

Residential Criteria Guide

April 2021



Call **0344 7708032** or visit
www.foundationforintermediaries.co.uk

Applicant	3
Residency	3
Adverse	4
Income	5
Employment	5
Loan	6
Deposit	7
Loan purpose	7
Repayment Vehicle	8
Property Criteria	8
Property Types Considered	9
Walls construction type	10
Roof construction type	10
Tenure	11
Reports	11
Unacceptable Properties	12
Documentation	14
Documentation continued	15
Solicitors	16

Applicants	
Minimum age	18 years.
Maximum age	75 years and 364 days where affordability can be assessed. Otherwise lend to current applicable state pension age.
Maximum borrowers	2 4 if there is a family tie between the applicants, maximum LTV 80%.
First time buyers	Accepted.
Marital status	We can consider sole name for re-mortgages if the mortgage is currently in sole name or where there is a TOE.
Guarantors	Guarantors are not considered.

Residency	
Residency	Applicants should be permanently resident in the UK for the last three years. Any applicant who does not meet these criteria may be considered on a case by case basis, see below section on Armed Forces.
HM Armed Forces	Members of HM Armed Forces who are serving or have served abroad will be considered.
Non-UK Nationals	All Non-UK Nationals must have full rights to enter, live and work in the UK, provided they are able to support themselves without the need for state benefits which will be verified through income documentation.
Foreign Nationals	All applicants (at the time of application) must have indefinite leave to remain also known as settlement. Where this doesn't exist, we will require the following: <ul style="list-style-type: none"> ● Applicants must have either Tier 1 or Tier 2 immigration status ● Applicants must have their salary paid into a UK bank account ● Applicants benefitting from a spousal visa are only accepted where they and their spouse are party to the application ● Tier 2 dependant visa are NOT accepted ● Rights to abode are not acceptable
Embassy staff	Not considered.

Adverse	
All accounts	All accounts must be up to date except as indicated in the Product Guide.
CCJs	Product dependant – Please refer to product guide.
Defaults	
Mortgage arrears	
Unsecured loan arrears	
Credit cards, Mail Order, Comms, Utilities	
Bankruptcy & IVA	
Payday loans	Applicants who have entered into, or are still repaying, a pay day loan in the last 12 months are not considered.
Debt management plan	Applicants who have entered into, or are still repaying, a debt management plan in the last 12 months are not considered.
Arrangements with lenders (<i>including forbearance</i>)	Active arrangements with other lenders are not considered.
Repossession and Voluntary Surrender	No repossession or Voluntary Surrender registered against any borrower.

Income	
Minimum income	No minimum income, income must be declared and evidenced . Any applicant in receipt of job seekers allowance or income support will not be considered.
Foreign currency	Not considered.

Employment type	
Employed	Minimum term: No minimum current employment (excluding zero hours contracts). Minimum 3 months employment history. First time buyer: Minimum 6 months with current employer.
Contractors	Fixed term contracts and contractors using an umbrella company considered. Applicants should be in contracting roles for the last 12 months. Applicants must have 3 months remaining on their contract. Applicants on Seasonal contracts are not considered.
Self-employed	Minimum 1 year's accounts considered. Where a company director owns 20% or more of the company shares they will be classed as self-employed.
Retired	Private Pension: considered as primary or secondary income. State Pension: Only considered where other income is available.

See the Acceptable income document for acceptable incomes

Loan Criteria	
Minimum term	5 years.
Maximum term	40 years.
Minimum loan	£50k
Maximum loan	F1 & F2 £2m (including fees) F3: £500k (including fees)
Maximum LTV	Max LTV 85% Interest only: 70% New build flats are capped to 65% of the re-sale value of the property. Flats and maisonettes over commercial premise can be considered on a case by case basis, but are capped to 60%. Loans below £90,000 (net of fees) and property values less than £90,000 are capped to 75%. Fees can be added up to the maximum loan size for the product.
Re-mortgage	Properties must be owned for a minimum of 6 months.
Porting	Foundation Home Loans products are not portable.
Let to buy	Not considered except if the applicant has an existing Foundation buy to let property.
Right to buy	Not considered if security is still subject to pre-emption.

Deposit Criteria	
Overseas deposits	Deposits from overseas accounts can be considered provided they are from an acceptable region.
Developer deposit	Considered up to 5%.
Gifted deposit	<p>100% gifted deposit considered from family members</p> <p>Family members considered:</p> <ul style="list-style-type: none"> ● Parents (including step parents and in-laws) ● Grandparents ● Grandchildren ● Siblings ● Children ● Spouses ● Civil Partners ● Uncles and aunts <p>Gifted deposits from outside of the UK are considered provided they are from an acceptable region.</p>

Loan Purpose Criteria	
Purchase at Undervalue	Acceptable where the property is to be purchased from an family member only (gifted deposit accepted).
Unacceptable loan purpose	<p>Foundation Home Loans will not consider the following loan purposes:</p> <ul style="list-style-type: none"> ● Back to back sale within the last 6 months ● Capital Raising for business purposes (excluding Buy to Let related capital raising to fund a BTL purchase both outright and with a mortgage) ● Capital Raising for consolidation of Gambling or HMRC Debt

Repayment Vehicle Criteria	
Acceptable repayment vehicles	<ul style="list-style-type: none"> • Sale of security property provided equity at completion of at least £200,000 for properties located within London and the South East of England). £150,000 equity for properties located in the rest of the UK. * • Endowment policies. • Regular savings. • Regular Investments (stock & bonds). • Pensions. • Sale of other property. • Cash ISAs (No growth rate is assumed and current balances must be sufficient to cover the interest only element of the loan). <p>* To determine the location of a property please use the below website: https://en.wikipedia.org/wiki/NUTS_statistical_regions_of_the_United_Kingdom</p>
Unacceptable repayment vehicles	<ul style="list-style-type: none"> • General savings. • Inheritance. • General Equity investments. • Sale of security on death. • Sale of non-property assets.

Property Criteria	
Minimum value	£75k
Locations	Properties must be located in England and Wales. Properties in Scotland or Northern Ireland are not considered.
Retentions	100% retentions considered for new build properties only. Partial retentions are not considered and lending will be based on the lower valuation figure before works assuming property has been confirmed as suitable security in current condition by the valuer.
Builders Retention Scheme	This is typically to address the gap between the quality of the finished house demanded by the customer and the standards applied by warranty providers in order for them to issue their cover notes. The retention scheme will place a contractual restriction on a percentage of the full purchase price subject to the builder completing the non-material items not covered by the warranty. Foundation Home Loans will advance the full monies to the solicitor on completion and the customer is required to pay interest on this amount. The retention will be held by the solicitor pending completion of the works.
New build warranties	Acceptable new build warranty is required – warranties stated in the UK Finance Handbook. All other warranties will be reviewed internally.
Green Reward Remortgage Product	<ul style="list-style-type: none"> • Applications acceptable on the Green Reward product where the security has obtained an EPC rating of C or above within the last 24 months (owner occupiers who have made use of the Government's Green Home Grant to make energy efficient changes to their home will also be accepted) • Not considered for listed properties.

Property Types Considered	
Property types considered	<p>Freehold houses and bungalows.</p> <p>Coach house flats (modern building containing a flat at first floor level set over a number of garages/carports which are held under separately owned leases).</p> <p>Leasehold flats & maisonettes Crossover (Tyneside) leases are acceptable.</p> <p>Leasehold houses (with an unexpired lease term of at least 250 years at the start of the mortgage).</p>
Minimum property size	<p>30 sq. metres.</p> <p>Basement Flats must be self-contained with a separate bathroom and a source of natural light.</p>
Flats above/adjacent to commercial premises	<p>Considered provided the property is NOT immediately above or adjacent to properties described as those that would potentially provide an unwanted heat, noise, or smell or may present safety concerns.</p> <p>This would include but is not limited to: restaurants (class A3), pubs & bars (class A4), takeaways (class A5), nightclubs, casinos, amusement arcades, petrol stations, launderettes & dry cleaners, taxi businesses, industrial uses (classes B2-8) & other similar uses involving machinery such as mechanics or garages.</p> <ul style="list-style-type: none"> • Separate suitable access is required • Maximum 60% LTV
Modern timber framed construction	<p>Considered with external brick skin.</p>
Flying freehold	<p>Must be no greater than 10% of the total floor area of the property.</p>
Cladding	<p>A suitably certified EWS1 form is required for buildings where cladding material is noted by the surveyor.</p> <p>Ratings of A3 and B2 are not accepted.</p> <p>No EWS1 form is required for new builds/conversion for properties started from the 1st April 2019 with 6 or more storeys under the new 2018 Building Regs.</p>
Ex Housing Ex Local Authority Ex Ministry of Defence	<p>Acceptable where the valuer believes there is reasonable level of private ownership (no proof required).</p> <p>Balcony Access - Acceptable subject to the valuer confirming satisfactory levels of saleability.</p>
Floors in a block	<p>No limit on number of storeys where there is a lift.</p> <p>Up to 5 storeys without a lift.</p>
Number of kitchens	<p>Accepted up to 2 provided these are not separate utilities.</p>
New build	<p>Defined as built/significantly converted in the last two years of standard construction.</p> <p>Flats and maisonettes accepted at 65% (based on the re-sale value of the property).</p>
Grade I, II & II*	<p>Accepted, subject availability of comparables.</p>
Leased Solar Panels	<p>Acceptable where the lease agreement is in line with UK Finance requirements.</p> <p>The valuer must be satisfied that the solar panels have no impact on the structural integrity of the property.</p>

Walls construction type (Must meet the following criteria)

- a) Bungaroosh Craft Earth techniques e.g. Cob, Clunch or Wychert.
- b) Cavity or solid masonry.
- c) **Concrete**
 - i. Bryant in-situ cast concrete
 - ii. Laing-Easiform post 1945 (houses only)
 - iii. LPS Houses subject to a structural engineer's report
 - iv. Rebuilt PRC if repaired under a scheme originally licensed by PRC Homes Ltd (with contemporaneous certification) where the remainder of the structural block (other semi or rest of terrace) has been repaired to the same standard
 - v. Wimpey No-Fines
- d) **Modern Methods of Construction (MMC)** properties must have been constructed by Barratt Developments, Bellway, Berkeley, Bovis Homes, Cala Homes, Crest Nicholson, Galliford Try, Persimmon, Redrow or Taylor Wimpey and have the benefit of appropriate warranties.
- e) **Steel / Steel & Concrete Frame**
 - i. Steel frame houses post 1987 clad externally with masonry (unless retro fit cavity insulation installed)
 - ii. Steel or Concrete frame (flats) – Specifically in relation to cladding of combustible material
- f) **Timber**
 - i. Period hardwood timber frame pre-1900
 - ii. Period softwood timber frame pre-1900 where this is a local vernacular construction type

Timber frame post 1980 clad externally with masonry (unless retro fit cavity insulation installed).

Roof construction type (Must meet the following criteria)

Flat roof	<p>Finished with lead / zinc / glass reinforced plastic (GRP) /elastomeric single ply membrane / asphalt / mineral felt (dormers / extensions only up to a maximum of 50% plan roof area).</p> <ul style="list-style-type: none"> ● 100% Flat roof of the entire property is unacceptable (Unless the property is a block of flats) ● Where the property has a dormer/extension, this is only acceptable where the roof area is a maximum of 50% of the total footprint of the property
Green roof	Subject to the acceptability of the waterproof substrate.
Pitched roof	Clad with tiles (clay or concrete) / slates (natural or artificial) / stone tiles / thatch / lead / copper / zinc / modern steel sheet (not corrugated metal sheets sometimes known as "wriggly tin").

Tenure	
Minimum unexpired lease	<ul style="list-style-type: none"> Unexpired lease term must be greater than or equal to: <ul style="list-style-type: none"> – 125 years on a new build flat at start of application – 250 years on a new build house at start of application No minimum lease requirements for second hand properties at start of application There must be a minimum lease term of 50 years remaining at the end of the mortgage term <ul style="list-style-type: none"> – Where there is a combination of an Interest Only mortgage term and the mortgage term is less than 10 years and the outstanding lease at the end of the mortgage term is less than 55 years, the security is considered unsuitable.
Leasehold flats	<p>Borrowers who own the Leasehold flat and whole of Freehold title are considered, where both the leasehold and freehold titles are subject to first legal charge.</p> <p>For any other leasehold property, the freehold and leasehold titles must be owned by separate and unrelated entities.</p> <p>Borrowers who own a share of the freehold and there is no management structure (ie no formal management company in place) are accepted subject to special conditions being met.</p>
Freehold	Houses only.
Commonhold	Not considered.

Reports (As determined by a valuer)	
Structural Engineer	Where required, must always be obtained prior to any approval of a Mortgage Offer Report to be obtained from an appropriately qualified engineer – S.Eng. MICE or MISE.
Timber and Damp	<p>Dry rot, wet rot, infestation by wood-boring insects. Report to be obtained from one of the following:</p> <ul style="list-style-type: none"> Property Care Association (PCA) Wood Protection Association (formerly BWPDA) Safeguard (Europe) Ltd Sovereign Wykamol <p>Dry rot only:</p> <ul style="list-style-type: none"> A dry rot diagnostic inspection must be undertaken by an experienced professional member (as listed above) The suitability of the property will be considered subject to the cause of the decay and the proposed remedial action detailed within the report
Electrical Installation	Where required, report to be obtained from a National Inspection Council for Electrical Installation Contractors (NICEIC) or NAPIT approved contractor.
Japanese Knotweed	Considered on a case by case basis.
Gas Installation	Where required, Report to be obtained from a Gas Safe registered contractor.
Trees	Where required, report to be obtained from a consultant/contractor approved by the Arboricultural Association, NCH ARB, Dip Arb.
Cavity Wall Tie	Where required, report to be obtained from a Structural Engineer, qualified Building Surveyor or a reputable specialist company experienced in wall tie replacement.
Concrete Screening	Properties in areas where “mundic” is a known problem (properties built from concrete blocks laid onto mass concrete foundations) must be subject to a screening test in line with RICS guidance. A result of Class A1, A2 or A3 is required for a property to be considered acceptable.
Roofing	Report to be obtained from a Roofing Contractor who is part of the National Federation of Roofing Contractors Limited (NFRC) / Confederation of Roofing Contractors (CRC).

Unacceptable Property	
Property Construction and configuration	<ul style="list-style-type: none"> • Self-build. • Where the lifespan of the property is less than 25 years beyond the end of the proposed mortgage term. • Development has been undertaken without appropriate planning permission. • Property subject to a demolition / closing order. • Property with ongoing structural movement or movement that requires monitoring. • Properties with more than six bedrooms. • Services/utilities are shared with any adjoining or adjacent building which will not form part of the mortgaged property. • Stage payments are required. • Underpinning has been completed within the preceding 3 years. • Unimproved or uninhabitable property (i.e. no kitchen or bathroom). • Properties with more than 5 storeys with no lift. • Properties with more than 4 hectares/10 acres. • Prefabricated or large panel concrete construction (LPS). • Pre-fabricated reinforced concrete construction (PRC). • Concrete block construction designated. • Mundi Properties of High Alumina Cement. • Munding block materials.
Property location	<ul style="list-style-type: none"> • Any adjoining property is the main <u>residence</u> of the applicant or an immediate family member of the applicant. • 3 or more adjacent terraced/semi-detached properties with shared access owned by the same applicant. • Electricity pylons or cables are going directly over the property. • Flat or maisonette immediately above or adjacent to properties that would potentially provide an unwanted heat, noise, or smell or may present safety concerns. This would include but is not limited to: restaurants (class A3), pubs & bars (class A4), takeaways (class A5), nightclubs, casinos, amusement arcades, petrol stations, launderettes & dry cleaners, taxi businesses, industrial uses (classes B2-8) & other similar uses involving machinery such as mechanics or garages. • Material environmental hazards are present. • Property affected by coastal erosion. • Property directly affected by local planning. • Un-remediated contaminated site or where the Valuer advises a possible contamination issue. • Unsatisfactory mining search is received.
Property restrictions	<ul style="list-style-type: none"> • Farms, Small Holdings or Properties subject to restrictive covenants or occupancy e.g. agricultural, retirement flats etc. • Property on which there is a local authority grant outstanding. • Purchased through Right to Buy and still subject to pre-emption. • Uninsurable property or property subject to an ongoing insurance claim. • Properties built under 10 years' old without an acceptable structural defects warranty as determined from time to time. • Any property designated defective under the Housing Act.
Property types	<ul style="list-style-type: none"> • Chalet style properties on holiday parks. • Commonhold. • Freehold flats & maisonettes. • Mobile homes. • Houseboats. • Serviced flats and apartments. • Shared ownership. • Second homes/holiday homes.

Unacceptable Property	
Property Usage	<ul style="list-style-type: none">● Bed & Breakfast.● Bespoke student accommodation.● Commercial properties.● Farms & small holdings.● Live/work units.● Timeshares.
	<p>Where the valuer determines the property (all properties) as unacceptable including where:</p> <ul style="list-style-type: none">● The valuation indicates an expected reduction in valuation● The condition significantly affects marketability● The valuation report indicates the interior/exterior condition of the property is poor and demand is poor● The valuation report indicates a falling demand for the property● The saleability of the property is affected by local factors and demand is poor

Documentation																			
Declaration	Must be signed by all borrowers and will be obtained as part of the offer acceptance – originals must be received prior to completion.																		
Direct debit mandate	Required prior to completion of the mortgage and must be drawn on a UK bank account as follows: <ul style="list-style-type: none"> Personal account, in the name(s) of a single or joint applicants Business account, providing the applicant is a sole trader and is named on the bank account title (i.e. “trading as”) 																		
Proof of ID and	<p>ID & Residency checks will be made electronically, but where we are unable to satisfy the requirements electronically, documentary proof of identity and/or residency will be required</p> <p>Where the applicant is found on the Voters Roll at the declared residential address, one government-issued document from List 1 is required to verify identity</p> <p>Where the customer is not found on the Voters Roll at the declared residential address, two documents are required, which may be:</p> <ul style="list-style-type: none"> One from List 1 and one from List 2, below; or One from List 1 and one from List 3; or Two from List 2; or One from List 2 and one from List 3, below <p>*For non-face to face transactions one further document to verify either identity or residency is to be obtained</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 33%;">List 1</th> <th style="width: 33%;">List 2</th> <th style="width: 33%;">List 3</th> </tr> </thead> <tbody> <tr> <td>Valid passport</td> <td>Valid old-style full UK driving licence</td> <td>Current council tax demand letter or statement</td> </tr> <tr> <td>Valid UK photocard driving licence (full or provisional)</td> <td>Recent evidence of entitlement to a state or local authority-funded benefit, tax credit, or pension</td> <td>Current bank statement or credit/debit card statement issued by a regulated financial sector firm in the UK (but not one printed off the internet)</td> </tr> <tr> <td>EU Member State National Identity Card</td> <td></td> <td>Recent utility bill (but not one printed off the internet)</td> </tr> <tr> <td>Firearms certificate or shotgun licence</td> <td></td> <td></td> </tr> <tr> <td>Identity card issued by the Electoral Office for Northern Ireland</td> <td></td> <td></td> </tr> </tbody> </table>	List 1	List 2	List 3	Valid passport	Valid old-style full UK driving licence	Current council tax demand letter or statement	Valid UK photocard driving licence (full or provisional)	Recent evidence of entitlement to a state or local authority-funded benefit, tax credit, or pension	Current bank statement or credit/debit card statement issued by a regulated financial sector firm in the UK (but not one printed off the internet)	EU Member State National Identity Card		Recent utility bill (but not one printed off the internet)	Firearms certificate or shotgun licence			Identity card issued by the Electoral Office for Northern Ireland		
List 1	List 2	List 3																	
Valid passport	Valid old-style full UK driving licence	Current council tax demand letter or statement																	
Valid UK photocard driving licence (full or provisional)	Recent evidence of entitlement to a state or local authority-funded benefit, tax credit, or pension	Current bank statement or credit/debit card statement issued by a regulated financial sector firm in the UK (but not one printed off the internet)																	
EU Member State National Identity Card		Recent utility bill (but not one printed off the internet)																	
Firearms certificate or shotgun licence																			
Identity card issued by the Electoral Office for Northern Ireland																			
Mortgage conduct	Where we are unable to verify using the applicants credit file then evidence of the past 12 months mortgage payment history will be required.																		
Bank statements	May be requested in certain scenarios.																		
Document validity	Credit search – 6 months Direct Debit Mandate – 8 months (from date of signature) Full mortgage application – 9 months (from submission date) Proof of deposit/income – 8 months (from date of receipt) Proof of identification – 12 months Valuation – 8 months Mortgage offer – 6 months																		

Documentation continued	
Payslips	Must be the latest (at the time of application) & show basic income, gross and net pay, the pay date and tax period.
SA302/online calculation for self-employed	<p>Where the self-assessment is submitted online via an accountant/other we require:</p> <ul style="list-style-type: none"> • The latest commercial software tax calculation (SA302) together with either the corresponding version of the Tax Year Overview • Or the corresponding HMRC supplied Tax Year Overview <p>Where the self-assessment has been submitted online by the borrower or their accountant/other we require:</p> <ul style="list-style-type: none"> • Latest HMRC Tax Calculation [SA302] together with either the corresponding online version of the Tax Year Overview • Or the corresponding HMRC supplied Tax Year Overview
Accountants Certificate	<p>Must be signed & stamped by an accountant with one of these qualifications:</p> <ul style="list-style-type: none"> • ACA • FCA • ACCA • FCCA • AAPA • FAPA • ACMA • FCMA • MAAT • CTA • AIA • CIMA • CIPFA • IFA • CTTA

Solicitors	
Borrowers solicitor	<p>Considered provided:</p> <ul style="list-style-type: none"> • All solicitors must be registered with the Law Society • Minimum 3 SRA-approved managers/partners (no licenced conveyancers considered) • All solicitors must have attained membership to the Law Society's Conveyancing Quality Scheme
Panel solicitor	<p>Where any of the above 3 requirements cannot be met by the borrowers solicitor then the borrower can continue to use their own selected firm to act on their behalf, but we will instruct one of our panel solicitors to act on our behalf. The legal fees for both firms will then need to be paid by the borrowers through their own funds.</p>
No-Search Indemnity Insurance	<p>Foundation Home Loans will now accept 'No Search Indemnity Insurance' for all re-mortgage and purchase transactions.</p> <p>Solicitors must affect the No Search Indemnity Insurance with a provider of their choice and in order for it to be accepted, the policy must meet our requirements as set out in the UK Lenders Handbook and it must be placed on risk on completion. Solicitors must provide us with a copy of the No Search Indemnity Insurance policy within 10 working days of completion. Additionally, during the COVID-19 period only, in relation to purchase transactions where Local and other searches have reached their 6-month maturity, we will also accept Search Expiry Insurance.</p> <p>In all cases, by signing the COT, the solicitor is confirming that the insurance cover is acceptable, meets our requirements and that title to the property is acceptable.</p>