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The Society welcomes applications from mortgage intermediaries where they are providing an advised sale process to customers. Buy to Let applications are also acceptable on an execution only basis. It is the responsibility of the mortgage intermediary to ensure that all Financial Conduct Authority rules (including MCOB) on advised mortgage sales are complied with in full. This document summarises our lending criteria.

Mortgage applications should meet the following high level criteria as a minimum. However Intermediaries should be aware of the additional criteria / guidance in this document.

High Level Criteria	Minimum	Maximum
Residential mortgage loan amount		£1,250,000
Buy to Let mortgage loan amount		£500,000
Houses in Multiple Occupation (HMO) mortgage loan amount		£750,000
Holiday Let mortgage loan amount		£500,000
Minimum Property valuation	£50,000	
Minimum Houses in Multiple Occupation Property valuation	£100,000 £250,000 London	
Mortgage term (not product)	5 years	40 years
Age at time of application	18 years	
Age at end of mortgage term		Residential 80 years Buy to Let 85 years HMO 85 years Holiday Let 85 years
Distressed sale & lease back	Not accepted	
Type of Lending	Maximum LTV	
Residential lending up to £300,000	95%	
<ul style="list-style-type: none"> • £300,000 to £400,000 • £400,000 to £500,000 (Contractors: max 85%) • £500,000 to £750,000 • £750,000 to £1,000,000 • £1,000,000 to £1,250,000 	90% 85% 80% 75% 65%	
Right to Buy Right to Buy documentation will need submitting and should confirm both eligibility & the discounted price. A landlord's reference or evidence of rent payments will also be required. Any request for a loan in excess of the discounted purchase price amount is subject to a ranking agreement / deed / letter of postponement being obtained from the landlord.	75% LTV expressed as % of property value	
New Build (valuation using RICS new build guidance) – House (excl. BTL) Apartments	90% 85%	
Buy To Let -maximum portfolio size 10 mortgaged rental properties (all lenders) , up to 4 of which can be mortgaged with the Society	70%	
Houses in Multiple Occupation	75%	
Holiday Let – maximum portfolio size 10 mortgaged rental properties (all lenders), up to 4 of which can be mortgaged with the Society	70%	
Capital raising for purposes other than improving mortgaged property (excluding Retirement Interest Only)	75%	
Capital raising for improvement of the mortgaged property, purchase of equity, purchase of additional land, or like for like remortgages (excluding Retirement Interest Only)	90%	

Capital raising for business purposes	
Interest Only (excluding Retirement Interest Only)	60%
Interest Only Part & Part (Max Interest Only element 60%)	75%
Sale of mortgaged property is an acceptable repayment strategy but equity must make downsizing plausible at the end of the mortgage term. Buy to Let, Portfolio, Holiday Let, and HMO lending are subject to different lending criteria. Not available for shared equity/ownership or lending into retirement.	
Retirement Interest Only	55%
Sale of mortgaged property is the only acceptable repayment strategy. Capital raising for property and non-property related purposes is allowed, subject to maximum 55% LTV.	

Maximum Loan to Value is subject to available products. Product fees can be added to the loan, up to the maximum LTV/loan size allowed by policy.

APPLICATION SUBMISSION

The Society will make every effort to speed mortgage applications through to offer and subsequently completion, but intermediaries can help expedite the process by providing all necessary documentation with the application. The relevant check lists can be accessed using the link below:

<http://www.leedsbuildingsociety.co.uk/introducers/submission-requirements.html>

Please note; In some instances we may proceed with reduced documentation. You will receive a bespoke requirements list within 24 hours of submitting the full application.

BORROWER

Whilst all parties to a mortgage will be considered, it is highly advisable to ensure the primary income generator is the first applicant.

Affordability: The Society uses affordability as a way of assessing how much we will lend. The decision to lend will be based on the borrower's ability to repay. The interest rates used for the assessment will be at a level above the proposed mortgage pay rate to reflect the impact of a rise in interest rates.

We will lend up to 4.75 times gross income for home-movers and re-mortgages up to 85% LTV, or 4.5 times gross income for first time buyers or LTVs over 85%.

All income for affordability must be evidenced and be in Pounds sterling.

The Affordability Calculator can be accessed using the link below and must include all applicants and individuals residing in the property who are in a 'relationship' (e.g. Partner, Spouse etc.): https://online.leedsbuildingsociety.co.uk/public/mortgages/quick_enquiry.do

Who can be excluded?

All occupants not in a 'relationship' with the applicants (e.g. child, lodger etc.) and fit the below criteria can be excluded from the affordability calculation:

- Contributes to the household, through rent payments.
- Has independent income.

The following must be provided to exclude 'non relationship' occupants from the affordability calculation:

- A payslip no older than 3 months, showing the occupier to be financially independent and contributes to the household, through rent payments.
- A completed 'Declaration of Occupier' form

The Declaration of Occupier form can be accessed using the link below:

http://www.leedsbuildingsociety.co.uk/_resources/pdfs/intermediaries-pdfs/intermediaries-forms-pdfs/declaration-of-occupier.pdf

Bankruptcy / Individual Voluntary Arrangement (IVA): The Society does not accept applications for individuals who are subject to:

- A Bankruptcy Order unless discharged more than 6 years ago.
- An Individual Voluntary Arrangement, unless discharged more than 6 years ago.
- Previous property repossessions, unless greater than 6 years ago.

Convictions: The Society will not consider applications where a conviction exists, unless it has been spent under the Rehabilitation of Offenders Act 1974.

Similarly, the Society will not consider applicants with pending prosecutions which:

- Relate to any aspect of dishonesty (eg theft, robbery, fraud, arson)
- May impact future employment or the likely conduct of the mortgage.

County Court Judgements and Defaults: Maximum of one County Court Judgement (CCJ) or default in the last four years, which must have been satisfied and be no greater than £500 in value will be considered. Unsatisfied County Court Judgements and defaults are not acceptable.

Credit Score / Credit Search: A credit search will be carried out by the Society, using an approved Credit Reference Agency. Underwriters have the discretion to request additional information in order to support the application.

In assessing the application, the Society uses credit scoring, refer to your Business Development Manager for further information. We would normally expect:

- A maximum of 1 missed mortgage payments in the last 12 months.
- No more than 2 months arrears on any credit agreement in the last 24 months.
- No previous property taken into possession within the last 6 years.

Maternity: If an applicant is employed and pregnant having not yet started her maternity leave, the Society will need to know when she expects to both leave and return to work. If an applicant is employed and currently on maternity leave, the Society will need to know her expected return to work date and salary.

In both instances a child will need to be taken into consideration towards affordability, and evidence of contingency funds to cover mortgage payments during maternity leave may be required.

Number of Applicants: Single and joint mortgage applicants are welcomed by the Society. Additional applicants (up to a combined total of 4 individuals) will be considered where the additional parties are close family members.

Caution must be exercised where there are 2 or more applicants and the purpose of the loan does not appear to benefit all parties proportionally. For example, where capital is raised in joint names is primarily for the repayment of debts owed entirely by one of the parties. In such instances, the Society reserves the right to amend criteria and recommends that each applicant seek independent legal advice.

Residency: Applicants must usually:

- 1) Be UK tax payer, paid in Pounds sterling.
- 2) Have resided in the UK for a minimum of the last 2 years, or

They are a UK national in service abroad with HM Forces or, who are employed abroad by a UK based or internationally known employer.

Non-UK nationals, a valid EU passport should be provided. For non-EU Nationals the applicant's permanent right to reside should be evidenced and confirmed.

BUY TO LET (including remortgage of Let to Buy and Portfolio Landlords)

We accept mortgage applications from both small portfolio and portfolio landlords, against BTL properties, Holiday Let properties, and Houses of Multiple Occupation (HMO).

For specific guidance on Holiday Let and HMO applications please refer to pages 9 (Holiday Let) and 10 (HMO)

Society definitions

BTL: A property purchased specifically to let out (excludes Holiday Let and HMO)

Let-to-Buy: When an applicant seeks to let out the property that they currently live in so that they can purchase a new residential property.

Portfolio Landlords: A landlord who is party to 4 or more mortgaged rental properties, including subject property (whether BTL, Holiday Let, HMO, or a combination).

Professional Landlords: An applicant who's primary source of income is rental income

Eligibility

Applicable to all BTL and Let to Buy remortgage applications

- The primary applicant should be a residential homeowner occupier
- No minimum income requirement
- The primary applicant must be able to demonstrate a primary income (earned or savings generated)
- Income must be in Pounds sterling
- Property must not be occupied by a family member. Please refer to our second home criteria when this applies.
- Property must be let on a Assured Shorthold Tenancy basis in England, on a Standard Contract in Wales and on a Private Residential Tenancy in Scotland
- Professional landlords accepted (subject to satisfactory evidence of income- please refer to self-employed)
- Limited Companies as applicants not accepted
- Studio apartments not accepted

Lending Criteria (applicable to all BTL property applications)

- Maximum portfolio size of 10 mortgage rental properties (all lenders)
- Maximum 4 rental properties can be mortgaged with Leeds Building Society, whether BTL, Holiday Let, HMO, or a combination (maximum £2m value).
- Minimum property valuation £50,000 (irrespective of location)
- Maximum individual loan size £500,000
- Maximum Loan to Value (LTV) 70% (purchase or remortgage)
- Capital & Interest and Interest Only repayment types acceptable
- Maximum age at end of term 85 years.

Income Assessment (applicable to all BTL applications)

The Society uses an Interest Coverage Ratio (ICR) and a stressed interest rate to calculate affordability.

- 140% ICR
- Stressed interest rate for purchase and capital raising remortgages 5.5%
- Stressed interest rate for like-for-like remortgages 5.0% (excluding Let to Buy when a stressed interest rate of 5.5% will be applied in all circumstances)
- Background rental property portfolio must generate a 140% ICR at a stressed interest rate of 5.0%

Rental income will be independently verified by the Society's valuers.

Additional/ surplus sources of income will not be considered as part of the affordability assessment on BTL applications, however will be considered as contingency in the event of void periods.

Please refer to our 'Application Requirements Guide' for minimum documentation requirements.

HOLIDAY LET

We accept mortgage applications from both small portfolio and portfolio landlords, against BTL properties, Holiday Let properties and Houses of Multiple Occupation (HMO).

For specific guidance on BTL (inc. Let to Buy remortgage) please refer to page 5, and for HMO page 7.

Eligibility

- The primary applicant should be a residential homeowner occupier
- The primary applicant must have a minimum primary income of £40,000
- Income must be in Pounds sterling
- Only single dwellings will be considered; no consent for multiple occupancy
- Property must not be occupied by a family member. Please refer to our second home criteria when this applies.
- Property must be of standard construction and free of any occupancy restrictions. For this reason holiday parks and property with local ownership clauses are excluded.
- Professional landlords accepted (subject to satisfactory evidence of income- please refer to self-employed)
- Limited Companies as applicants not accepted

- Studio apartments not accepted

Lending Criteria

- Maximum portfolio size of 10 mortgage rental properties (all lenders)
- Maximum 4 rental properties can be mortgaged with Leeds Building Society, whether BTL, Holiday Let, HMO or a combination (maximum £2m value).
- Minimum property valuation £50,000 (irrespective of location)
- Maximum individual loan size £500,000
- Maximum Loan to Value (LTV) 70% (purchase or remortgage)
- Capital & Interest and Interest Only repayment types acceptable
- Maximum age at end of term 85 years.

Income Assessment (applicable to all Holiday Let applications)

The Society uses an Interest Coverage Ratio (ICR) and a stressed interest rate to calculate affordability. However, additional/ surplus sources of income may also be considered as part of the affordability assessment on Holiday let applications.

- 140% ICR
- Stressed interest rate for purchase and capital raising remortgages 5.5%
- Stressed interest rate for like-for-like remortgages 5.0% (excluding Let to Buy when a stressed interest rate of 5.5% will be applied in all circumstances)
- Background rental property portfolio must generate a 140% ICR at a stressed interest rate of 5.0%

Rental income must be independently verified by either; the Society's valuers (standard AST or on a holiday letting basis), confirmed by an actual letting history for at least 12 month, using HMRC tax confirmation (i.e., SA302 and tax year overview) or confirmed by an Accountant/set of accounts.

Please refer to our '[Application Requirements Guide](#)' for minimum documentation requirements.

HOUSES IN MULTIPLE OCCUPATION

We accept mortgage applications from both small portfolio and portfolio landlords, against BTL properties, Holiday Let properties and Houses of Multiple Occupation (HMO).

For specific guidance on BTL (inc. Let to Buy remortgage) please refer to page 5, and for Holiday Let page 6.

Society definitions:

HMO: An entire property, house or flat which is let to 3 or more tenants who form 2 or more households and who share a kitchen, bathroom or toilet.

Small HMO: A HMO property housing up to and including 6 occupants (occupancy will be determined by the Society's specialist valuer)

Large HMO: A HMO property housing more than 6 occupants (occupancy will be determined by the Society's specialist valuer)

A household: Either a single person or members of the same family who live together. A family includes people who are:

- Married or living together- including people in same-sex relationships
- Relatives or half-relatives e.g. grandparents, aunts, uncles, siblings.
- Step-parents and step-children

Eligibility

Applicable to all HMO applications

- Available for HMO properties in England, Scotland and Wales
- The primary applicant should be a residential homeowner occupier
- No minimum income requirement
- The primary applicant must be able to demonstrate a primary income (earned or savings generated)
- Income must be in Pounds sterling
- Applicant must be an experienced landlord e.g. must already be operating within the residential letting market
- Each of the tenants must have either an individual AST agreement for their own room and a right to use shared parts of the property, or a joint AST agreement over the whole of the property.
- Confirmation must be obtained as to whether there is a need for a Mandatory and/or Local Authority HMO licence, which must be in place prior to completion.
- Property must not be occupied by a family member. Please refer to our second home criteria when this applies.
- Professional landlords accepted (subject to satisfactory evidence of income- please refer to self-employed)
- Limited Companies as applicants not accepted
- Studio apartments not accepted
- Multi-unit blocks not accepted

Lending Criteria (applicable to all HMO applications):

- Maximum portfolio size of 10 mortgage rental properties (all lenders)
- Maximum 4 rental properties can be mortgaged with Leeds Building Society, whether BTL, Holiday Let, HMO or a combination (maximum £2m value).
- Minimum property valuation £100,000, and £250,000 in London
- Maximum individual loan size £750,000
- Maximum Loan to Value (LTV) 75% (purchase or remortgage)
- Capital & Interest and Interest Only repayment types acceptable
- Maximum age at end of term 85 years.

Income Assessment (applicable to all HMO applications):

The Society uses an Interest Coverage Ratio (ICR) and a stressed interest rate to calculate affordability:

- 165% ICR
- Stressed interest rate for purchase and capital raising remortgages 5.5%
- Stressed interest rate for like-for-like remortgages 5.0% (excluding Let to Buy when a stressed interest rate of 5.5% will be applied in all circumstances)
- Background rental property portfolio must generate a 140% ICR at a stressed interest rate of 5.0%

Rental income will be independently verified by the Society's valuers.

Additional/ surplus sources of income will not be considered as part of the affordability assessment on HMO applications, however will be considered as contingency in the event of void periods.

Please refer to our 'Application Requirements Guide' for minimum documentation requirements.

Property Occupied by a Family Member: Where the property is to be occupied by a member of the applicants family (defined as a spouse, civil partner, a person whose relationship has the characteristic of a married partner, a parent, brother, sister, child, grandparent and grandchild) the application will be processed as a Regulated Mortgage Contract to comply with FCA regulation. We would see this as a second home so please refer to that section also.

EARLY REPAYMENT & FEES

Fees: The Society offers a variety of mortgage products, some of which charge fees. The Product Fee and Funds Transfer Fee can be paid up front or added to the mortgage advance, up to the maximum LTV/loan size allowed by policy, thereby increasing the total amount borrowed. Interest will accrue on the fee and the mortgage at the product rate. Any fees the customer chooses to add to the advance will be considered in the Society's affordability assessment.

Mortgage Exit Fee: A standard fee levied where an advance is redeemed before it reaches maturity.

Early Repayment Charge: This charge is a genuine pre-estimate of the loss to the Society if a customer redeems early. The level of charge may vary by product, but is clearly illustrated in the relevant product documentation.

EMPLOYMENT STATUS

Contractors: Applications for clients defined as 'Contractors', as defined below. When submitting applications, please contact your Business Development Manager.

Applicants currently employed on a fixed term contract will be considered where they have a continual 12 months contracting history in the same discipline (eg Information Technology).

The applicant's gross annual income must exceed £50,000. This should be calculated by using the average gross day rate received over the last 12 months and multiplying this by the number of days contracted in the last 12 months, up to a maximum of 46 weeks (230 working days).

The applicant must evidence that they have the ability and/or skills to re-contract within their discipline. Specifically, the period between contract(s) must not exceed 6 weeks in each instance. The Society will require evidence of the last 12 months contracts, which should show that the applicant has been able to re-contract, along with the last 3 months business bank statements. These items should be provided in line with requirements on the Minimum Submissions form – Contractor section.

Upon submission of the decision in principle the Society must be made aware of the applicant's contracting status and all income provided in line with the calculations outlined in this guidance.

When submitting applications under these criteria, applicant/s employment status should be defined as 'Self-Employed' and highlighted as 'Contractor' in the additional notes section.

Applications will be considered up to a maximum of 85%, subject to Society criteria. Care should be taken to consider the 'Contractor' guidance alongside other criteria (eg property, affordability etc).

Directors of Limited Companies (including Limited Partnerships / LLPs): Where a Director owns less than 25% of the shares in a limited company; the individual will be assessed as employed with affordability based on payslips (salary), dividends, etc. In this instance, the customer is not required to provide financial accounts.

However, where the shareholding is 25% or more, the individual will be assessed as Self Employed and whilst affordability will be based on the Director's salary and dividends received full financial accounts are required for underwriting (see Self Employed).

Sole Traders / Partnerships: Affordability assessment will be based on net profit or the individual's share of total profits. Full financial accounts are required for underwriting (see Self Employed).

Employees: Applicants must be in permanent full or part-time employment and continuously employed for the last 6 months, including probationary period if appropriate.

Second Employment: Income from additional employment will be considered in line with our standard income assessment. The details of both jobs should be disclosed including (1) income, (2) length of employment, (3) nature of employment, and (4) number of hours worked per week.

Self Employed (including Sole Traders & Partnerships): Where a business has traded for at least 2 years, the application should be supported by accounts or a fully completed Accountants Certificate for the last 2 years or the 2 years tax calculations (SA302s) and the tax year overviews.

The Society will look to support self-employed individuals, where the business is prospering. However, the Society will also consider applications where profits have reduced, subject to the underwriter being satisfied about the sustainability of income from the business (cases where the figures show a >25% decrease year on year will be declined). Speak to your Business Development Manager for further guidance.

The affordability assessment will be based on the average profitability over the period for which financial accounts are provided.

Accounts should be prepared by a qualified Accountant and, if considered necessary by the Underwriter, proof of the continuing existence of the business may be requested. In order to support the application, if there is a significant % decrease in figures please provide additional information at point of application (potentially using an Accountant's Certificate with notes provided by the accountant) in order to help expedite the application and reduce the probability of additional questions.

Accounts or accountants certificate are acceptable evidence of earnings, where signed by a qualified accountant from the list below:

- Institute of Chartered Accountants in England & Wales.
- Institute of Chartered Accountants of Scotland.
- Institute of Chartered Accountants in Ireland (Chartered Accountants Ireland).
- Institute of Financial Accountants.
- Association of Accounting Technicians.
- Association of Authorised Public Accountants.
- Association of Chartered Certified Accountants.
- Association of International Accountants.
- Association of Taxation Technicians.
- Certified Public Accountants Association.
- Chartered Institute of Management Accountants.
- Chartered Institute of Public Finance & Accountancy.
- Chartered Institute of Taxation.

Short Term Contracts: Applicants employed on a short term contract will be considered where the contract has already been renewed at least once with the same employer. Alternatively, where there is an established record of employment covering a minimum of 12 months within the same field of business.

GUARANTORS

Guarantors should be of substantial means to ensure they are able to meet their commitment in full, in the event they are called upon. The guarantor will be subject to standard lending criteria (eg maximum age) and their income, less existing credit commitments, mortgages & significant outgoings, must be sufficient to support the **full mortgage amount** requested.

Despite the presence of a guarantor, the applicant should be able to afford the mortgage payments without additional support, within a reasonable period (5 years). Typically this would be a trainee professional where career progression is anticipated.

The Guarantor is not party to the mortgage, but the Deed of Guarantee is retained.

The Applicant and Guarantor must usually have good family ties (eg parent & child).

The Guarantor must be advised to take Independent Legal Advice.

Finally, the proposal should be submitted for a decision in principle, prior to submitting a full application to the Society. These applications cannot currently be submitted online.

Guarantors are not accepted for Buy to Let, Shared Ownership or Shared Equity.

INCOME & FINANCIAL COMMITMENTS (UNDERWRITING)

Additional information is provided under 'employment' to support applications by sole traders, partnerships, contractors and directors of limited companies.

Primary Income: The Society considers the following sources of income as 'primary income'

Basic Salary (in Pounds sterling)	Mortgage Subsidy
Large Town Allowance	Self-employed income (including dividends)
Rent Allowance	Pension income

Other Income: The Society will consider other sources of income, where the combined value does not exceed 100% of household primary income. Other income is considered as illustrated in the following table:

Type of Income	Considered
Overtime/bonus/shift allowance	100% if guaranteed 50% if regular If annual bonus last 3 years P60's required.
Commission	50% if regular / guaranteed
Child benefit/Child tax credit	Now acceptable
Working Family tax credit	Up to 100%
Employment and Support Allowance – Support Group	Up to 100%
Car allowance	Up to 100%
Maintenance (supported by court order)	100% if payable for the term of the mortgage

Finally, net rental income can be used, subject to proof of payment for a period of not less than 12 months. Proof of payment can be obtained from bank statements or qualified accountant.

Financial Commitments: It is important that an applicant disclose all existing financial commitments, including but not restricted to loans, hire purchase agreements, student loans, maintenance payments, leasehold payments, maintenance lease, ground rent, service charges, mortgages, school fees, child care / nursery fees, the cost of any interest only repayment strategy and other significant out goings. The monthly payment on these commitments will be deducted in assessing affordability.

The applicant will also be required to give details of anything that they are aware of that will, or is likely to, change their income or expenditure during the term of the mortgage.

Background Buy to Let Properties: Should generate rental cover equivalent to 140% of the interest payable on a stress rate of 5.0% for non regulated applications. This can be evidenced through the completion of the Existing Property Declaration Form.

Credit Card & Revolving Credit Agreements: A minimum monthly payment of 3% of the full balance of the aggregate credit card and any revolving credit agreements is applied as an outgoing within the affordability assessment.

Help to Buy: Where the property is purchased under the English or Welsh scheme, expenditure should include an estimation of future payments on the equity loan. This should be calculated as 3% of the equity loan per annum. This does not apply in Scotland.

Overdraft Facilities: Additional information may be requested where an applicant has exceeded an agreed overdraft in the last 12 months, resulting in an unauthorised overdraft.

Other Financial Commitments: Where the existence of other financial commitments may appear to compromise an applicant's ability to repay the proposed mortgage, the Society may request additional information.

Proof of Payment – Satisfactory Conduct: Credit Bureau data is used to confirm satisfactory payment of existing credit commitments. In the unlikely event that this information is not available, confirmation must be obtained from existing and previous lenders that commitments have been met consistently for a minimum of the previous 12 months.

The most recent mortgage statement provides acceptable proof of mortgage payment, subject to statement date within 6 months of new mortgage application.

INSURANCE

As a minimum, the Society requires that the property be covered by appropriate buildings insurance at all times. The amount of cover should be sufficient to demolish & rebuild.

The Society recommends that appropriate life insurance is in place for all borrowers.

The Society encourages mortgage applicants to protect their mortgage payments against the risks of unemployment, accident or sickness resulting in an inability to work.

LENDING INTO RETIREMENT

This section does not apply to Retirement Interest Only mortgages.

When the term of the mortgage extends beyond the borrower's retirement age it is known as 'lending into retirement'. Lending into retirement is currently available across our standard Residential and Buy to Let mortgage ranges.

The maximum retirement age is 70 years or the borrower can state their own retirement age, whichever is earlier.

Where lending extends into retirement one the following criteria approach will apply:

**A. Retirement is 10 years or more away AND
the term of the mortgage is up to 5 years after retirement**

- Current income will be used to assess affordability
- Details of both current income and pension contributions (e.g. pay slips) must be Provided
- A signed lending into retirement declaration form must also be provided
(The declaration form can be downloaded from our web site:
<http://www.leedsbuildingsociety.co.uk/resources/pdfs/intermediariespdfs/intermediaries-forms-pdfs/lirdec.pdf>)

B. Retirement is less than 10 years away, OR

C. The term of the mortgage is more than 5 years after retirement

- Current income or estimated pension income, whichever is lower will be used to assess affordability
- Details of both current income and estimated pension income (e.g. pension statements) must be provided

D. Already retired

- Pension income will be used to assess affordability
- Details of current pension income already being received at the time of application

Please note:

- In the case of joint applications, the eldest borrower's age will be considered for maximum age limits.
- Pension income should include both private and state pensions. We may also consider guaranteed pension credits.
- Our underwriters may ask for more details to support the application, where needed.
- We do not offer lending into retirement across our Interest Only, Shared Ownership or Shared Equity mortgage ranges.

PROPERTY

Remortgage applicants are required to have owned the property for at least 6 months.

Acceptable Types of Security: Property must be situated in England, Wales, Northern Ireland or mainland Scotland.

Where Shared Ownership is a subset of a larger development, we will lend on the greater of 25% or up to 10 of the Shared Ownership properties. Otherwise, the Society operates a maximum 25% exposure to any one development. If you are unsure as to whether this may impact your client's application, we suggest contacting your Business Development Manager before proceeding.

Minimum property valuation: £50,000 irrespective of location or lending segment.

Property must be of good quality and readily saleable with a life expectancy well beyond the term of the mortgage.

Older properties must be modernised to provide basic standards, including provision of an internal kitchen, shower / bath and W/C.

Property will be the primary residence (domestic, residential owner occupation) or be used for Buy to Let / Holiday Let.

Standard Construction: A property of standard construction will typically meet the following criteria and are appropriate for mortgage lending

Walls – Solid (min 230mm) or cavity (min 280mm), built in brick, natural stone, reconstituted stone, concrete block, cob or flint.

Pitched Roof – Typically timber, but if the property is of acceptable construction, then steel frame covered in slate, thatch, tile or copper are usually accepted. Modern lightweight ‘mock slate’ is general accepted also.

Flat Roof – Accepted where covered in asphalt, felt, copper, lead or zinc.

Non-Standard Construction: The valuer’s guidance notes include a full list of acceptable construction types. Steel framed properties are not normally acceptable. However, these may be considered where the valuer states that re-saleability is not affected and the property is subject to a durable outer leaf (eg brick, block or stone). In addition, a Structural Engineer’s report would be required in order to confirm that the structural frame is in satisfactory condition and free from corrosion where bolted to the floor slab.

Pre-fabricated reinforced concrete properties are not normally acceptable. However, these may be considered where the valuer states that re-saleability is unaffected and the property has been repaired under a PRC Home Limited approved scheme with a 10 year guarantee (eg Leeds City Council repair scheme with certification is acceptable).

Importantly all adjacent dwellings must have been repaired. For example, all homes in a terrace or both homes in the event of semi-detached.

Unusual Construction: Properties of unusual construction may be considered by the Society, subject to a review by the Society’s preferred valuers and confirmation that the property provides adequate security.

Contaminated Land (including Japanese Knotweed): The Environment Act 1990 was intended to identify contaminated land, bring it back in to beneficial use and ensure the cost of remediation is met by an appropriate party, ideally the original polluter. If requested by the Society or its valuer, an environmental search may need to be obtained. The Society will review the recommendations made by the environmental specialist, alongside relevant legal & insurance advice.

The Society will not lend where Japanese Knotweed is present and the valuer considers it to present a significant risk to the property &/or future saleability.

Ex-Local Authority Property: The Society will consider ex-local authority property, which is readily saleable (eg Property is not a lone owner occupied house in a large local authority tenanted development).

Ex-local authority flats will only be considered in England, Wales, Scotland & Northern Ireland, subject to:

- Satisfactory construction with secure communal access
- Proven re-sale market exists, confirmed by valuer
- Maximum of 4 floors and no ‘balcony access arrangements’

Feudal Tenure (Scotland): Feudal tenure is normally acceptable; this type of tenure is common to Scotland.

Leasehold Flats / Maisonettes: Leasehold properties with an unexpired lease of at least 85 at the start of the mortgage are acceptable, subject to:

- Floor space of at least 28 square metres (new build / purpose built).
- Availability of a lift where the property extends beyond 4 floors.
- Acceptable ground rent terms which are either tied to open market value of the property and the terms of the lease.

Properties subject to an onerous lease clause regarding any excessive or unreasonably escalating ground rent are not acceptable.

The Society will consider lending where the renegotiation of the lease is central to the underlying purchase. The new lease must meet the minimum term at completion.

Virtual freehold (where the unexpired lease is in excess of 500 years) is acceptable.

Flying freehold and freehold flats may be considered where up to 15% of the property extends over another and the valuer states that re-saleability is unaffected.

There are a small number of property types where the Society would not look to lend and these include:

- Freehold flats / maisonettes are not acceptable other than as stated above
- Ex-local authority / housing association flats / duplex apartments above 6 storeys

Studio Flats: Studio flats are acceptable for residential applications, subject to the following:

- Internal floor areas of a minimum of 30sqm
- Self-contained with a separate bathroom required
- No basement studio flats
- Natural light required

For the avoidance of doubt, studio flats are not acceptable for Buy to Let purposes

Properties Located Above Food Outlets: Properties which are above, adjacent or near to commercial premises may be acceptable subject to the following:

The proximity of the commercial use must not affect the quiet enjoyment of the property. Consideration should be given to the location of the property. The property must be located in a desirable area with good demand, readily saleable and readily marketable.

For example, properties which are adjacent to, or in close proximity to a Public House, Cattery, Kennels, restaurant or food outlet, petrol station, laundrette or pet shop would not be deemed as suitable security. This is not an exhaustive list.

New Properties / New Build: New Build definition – Property built in the last 2 years and awaiting first occupation. The maximum loan to value on new properties is 90% on houses and 85% on apartments.

All incentives provided by the builder must be disclosed at application. Although not an exhaustive list, incentives can include cash back on completion, payment of legal fees, payment of stamp duty, or the provision of kitchen / entertainment equipment. The standard CML Disclosure of Incentives form can be downloaded from our website.

In the absence of the CML disclosure, all incentives should be included in the section “Are there any further matters considered essential for mortgage purposes?”

The valuation will reflect the price at which the property is readily saleable, irrespective of any incentives provided - the lower of purchase price or independent valuation.

All properties built within the last 10 years must be covered by an approved certification / insurance scheme.

For Architects and for all other schemes, please consult the Society's CML / Society's Instructions to Solicitors (Part 2).

Architect's certificates may be accepted, where they are signed by:

- Qualified Architect, who is a corporate member of the Royal Institute of British Architects, or
- Qualified Chartered Building Surveyor, who is a corporate member of the Royal Institution of Chartered Surveyors

Evidence of appropriate valid personal indemnity insurance will be required and the certificate must be for the benefit of the borrower(s). The Architect must confirm that he has supervised the whole project.

Property Conversion: Mortgages on a property which has been converted (eg multiple apartments) will be considered, subject to solicitor confirmation that the necessary planning permissions were obtained and valuer confirmation that the conversion is of a high quality.

Apartments may be subject to additional criteria (see Leasehold Flats / Maisonettes).

Restrictive Covenants (Including Section 106 & Section 75 for Scotland)

It is increasingly common for properties to have clauses which restrict who may purchase a property. These clauses are typically designed to maintain the supply of local affordable housing. Restrictions typically require the buyer to already live within a defined area or meet local salary restrictions, albeit there are many other types of restrictions and specific clauses can vary by location.

The Society will accept the following types of restrictions:

- Salary restrictions that increase in line with a local plan or are linked to another inflationary measure (typically Affordable Housing/Discounted Housing Schemes); or
- Purchase price (if restricted) where there is no provision which restricts the borrower's entitlement to benefit from any increase in the market value of the property (e.g., through a fixed monetary cap); or
- Local living restrictions ;or
- A combination of the above

However, acceptance is subject to one (or more) of the following:

- A cascade mechanism is in place that commences after a maximum of 3 months from the date of possession, with no restriction of any kind after 6 months; OR
- A Mortgagee Exclusion Clause applies immediately upon possession and will continue in force for successors in title to the mortgagee ensuring that all successors also take free from the relevant restrictions; OR
- The restriction only applies to the first transaction (i.e. the initial purchase transaction) and is subsequently dis-applied to any future transactions.

Full details are provided in the Solicitors Guidance notes. Any restrictions should be disclosed in the application in order to ensure the valuer is fully informed in their assessment of the property. This information should be included under 'other information.'

The Society will not consider any other clauses/restrictions than those listed above.

Self-Build / Custom Build: At this time the Society does not offer any schemes specifically designed to support self-build or custom build during construction. However, we will subsequently lend on finished properties as 'New Build.'

REPAYMENT STRATEGIES (INTEREST ONLY)

This section does not apply to Retirement Interest Only mortgages.

The Society will consider 'interest only' mortgages. However this option is not available on Shared Equity, Shared Ownership or for lending into retirement.

Interest Only mortgages are available up to 60% LTV with additional lending on a Capital Repayment up to 75% LTV on a 'Part & Part' repayment basis – see product availability.

Whilst the Society may choose to accept a repayment strategy, acceptance does not guarantee that the proceeds will be sufficient to repay the debt in full. The Society will seek to satisfy itself that the repayment strategy is clear, credible and appropriate.

Where relying on savings, investments or pension to repay the advance, the repayment strategy must have been in place for a minimum of 12 months. Borrowers should regularly assess the value of their investment(s), seeking independent financial advice where appropriate.

Borrowers should make appropriate life insurance for the life of the mortgage to ensure the outstanding debt balance is repaid in full. Such policies are not assigned to the Society.

Up to three repayment strategies can be used, to cover the value of the Interest Only

Pensions: 25% of the expected pension pot based on the central (or lower) growth estimate in the latest pension statement (within last 12 months).

Regulated Investments (Endowment Policies): The Society will consider existing regulated investments, based on the projection of the investment using the central growth scenario and evidenced by the latest statement (within last 12 months).

Savings & Investments: Established savings / investments, where the value is at least equal to the amount advanced; evidenced by latest statement / valuation (within last 12 months).

Where an individual intends to rely on a combination of existing savings, supplemented by future regular saving, the Society will consider whether the combination represents a plausible repayment strategy.

Stocks & Shares: Shares should be in FTSE 100 / 250 Companies, with a minimum of 3 companies within the portfolio. Evidence of value and ownership must be provided.

Sale of Mortgaged Property: Where sale of the mortgaged property is the intended repayment strategy, sufficient equity at the end of the mortgage term must exist to provide a plausible downsizing option. The equity can be comprised of the deposit and the amount repaid under capital and interest terms. This recognises that upon sale of the property, the customer will need to repay the loan and purchase another home.

Details of the intended downsizing property type and location (postcode, town, region), should be declared using the free text fields within the AIP process.

Sale of Other Property: The Society will accept equity in 'other' properties as an intended repayment strategy. A plausibility check will be undertaken against the estimated level of equity.

Use our minimum equity calculator to find what the minimum equity requirement in your client's area is; <http://www.leedsbuildingsociety.co.uk/intermediaries/products/interest-only-mortgages/minimum-equity-finder/>

RETENTIONS

Release of Retention Policy: A 'retention' may be applied where the valuer identifies important work to be undertaken. The retention will be discharged upon completion of the necessary work or acceptance of specialist reports.

RETIREMENT INTEREST ONLY

The Society welcomes applications for Retirement Interest Only (RIO) mortgages. Please see our range of RIO products.

Repayment

The monthly mortgage payments will consist only of interest on the amount borrowed. The borrower is required to make these payments each month for the life of the mortgage.

The loan will be repaid from the proceeds of the sale of the property on the occurrence of a specified life event, as defined in the FCA Handbook, such as death or moving into long-term care.

Where there are joint borrowers the life event is triggered by the surviving borrower and/or last borrower residing in the property.

Lending Criteria

- Maximum of 2 applicants, both of whom must use the property as their main residence
- Minimum age at date of application is 55 years
- Maximum age at date of application is 80 years
- Maximum Loan to Value (LTV) 55%
- For new RIO applications capital raising for property and non-property related purposes is allowed, subject to maximum LTV.
- No maximum term
- Only allowed on Interest Only terms
- Sale of property is the only allowable repayment strategy with no minimum equity value

Income assessment

Affordability will be assessed on the applicant's ability to maintain mortgage payments for the life of the mortgage, using the lower of the following:

- Current income which can be evidenced
- Projected income in retirement, including any transferrable pension benefits, which can be evidenced.

For joint borrowers, affordability will be assessed on the lowest earner to ensure ability of a surviving borrower to maintain payments.

Retirement age is defined as either the applicant's stated retirement age or 70 years, whichever is the earlier. When in retirement, employed or self-employed income should not be used to assess affordability.

Please note:

The income used to assess affordability should be sustainable for the life of the mortgage and not time-bound. Acceptable income types include:

- Pension income, including state and private pensions, annuities, and appropriate income drawdown plans and SIPP's
- Transferrable pension benefits
- Income from sustainable investments
- Sustainable income from rental properties

Our underwriters may ask for more details to support the application, where needed.

SECOND HOMES

Second Home: Applications to purchase a second home will be considered subject to the applicant's ability to support both properties. Second homes will be considered on a capital and interest basis up to a maximum 85% LTV. The maximum LTV for part and part is 75%, where the interest only element must not exceed 70% and subject to the applicant's ability to support both properties.

The application should be submitted for decision in principle, prior to formal application.

Property Occupied by Family Member: Where the property is to be occupied by a member of the applicants family (defined as a spouse, civil partner, a person whose relationship has the characteristic of a married partner, a parent, brother, sister, child, grandparent and grandchild) the application will be processed as a Regulated Mortgage Contract to comply with FCA regulation.

Where the occupant is not a family member, the application should proceed as Buy to Let.

SHARED OWNERSHIP / SHARED EQUITY

The Society will not consider interest only lending or lending into retirement for shared equity / ownership.

Shared Ownership and Shared Equity are not interchangeable and possess different characteristics. These can be summarised as follows:

Shared Ownership	Borrower acquires a percentage of the property and pays rent to the Landlord on the remaining interest in the property.
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Shared Equity	Borrower purchases 100% of the property but only pays a percentage of the market value with the remaining value provided by an equity sharing lender. Typically, no rent is payable.
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In both scenarios the Landlord or equity sharing lender benefit from any change in the value of the property; the financial benefit is proportional to their share of the property.

Shared Ownership: The Society does not lend on Shared Ownership schemes in Scotland, however it does support the shared equity ‘LIFT’ scheme (formerly Homestake).

- The tenure of Shared Ownership properties will be leasehold
- Minimum share of the property to be purchased: 25%
- Maximum share of the property to be purchased: 75%
- The Society will lend up to 95% of the borrower’s share, subject to product
- Must allow staircasing up to 100% ownership
- Arrangement must be through a registered Housing Association or Registered Social Landlord (no exceptions)
- Any rent, maintenance or service charge must be declared
- The completing Solicitor must confirm that the lease meets the Society requirements

The lease must allow an adequate mortgage protection clause that protects the Society from losses in the unlikely event that the property is taken in to possession, or achieved by way of a suitable Deed of Postponement / Priority. The Mortgage Protection Clause must cover the initial loan and all additional lending / staircasing up to 100%.

Where Shared Ownership is a subset of a larger development, we will lend on the greater of 25% or up to 10 of the Shared Ownership properties. Otherwise, the Society operates a maximum 25% exposure to any one development.

Shared Equity:

- The Society will lend up to 95% of the borrower’s share, subject to product
- The initial equity loan must be no more than 40% of the current market value.
- The equity loan must be on an interest free basis secured by a 2nd charge on the property (exception of Help to Buy equity).
- No rent, fee or other payment should be payable by the borrower in respect of the equity share loan.
- Arrangement must be through a registered Housing Association, Registered Social Landlord or through a Government or Local Authority approved and funded schemes.
- The completing Solicitor must confirm that the scheme meets the Society’s shared equity requirements.
- This includes any requirements in regards to the equity loan as detailed in Section 1 of the Society’s CML handbook.

The Society will lend on the Government Help to Buy: equity loan scheme, available in England, Scotland, Wales, London and In Scotland, the Society will also lend on the ‘LIFT’ scheme (formally Homestake).

SOLICITORS / LICENSED CONVEYANCERS

The Society operates a panel of solicitors or licensed conveyancers. Where the solicitor/licensed conveyancer chosen to act on behalf of the applicant is on the Society's panel, the Society will also instruct them to act on its behalf. If, for any reason, the Solicitor / Conveyancer is not acceptable to the Society, then the Society will instruct its own Solicitors at a cost to the applicant.

SOURCE OF DEPOSIT

Builder / Vendor Gifted Deposits: All incentives should be disclosed to the valuer as part of the application. The valuer will consider the total property valuation recognising incentives; standard RICS process.

It is acceptable for a builder/vendor to provide cashback or contribution towards the deposit, provided that (i) the incentive is disclosed appropriately and (ii) the value does not exceed 5% of the purchase price or valuation, whichever is the lower.

If the cashback/deposit is greater than 5%, the excess will be deducted from the price and our lending will be based on the reduced value.

Irrespective of builder/vendor cashback/gifted deposit, the Society expects a personal contribution from the buyer of at least 5% of the gross purchase price or valuation, whichever is the lower.

Family Purchase: Where the property is being purchased from a close family relative and therefore sold at a discount to the market value, the Society will consider lending up to 100% of the purchase price. The LTV for product selection will be calculated using loan amount as a percentage of open market value.

The Society will not consider applications for simultaneous capital raising / home improvements.

Gifted Family Deposit: Gifted deposits from family members as defined by the regulator (spouse, parent, grandparent, sibling, child or grandchild) will be considered. The individual gifting the deposit must be resident in the UK and will be subject to routine bankruptcy searches. The Society requires completion of the 'Gifted Deposit Form' which can be obtained from our web site and should be submitted with the application.

Accelerated Deposit Schemes: A deposit saved using an Accelerated Deposit Scheme is acceptable provided the arrangement is with a Registered Housing Associations, Registered Social Landlord, UK Government or Local Authority. Subject to the following:

- The scheme only assists with deposit requirements, not overall mortgage affordability.
- The Society has first charge over the property.
- There is permission for the mortgagee to sell without restriction either immediately or as part of an acceptable cascade arrangement. (See section 12.2 Restrictive Covenants for these).
- Any clawback on the deposit must be stated up front and not continue for a period in excess of five years.

- We will not accept schemes where there are non-removable restrictions on what happens in possession

VALUATION

The minimum acceptable property valuation is £50,000. For HMOs, the minimum acceptable property valuation is £100,000 (£250,000 in London).

The Society offers a choice of valuation types:

Mortgage Valuation Report – The valuation is prepared for the Society (not for the borrower). It is required as a minimum and is carried out by a valuer on the Society's panel. It only answers the Society's questions concerning whether the property is suitable security for lending purposes. It does not imply the price is reasonable or if the property has any defects.

Homebuyer report - Designed as an economy service. It differs from a Building Survey in two major respects (1) It is intended only for particular types of home i.e. houses, flats and bungalows, which are of a conventional type of construction and in apparently reasonable condition, (2) It focuses on essential defects and problems which are urgent or significant and have an effect on the value of the property.

A Homebuyer Report can be arranged for you by the Society. However, if you decide to instruct your own valuer who is not on the Society's panel, you will still have to pay for the Society's Mortgage Valuation Report.

Building Survey & Valuation - A Building Survey is suitable for all residential properties and provides a full picture of their construction and condition as far as can be assessed by visual inspection. The scope of the inspection can be tailored to suit your own individual requirements and the surveyor can be asked to comment on individual aspects that may be of concern to you.

Due to the detail and individual nature of a Building Survey, the Society would be more than happy to provide you with details of your local office of Society approved chartered surveyors. They will discuss your requirements and carry out the survey together with the Leeds Building Society valuation report. If you choose to instruct your own surveyor you will still have to pay for a mortgage valuation report from the Society's approved valuer.