



NEW!
Refurbishment
Range



No need to bridge.
No need to switch.

See Page 6

Buy-to-Let Criteria Guide

30th June 2022

Buy-to-Let Criteria Guide

Highlights

The Applicant

- Individual BTL
- Limited Companies & LLPs
- Portfolio Landlords

The Rental Calculation

- Basic Rate & Ltd Co. from 125%
- Higher Rate tax payer from 140%
- All 5 & 7 year fixes @ Pay rate

The Property

- MUFB minimum value £100k
- Ex-local Authority (including deck access)
- Studio Flats minimum floor area 30m²

The Loan

- Up to £1m to 75% LTV
- Up to £2m for MUFB properties
- Up to £500k to 80% LTV (exclusions apply)

NEW!

Refurbishment Range

No need to bridge. No need to switch.



Light
Refurbishment



EPC
Improvement



Cosmetic
Improvement

See page 6 for criteria

This guide is intended for guidance only and is supported by the full lending criteria.

For detailed criteria or to discuss a case contact us on **01252 365 888** or email **sales@chlmortgages.co.uk**

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The Applicant

	Individuals	Limited Companies / LLP	HMO / MUFB (Small & Large)
Applicant/ Experience	At least one applicant must have a minimum of 12 months as a current property owner	68100 • 68209 • 68320 • 68201 Properties related SPV accepted. LLPs accepted • Trading companies considered <hr/> New company incorporations accepted <hr/> A personal guarantee must be provided by Limited Company Directors and/or Shareholders with ≥20% shareholding, and all designated members and members with management rights of an LLP. <hr/> Deposits from Inter-company/Director/Shareholder/Partner loans accepted	At least one applicant must prove they have owned a minimum of 1 BTL property for 2 years <hr/> Available to both Individual and Limited Companies / LLP applicants.
Applicants	Up to 4 individual applicants <u>or</u> Limited Company Directors and/or Shareholders <u>or</u> LLP Members. Up to 4 Limited Company Guarantors. Guarantors must include all Directors. Guarantors must together hold a minimum of 75% or more of the controlling share capital. Up to 4 LLP Guarantors which must include all designated members and those members with management rights as detailed in the LLP agreement.		
Minimum Age	Primary applicant: 21 • Secondary applicants: 18		
Maximum Age	85 at end of term		
Minimum Income	£20,000 combined income per application • Rental Income Accepted as per SA302		
Portfolio Landlords	Min. landlord experience of 12 mths • Max. Portfolio lending held within CHL Group is £2.5m (Up to £5m considered after 12 months) • No limit on number of properties/mortgages in BTL portfolio		
Residency	UK resident for at least the last 3 years with permanent right to reside		

Adverse

Arrears	Default	CCJs	IVA/Bankruptcy	Debt Mgmt. Plan	Repossessions
Unsecured Arrears: 0 in 6 months • Status 1 in 12 months (Max. 1 instance) • Status 2 in 24 months <hr/> Secured Arrears: 0 in 6 months • Status 1 in 24 months (Max. 1 instance) <hr/> NOTES: Secured Arrears over 24 months can be considered at underwriter discretion. Utility, mail order, communications & insurance arrears considered at underwriter discretion.	Defaults considered at underwriter discretion <hr/> Communications defaults will be ignored	Unsatisfied: Max. £250 in 36 months <hr/> Satisfied: Max. £500 in 36 months	Satisfactorily completed / Discharged over 6 years	0 in 36 months	Not accepted

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The Property

Criteria which apply to all types of property including HMO / MUFB

Location	Mainland England, Isle of Wight and Wales
Tenancy	Single or Multiple AST from 6 to 36 months • Student lets • Corporate lets considered • Housing Association / Local authority lets considered Short term lets defined as Holiday Lettings or Serviced Apartments: Acceptable where the Valuer confirms: the security property is suitable for occupation under an assured shorthold tenancy including any restrictive lease covenants (AST will not be required); the ICR calculation fits on the market rent based on an AST; and there is demand for the property from both owner occupier and investor buyers. Considered on a case by case referral basis for HMO/MUFB property.
Acceptable Construction Types	Standard brick and breeze block construction • Modern timber framed construction post 1960 (including space4) with masonry outer skin Stone built or brick and mortar built walls • Modern steel framed property with brick or block and rendered walls • Modern methods of construction.
Acceptable Roof Types	Standard roof construction from slate or tile
Acceptable Exposure	Blocks of up to 6 units: Maximum 6 units per block • Blocks of 7 to 20 units: Maximum 10 units per block • Blocks of more than 20 units: Highest of 10 units <u>or</u> 20% per block
Energy Performance	Minimum EPC rating: E

	Standard Property	Studio Flat	New Build	Above/Adjacent to Commercial	Former Local Authority
Definition	Single family dwelling <u>or</u> existing shared accommodation where no HMO licence required	A small flat with one room for living and sleeping in, a kitchen, and a bathroom	A property built or converted within the last 12 months	A property above or adjacent to a commercial property considered	Previously owned by the local authority/housing association
Rooms / Units	Max. 5 Bedrooms Shared accommodation acceptable	Max. 1 main room	Max. 5 Bedrooms	Max. 5 Bedrooms	Max. 5 Bedrooms
Minimum Property Value	£75,000*	£100,000	£75,000	Min. value £250,00 within M25 (£150,000 elsewhere)	£100,000
Property Notes	Shared Houses considered with rental assessment on a single family unit basis	Minimum floor area for each individual unit 30m ²	All properties less than 10 years old must hold an adequate warranty	Positive valuer comments required	Max. 10 storeys in a block inside M25 (5 elsewhere) Areas with medium / high levels of private ownership
Maximum LTV	80% [†]	75%	Houses: 75% • Flats: 70%	75%	Houses: 75% • Flats: 70%
Tenure & Leasehold	Freehold and Leasehold Leasehold terms of less than 75 years remaining at application considered at underwriter discretion and are subject to a maximum LTV of 60%. Minimum 30 years remaining at maturity.				

* All flats above 10 storeys require a minimum property value of £250,000 † Max. 75% LTV for properties highlighted by our valuer as 'non-standard construction'

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The Property

	HMO		MUFB	
	Small	Large	Small	Large
Definition	At least 3 tenants reside there forming more than 1 household Tenants share a lavatory, bathroom or kitchen facilities with other tenants <u>and</u> a HMO licence is required	At least 5 tenants reside there forming more than 1 household, or any HMO that needs considerable alteration to sell as a family home <u>and</u> tenants share a lavatory, bathroom or kitchen facilities with other tenants. <u>and</u> a HMO licence is required	A block of up to 6 self-contained units on a single freehold title	A block of up to 10 self-contained units on a single freehold title Any MUFB property where an element would be defined as a HMO, then the property will be defined as a 'Hybrid Multi-Unit' property. (In this instance the HMO element must adhere to our HMO criteria.)
Minimum Property Value	Inside M25: £150,000 • Elsewhere: £100,000		Inside M25: £150,000 • Elsewhere: £150,000 (£100,000 up to 65% LTV)	
Acceptable Classes	C3 • C4	C3 • C4 • Sui Generis		
Rooms / Units / Storeys	Max. 6 bedrooms Max. 8 lettable rooms Max. 2 kitchens* Max. 4 habitable storeys	Max. 10 bedrooms No maximum number of lettable rooms Max. 2 kitchens* No maximum number of habitable storeys	Max. 6 self-contained units in the block	Max. 10 self-contained units in the block
Property Notes	Shared Houses considered with rental assessment on a room-by-room basis Must need minimal adaption to sell as a family home. The Solicitor will be required to ensure all relevant Planning/Change of Use requirements for its proposed use are in place on Completion	Shared Houses considered with rental assessment on a room-by-room basis The Solicitor will be required to ensure all relevant Planning/Change of Use requirements for its proposed use are in place on Completion	Each unit must have separate services Any element of commercial usage is unacceptable	
Maximum LTV	75%			
Tenure & Leasehold	Freehold and Leasehold Leasehold terms of less than 75 years remaining at application considered at underwriter discretion and are subject to a maximum LTV of 60%. Minimum 30 years remaining at maturity.		Freehold Only	

* Unless valuer comments confirm no negative impact on saleability

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Refurbishment Range

	Light Refurbishment (LR)	EPC Improvement (EPC)	Cosmetic Improvement (CI)
Designed for...	Non-structural and modernisation works which can be signed-off under the Competent Persons Scheme, without the need for building controls sign-off	The same purposes as Light Refurbishment (LR) products but with a requirement that the works <u>must</u> collectively improve the EPC rating to C or above	Works which will improve the cosmetic appearance of a property such as painting & decorating, flooring, fittings and minor repairs
Pre-works status	Property does not need to be lettable at point of initial mortgage advance. Minimum EPC rating: E.		Property must be lettable at point of initial mortgage advance
Cost of works	Costs must not exceed 25% of the pre-works value		
Maximum LTV	75% (pre-works and post-works)		
Works timeframe	Up to 90 days from initial mortgage advance		
Retention	A retention will be held between the pre-works and post-works value and market rent for up to 120 days from initial mortgage advance. The retention will be released upon confirmation by a Valuer Reinspection of full completion of works as defined within the agreed schedule and of the post-works value and market rent. If the property is not lettable at the point of reinspection the retention will continue to apply for up to 120 days from initial mortgage advance.		
Borrower / Property	Individual & Limited Company / LLP borrowers accepted. Refurbishment products are not available for properties intended to be let as Large HMO/MUFB or on a short term basis.		

Examples of acceptable works

PRODUCT TYPE

	LR	EPC	CI
Replacement floor coverings	✓	✓	✓
Painting & decorating	✓	✓	✓
Replacement fixtures & fittings	✓	✓	✓
Replacement internal doors	✓	✓	✓
Minor repairs	✓	✓	✓
Replacement heating systems	✓	✓	
Improved insulation	✓	✓	
Full rewiring	✓	✓	
Replacement windows & doors	✓	✓	
Replacement bathrooms & kitchens	✓	✓	
Integral garage/loft conversion to habitable space*	✓	✓	
Conversion of C3-dwelling to Shared house/C4-HMO	✓	✓	
Replacement roof coverings	✓	✓	
Non-load bearing internal re-configuration	✓	✓	

* Loft conversion works must not affect the roofline

Supporting evidence required

PRODUCT TYPE

	LR	EPC	CI
Schedule of works and costs for the proposed works	✓	✓	✓
Evidence of available funds to cover the proposed works (including contingency)	✓	✓	✓
Evidence of available funds to cover at least 3 months mortgage payments of the proposed BTL	✓	✓	✓
Details of the applications/main contractors relevant experience of previous development/refurbishment projects	✓	✓	
Copies of full plans/drawings relating to the proposed works	✓	✓	
Copies of any planning/permitted development/change of use required for proposed use of the property post works	✓	✓	

Unacceptable works

- ⊗ Projects where full planning/permitted development/change of use is not in place on completion of the initial advance
- ⊗ Works requiring building controls sign off (that cannot be signed-off under a Competent Person Scheme)
- ⊗ Any works to fix ongoing or progressive structural movement
- ⊗ Any project where the intention is not to let the security property post-works
- ⊗ Any works where the current or proposed structure/materials are unacceptable to CHL Mortgages
- ⊗ Any load-bearing reconfiguration, footprint expansion or anything with direct structural impact (eg. Digging of basement)
- ⊗ Outbuilding conversion to a habitable space
- ⊗ Conversion to MUFB (refurbishment of an existing MUFB is permitted)
- ⊗ Conversion to / let as Large HMO

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The Rental Calculation

Tax band	ICR
Basic Rate	125%
Ltd Companies / LLP	125%
Higher Rate	140%

	Assessment Rate
Less than 5 year fixed	Highest of... 5.50%; <u>or</u> the initial pay rate +2.00%; <u>or</u> the reversionary rate.
Less than 5 year fixed* where a historic borrower is looking to remortgage without capital raising	Highest of... 5.00%; <u>or</u> the initial pay rate.
5 year fixed or more	The initial pay rate
Lifetime Tracker.	The initial pay rate +2.00%

* **Historic Borrower:** A borrower who owned their BTL property before 6th April 2017

NOTE: Should a borrower choose a Capital & Interest repayment mortgage then, in addition to the Interest Cover Ratio test above, the gross monthly rental income must be equal to or greater than the monthly payment.

Security Type	Basis of rental income	Basis of Valuation
Single self-contained unit	Single tenancy	Comparable basis
Shared House	Single tenancy	Comparable basis
Short-term lets/Serviced Apartments	Single tenancy	Comparable basis
Holiday Let	Single tenancy	Comparable basis
Small HMO (≤6 bedroom)	Tenancy per room	Comparable basis
Large HMO (>6 bedroom)	Tenancy per room	Investment valuation
Small MUFB (≤6 units)	Tenancy per unit	Comparable basis
Large / Hybrid [†] MUFB (>6 units)	Tenancy per unit / per room	Investment valuation

[†] For definition of Hybrid MUFB see MUFB Property Notes, Page 5

The Loan

Minimum loan	£25,001
Maximum loan	£500k up to 80% LTV (Exclusions apply) £1m up to 75% LTV (All property types) £1.5m up to 65% LTV (Multi-unit Freehold*) £2.0m up to 60% LTV (Multi-unit Freehold*)
Minimum Loan Term	5 years
Maximum Loan Term	30 years
Portfolio Exposure within CHL group	>£1m to £2.5m (Max. aggregate LTV 75%). ≤£1m (Max. aggregate LTV 80%). Up to £5m considered by exception.
Remortgage within 6 months	Lending based on market value where uplift explained by works/changes to the property/title, otherwise value limited to original Purchase Price/pre-works value.
Porting	Not portable
Offer Validity	3 months

* Other property types by exception only

Capital Raising

Capital raising is permitted for any legal purpose except for:

- Tax liabilities (excluding Capital Gains and Inheritance tax)
- Gambling debts
- Consumer buy-to-let
- Any business purpose that is not property investment.

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Competitive rates. Flexible criteria. Common sense.

At CHL Mortgages we take a common sense approach to buy-to-let. That means flexible criteria and experienced people who will consider each case on its own merit, working with you to provide specialist solutions for your landlord clients, at competitive prices.

To discuss a case or for further information
get in touch with the CHL Mortgages team

 01252 365 888  sales@chlmortgages.co.uk

chlmortgages.co.uk/intermediaries



Rubik's Cube used courtesy of Spin Master

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Here are just some areas we may be able to help you with *



First Time Landlords



Portfolio Landlords



Refurbishment products



Short Term Lets



Minor Adverse



Up to 4 applicants



HMO up to 10 Bedrooms



MUFB up to 10 Units



Studio Flats from 30sqm



Intercompany Loan Deposits



Directors Loans



Limited Companies & LLPs



Gifted Deposits



New & Trading Companies



Local Authority Leases



New Builds



Shared Accommodation



Above/Adjacent to Commercial



Student Lets



Ex-local Authority

* Subject to detailed criteria and underwriting

