

Lending Policy for C&G mortgages 2010



Effective from 7 January 2010

THE INFORMATION WITHIN THIS BROCHURE IS FOR PROFESSIONAL INTERMEDIARIES ONLY.
IF YOU DO NOT HAVE THE RELEVANT PROFESSIONAL EXPERIENCE, YOU SHOULD NOT RELY ON THIS INFORMATION.
IT IS NOT A CONSUMER ADVERTISEMENT AND SHOULD NOT BE DISPLAYED OR USED AS SUCH.

cheltglos-intermediaries.co.uk

CGP 7460 1/10

C&G
for intermediaries

built around you

General policy

Index

- Age
- Term
- Personal deposit
- Use of funds
- Maximum LTV
- Income used
- Income verification
- Repayment methods for interest only mortgages
- Remortgages
- Residence in the UK
- Identification of the customer
- Porting

Lending policy for C&G mortgages

Overview

C&G mortgages are provided by Lloyds TSB Bank plc and administered by us. We both commit to providing you with all the information you need to enable your client to make an informed choice about a mortgage or, if they have already made up their mind, all the information about the mortgage they have chosen.

C&G mortgages are also available through C&G and Lloyds TSB branches and direct to customers over the phone and the Internet. Different offers may be available through each of these different outlets.

All cases are bureau scored, so a search is performed prior to confirmation of the ability to lend.

Age

Customers who will be 75 before the end of the term

- The maximum age at the end of the term is 75.
- For joint customers this is based on the age of the oldest customer/guarantor.
- Where a customer would be over 75 at the end of the term, the term must be reduced or the application will be declined.
- This also applies to Homeowner Loans, so where a customer's existing term exceeds their 75th birthday you cannot choose a term to match.

This policy also applies to guarantors.

Customers over 65 at the point of application

- Where any customer is 65 or over at the time of application the maximum LTV is 75%.
- Homeowner Loans for debt consolidation are not acceptable for customers over 65.

Customers within five years of retirement

- If the customer is within five years of their planned retirement or the default retirement age of 65 (whichever is lower) and the term exceeds their planned retirement age, only the retirement income will be taken into account.

Term

A mortgage term must always be recommended based on the individual customer's needs.

Maximum Term

The maximum term is 35 years, although any term exceeding 25 years should be considered carefully.

Personal Deposit

The customer must have a personal stake in the property that is not represented by a loan.

The following means of deposit are acceptable providing they are not repayable:

- Genuine gifts from family.
- Local Authority/Housing Association Discount Purchase (Right to Buy).
- Local Authority/Housing Association Tenancy Incentive Scheme (not private sales).
- Builder's incentive (offered by a major national/regional builder for brand new properties).
 - A builder's incentive must not be a loan, be repayable or protected by way of a second charge
 - Maximum LTV for new build properties of 80%, customers may utilise a 5% deposit in the form of a builder's incentive, but must also provide a 15% personal deposit
 - Builders' incentive schemes are not eligible for buy-to-let applications. Please see the buy-to-let policy section.

Use of funds

Unacceptable use of funds:

- Timeshares
For buy-to-let policy on capital raising, please see the 'Capital raising on a buy-to-let property' section.

Maximum LTV

Application Type	Maximum LTV
House purchase	Interest only – 75% Repayment – 90%
Main residence remortgages*	Interest only – 75% Repayment borrowing £5,000-£500,000 – 75% £500,001-£2,000,000 – 80%
Additional borrowing*	Interest only – 75% Repayment – 80%
New builds (including flats)	Interest only – 75% Repayment – 80%
Buy-to-lets	Interest only – 75% Repayment – 75%
Buy-to-let (New build)	Interest only – 65% Repayment – 65%
Holiday/Second Home	Interest only – 75% Repayment – 75%
Holiday/Second Home (New Build)	Interest only – 65% Repayment – 65%

*Interest Only/Repayment Allowances

New C&G mortgage customers

- Maximum LTV on interest only loans is limited to 75%
- For house purchases where the total LTV is over 75% all borrowing must be on repayment. Maximum LTV on interest-only loans is limited to 75%
- A mix of interest only and repayment is allowed only where the total borrowing is less than 75% LTV.

Existing Customer Conversions

- Like-for-like conversions above 75% LTV can remain on interest only.
- For conversions with homeowner loans if the homeowner loan takes the total borrowing over 75% LTV then the Homeowner Loan must be on repayment.
- Conversions from repayment to interest only are not allowed above 75% LTV.

Additional borrowing

- For all additional borrowing the maximum LTV is 80%.
- For additional borrowing that takes the total borrowing above 75%, the new borrowing must be on repayment.
- In addition, a Homeowner Loan cannot be taken out within 6 months of the mortgage, or a previous homeowner loan on the same mortgage, starting.
- Neither can a term extension be requested within 6 months of the mortgage or loan starting.

Income used

This section should be read in conjunction with the Income Assessment chapter.

When entering any 'additional income' only 60% of the total amount entered is used within the affordability calculation.

Income due to change in the future

Some employed customers know that their income will change within the next three months. If this is the case and you have evidence to support it, you may enter their future income. An example of this would be a supply teacher, who has a letter to confirm a position they are due to start.

Examples include:

- Due to be promoted
- Salary increase within their current position, eg when relocating (relocating allowance is not to be included)
- Currently on maternity leave, returning to work within the next three months
- Due to start a new job

Evidence can be an employment contract, employer's reference or a confirmation letter from the employer. If entering onto Caseflow put today's date as the date employment commenced.

If there will be a gap in employment of fewer than three months, the customer must have adequate financial resources to rely upon. If the gap will be more than three months, the application will be referred to mortgage underwriters.

Where the customer is currently working but due to go on maternity leave, the current income is used.

Income verification

Every customer must be able to prove their income and employment details and we reserve the right to verify this via documents and references.

- Employer's contract or reference can be used to confirm the customer's income where they have been employed for fewer than 3 months
- References must be dated within the last 3 months
- Payslips must be dated within the last 4 months (except for confirming annual/half yearly bonuses where payslips can be dated within the last 12 months)
- SA302s must be originals, on headed paper and dated within the last 18 months. Online print of tax returns (SA302s) are not acceptable.

Bank statements

- Bank statements and pension statements/references must be dated within the last 12 months.
- They can be used to verify additional, pension or rental income.
- Bank statements sent to the customer in the post are acceptable, as are statements provided from the Internet.

Repayment methods for interest-only mortgages

The customer must have a plausible repayment method in place when they take out an interest-only mortgage.

Acceptable repayment vehicles are:

- **Endowments**
- **Pensions**
- **ISA/PEPs**
- **Share portfolios/unit trusts/investment bonds**
- **Other lump sum investments** - these could be cash deposits in a bank or building society account, with an insurance company or premium bonds.

Acceptable repayment strategies are:

- **Sale of second property** – customers who own more than one property may wish to rely upon the sale of the second property to repay their mortgage on the first.
- **Sale of a business** – a customer who has their own business and plans to use the proceeds of the sale of this to repay their mortgage.
- **Downsizing** – customers can repay their mortgage by selling their home and moving to a smaller, lower value property at a later date. The downsizing must be plausible ie it is plausible if the customer anticipates retaining equity. If a customer has a one-bedroom property, it is unlikely that they could trade down to anything smaller and the customer needs to have somewhere else to live at the end of the mortgage term.

An unacceptable repayment strategy would be:

- Relying on inheritance, because the customer cannot be sure to receive it.

If you have discussed a plan with the customer that you feel is plausible and it is not on this list, contact your Business Development Manager.

Remortgages

For all remortgages, including unencumbered applications, one of the customers must have owned the property for at least six months. There are no exceptions to this and applications where the customers have not owned the property for this period of time will not be accepted.

Residence in the UK

Customers should live in the UK (apart from the occasional business trip abroad). Consideration will be given to expatriates and foreign nationals – see the Special Lending Situations chapter.

Where the customer has been living abroad, any overseas addresses must be input on Caseflow and a full three years' history provided up to a maximum of three addresses.

Irrespective of nationality, UK residents include:

- Individuals permanently resident in the UK.
- Individuals normally resident in the UK who are temporarily overseas for less than a year.
- Members of the UK armed forces and established officials of HM Government (and their dependants) serving abroad in military bases, embassies etc (individuals serving in the UK armed forces who are not British nationals must have permanent rights to reside, or be an EU citizen).
- Temporary residents from a country outside the UK who have stayed or who intend to stay in the UK for a year or more. The customer must have permanent rights to reside, or be an EU citizen.

Non-UK:

- Individuals permanently residing outside the UK (including the Channel Islands and the Isle of Man)
- All temporary residents from the UK who have stayed or intend to stay in a country outside the UK for a year or more (except members of the UK armed forces and established officials of HM Government).

Identification of the customer

Documents required for new customers

Each new customer must be positively identified in accordance with the **Money Laundering guidelines (JMLSG)**. It is a legal requirement for every new customer to be identified by providing appropriate documents. Usually two documents are required, one to confirm the customer's name and the other to confirm their address – although there are certain documents that are acceptable on their own for proof of both identity and address. We've detailed documents that are acceptable later in this section.

Your role

You must see the original document(s), make a copy which you check and certify as a true copy of the original and send the certified copy(ies) to C&G with the application form. We will retain the copy(ies) for future reference.

To simplify the process, it may be possible for you to complete an Identity Verification Certificate (IVC), which places the responsibility on you to retain certified copies of the customer's identification documents. Again, please see later for more on this.

Single items of identification

The documents that we can accept on their own for proof of both identity and address are listed in the 'Single items of identification' table below. For example, you may accept either a current UK Full Passport or a current UK Photocard Driving Licence (please note: the counterpart licence is not acceptable on its own).

If you can provide one of the following documents, there is no need to give a secondary form of ID.

Single items of identification - acceptable documents

Document	Identification	Address Verification
EU/EEA Driving Licence	✓	✓
EU/EEA Identity Card	✓	
Firearms/Shotgun Certificate	✓	✓
Northern Ireland Voters Card	✓	✓
UK and Non UK Passport	✓	
UK Driving Licence	✓	✓
Young Scot Card	✓	

Two items of identification

Where a customer is unable to provide one of the documents from the single item list above, you must continue to request two forms of identification. Acceptable documents are shown in the 'Two items of identification' list below.

For joint customers who are living at the same address, proof of name is needed for both applicants, but address ID is needed only for the first-named applicant.

A document can only be used once throughout the whole application process; ie. used once for either address verification or for identification.

Two items of identification - acceptable documents

Document	Identification	Address Verification
Bank, Building Society or Credit Union Statement		✓
Benefits/State Pension Notification Letter	✓	✓
Blue Disable Driver's Pass	✓	
HM Revenue & Customers Correspondence		✓
HM Revenue & Customs Tax Notification	✓	✓
Local Authority Tax Bill		✓
Local Council Rent Card / Statement		✓
Mortgage Statement		✓
Utility Bill / Utility Statement or a certificate / Letter from a Supplier of Utilities		✓

Guidance on how to check and certify the documents:

Check the

- photograph appears to be that of the person presenting it
- date of birth appears to match the appearance of the person presenting it
- name and date of birth match details on the mortgage application form
- signature appears to be the same
- document has not been tampered with
- document is valid and had not expired
- address matches that held on the mortgage application form

To certify

- 1 Stamp the photocopy with your company stamp
- 2 Write 'original seen'
- 3 Date the photocopy
- 4 Sign over the stamp

Identity Verification Certificate (IVC)

To simplify the process you can complete an Identity Verification Certificate (IVC) which places the responsibility on you to retain the certified copy(ies) of the customer's identification document(s).

An IVC is not acceptable in the following circumstances and certified copies of the identity documents need to be submitted with the application:

- First time buyers
- When identity documents are requested as part of the application process.

Please note you will be asked to provide copies of the identification taken if Lloyds TSB receives a court order, or request made by audit. Copies will be required within 7 days.

The IVC is available to download on our website.

Q & As

- Q.** I have a joint application and the first customer has provided a current UK passport for ID purposes, but the second customer doesn't have a UK passport or a UK photocard driving licence. What should I do?
- A.** Accept the current UK passport as ID for the first customer, but the second customer must provide two forms of identification as he/she doesn't have either of the documents listed.
- Q.** A new client has provided a UK paper driving licence to confirm his identity. Is this acceptable?
- A.** Only current UK photocard driving licences (full & provisional) are acceptable. If your client provides a UK paper licence you may accept this for name ID but the client will also need to provide a document confirming their address.
- Q.** The UK photocard driving licence has a different address to the mortgage application form because the client has recently moved into a temporary address. Is this acceptable?
- A.** Refer to your local Business Development Manager for guidance

Customers porting

The following applies to all porting requests.

Where the current mortgage completed on or after 1 November 2008

- Customers porting their product must take out another C&G mortgage within an eight-week period.
- Where the customer chooses to port their product and their new mortgage completes on the same day as their old mortgage redeems, then no Early Repayment Charge (ERC) will be charged.
- The customer's new mortgage doesn't complete on the day their old mortgage redeems, then any ERC payable must be paid on redemption of the old mortgage. The ERC will be refunded on completion of the new mortgage provided this takes place within the eight-week period.
- If the customer moves house within the last 12 months of their ERC period, the customer must pay any ERC due in full.

Where the current mortgage completed before 1 November 2008

- Customers porting their product will be allowed a 12-month period to return within.
- The ERC will be waived for any customers moving house within the last 12 months of their ERC period, as long as they are porting the same amount or greater.
- Sub-accounts – If the customer has a number of sub-accounts and one of these sub-accounts completed before 1 November 2008, then the total amount ported will benefit from the concessions given in the two bullet points directly above.

Buy-to-let policy

Index

- Overview
- Income requirements
- Calculating affordability for a buy-to-let application
- Policy requirements for a buy-to-let application
- Property requirements
- Tenancy requirements
- Verification of rent from the buy-to-let property
- Maximum Loan to Value for buy-to-let applications
- Main residence applications where the customer has a buy to let mortgage with the Lloyds Banking Group (excluding HBoS) or with another lender
- Capital raising

Overview

For ALL applications where the customer's mortgage commitments include any element of buy-to-let properties, including main residence applications with buy-to-lets in the background, please complete and send us the Additional Mortgages form alongside the application in C&G Caseflow or Mortgage Application Form.

Definition	Where the property is to be let with a formal tenancy agreement.
Products	Buy-to-let products only
Fees	Buy-to-let product and valuation fees apply
Income requirements	<p>For all buy-to-let applications the customer must have a minimum income before tax (excluding rental income) of:</p> <ul style="list-style-type: none"> • £35,000 (sole or joint) – for loans of £500k or less • £50,000 (sole or joint) – for loans of more than £500k. <p>First-time buyers</p> <ul style="list-style-type: none"> • The maximum loan size is £500,000. • The minimum income is £35,000.
Calculating affordability for a buy-to-let application	<p>Affordability for a buy-to-let application is calculated by either:</p> <ul style="list-style-type: none"> • using the customer's income plus 50% of the expected rental income from the buy-to-let property or • calculating that the expected rental income will cover the monthly mortgage payments (using the appropriate rate – see self-funding calculations below) making the property self-funding. <p>Self-funding calculations</p> <ul style="list-style-type: none"> • If the Loan to Value (LTV) of the buy-to-let property is less than or equal to 60%, the expected rent from the property must cover the mortgage payments using a notional 7.5% interest rate. • If the LTV of the buy-to-let property is greater than 60%, the expected rent from the property must cover the mortgage payments using a notional 8% interest rate.

<p>Policy requirements for a buy-to-let application</p>	<ul style="list-style-type: none"> • Customers must have no more than nine buy-to-let properties (including second homes) with a maximum buy-to-let portfolio of £3 million within the retail division of Lloyds Banking Group which includes Birmingham Midlands, Halifax, Bank of Scotland, Intelligent Finance, Lloyds TSB (including C&G), Lloyds TSB Scotand, Scottish Widows and The Mortgage Business (TMB). • For all buy-to-let applications, the Additional Mortgages form must be completed and faxed to your regional processing team when you submit the application. Please ensure you include the case reference number and client's name in the fax cover sheet. • This form must be completed where the customer's mortgage commitments include any element of second homes or buy-to-let properties. This includes main residence applications with buy-to-lets/second homes in the background. • If the customer's main residence is mortgaged to the Lloyds Banking Group (excluding HBoS) this is not considered as part of the nine properties. The customer's maximum exposure must not exceed £5 million. • Customers who are married, in a civil partnership, co-habiting or have their financial affairs linked will have their buy-to-lets with the Lloyds Banking Group (excluding HBoS) classed as one total figure: • If the customer has more than three properties mortgaged to lenders in the Lloyds Banking Group (excluding HBoS), the application will be referred to underwriters. • Applications from customers who have Lloyds Banking Group (excluding HBoS) mortgage commitments of more than £500,000, where an element of those mortgage commitments is or will be made up of buy-to-let mortgages, must be referred to underwriters. <ul style="list-style-type: none"> - Example – A customer with a £450,000 Lloyds Banking Group (excluding HBoS) residential mortgage and is applying for a £100,000 buy-to-let mortgage will need underwriter approval. • Guarantor applications or builders' incentive schemes, eg builders' deposits are not eligible for buy-to-let applications. • Where all customers are first-time buyers, applications will be referred to underwriters and following criteria must be met: <ul style="list-style-type: none"> - The maximum loan amount is £500,000. • Existing residential customers who submit a lettings request within six months of the original loan must convert to a buy-to-let product. Any Early Repayment Charge applicable to their original mortgage must be paid in full. • Lending will not be agreed on properties where there is more than one tenancy agreement or where there would be an informal tenancy e.g. student lets.
<p>Buy-to-Let property requirements</p>	<ul style="list-style-type: none"> • The property must not be split into separate units of accommodation (eg a house converted into two flats). • The property should be of good quality, in sound structural condition, in a reasonable state of repair and be wholly used for residential purposes. There is no minimum property value but consider carefully the value of the property and apply any local knowledge available to ensure it reflects that of a good-quality property in its location. • All standard construction policy requirements must be met.
<p>Buy-to-Let tenancy requirements</p>	<p>A maximum of four tenants is acceptable, provided there is a single assured shorthold tenancy.</p> <p>Type of let must be either:</p> <ul style="list-style-type: none"> - an assured shorthold tenancy (in Scotland, a short assured tenancy) for not more than one year or - tenancy in favour of a limited company, local authority or housing association for a term not exceeding one year. <p>The solicitor must ensure the let meets the lender's requirements.</p>
<p>Verification of rent from the buy-to-let property</p>	<p>Property to be let For a house purchase, potential rental income must be confirmed by a letting agent/accountant/solicitor.</p> <p>Property already let Where the property is already let and a remortgage is taking place, proof of rental income can be established via bank statements or confirmation from a letting agent/accountant/solicitor.</p> <p>Other requirements If the LTV is greater than 70% on a Homeowner Loan application, a valuation will be required to confirm the rental income.</p> <p>Where rental income has been entered and the LTV is more than 70%, the rental income must be validated by the valuation and the lower figure used.</p> <p>Self-employed applicants who hold a property portfolio can include their share of the net profit (rents received less expenses) as part of their self-employed income.</p> <p>Valuers in Scotland may provide the rental income figure on their valuation report. If provided this can be used as confirmation.</p>

Maximum Loan to Value for buy-to-let applications

Channel	Score	Loan type	Maximum LTV
All	All	Buy-to-Lets	75%
All	All	Buy-to-Lets (new-build properties*)	65%

*This is defined as any property that was first occupied less than six months ago.

Main residence applications where the customer has a buy-to-let mortgage with the Lloyds Banking Group (excluding HBoS) or with another lender

Main residence application and the customer has buy-to-lets with another lender

For C&G Buy-to-Let Mortgages, the risk will be accepted that buy-to-lets with another lender do not affect the main residence application if:

- Lloyds Banking Group (excluding HBoS) mortgage commitments are £500,000 or less
- none of the mortgages is currently in arrears
- the customer's total mortgage commitments are less than £3 million.

Note: These applications will normally trigger an affordability decline on C&G Caseflow.

After the case has been submitted, the explanation of why the case has been declined will be detailed on the 'tasks' section. If you wish to appeal against the decision, select 'yes' to the 'do you want to appeal?' question. Within the free-format box that appears, enter supporting financial information for the case that you want underwriters to take into account. For example, any income details that you were not able to enter, that it's a self-funding buy-to-let case, and to refer to the Buy-to-let Mortgages form, which has been faxed in for rental income. The case will then be referred to underwriters for consideration.

For main residence applications where buy-to-lets are with the Lloyds Banking Group (excluding HBoS)

- calculate that the customer's mortgage commitments – based on the total portfolio of exposure/properties with the Lloyds Banking Group (excluding HBoS) – is self-funding using a notional interest rate of 8%
- complete the Buy-to-Let Mortgages form showing these calculations
- submit the application on C&G Caseflow, and fax the Buy-to-Let Mortgages form to your regional processing team, ensuring that the case reference and name are included on the fax cover sheet.

Where an element of those mortgage commitments is or will be made up of buy-to-let mortgages, these applications will be referred to underwriters. In these instances, when a customer applies for residential borrowing, underwriters will calculate the affordability of any buy-to-let property using a notional 8% interest rate.

Capital raising on a buy-to-let property

If an applicant wants to remortgage a buy-to-let property and raise additional funds, or applies for a Homeowner Loan on a buy-to-let, it is important that you obtain the amount and the purpose for the additional fund.

Amount	Purpose of additional borrowing/ Homeowner Loan	Can we lend?
< £25,000	<ul style="list-style-type: none"> • Home improvements to this property • Extending or enlarging this property* • Buying land to build a house on • Raising money to purchase another property 	Yes
< £25,000	Any other purpose	No
> £25,000	Any purpose	Yes

* The original loan amount must have been for the purpose of purchasing the land/property on the land that is being extended/enlarged, and the loan must be secured against the land in question.

These rules apply to all applications where the property is let, including situations where the customer is living in tied accommodation or abroad.

Income assessment

Index

- Employed customers
- Gross basic income
- Total employed income
- Additional income
- Retirement income
- Self-employed income
- Rental income
- Special scenarios

Overview

All applications are assessed on a number of criteria, with affordability always being a key consideration. This allows the individual circumstances of your client to be taken into account and flexible lending decisions to be made based on your client's ability to repay the mortgage. And of course, you can always discuss a specific case with your Business Development Manager.

Employed customers

The loan must be assessed on current gross basic and/or total employed income, additional income, rental income and/or current/future retirement income.

Gross basic income

This is defined as gross pay only and it excludes any other elements, eg overtime/shift allowance or additional payments such as commission or flexible benefits. Typically, gross basic income is described on a payslip as 'basic salary/pay' and is the same amount every month.

If a customer receives gross basic income only, or does not want to use any other element of their income, you will only need to see the latest payslip to verify their income.

Total employed income

This is defined as income from permanent employment that is available for use in meeting the monthly mortgage payment.

Total employed income includes all elements detailed on a payslip, with the exception of annual/half-yearly bonuses and large one-off payments.

Examples of total employed income include:

- Basic salary
- Overtime/Shift allowance (doesn't have to be guaranteed, but must be detailed on payslip)
- Large town allowance, eg London weighting, cost of living supplement etc
- Mortgage subsidy
- State pension - not widow's
- Private pension
- Company pension
- Car/Housing/Clothing allowance
- Fixed-term contracts
- Bonus - quarterly/monthly/weekly only
- Commission
- Piece work (permanent employment only)
- Flexible benefits
- Stipend

Additional income

Any additional income entered may need to be verified. If it is likely to be insignificant or difficult to verify do not include it.

When entering any additional income, only 60% of the total amount entered is used within the affordability calculation.

Acceptable additional income:

- Rental income received from other properties (not buy-to-let applications)
- Child Benefit payments
- Disability Living Allowance
- Maintenance
- Bonuses – annual/half-yearly
- Investment income/Annuity income
- Income from foster children or lodgers
- Trust income (bank statements are not acceptable; you must obtain a solicitor's letter confirming the amount payable each month and, if a capital lump sum can be obtained, to what extent)
- Incapacity Benefits/Industrial Injuries Disablement Benefit
- Permanent health insurance
- Widow's pension
- Student loans/Grants/Bursaries
- Working Tax Credits/Child Tax Credits
- Expected rental income (main residence cases only)
- Adoption Allowance
- Carer's Allowance

Retirement income

This will be used to assess affordability when the customer is currently working, within five years of their planned retirement date and has requested a term that exceeds that date.

Future retirement income

- Future retirement income must be used where the customer is within five years of their planned retirement or their 65th birthday, whichever is the earliest, and the term exceeds retirement.
- For retired customers or where future retirement income is being used to assess affordability, only the following can be used: rental income from other properties (not buy-to-let), income from trusts and investments and where the customers own a business and continue to receive income. This income must be available to support the mortgage commitment for the entire term of the mortgage, together with any pension income.

Self-employed income

- Projected income must not be entered.
- Customers who have been self-employed for less than a year will be declined.
- Where the customer has two or more years finalised accounts, the most recent two years figures should be used.
- Where the customer has been self-employed for more than one year and has one year's finalised accounts which can be confirmed, these applications can be referred to Underwriters.
 - On C&G Caseflow to appeal a decision you will need to click the orange 'appeal' button which will appear after your case has been declined.
 - Include details of the income generated from the date of the finalised accounts to the present day. This will then be assessed by our underwriters.
- Underwriters must approve any applications where the total lending amount is greater than £250k and one or more of the customers are self-employed.
- The customer must be able to demonstrate that profits of their business are stable or rising.
- Additional income, rental and retirement income may also be used for self-employed customers.
- Sub-contractors may be treated as self-employed depending on how they are paid (see below for details).

Customer working for single employers

A self-employed customer who is sub-contracted to a single employer must be treated as 'employed' when:

- The customer continues to work for the same employer (becomes PAYE).
- The customer continues to work for the same employer and the company pays the customer's tax and National Insurance.

Customers who have more than 30% holding in a business

Where a customer has a 30% or more interest in a partnership or limited company (public or private), they must be treated as self-employed.

If joint customers own 30% or more between them, treat both customers as self-employed.

Customers employed in a family business

Where a customer is employed in a family business but does not own a share in the business or owns LESS than a 30% interest, treat as 'employed'.

Rental income

This is for buy-to-let applications, and only rental income from the property being applied for can be used. For joint applications, this must be entered under customer one.

Special Scenarios

Customers employed by a private individual

Customers employed by a private individual, eg the customer is a nanny or gardener, will still be able to produce payslips/employer's reference because their employer has to register the employment with HM Revenue & Customs. They may be handwritten or computer generated.

Maternity

- If a customer is on maternity leave at the time of application, use the income received at that point.
- If the customer is due to return to work within the next three months, the future income can be used. An employer's contract, employer's reference or letter from the employer will be required.
- If the customer is receiving statutory maternity pay and is also receiving some income from his or her employer, both parts of this income can be used.
- If the customer is due to go on maternity leave in future, but is still currently working, their current income must be used.

Child minding

Where a customer is a childminder they can be treated as self-employed.

Split incomes or second jobs

Where a customer has income from two or more types of employment, both can be used provided they are:

- Stable
- Long term

Examples would be:

- Primarily employed, with secondary self-employed earnings.
- Primarily self-employed earnings, with secondary employed earnings.

Temporary contracts and agency work

- Temporary contracts and agency work are non-permanent, and employment may be terminated without notice.
- They are normally unacceptable sources of income. Income from seasonal work, for example, is unacceptable.
- Applications will be considered where the customer has been undertaking agency or temporary work for at least six months and it is likely to continue.
- Where the customer has been working on a temporary basis for under six months, and the work is not seasonal so is likely to continue, the application will be referred to C&G underwriters.

Fixed-term contracts

Customers on fixed-term contracts will be considered provided the customer's individual track record suggests that future employment is secure i.e. a customer who's had their contract renewed several times with the same employer.

Property

Index

- Overview
- Construction
- Acceptable property types
- Unacceptable property types
- Recently converted properties
- Properties with land
- New builds
- Tenure

Overview

The property must be situated in England, Wales, Northern Ireland or Scotland and must be freehold, leasehold, commonhold or absolute ownership (Scotland only).

The property must be of good quality, in good condition, of traditional construction and must be a single dwelling used solely for residential purposes.

Construction

- Conventional brick/tile/stone/slate
- Thatched house

For any other types of property construction, please contact your Business Development Manager.

Acceptable property types

Converted or purpose-built flats

- Local-authority blocks not acceptable over 4 storeys

Flats over shops

- Maximum 60% LTV
- The whole property must be in good condition with no repairs required (except minor cosmetic ones)
- The owner of the flat and the shop cannot be the same person as this would have legal implications in the event of repossession

Studio flats

- Mortgage underwriters will consider studio flats in some circumstances

Unacceptable property types

- Properties with no inside WC
- Properties with no bathroom
- Farm/small holdings and properties where there is land subject to current agricultural use
- Town-planning restrictions – a town-planning restriction means the property can only be occupied by a person employed in agriculture. These applications are unacceptable to our lending policy.
- Properties with time restriction on occupancy

Recently converted properties

All recently converted properties (defined as converted within the last 10 years) must have suitable certification.

The definition of converted property includes flats formed by the conversion of a house or a warehouse, eg in the dockland area of London; houses formed by the conversion of barns, schools or churches; and it also includes individually designed/singly developed types of properties.

It is the responsibility of the solicitor to ensure that converted properties have suitable certification. Applications that do not have this documentation will be referred to underwriters.

For properties less than 10 years old and recently converted properties, a warranty must be available from:

- The NHBC, Zurich Municipal*, Premier Guarantee, BLP Housing (Building Life Plan), or a Self Build Zone warranty certification
- A retrospective warranty is only acceptable from Premier Guarantee.

* Zurich no longer issues new warranties, but will continue to honour any existing ones in full.

Alternatively, a suitable certificate of satisfactory completion must be available from:

- A fully qualified architect who is a member of the RIBA
- A fully qualified member of the Institute of Architectural Technicians
- A qualified surveyor who is a member of RICS
- A civil engineer with qualifications FICE or MICE
- A structural engineer with the qualifications MI Struct. E or FI Struct E

The above requirement also applies to individually designed properties.

Properties with land

Up to and including 10 acres of land are acceptable, provided there is vacant possession and no farming activity or agricultural planning restrictions. For remortgages there must be no tenancies in place.

New builds/Newly converted properties

- A new build/newly converted property is defined as any property mortgaged within 6 months of being occupied for the first time.
- There is a maximum LTV of 80% for new-build or newly-converted residential properties.
- Max 65% LTV for new-build Buy to Let, Holiday Home and Second Home properties or newly converted buy-to-let properties.

Disclosure of Incentives form

- The Council of Mortgage Lenders has introduced a Disclosure of Incentives form, which must be completed by the developer for all new build properties, including properties that have been newly converted or renovated. The form must be made available to the valuer and the conveyancer.
- If the person raising the mortgage actually built the property, a builder's initiative form is not required.

Tenure

- Freehold property
- Leasehold house/flat
- Absolute ownership house/flat (Scotland)
- Common hold (flat)
- Flying freehold (subject to solicitor/valuer approval)
- Minimum lease required on application is 70 years
- Minimum lease required on redemption is 30 years

Special lending situations

This section gives an overview of the lending policy for C&G mortgages in special lending situations. For any others not listed, please contact your Business Development Manager.

Index

- Auction and sealed bid properties
- Builders' incentives
- Business use of property
- Customers not resident in property
- Discounted purchases
- Expatriates
- Flying freeholds
- Foreign nationals
- Foreign nationals and buy-to-let/second properties
- Freehold flats and purchase of freehold
- Guarantors
- Holiday homes/Second homes
- Lettings and release of land
- Local Authority or Housing Association – Incentive schemes
- Local Authority or Housing Association – Purchase of remaining share
- Multiple applicants
- Occupation by a relative
- Pied-a-terre
- Power of Attorney
- Right to Buy and other schemes
- Second properties
- Starter homes initiative for key workers
- Tied accommodation

Auction and sealed bid properties

- The property must be of good quality and in good condition.
- As properties that are sold in this way are often in a poor state of repair, you must make the customer aware that, if any works are required, an offer will only be issued on a 'when done' basis – ie the works must be completed before the mortgage can be drawn.
- Due to contracts being exchanged on the day of the auction, with completion of the purchase commonly set for 28 days or less, the customer risks being in breach of contract if the work is not finished in time for the mortgage to be drawn to achieve the purchase completion deadline.

For further information please contact your Business Development Manager.

Builders' incentives

Deposit paid by the builder:

- Can be accepted only from well-known reputable builders and on new-build properties only.
- A maximum deposit of 5% may be accepted as long as the builder is GIVING and not LENDING the deposit to the purchasers. A deposit, which is repayable and/or protected by way of a second charge, is unacceptable.
- If the builder is giving more than a 5% deposit, the application will be referred to mortgage underwriters.

- If the purchase price is not affected, confirm purchase price with solicitors and proceed as normal.
- Appropriate product criteria for loan to valuation (LTV) limits apply.

Cash-back payments:

- Where building developers offer a cash-back incentive on a new-build property.
- The valuation figure provided by a valuer for a property where a builder's incentive is applicable will have the 'incentive' amount already deducted, effectively producing a 'net' figure.
- If you are made aware by a customer that there is a builder's incentive to the purchase, you must advise the customer that the valuation will be carried out on an 'open market' basis, which may not reflect the purchase price.

Appeals against valuation figures on properties purchased with incentives will not be considered.

Low-start schemes:

Customer funds a percentage of the purchase price (for example as little as 70%) by taking out a mortgage. The remaining percentage is financed by a loan from the builder and is secured by a second charge on the property.

- Customers must provide 5% of the purchase price as a personal deposit in addition to the percentage provided by the builder.
- All applications will be referred to mortgage underwriters.
- A copy of the scheme details will be required by the mortgage underwriters.
- Vendor deposits are NOT acceptable.

If the deposit is from an unusual source, not stated above, contact your Business Development Manager for further details.

Business use of property

Office/Study

Applications where one room is being used on an informal basis as an office/study are acceptable. Any other situations will need to be referred to mortgage underwriters.

Child minding

Acceptable on a small scale, caring for up to six children in addition to any children in the family.

- The customer can be treated as self-employed.
- If more than six children, the application will be referred to mortgage underwriters.

Foster children

Refer to your Business Development Manager for further guidance.

Annexe

Applications will be considered in the following situations:

- Where the annexe is used by a dependant relative or au pair.
- Where the annexe is vacant.
- If the annexe is let commercially, letting must be on an assured shorthold tenancy.
- If the annexe is larger than the owner-occupied part of the building, the application will be referred to mortgage underwriters.

Supported lodgings and small residential care homes

- Local authority supported lodgings are used for adults with learning difficulties whose placement is supported by the local authority social services department (rather like fostering).
- Small residential care homes are where elderly medically infirm people reside in the customer's home and are again funded by social services.

These are acceptable subject to a maximum of two residents under the scheme. If there are three or more, the application will be referred to mortgage underwriters.

Lodgers

- Up to two lodgers are acceptable providing that they are treated as a family member, ie sharing living accommodation.
- For main advances, the solicitor will ensure that the Occupiers' Waiver and Postponement form is signed. For Homeowner Loans, the lodger(s) must sign the 'Other occupiers' section of the application form.
- Income from a lodger cannot be accepted if the lodger is one of the following:
 - Married to the customer
 - The customer's partner
 - A member of the customer's family
- The rent from the lodger(s) can be used
- Lodger income can be verified from three months' bank statements if amounts provided are regular.
- Take care if lodger(s) hold any legal rights in a property. The application will be referred to mortgage underwriters.
- If there are more than two lodgers, the application will be referred to underwriters.

Customers not resident in property

This procedure does NOT relate to buy-to-let or second properties.

It is acceptable for a borrower not to reside at the mortgaged property and be on the mortgage, eg when parents buy for a child or one spouse is living abroad for their employment. Customers who do not reside at the mortgaged property on right-to-buy applications and applications involving an ex-spouse or ex-partner will be referred to mortgage underwriters.

Discounted purchases

Sitting tenants (other than local authority 'right to buy') and family arrangements.

Applications from sitting tenants who are able to purchase their home at a concessionary price from a private landlord, and family arrangements where a discount is being offered, are acceptable.

Expatriates

The definition of an expatriate is 'a person who is a UK National and stays in a country outside the UK for at least 183 days (or spends more time outside of the UK than in it), with the exception of stays for medical treatment or studies provided that the time totals no more than 30 days in a tax year'.

- **Maximum LTV 75%** (however, discretion ultimately rests with underwriters, based on the merits of the individual case, and cases of 75% LTV or less may still be declined).
- The customer can apply for **one** future main residential property which will not be immediately owner occupied, but there must be a clear intention to return to the property within 10 years.

Flying freeholds

- This is where a property is built (or has been converted) in such a way as to have the 'vertical' dividing line between it and its attached immediate neighbour in one position at first floor level and in a completely different position at ground floor level. An example of this is a first floor bathroom in one property being over the kitchen of the adjoining property.
- The valuer's comments are particularly important.
- Acceptability is determined by the solicitor acting for the lender.
- If the solicitor, after investigating the title, advises not to proceed, the application will be declined.

Foreign nationals

Applications from foreign nationals are considered provided:

- They are resident in the UK at the time of their application.
- They will occupy the property immediately when the mortgage begins.

Non-EU States

In order to continue with the application, the customer's permanent right to reside in the UK must be confirmed, using specific documentation.

The following documents can be accepted:

- A letter from the Home Office confirming the customer's 'indefinite' right to remain in the UK.
- Indefinite/Right of Abode UK Residency stamp in the passport.
- A Residence Permit showing 'indefinite' rights to remain.

Foreign nationals and buy-to-let/second properties

Applications received from foreign nationals resident in the UK (but not necessarily in the security property) are acceptable for buy-to-let/second properties provided they meet requirements in terms of residency and buy-to-let criteria. UK nationals/expatriates can apply for one future main residential property that will not be immediately owner occupied, but there must be a clear intention to return to the property within 10 years.

Freehold flats

A flat or a maisonette with a freehold title is unacceptable.

Other freehold arrangements

If the customer owns one flat/maisonette in the block and owns the freehold of all flats subject to the other flats being leasehold, this is acceptable if the following conditions apply:

- Customer must occupy one flat/maisonette.
- No more than four flats/maisonettes in block (ie the applicant's flat plus up to three others).
- The valuation must include the freehold of the whole block and is subject to the leases of the other flats/maisonettes.
- Insurance must be arranged for the reinstatement cost of the whole property (ie including the units not occupied by the customer).
- The flats should be converted and not purpose-built.

Guarantors

- Guarantor(s) must reside in the UK.
- Maximum of two guarantors is acceptable.
- On a Homeowner Loan, the guarantor must be party to the main account.
- Foreign nationals can act as guarantors providing they have permanent rights to reside in the UK (see Foreign Nationals section in this section).
- If the loan exceeds 75% LTV, the guarantor must be under 65 at the time of application.
- Ensure that the guarantor will not be 75 or over before the end of the term. If they will be, the term must be reduced.

Who can act as a guarantor?

The guarantor must be a close relation of one of the customers.

The following are acceptable:

- Spouse/Long-term partner*
- Parent
- Sibling
- Son/Daughter

*long-term partners are classed as couples who have lived together for two years or more. This can be confirmed by a Voters' Roll check.

Second properties

While most C&G mortgages are for normal owner-occupation, lending will be considered for other residential purposes, as follows:

- Buy-to-let.
- Holiday homes/second homes.
- Pied-a-terre.
- Occupation by a relative.
- Tied accommodation

Lending will not be considered on a property that is being purchased for the sole purpose of restoration and sale.

Applications will be governed by mortgage regulation provided any of the following occupy at least 40% of the property/land:

- The individual
- An immediate relative, (their spouse, parent, brother, sister, child, grandchild or grandparent)
- The person with whom the individual has a relationship which has the characteristics of the relationship between a husband and wife.

The full product range is available provided the property is occupied as described above. This applies even where there is occasional informal/holiday letting (defined as less than four months), where the applicant will only occupy the property occasionally or where the customer will not occupy the property at all, provided it will not be let out. Maximum LTV 75%. The only exception is where the customer is in the Armed Forces and living in military accommodation – for these customers the maximum LTV is 90%.

Holiday homes/Second homes

- For ALL applications where the customer's mortgage commitments will include a holiday/second home, please complete and send us the Additional Mortgages form alongside the application in C&G Casflow or Mortgage Application form.
- A holiday/second home is a property to be used primarily as a holiday/second home which can also have occasional holiday letting (defined as less than four months).

- If let for more than four months of the year, treat as a buy-to-let.
- The full C&G mortgage product range is available. Maximum LTV of 75% (65% LTV for new builds) applies.
- Standard product and valuation fees apply.
- Not acceptable for Right to Buy, guarantor applications or builders' incentive schemes.
- Property must be of good quality, in sound structural condition and in a reasonable state of repair.
- Standard construction policy applies.
- Only one property is to be considered. If more than one property is required, buy-to-let criteria will always apply.
- Timeshare properties are excluded, with no exceptions.

Lettings and release of land

Lettings

Where the property was originally the owner's main residence and they now wish to rent the whole property to someone else.

- The letting application fee is £225.
- Existing residential customers who ask to let their property within the first six months of taking their loan must switch to a buy-to-let product. Any relevant product fee for switching to a buy-to-let product will apply. In addition, any early repayment charge applicable to their original loan must be repaid in full.
- Existing residential customers who ask to let their property after the first six months of taking out their loan will be considered. A fee of £225 is still payable and they must complete a Lettings Application Form. If the application is agreed they may continue on their current product.

Release of Land

Release of land is where the property owner sells or donates part of the land to someone else.

- Maximum LTV is 90% for a main residence.
- Maximum LTV is 75% for a buy-to-let.
- A revaluation may be required.

For more information on how to proceed with the above, refer to your Business Development Manager.

Local authority or housing association – incentive schemes

Applications will be considered where the local authority/housing association has given a cash lump sum to vacate the council house to assist a purchase in the private sector – cash is given to solicitors at completion.

Local authority or housing association - purchase of remaining share

Applications will be considered where customers already own a share in their current property and wish to purchase the remaining share from the local authority/housing association. Lending will only be agreed where the customer is purchasing 100% of the property.

Multiple applicants

There can be up to four applicants (including up to two guarantors). These can be made up of:

- friends
- family members
- same-sex couples.

Occupation by a relative

Customers may wish to purchase a property to be occupied by a relative (typically an elderly dependant or student offspring) who will not be named as a customer.

If the tenancy is informal and involves no legal agreement, process as 'Holiday homes/second homes' and also note the following:

Qualifying individuals

- Spouse
- Long-term partner
- Parent
- Sibling
- Son/Daughter
- Grandparent
- Grandson/Granddaughter

If there is a formal tenancy, the application must meet buy-to-let criteria.

Pied-a-terre

Pied-a-terre is a property that has been bought close to the customer's place of work. There should be no letting.

- The full C&G mortgage product range is available (maximum LTV 75% applies).
- Income must comfortably cover all mortgage commitments and the additional expense of running two households.
- One such property per applicant only or the application will have to fit the buy-to-let criteria.

Power of attorney

A power of attorney is a document by which an individual grants authority to another to act on their behalf. The power can be general or can be limited to specific acts.

A mortgage application form is acceptable if signed by an Attorney subject to the following:

- The power of attorney must be a General power, no more than 12 months old, an enduring power of attorney signed before 1 October 2007, or a lasting power of attorney.
- Co-customers cannot act as attorneys for each other.
- In England and Wales, an attorney cannot act on behalf of more than one customer. If both customers wish to appoint an attorney, each must appoint a different person to act on their behalf.
- In Scotland, an attorney can act for more than one customer.
- The attorney must be identified in accordance with money laundering guidelines in the same way as the customer.

Right to Buy and other schemes

Applications are considered where the property is being purchased:

- Under a 'Right-to-Buy' scheme (provided the applicant(s) will own 100% of the property).
- From a local authority/housing association under a discount or incentive scheme.
- Under a Ministry of Defence or Police House discount scheme.
- Under a builder's scheme, such as a property 'exchange' or where the builder is paying a deposit.
- Under the Key Workers' Initiative.

Starter homes initiative for key workers

This scheme is aimed specifically at nurses, teachers and the police, although other key workers may be eligible.

The scheme provides assistance for house purchase in areas where high property prices prevent key workers from living in or near the communities they serve. The types of assistance fall into two categories:

- **Interest-free loans, including equity loans**

Or

- **A new-build property being provided by the scheme**

These loans are repayable only on sale of the property at the percentage value borrowed, eg if an equity loan was 25% at purchase, then 25% of the sale price would be repayable.

The loans are secured against the property by way of a second charge.

Schemes that provide this type of assistance are acceptable.

Share ownership on a property purchased on the open market or newly built by the scheme

This is on an ownership/rent basis. Further shares may be purchased at current market value.

Schemes that provide this type of assistance are unacceptable.

This scheme is currently under review.

Tied accommodation

Where the customer is living in accommodation provided by their employer (in the UK or abroad) due to their employment. The property to be mortgaged is let upon completion but will become their main residence in the future, when they leave the tied accommodation.

- Not restricted to buy-to-let products.
- Maximum 75% LTV (the only exception is where the customer is in the Armed Forces and living in military accommodation. For these customers, the maximum LTV is 90%).
- Ensure there is an intention to occupy the property in the future.
- All other buy-to-let criteria must be satisfied.
- If a customer does not intend to use the property as their main residence in the future it must be treated as buy-to-let in terms of both product and policy.