where accommodation is in excess of the applicant's requirements, particularly where there are attics and/or basements.
- Back to back houses.
- Council houses built in a non-traditional way, i.e. prefabricated reinforced concrete.
- Freehold flats with the exception of 'Tyneside Flat' style.
- All flats over 4 storey and greater than 20 flats  
(Other ex-council flats are restricted to 50% LTV maximum, except in Scotland).
- Houses with restrictions to ownership  
(e.g. retirement flats, restrictions on occupation to local inhabitants). This list is not exhaustive and any application where there is a restriction should be referred to an underwriter.
- Homes purchased under Shared Equity / Ownership Schemes (UK only) will not be acceptable where a sales restriction / charge will remain on the property despite the borrower owning a 100% share. In addition, we will not consider any application where the borrower is looking to remortgage to the Society and capital raise to purchase an increased share in the property.
- Mobile homes or caravans.
- Houseboats.
- Uninsurable properties e.g. due to flood risk.
- Uninhabitable properties  
(e.g. no kitchen/bathroom/roof/mains services not connected).

# Acceptable Income

## We will accept 100% of:-

- Basic income
- Service/state/private pensions and annuities
- Maintenance Order (CSA / Court Order enforceable)
- Car allowance
- Pay rise pending (must be within 3 months and employer to confirm)
- Mortgage subsidy (must be permanent)
- Housing allowance
- Additional investment income from rental portfolio (evidenced by accounts / tax assessment / accountants reference)
- London / Large City allowance

## We will accept 50% of:-

- 2nd job with 12 months service (will accept 100% where 2 part-time jobs is full-time equivalent)
- Working family tax credit / Family tax credit
- Overtime / bonus / commission / shift allowance (2 years P60's will be required to evidence track record)

# We will not consider

- Unemployment benefit / income support
- Child benefit
- Social security payments that are not guaranteed for life (DLA etc)
- Seasonal work
- One off payments
- Gratuities not sighted on payslips
- Bursaries and scholarships

## Valuation Fees

Alternative or additional fees may be charged for special schemes, please refer to specific product pages for details.

Valuation of Property	Standard Fee*	Homebuyers Fee*	Structural Fee*
Up to £100,000	£240	£390	£470
£100,001 to £200,000	£265	£455	£560
£200,001 to £250,000	£290	£520	£650
£250,001 to £300,000	£315	£520	£650
£300,001 to £400,000	£340	£605	£740
£400,001 to £500,000	£415	£690	£830
£500,001 to £600,000	£490	£730	£940
£600,001 to £700,000	£565	£810	£1,050
£700,001 to £800,000	£640	£890	£1,160
£800,001 to £900,000	£715	£970	£1,270
£900,001 to £950,000	£790	£1,050	£1,380
£950,001 to £1,000,000	£790	By negotiation	By negotiation
Over £1,000,000	By negotiation	By negotiation	By negotiation

**\*All of the above fees include an administration fee to the Society of £125.00**

# General

- All the enclosed conditions apply to wholly residential lending.
- The Society reserves the right to reject any application where the borrower has any convictions or pending prosecutions relation to financial misdemeanour or dishonesty.
- These guidelines outline the main elements of the Society's residential lending policy, but are by no means exhaustive.
- In the interests of security, we may from time to time record telephone calls to and from us.
- For clarification of any aspect of our policy, or a full written quotation, please contact your local Business Development Manager or our Intermediary Services Support Team on **0845 602 2338**.
- A first charge will be required as security. All mortgages are subject to status and valuation. APR's are typical and variable.

**YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.**

## About Intermediary Services

Providing straightforward efficient client services including a dedicated website and specialist support services, Newcastle IS can help you grow and develop your business.



Call:

# 0845 602 2338\*

Monday to Friday 9am - 5pm

\*We may monitor and record your telephone calls for training and security purposes.

or visit us online:

# [www.newcastleis.co.uk](http://www.newcastleis.co.uk)

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Principal Office: Portland House, New Bridge Street, Newcastle upon Tyne NE1 8AL. Telephone: 0845 603 9299. Intermediary Services is a registered trading name of Newcastle Building Society. Newcastle Building Society is authorised and regulated by the Financial Services Authority (FSA) and is entered in the FSA's register under number 156058. Details are correct as at time of print (May 2012) DEV021