



STANDARD

INTERMEDIARY LENDING CRITERIA

November 2013



Leeds
Building Society

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Introduction

The Vanilla Residential Lending Policy covers areas of lending acceptable to the Society where the property is located in the UK. Underwriters have the discretion to request any additional information where doubt exists with an application. Senior mandate holders may use their discretion to underwrite cases outside of the normal lending criteria providing the case is recorded as outside of criteria and full notes documenting the rationale for the decision is recorded on the system.

The Society will **originate mortgage applications** through its:

Branch network;
Direct Mortgages channel (via telephone or the internet); or
Mortgage Introducers¹.

A summary of the formal process for accepting new sources of introduced business is given below:

- Vetting process designed to approved lending networks and clubs; and
- A more granular vetting process designed for that firm / individual who is an acceptable member of the approved lending network / club.

Interviews

Mortgage interviews are:

- Arranged for mortgage applicants dealing directly with one of the Society's Branches.
- Carried out by the Intermediary where the application is introduced.
- The Society complies with the FCA Rules concerning the conduct of mortgage business. The following levels of advice are given:
 - **Non-Advised** - The customer makes his own choice without advice.
 - **Advised** - The advisor provides the recommendation on the most appropriate product after assessing the customers needs.

The level of advice given is stipulated on the mortgage offer.

- The decision to lend will be based on the borrowers' ability to repay;
- The rationale for any decision to lend (particularly where this falls outside the Society's lending criteria) will be retained against the system based mortgage application.

¹ All mortgage introducers must be registered with the FCA.

High Level Lending Criteria

Lending Area	Maximum Loan to Value	Summary of Lending Conditions
Borrower's credit quality	95% (cases with LTV in excess of 90% must meet the society's credit score)	Prime lending is defined as lending where no current or previous adverse has been reported. Click here to see the specific criteria.
Right to Buy	90% of the discounted purchase price.	<p>The discounted purchase price will be the maximum loan.</p> <p>Legal fees may be added up to a value of £500 Submitted with the application will be:</p> <ul style="list-style-type: none"> • 'Right-To-Buy' documents, showing details of the discounted price and confirming the eligibility of the applicants. • A landlord's reference or suitable alternative evidence of rent payments.
New Build Properties	80%	Valuations for new build properties are based on the Royal Institute of Chartered Surveyors (RICS) new build guidance.
Re-mortgages	95% (cases with LTV in excess of 90% must meet the society's credit score)	Cases up to 95% LTV can include up to £1000 for costs that are included in the LTV calculation.
Interest Only	50%	Savings / Investment repayment strategy.
Capital Raising	95% (cases with LTV in excess of 90% must meet the society's credit score)	<p>50%</p> <p>Sale of Property repayment strategy. A minimum of £150k equity in the property is required.</p> <p>Not available when lending into retirement</p> <p>Re-mortgage applications and homeowner loans which include a property related capital raising element (e.g., home improvements, purchase of additional land etc.) may be considered up to a maximum of 95% LTV.</p>

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Lending Area	Maximum Loan to Value	Summary of Lending Conditions
	75%	Re-mortgage applications and homeowner loans which include a non-property related capital raising element (e.g., debt consolidation, holiday etc.) may be considered up to a maximum of 75% LTV. Capital raising for business purposes is not permitted.

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A summary of the Society's minimum and maximum criteria is given below:

Society Maximums

Maximum/Minimum	Limit
Maximum Loan	£750,000
Minimum Valuation	£40,000
Maximum Term This will usually be limited in accordance with the Valuer's recommendations or applicant's circumstances.	40 years
Minimum Term	5 years
Maximum Age	75 years at end of mortgage term
Minimum Age	18 years
Loan Amount Up to £750k Up to £500k Up to £400k Up to £300k	LTV 80% 85% 90% 95%

Repayment Types

The 2 main repayment types are as follows:

- Capital and Interest.
- Interest Only.

A combination of methods can be arranged to suit the applicant's specific requirements; however, a maximum LTV of 50% is in place where any element of the loan is on an interest only basis

The mortgage statement will advise the customer on an annual basis of the type of mortgage repayment they have selected.

Capital and Interest

Monthly payments consist of capital and interest and repay the amount advanced with interest charged over the term of the mortgage.

Applicants are recommended to ensure appropriate life assurance cover is taken out (e.g. mortgage protection insurance).

Interest Only

Monthly payments are interest only, supported by an adequate repayment vehicle.

The Society only accepts two types of repayment strategies. One is using a savings/investment vehicle and the other through the sale of property.

Where the repayment strategy is an investment/savings vehicle the max LTV is 50%.

Where the repayment strategy is the sale of property being mortgaged the max LTV is 50% and must have at least £150,000 equity in the property.

Interest only lending is not available into retirement.²

Examples of acceptable saving / investment repayment vehicles (which must be in place for 12 months before mortgage) are listed below:

Regulated investments - Endowments;

² Lending into retirement is defined as any loan term that extends beyond the applicants stated retirement age or 70 years, whichever is earlier, if not known state pension age is used.

Verification of the expected pay out to be evidenced through a statement, dated within the last 12 months, using the central projection of the expected final fund.

Pensions

Verifications, of a lump sum payment, to be through statement dated within the last 12 months. This can be to a maximum of 25% (the maximum allowable lump sum withdrawal) of the expected pension pot, based on the central estimates provided.

General savings & investments (including ISA, stocks and shares, unit trusts, investments trusts)

The general saving / investment balance must be equal to or greater than the loan amount, this is evidenced via statements or certificates, dated within the last 12 months.

Applicants' with existing savings or investments balances to be supplemented by on-going monthly savings will be considered. An assessment will be undertaken by Mortgage Lending to establish if the declared existing savings or regular monthly savings amount is a plausible repayment strategy. Applicant to provide previous 12 month history of the monthly payments (if these vary then an average could be considered).

Applicants are made aware in the offer of advance and on their annual statements to ensure that adequate arrangements are in place to repay the loan amount at the end of the mortgage term and that investment vehicles are not assigned to the Society.

In addition, the applicants will be required to complete a declaration as part of the offer documentation.

Applicants are advised to take out life assurance (**i.e.**, level term assurance to ensure the mortgage is repaid in the event of death). Such policies are not assigned to the Society. The details of the repayment vehicle are obtained on the application form but are not verified by the underwriter.

Borrower

Credit Search

A credit search is carried out, using an approved Credit Reference Agency. Underwriters have the discretion to request any additional information where doubt exists with an application.

Credit Score

The Society utilises credit scoring as part of the application assessment process.

Definition of Prime

Acceptable borrowers are defined by the Society's definition of prime, which is given below:

- No missed mortgage payments in the last 12 months.
- No arrears on any previous (or current) unsecured loan (including credit / store cards, mail order credit and mobile phone contracts) within the last twelve months, where the cumulative amount overdue at any point reached more than one monthly payment.
- No arrears on any loan (unsecured or secured including credit / store cards, mail order credit and mobile phone contracts) within the last three years, where the cumulative amount overdue at any point reached more than two monthly payments.
- No more than one county court judgements (CCJs) or default, which must have been satisfied within 3 months of issue, with a total value not greater than £500, within the last four years.
- Unsatisfied CCJ's / defaults are not acceptable.
- Not being subject to an Individual Voluntary Arrangement (IVA) unless discharged over six years ago.
- Not being subject to a Bankruptcy Order unless discharged over 6 years ago.
- Not being subject to a previous property possession within the last six years.

Affordability Assessment

In assessing the ability to repay (implemented April 15, 2012) the Society utilises an affordability model. This uses the net available income after taking into account financial and average household expenditure, to determine the size of a mortgage that a borrower can realistically service.

[Click \[here\]](#) to access our Affordability Calculator.

Number of Applicants

Single or joint applications are considered to be the norm and multiple applicants are not usually acceptable. However, where a close family relationship exist which is likely to stand the test of time, up to 4 applicants can be considered.

Verification of Identity

If the applicant is an existing borrower with the Society, proof of identity may not be required.

Identity Required

The Money Laundering requirements as agreed from time to time will be adhered to. For specific details please see the Financial Crime Guidance Notes maintained by the Society's Financial Crime Department.

Residency

Applicants must usually:

- Be UK tax payers.
- Have resided in the UK for a minimum of 2 years, unless:
- They have been in service abroad with HM Forces

OR

- They have been employed by a UK based or internationally known employer and are still with the same company.

AND

- Their family will be resident in the property.

For 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.

Credit Reference Agency

The Society uses a credit reference agency to conduct a credit search, which covers all addresses for a minimum of a 3-year period.

Voter's Roll

If the applicant is not registered on the voter's roll, an explanation will be required and satisfactory evidence must be produced showing the applicant actually resided at the stated address (e.g. provision of utility bills or council tax correspondence).

Proof of Occupancy

Proof of occupancy may not be required for existing Society borrowers or where a satisfactory lender's reference is obtained, in connection with a re-mortgage transaction.

Fraud Checks

All applicants are required to provide proof of identity and address.

At all stages of mortgage application processing, the Society is alert to the possibility of mortgage fraud. Extensive systems and controls are in place to protect the Society against financial crime.

Dishonesty, Undue Influence & Convictions

Joint Mortgages

Caution must be exercised in relation to certain joint mortgage transactions where the purpose of the loan would seem to be significantly more beneficial to one party than to the other (**eg:** a remortgage raising capital to repay a partner's debts).

In the case of Joint Mortgages, both applicants should be interviewed to ensure:

- Each party is fully aware of the liabilities resulting from the loan.
- Either applicant has not been unduly influenced or made misrepresentations to the other, to obtain the advance.

If there are any doubts about the application in this respect, each applicant must be advised to seek independent legal advice.

Convictions

Cases will not be considered where the applicant has disclosed any convictions other than those, which are, spent under the Rehabilitation of Offenders Act 1974 or any pending prosecutions:

- Relating to any aspect of dishonesty, such as theft, robbery, fraud or arson.
- Which may have a bearing on the borrower's future employment or the likely conduct of the mortgage account.

Employment Status

Employed Requirements

Applicants must:

- Be in permanent full or part-time employment.
- Have been in employment continuously for the last 6 months (including the probationary period).

Short Term Contracts

Applicants who are employed on short-term contracts can be considered (under the following criteria) as long as the contract has been renewed at least once with the same employer or there is an established record of employment covering a minimum of 12 months within the same field of business.

Applicant Has Second Job

If the applicant(s) has a second job, income from that source can only be considered if:

- The job has been held for at least 6 months.
- Employment can be established as permanent.

To establish the risk, full details of both jobs must be submitted covering the:

- Income.
- Length of employment.
- Nature of employment.
- Number of hours worked per week.

Self Employed

Provision of Accounts for Self Employed applicants.

If the business has traded for over 3 years then we will require 3 years trading figures.

If the business has traded for less than 3 years, the minimum of 2 years trading figures are required.

The final accounts or a fully completed Accountants Certificate, prepared by a qualified Accountant, must be provided and, if considered necessary by the Underwriter, proof of the continuing existence of the business.

If the Accountant is not a member of one of the bodies listed below, original Self-Assessment forms issues by the Inland Revenue (SA302) certified by the branch/ introducer are required.

Acceptable Accountancy bodies:

Institute of Chartered Accountants.

Association of Chartered Certified Accountants.

Chartered Institute of Management Accountants.

Chartered Institute of Public Finance Accountants.

Association of Authorised Public Accountants.

Sole Traders/ Partnerships

Gross income will consist of net profit (or a share of net profit for a partnership).

Directors of limited companies with a minimum shareholding of 25%

Regarded as self-employed applicants, Director's salary and dividends are used to assess affordability.

Directors of limited companies with a shareholding of less than 25%

Regarded as employed and income will be assessed, through payslips to evidence salary, dividends and other income.

Assessing Affordability

When using 3 years accounts, use the average of last 3 years figures if profit is increasing year on year or stable: stable is defined as being within 10% tolerance of the initial first year's figure.

Variable profits can be considered and are defined as where the difference between year 1 and year 2 is greater than 10%, with the latest year showing a recovery to within 10% of year 1.

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When using 2 years accounts due to length of trading use the average of the 2 years figures if profit is increasing or stable: stable is defined as less than 10% reduction.

Profit falling year on year or where the most recent figures are more than 10% lower than the initial year are not acceptable.

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Lending into Retirement

Lending into retirement is defined as any loan term that extends beyond the applicants stated retirement age or 70 years, whichever is earlier, if not know state pension age is used.

Criteria:

- Applicants who are borrowing into retirement are restricted to a maximum term of 25 years and Capital and interest repayment.

Pension Income Requirements

Applicants who are borrowing into retirement, who are within 20 years of their stated retirement age or 70 years, whichever is earlier, are required to provide proof of pension income to substantiate the loan, in addition to the usual checks based on current income. Affordability will be assessed based on the lower of earned or pension income.

Management Notes:

1. Where the applicants required term extends beyond retirement (earliest of the stated retirement age or 70 years) but they are not within 20 years of retirement (earliest of the stated retirement age or 70 years), a Lending into Retirement Declaration Form will be required to be completed.

Additional Income Necessary to Support Loan

Where additional income is necessary to support the loan (e.g. pension income) proof will be required of that income. The following amount will be considered:

- 100% of pension income (private and/or state pension).
- Guaranteed pension credits.

Guarantors

GUARANTORS ARE SUBJECT TO ALL LENDING CRITERIA AND ALL CASES WILL BE APPROVED BY A SENIOR MANDATE HOLDER:

Guarantors will be subjected to the normal rules regarding the Society's maximum age.

Guarantors should be of substantial means to ensure that if they are called upon, there will be no questions of their ability to meet the commitment. The Guarantor's own income (less existing credit commitments, mortgages and significant outgoing) must be sufficient to support the **full mortgage amount** requested.

The applicant is expected to be able to afford the mortgage payment on his / her own within a reasonable period (e.g., 5 years).

The proposal must be forwarded as a Decision in Principal to the Underwriting Team for preliminary approval before a full application is submitted.

The applicant and the Guarantor must usually have good family ties (e.g. parent and child).

The Guarantor is not party to the mortgage but the DEED of Guarantee is retained with the Deeds.

The Guarantor must be advised to take Independent Legal Advice.

Underwriting Requirements

Primary Income

Primary income is defined as basic salary, plus the following:

- Large town allowance.
- Rent allowance.
- Mortgage subsidy (100%).
- Self-employed income (including dividends).
- Pension income.

Other Income

The maximum amount of other allowable income must not exceed 100% of household primary income. Other income is defined as:

- Commission.
- Bonus / Overtime (Senior mandate holders have discretion to utilise up to 100% of bonus and overtime payments where there is evidence that these payments are clearly sustainable. In utilising this discretion consideration will be given to the LTV, loan type and occupation of the applicant)
- Shift Allowances.
- Child Benefit / Working Family Tax Credit / Child Tax Credit (Benefits in respect of childcare costs are not to be included within allowable income)
- Support Group Disability Allowance
- Rental Income (The use of net rental income can be considered).
- Car Allowance.
- Maintenance.
- Saving Income (assessed on a case by case basis).
- Guaranteed Pension Credit.

Other income is also taken into account as follows:

Income Type	Amount	Condition
Overtime/Bonus/Shift Allowance	100%	If guaranteed.
	50%	If regular.
Commission	50%	If regular/guaranteed.
Child Benefit / Working Family /Child Tax Credit***	Up to100%	
Support Group Disability Allowance	Up to100%	
Mortgage Subsidy/Rent Allowance	100%	If guaranteed.
London/Large Town Allowance	100% (up to)	
Car Allowance	100% (up to)	
Maintenance	50%	If confirmed.

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50% of rental income can be used, providing proof of payment for a 12-month period is obtained. The proof of payment can be obtained from a qualified Accountant, Property Management Company, Letting / Estate Agent or through Bank Statements.

Requirements for third party references

Employment References

Where an employer's reference is obtained, replies must be in response to the Society's written requested, validated by the employer's company stamp and addressed to the Society, confirming the following:

- Job title.
- Length of service.
- Basic annual income.
- Overtime, bonus commission.
- Permanency of employment.
- Whether applicant is under notice of termination or redundancy.
- Any adverse features affecting employment.
- Address help for applicant.

Credit & Other Commitments

When calculating the amount that the applicant can afford to borrow, existing financial commitments (**eg.**, other loans, HP agreements, student loans, maintenance payments, liability for leasehold payments, maintenance lease, ground rent, service charges, mortgages and significant outgoing e.g. school fees) will be taken into account.

The monthly payments due on such commitments will be deducted from income.

Credit Card Agreements

Where the aggregate of all outstanding credit card balances is over £1,000 a minimum monthly payment of 3% is applied.

Example:

Outstanding balance of credit card	=	£2,000
Monthly repayment	X 3% =	£ 60

In this example the amount to be deducted from income would therefore be £60 .

Commitment Due to Expire

Where a commitment is due to expire within 12 months from the date of the application, it will not usually be deducted from gross income, **unless** it is significant in terms of overall income.

The test of significance will normally be an annual commitment representing more than 10% of the annual gross salary.

Overdrafts

Overdrafts will be assessed by a mandate holder, where the current account has / or had in the previous 12 months, an unauthorised overdraft. The underwriter will use their judgement in these instances and reserves the right to request further information in order to underwrite the application.

Other Financial Commitments

In certain cases, proof of payment may also be requested, (e.g., where other financial commitments appear to compromise the ability to repay the proposed mortgage).

Proof of Payment

Satisfactory Conduct

The credit bureau data is utilised to confirm the satisfactory payment of existing loans. However, where this data is not available, confirmation must be obtained from existing and previous lenders that loans have been conducted satisfactorily for a minimum of the previous 12 months.

The last annual mortgage statement will be accepted as proof of mortgage payment if the year end statement date is within 6 months of the date of the mortgage application.

No verification is required for private rental payments but 12 months proof of payment of a company rental is required.

Loan to Value

Introduction

The Society will consider loans up to 95% of the purchase price or valuation (whichever is lower) on the security of the property alone.

The maximum loan to value for new build properties is 80%, based on the Royal Institute of Chartered Surveyors (RICS) new build guidance

Remortgage

The property should have been owned for at least 6 months prior to the re-mortgage as outlined in the solicitor's instructions.

Capital Raising

Re-mortgage applications loans which include a property related capital raising element (e.g., home improvements, purchase of additional land etc.) may be considered up to a maximum of 95% LTV (cases with LTV in excess of 90% must meet the society's credit score).

Re-mortgage applications which include a non-property related capital raising element (e.g., debt consolidation, holiday etc.) may be considered up to a maximum of 75% LTV.

Capital raising for business purposes is not permitted.

Right to Buy

The loan must not exceed 90% of the discounted purchase price.

Legal fees up to the value of £500 can be added.

'Right-To-Buy' documents, showing details of the discounted price and confirming the eligibility of the applicants must be submitted with the application.

A landlord's reference or suitable alternative evidence of rent payments is required.

Builders/Vendors Deposits

Where an incentive is being granted with a new mortgage application, this should be notified to the valuer, who will consider the incentive as part of the valuation. The applicant will be required to provide, the appropriate deposit, in accordance with the Policy and product.

Family Purchase

Family purchase mortgage is where the applicants purchases from a close blood relative for a discount, we can lend up to 100% of the purchase price. LTV is restricted to individual product maximum and is calculated on the loan as a percentage of the open market value.

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

Gifted Family Deposits

Gifted family deposits will be considered for vanilla and Shared Ownership (including Shared Equity) applications where the gift is from a family member i.e., Spouse, Parent, Grandparent, Sibling, Child, or Grandchild. Gifted family deposits will not be considered for Buy to Let and Overseas Euro lending. The valuation provided by the valuer is to be used to calculate the loan to value. The individual gifting the deposit must reside in the UK as bankruptcy searches will be carried out.

Second Properties

Applications where the applicant intends to retain a second property can be considered up to a maximum of 80%.

Applications of this nature can be considered, providing the applicant can demonstrate an ability to support both properties.

These cases must be referred, on a preliminary basis, with a reasoned explanation as to why the applicant wishes to retain two properties.

Property to Be Occupied By Family Member

Where the property is to be occupied by a member of the applicant's family (defined as spouse, parent, grandparent, sibling, child, grandchild) the application will be processed as a second property to comply with FCA Regulation.

Where the occupant will not be a family member (as defined above) the application should be processed as a buy to let mortgage.

Acceptable types of Security

Criteria

The criteria for property is as follows:

- The property must be situated in England, Wales, Northern Ireland or mainland Scotland.
- Minimum valuation £40,000.
- Properties must be of good quality with ready saleability. They must have a life expectancy well beyond the term of the mortgage and if there is any doubt, the property is deemed unacceptable security.
- Older properties must be modernised to provide basic standards, including provision of an internal kitchen, shower or bath and W/C.
- Properties must be used for domestic, residential owner occupation and be the intended or main residence of the applicants. Where more than 40% of the property is used for non owner occupation, this will be treated as Commercial Lending.

Construction

The Society prefers to lend on property, which is either of traditional or generally regarded as acceptable non-traditional construction.

Standard Construction

This is defined as:

Walls - solid (minimum 230mm) or cavity (minimum 280mm) and of brick, natural stone, reconstituted stone, concrete block, cob or flint.

Pitched Roofs - timber or, if the property is otherwise of acceptable construction, steel frame covered in slate, thatch, tile or copper.

N.B. Modern lightweight 'mock slate' is generally acceptable.

Flat Roofs - covered in asphalt, felt, copper, lead or zinc.

See Valuers Guidance Notes for a full list of acceptable construction types

- Properties of non-standard construction, including those properties of 100% timber and high alumina cement construction.
- Steel-framed properties are not normally acceptable. However, these may be considered where the valuer states that the re-saleability is unaffected and is subject to a durable outer leaf (e.g., of brick, block or stone). Also a

Structural Engineers report would be required, confirming that the structural frame is in a satisfactory condition and free from corrosion, where bolted to the floor slab.

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

All the adjacent dwellings must have been repaired; i.e. all the houses in a terrace or both in the case of semi-detached must have been repaired.

- In certain cases, properties of unusual construction may be considered, subject a review by eSurv, confirming the property represents adequate security.

New Properties

- The maximum loan to value for new build properties is 80%.
- New properties, or those built within the last 10 years, must be covered by an appropriate 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, providing they are signed by a qualified:
 - Architect, who is a corporate member of the Royal Institute of British Architects.
 - Chartered Building Surveyor, who is a corporate member of the Royal Institution of Chartered Surveyors.

Evidence of appropriate current professional indemnity insurance will be required and the certificate must be for the benefit of the borrowers. The Architect must confirm that he has supervised the whole project.

Self-build

Introduction

Applications for stage payments can be considered.

Self Employed Builders

- Applications from self-employed builders requiring building finance will not be accepted.

Ultimate LTV

- The ultimate LTV must not exceed 80%.

Release of Monies

- The advance will be released in accordance with the following stages of construction and a revaluation will be required at each stage, for which a revaluation fee will be charged, in accordance with the Tariff of Charges.
- Full planning permission to be in place before application.
- As these types of project can be prolonged it is considered appropriate to obtain an updated revaluation upon completion of the property / or at the final stage release.

Stage	Finished...	Release Up To...
1	Land Purchase (with full planning permission)	75% of current value
2	Wall Plate	75% of current value
3	Roofed In	75% of current value
4	Plastered Out	75% of current value
5	Completed	80% of current value

The Society can vary the percentage advance released or the stage at which the advance is released on the recommendation of the Valuer.

For the initial advance to purchase the plot, this will be subject to the valuer's recommendation and subject to confirmation that full planning permission has been obtained to erect a residential dwelling.

A copy of a complete detail costing schedule together with the build project plan is required.

Insurance

The same insurance requirements apply as for new properties (i.e., where the property is architect supervised, the latest certificate will be required for each re-inspection).

Building To Be Demolished & Land Purchased

If there is an existing building on the land, either:

- The cost of demolition will be deducted from the amount of the advance available.
- **OR**
- The cost of demolition will be retained from the first Stage Payment

Converted Property

If the property is a conversion, the Solicitors must confirm planning permission has been obtained from the local authority and the Valuer must report the conversion is of high quality with a minimum floor area of 60 sq metres.

Tenure

Freehold, leasehold and commonhold properties are normally acceptable as is feudal in Scotland.

Leasehold Flats and Maisonettes

Leasehold properties are acceptable but must comply with the following criteria:

- At least 40 years unexpired lease remains at the end of the mortgage term.
- Variable ground rent increases are fixed by the lease at the outset and reviews (which must be reasonable) are at intervals of 21 years or more.
- Ground rent increases are tied to the market value of the property and the terms of the lease are acceptable.
- Ground rent reviews tied to the retail price index are unacceptable.
- Modern high quality conversions (flats, maisonettes and studio flats) with a minimum floor area of 60sq metres are acceptable.
- Flats and duplex apartments above six storeys are acceptable, with the exception of ex-Local Authority and Housing Association properties.
- Where there are more than four floors there must be a lift.
- Freehold flats and freehold maisonettes are not acceptable.
- Flying freeholds are not normally acceptable; however, these may be considered where the valuer states that the re-saleability is unaffected and where a relatively small part of parts extends over an adjoining property.
- 'Virtual freehold', i.e. with leases in excess of 500 years, are acceptable.

Ex-Local Authority Property

Ex-local authority properties are acceptable, but must be located in areas where re-sale can be readily achieved. A single owner occupied house located in the centre of a large, otherwise Local Authority tenanted estate may be difficult to sell and is, therefore unacceptable.

In England, Wales and Northern Ireland, ex-local authority flats are only considered if they are of satisfactory construction with secure communal access and where a proven re-sale market exists. Acceptability is subject to:

- A maximum of 4 floors in the block.
- The Panel Valuers must be confident of continued marketability and resaleability and have regard to the type and location of the properties.
- Balcony access arrangements are not acceptable.

Release of Retention Policy

Following an inspection by a qualified valuer, a recommendation may be for works to be undertaken. Prior to the receipt of specialist reports or confirmation that works have been done, a retention may be recommended.

Where the retention is low in comparison to the advance and we have sufficient equity, we will agree to waive a retention in accordance with the matrix below:

Valuation of Property	Retention to be Waived	Max Loan to Valuation (LTV)
Less than £50,000	Up to £2,000	80%
Greater than £50,000	Up to £4,000	80%

Contaminated Land

In April 2000, a new statutory regime came into effect as part of the Environmental Protection Act 1990 concerning contaminated land. The primary purpose of the new regime is to identify contaminated land, to bring the damaged land back into beneficial use and to pass the cost of the remediation onto an appropriate party, ideally the original polluter.

Cases where Japanese Knotweed is found and considered high risk by the valuer the will be declined.

An environmental search may need to be obtained (by the applicant or seller) if requested by either the Society's valuer or solicitor. The Society will review the recommendations made by the environmental specialist in conjunction with our Legal Services team and insurers

Valuations

The Society must carry out an assessment of the value for all properties that provide security for mortgages. This may be achieved in a number of ways, including an internal inspection by a suitably qualified professional valuer, a drive by valuation or a desktop valuation, including the use of a proprietary Automated Valuation models (AVM) with an approved confidence level (CL).

The Society outsources its arrangements for obtaining a **reliable security valuation** to e.Surv. This service is monitored on a quarterly basis though regular reviews. A formal process is in place to manage any proposed changes to Panel appointments.

e.Surv adopt 'in-house' auditing and anti fraud measures. Further information on the risk mitigation methodologies implemented by e.Surv is documented within the detailed Valuations Guide.

Full inspection valuations are based on the Royal Institute of Chartered Surveyors (RICS) Red Book and undertaken by a fully qualified valuer.

Insurance

The Society requires, as a minimum, an appropriate building insurance policy to be in place. The Society has block scheme arrangements for **buildings and contents insurance** cover with Aviva. The buildings and combined buildings and contents insurance premium is based on the Society's valuer's estimated reinstatement cost, in accordance with the Royal Institute of Chartered Surveyors guidelines and the geographical location of the property.

The Society recommends that a **life insurance product** be in place.

The Society recommends that all capital and interest mortgages be supported by appropriate **mortgage protection policies** (i.e. a decreasing term assurance policy).

In addition, where interest only mortgages are arranged, the Society recommends that suitable arrangements are made to repay the advance either in the event of death, or at the end of the mortgage term i.e. a **level term assurance policy** in the event of death.

The Society actively encourages mortgage applicants to protect their mortgage payments in the event of unemployment, accident or sickness resulting in an inability to work for a specified period.

Solicitors/Licensed Conveyancers

Society's Panel

The Society operates a panel of Solicitors or Licensed Conveyancers. Provided the Solicitor/Licensed Conveyancer chosen to act on behalf of the applicant is on the Society's panel, the Society will also instruct the Solicitor/Licensed Conveyancer to act on its behalf.

Unacceptable Solicitor/Conveyancer

If for any reason the Solicitor/Licensed Conveyancer chosen is not acceptable to the Society, then the Society's own Solicitors will be instructed to act for the Society.

Acceptance Criteria

The Society does not accept new sole practitioner firms unless they operate in remote rural areas.

Exceptions

The policy has been relaxed for Scotland and Northern Ireland due to the demographic distribution of populations within those jurisdictions. In Scotland for example, sole practitioners will be admitted to the panel outside the major urban centres.

Criteria

All firms need to comply with the following:

- To be a two partner plus firm (exemptions in Scotland and Northern Ireland).
- To have fireproof cabinets or strong rooms to store deeds.
- To have computerised accounts.
- To operate a client account.
- Need **not** to have their indemnity insurance through the Law Society assigned risks pool (this does not exist in Scotland and Northern Ireland).
- To have indemnity insurance via a qualifying insurer.
- Need to have a minimum cover of at least £2m (£3m for LLP's) of professional indemnity cover.

We accept applications from limited companies and / or limited liability partnerships (LLP's) so long as either has more than one director.

If a partnership changes to a sole practitioner they are removed, from the panel.

Early Repayment and Arrangement Fees

Arrangement Fees

Arrangement fees vary according to the product and can be added to the advance.

Early Repayment Terms

A standard early redemption administration charge applies to all cases with the exception of loans reaching maturity. The fee is quoted on the Tariff of Charges, which is reviewed annually.

Early Repayment Charges (ERC's)

Early repayment charges are calculated by the Society's Treasury Team in conjunction with Marketing Department.

ERC's must represent a genuine pre-estimate of the Society's loss if a customer elects to redeem early.

The level of any ERC will depend upon the particular product concerned.