

## Summary of Criteria

- Mortgages from £3,000 upwards
- Up to 25 year term
- Unusual properties with a reduced LTV
- Applicants on Benefits/Pensions
- The term must not extend past the 85<sup>th</sup> birthday of customers

## Applicants

### Applicants aged over 80

- Legal charge/Standard Security must be witnessed and stamped by a solicitor who must also complete the Independent Legal Advice letter confirming that documents have been explained and where applicable the implications of consolidating unsecured debts to secured have also been explained.

### Married Applicants

- A loan will be acceptable in a sole name when both the property and mortgage are registered in the same sole name.
- Affordability will be calculated using the sole named applicants income only

### Non British Nationals

- For all non British Nationals an original passport is required plus evidence of their permanent right to reside in the UK. We reserve the right to ask for passports in other cases.

### Mortgages into retirement

- If the mortgage term is to extend into the retirement of the applicants, we must have confirmation how they intend to maintain repayments after they have stopped working. We will accept the applicant stating that they intend to work up to the age of 75. After 75 the mortgage repayments must fit on their future pension income which must be stated on the Lending into Retirement document and proven by a copy of their pension statement. The term must not extend past the 85<sup>th</sup> birthday of customers.

### Mental Capacity

- All customers must show that they have the mental capacity to enter into and understand the Mortgage.

### Bankruptcy

- Bankrupt or subject to a Debt Relief Order within the last 3 years unacceptable

### IVA

#### Plans GOLD A & B

- We will lend to applicants who are currently paying an Individual Voluntary Arrangement (IVA) but this must be repaid from the proceeds of the loan. A settlement figure must be obtained from the Supervisor of the IVA and confirmation obtained that they will have no interest in the security address once the settlement has been received.

#### Plans P-1 & P-2 No IVA's in last 6 months

## Property

### If the value of property is as follows

- Less than £60,000 the LTV is plan less 25%
- Less than £80,000 the LTV is plan less 15%
- Properties over £80,000 LTV as plan

If the construction of the property is other than brick and tiles then a valuation must be carried out. If the valuation states that the property is mortgageable by conventional means then no restrictions will be imposed, otherwise the LTV is reduced to 50%.

### Flats

- We do not lend on freehold flats
- Ex council flats minimum valuation £100,000

### High Rise Flats

- We may lend on High Rise Flats (residences in buildings with in excess of six storeys) providing the Valuation exceeds £200,000.

### Ex- Council Properties

- Housing Act discount ignored for LTV unless it is still in the first year. The discount received will be added to the outstanding mortgage lending.

### Tenanted Properties

- We **do not** lend on tenanted properties.

### Shared Ownership Properties

- We **do not** lend on shared ownership properties.

### Semi-Commercial Properties

- We do not lend on commercial or semi-commercial properties

### Leasehold Properties

- There must be at least 40 years unexpired term remaining on the lease at the end of the loan term.

### Unencumbered document

- The applicant is to confirm how the property came to be mortgage free. We reserve the right to request documentation to prove this. If the property was gifted we require a disclaimer from the persons who gifted it to the applicants confirming that they have no further interest in the property. If the property was purchased outright with cash and the value is less than £100K we will require a full valuation.

### Co-habiting non-owners

- We will accept income of others if registered on the voters roll for one year or more.

## Geographical Area

- We do not lend in N Ireland, Isle of Man & Channel Islands

## Purchases and Council 'Right to Buys'

- We will require Directors day one approval and a full valuation report on all cases. The discount papers for Right to Buys are also required. Our maximum mortgage would be 100% of the purchase price for right to buys on plans P-1, P-2, Gold & A and 70% of the purchase price on other plans, subject to normal plan limits). We require a 12 month previous mortgage history or rent reference. Fees may be added to the mortgage subject to the maximum LTV for the plan.

## Valuations

A Hometrack AVM is required in all cases subject to the following:

Where LTV is less than or equal to 50% the AVM must have a minimum confidence level 4.

Where LTV is less than or equal to 75% the AVM must have a minimum confidence level 5.

Where the AVM does not have the required confidence level a full valuation must be undertaken. A Drive-by valuation will be accepted in place of an AVM.

## Income

### Minimum income £20,000 gross per annum

An income and expenditure form is to be completed in all cases. The total income must exceed the total expenditure with a surplus of at least £100.00.

All non consolidated unsecured credit will be calculated in the affordability.

A bank statement or printout to verify the income and expenditure that has been stated and reporting a minimum of one month's transactions will be required.

Consolidated credit may require repaying directly from the mortgage proceeds, please refer to our Responsible Lending Policy 2016, Debt Consolidation. Applicants to provide settlement figures and repayment instructions.

- For credit cards and mail orders used in the affordability calculation we will use 2% of the balance outstanding unless the actual minimum repayments are evidenced as lower.
- For CCJs and defaults the applicant is to advise the monthly repayment amount paid.
- A bank statement or printout to verify the income and expenditure that has been stated and reporting a minimum of 1 months household transactions may be required.
- Employed applicants must produce recent payslips and net wage will be used for calculations.
- Plans P-1 & P-2 – 12 months employment history is required.
- If in a new employment an average of 3 consecutive payslips will be used. An employer's letter/contract confirming employment and salary will also be accepted. The applicant must be outside any probationary period.
- Applicants employed on temporary contracts will be considered on a referral basis subject to a minimum 6 months in their current employment.
- Agency workers accepted subject to a minimum 12 months with the same agency.
- Benefit income acceptable other than Income Support, Job Seekers Allowance.
- Universal Credit income acceptable.
- Pensions & benefits applicants must provide evidence of all income i.e. award letters, pensions advise slip, P60.

- Child benefit/child tax credits/child maintenance acceptable. We require the ages of children and the term of the mortgage must fit the time that this income is to be received for. If the mortgage is to extend beyond this time then evidence is required to confirm how the loan repayments will be met. The maximum age that we will accept child benefit/child tax credit income for is aged 19. We will need to see the full up to date awards letters in all cases.
- Lodger income is acceptable with a tenancy agreement and bank statement proof of receipt.
- Rental income not acceptable.
- Board income from children is not acceptable.
- We will calculate a maximum 50% DTI calculation on all cases to include all secured and unsecured credit.
- All income for all parties must be proven on all cases.

### Interest Rate Stress Test

- To take account of the effect of future possible interest rate rises on the customers ability to repay we will assume a minimum 2% interest rate rise and ensure that all applicants can afford to repay the borrowing in this eventuality.

### Self Employed

Self employed can be considered

Self employed applicants must have been trading for a minimum of one year. Accounts/Accountants Certificate/SA302 is required plus up to date business bank statements for at least 3 months.

**We must be confident that the applicant can afford the mortgage over the full term of the lending.**

## General Criteria

### Fees

- The Lender Fee and Broker Fee can be added to the loan amount.
- The Lender and Broker Fee will be deducted from the loan upon completion (if applicable)

### Repayment Periods

- Any period from 12 months to 300 months.

### Early Redemption of Loans

An Early Redemption Charge will be charged whilst in a fixed rate period (please refer to the ESIS & Mortgage Offer) plus an administration and security release fee. For all other cases the Early Redemption Charge will be one month's interest plus an administration and security release fee.

## Underwriting Guidelines

### Items we will need for each application:

- Signed and completed application form
- Proof of income (see income)
- Equifax Credit Search
- Mortgage offer document & Legal Charge or Standard Security signed and witnessed
- Office copies

- Copy of ESIS sent to client
- Bank Statement (minimum 1 months transactions)
- Hometrack/Valuation

**Items we may need:**

- Full title deeds plus copy of Conveyance/assent/assignment for unregistered land
- Solicitors verification letter for applicants aged over 80 or non English speakers (see notes below)
- Solicitors witnessed waiver
- Waiver/consent form for occupants over 18 years
- Redemption figures with undertaking for any loans that are being repaid
- Arrears explanation form, a signed full detailed explanation regarding why the arrears occurred is required for any arrears/defaults/CCJs in the last 1 year.
- Marriage/birth/death certificate
- Letter to cancel a previous priority search
- Copy of lease
- Local search (for purchases & right to buys)
- Discount papers for right to buys
- 12 months mortgage or rent statement (for purchases/right to buys)

**Witnessing****Legal Charge/Standard Security**

Borrowers aged 80 or over or non English speaking must have their legal charge/Standard security documents witnessed by a Solicitor, who must stamp the document with their company stamp. The Independent Legal Advice letter must be completed to verify that the documents have been explained.

**Identification and proof of residency**

Applicant's identity and residency will be electronically verified via the AML profile on the Equifax Credit search. Our minimum requirements are:

Total Residency Verifications – 2

Total Identity Verifications – 1

Total Alerts – 0

Where the above minimums are not met then you must see original signature identification and proof of residency.

Original proof of residency is required for all applicants not currently registered on the voters roll, together with the signed explanation to advise us why they are not registered.

**The following documents are acceptable forms of identification:**

- Current signed UK or EU passport
- Copy of bankcard supported by an original bank statement less than 3 months old
- Full driving licence
- Armed forces/police ID card
- Provisional Driving Licence (photo version only)
- Valid self employed registration card (C1S4, C1S5, C1S6 and SC60)

- Shotgun firearms certificate (must also provide signature ID such as bank/credit card)

### **Non British Nationals**

For all non British Nationals an original passport is required plus evidence of their permanent right to reside in the UK. We reserve the right to ask for passports in other cases.

### **The following documents are acceptable forms of proof of residency:**

- Recent utility bill (within 3 months) - not mobile phone
- Valid full driving licence
- Valid provisional driving licence (photo version only)
- Current TV Licence
- Benefits letters (within 3 months)
- Inland Revenue letters (within 3 months)
- Current buildings insurance policy
- Accountants/Solicitors letter (within 3 months)
- Current council tax bill

If an applicant is unable to provide any of the above items we accept a stamped and signed Certificate of Identity from a person in a position of responsibility who has known them a minimum of two years and can verify their signature and address. We need to know the name, address, telephone number and occupation of the person providing the verification.

### **Further Advances**

Any applicants for further advances will be treated as a new application and all documents must be provided as for a new Mortgage. Broker fees to be charged on the further advance amount only. Fees to be charged on the further advance amount only.

The Early Redemption Charge will not be charged for further advances.

We may decline to lend if the customer has had difficulty in repayment of the existing mortgage. All requests for any further lending on existing mortgage contracts are to be passed to the Norton Finance and Mortgages Brokerage.

### **Commission and Broker Fee Disclosure**

Both commission and the broker fee must be disclosed to the applicants on the mortgage offer document.

### **Responsible Lending and Treating Customers Fairly**

If a mortgage application is deemed not to be in the interests of the borrowers, as a responsible lender we reserve the right to decline the application or ask for additional documents to support the application. The Norton Group is committed to treating customers fairly and endeavours to apply the FCA principles for business and four statutory objectives throughout the firm and its culture.

## Client Funds

If the mortgage application is a joint application it is preferable to payout to a joint bank account or by joint cheque, but if it is not possible we will pay out to one party upon receipt of a signed authority and verbal confirmation during the speak-with. We will not payout to anybody not on the proprietorship register of the house.

**We will do a security check with all parties to the loan in all cases.**

## General Principles of Fair Business Practice

When you signed your Standard Terms of Business, you agreed to comply with the guidance issued by the FCA principles of business. Norton and the FCA expect all firms operating within the lending sector to comply with its guidance. Some of the main highlights are shown below:

- Borrowers must be allowed sufficient time to reflect on the terms and conditions of the proposed agreement and must not be subjected to any high-pressure selling. They need to understand the risks associated with taking out a secured loan on their residential property and should be encouraged to take independent advice before signing and allowed adequate opportunity to do so. This will form part of our final security checks.
- There must be transparency in all dealings with all borrowers, with early disclosure of key contract terms and conditions (including rates and charges).
- Contract terms and conditions must be fair and clear, in plain and intelligible language, which can be easily understood by borrowers.
- No irresponsible lending, with all underwriting decisions being subject to a proper assessment of the borrower's ability to repay the loan without undue hardship and without resort to the security, taking full account of all relevant circumstances and any reasonably foreseeable future circumstances.
- Norton will take reasonable steps to ensure that brokers or other intermediaries who regularly act on their behalf do not engage in unfair business practices, act unlawfully or in any way which is deceitful, oppressive, unfair or improper, whether unlawful or not.

## Vulnerable Borrowers – Mental Capacity

A 'Vulnerable Borrower' can be described as an individual with limitations in Financial Literacy and those with limitations in Mental Capacity. Brokers must ensure they adhere to the guidance issued by the Money Advice Liaison Group's Debt and Mental Health Good Practise Guidelines.

Brokers must be aware that if at any point in the application for credit process they suspect or gain knowledge that the customer has mental capacity or financial literacy limitations then they must act in accordance with the MALG guidance. Suspicion of mental capacity or financial literacy limitations should have a low threshold as per the guidance, but should be based upon more than a "hunch".

A non-exhaustive list of circumstances which may lead the Broker to suspect customer limitations in mental capacity or financial literacy follows:

- Where disclosure is given by the applicant
- Where disclosure is given by someone likely to have an informed view, such as a partner or carer etc
- Where a Power of Attorney is known to exist
- Where medical evidence exists or a previous diagnosis
- Where the applicant acts out of character or in an unexpected manner
- Where the applicant cannot retain information concerning their application or appears confused about personal or financial information
- Where the applicant does not understand what they are applying for or information given to them
- Where the applicant appears unable to weigh up information, or communicate their borrowing decision by reasonable means where there is suspicion that an applicant has a mental capacity or financial literacy limitation, the applicant shouldn't be regarded as being unable to make a decision unless steps have been taken to assist first without success. Brokers should provide assistance to these applicants in clear language to help them make decisions; rather than immediately declining their application.

The following measures can be taken to help an applicant's understanding:

- Providing additional information on the “key risks” of the agreement, which can include features of the agreement, how much they will pay, the consequences of not maintaining payment, advisability of considering pre-contract information and their ability to request further information if required
- Carrying out a detailed assessment of the applicants financial circumstances to ensure their ability to afford to meet repayments in a suitable manner
- Ensuring that applicants do not take unsuitable credit, even where this is affordable. An example would be an applicant settling unsecured credit with a secured loan, without any obvious benefit
- Giving applicants adequate time to weigh up the information and explanations provided in order to better enable them to reach responsible borrowing decisions
- Referring the applicant to suitable not-for-profit third parties for additional advice, such as Citizens Advice Bureau  
Where there is suspicion or knowledge of mental capacity or financial literacy limitations, all applications must be referred and marked for the attention of the Norton lending Manager or in their absence the Group Compliance manager for consideration.

You should note what additional steps you have taken to assist customer understanding. Norton may require independent legal advice to be carried out to ensure that the customer has full understanding.

Guidance includes a recommendation for a written invitation to the applicant to disclose any additional relevant information. Norton has amended its Terms of Business Letter and brokers are asked to do the same.

Brokers should also note that any information gathered in relation to mental capacity or financial literacy limitations are classed as sensitive data under the Data Protection Act and should be treated accordingly.

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