



Residential Credit Policy and Underwriting Manual

Version: 3.0

Document Control

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1. Introduction

The purpose of this document is to set out The Mortgage Lender Limited (TML) (the Company)'s general approach and credit criteria for new regulated residential mortgage contracts. It should be read in conjunction with the Company's:

- Affordability Policy,
- Residential Credit Policy,
- Credit Reference Data Rules Document,
- Mandates Policy,
- Origination Referral Matrix, and
- Product Asset Classification.

This complete suite of regulated residential credit-related documentation is designed to set out the Company's credit risk appetite and to explain how it assesses whether applicants will be able to pay the sums due under mortgages applied for and how the Company satisfies the requirements of the Financial Conduct Authority's Mortgage Conduct of Business Sourcebook (MCOB) Chapter 11: Responsible Lending, in making lending decisions.

The Company's approach to assessing any variations to an existing regulated residential mortgage contract originated under this policy is set out within the Contract Variations Policy.

The Company's Anti-Financial Crime Policy sets out how the Company's anti-fraud controls are incorporated into its approach to making lending decisions.

Any exceptions to the criteria set out in the suite of regulated residential credit-related documentation may be considered on an individual basis, supported by a clear and reasonable rationale. Unless otherwise stated, approval for out-of-policy lending must be given by the Company's regulated residential funding partner.

Mortgages will be granted on an 'All Monies' legal charge basis with a first and only charge or equivalent being in place.

2. Submission Routes

All applications for a TML mortgage will be submitted via appropriately authorised intermediaries and applications will only be accepted on an advised basis.

3. Loan

3.1. Purpose

Applications will be considered on a purchase or remortgage basis on residential properties in England, Wales or Scotland. The Company reserves the right to restrict lending within specific postcodes and / or regions, in accordance with its risk appetite.

In the case of a purchase, the Company will lend against the purchase price or valuation, whichever is the lower, except where there is gifted equity.

In the case of a remortgage, the Company will consider additional funds requests for any legal purpose except gambling debts.

Additional funds for the purpose of paying a tax bill will be assessed on an individual basis up to the maximum published LTV. Specifically, the following legal purposes are acceptable to the Company:

- Repay existing mortgage
- Home improvements
- Car purchase
- Purchase of an investment property
- Debt consolidation (for impaired cases where commitments required to be repaid to meet affordability, the Offer will be conditioned for the conveyancer to settle the relevant outstanding loans directly)
- Holiday
- Holiday home
- Equity buyout
- Broker Fees

Other legal purposes can be considered on an individual basis by the Company and additional information or evidence may be sought by the Company, depending on the reason declared in the application.

The Company reserves the right to restrict the borrowing of additional funds, either by limiting the amount and / or limiting the acceptable purpose of additional borrowing, in accordance with its risk appetite.

Objective of establishing loan purpose:

To ensure that all monies being raised are fully known and understood.

Underwriting guidelines:

The underwriter will review the loan amount requested to ensure that they are fully aware of the loan purpose. The following is a summary of some of the key requests and how they should be treated:

Remortgage

- The underwriter will review the use of funds breakdown and review any request for “other” capital raising reasons in order to ensure that they are acceptable;
- Land Registry search must be carried out to ensure that the property was purchased over 6 months ago and that the applicant is the registered proprietor. The process for this is detailed in Shared Server / Common / Servicing Procedures / Finished Procedures / English Land Registry Searches.
- The underwriter will review the individual case specifics paying attention to the use of funds, LTV, affordability and credit profile.

Tax Bill

- The policy states that we may consider repayment of a tax bill being an acceptable purpose;
- This can be considered on a case by case basis with a referral to a mandated Senior mandate holder or higher;
- The underwriter must seek an explanation for the outstanding bill and review the case paying attention to LTV, applicant profile and credit profile.

For example: -

- i. This could be a capital gains tax bill due to the change of structure within a business which may be considered acceptable;
- ii. For any tax amount, we should consider a number of factors including affordability, LTV and reasons for such a request. For example, a request to pay a £5,000 tax bill where the LTV is at the lower end of the risk curve is acceptable, rather than where the LTV is at the higher range of the LTV being funded. For any proposal the applicant must also demonstrate affordability;
- iii. An individual or person who operates a business on a self-employed basis has suffered with historic trading difficulties and may have used their available cash reserves to service costs / expenses in the short term rather than make a payment to HMRC, but further trading delays has resulted in a potential shortfall which may be considered acceptable; or
- iv. A business or individual who has not been paying their regular tax and this has amounted to an overdue amount with demands from HMRC may be considered as an unacceptable purpose.

Home Improvements

- An applicant is able to remortgage for reasonable home improvements.

Debt Consolidation

- Subject to affordability being satisfied, there is no cap on the amount raised to consolidate debt.
- If the level of debt consolidation seems high in relation to the applicant credit profile with the CRA then the underwriter must seek an explanation on how this debt has accumulated.
- The underwriter should also be looking for signs of serial debt consolidation, such as the property being remortgaged on a regular basis in the CRA, or loans that have recently taken out and now the applicant is looking to consolidate debt. If these cases are identified, then referral to a higher mandate holder must be made.
- The mortgage offer will be conditioned for the debts to be repaid by the solicitor on or prior to completion.

Remortgage from a Bridging Loan or Development Finance:

- We will allow an applicant to remortgage an outstanding Bridging Loan. It is unlikely that the Bridging Loan will be showing on the credit search therefore the underwriter must request a secured lending statement.

The following must be reviewed:

- Length of time Bridging Loan has been opened;
- Conduct of account (it is normal for interest payments to be rolled up on a Bridging Loan therefore the applicant might not have been making any contractual payments). If we cannot see any evidence of the payment profile on the credit report due to the interest being rolled up then we will require loan statement or a reference from the existing finance provider;
- Credit profile of the applicant;
- The underwriter may request evidence of the original deposit used to fund the property purchase;
- For any lend currently funded by a Bridging Loan specialist who is unregulated and not registered with the FCA, then this should be referred to a mandated Senior mandate holder or higher member.

Unacceptable loan purpose examples could include any reason which the loan purpose is not clear or transparent, any situation which would breach the Anti-Financial Crime policy, repayment of fines, repayment of gambling debts.

Where the loan purpose changes during the underwriting process, the underwriter should reconsider the purpose in light of any new information and apply policy to the new information.

Any transaction request to fund within 6 months

For any remortgage purchase under 6 months this requires the property to be registered at the Land Registry in the name of the same party seeking finance. Where this is not available we require confirmation to be provided where we are in the legal registration process by our solicitors and that this is satisfactory, evidence of purchase price paid. If this is not satisfied, the lend cannot progress until 6 months has elapsed or the Land Registry has been subsequently updated. Where the Land Registry has not been updated then approval is required by two mandated underwriters of whom one must be a Senior mandate holder or higher.

Use of Third Party Information

Where additional information or evidence is required from a third party (non-applicant) or where the Financial Crime team may require the source of funds to be evidenced, the broker must be advised to direct the third party to the TML Privacy Notice on the website to comply with Data Protection requirements.

Note: Any reference to an underwriter may include certain tasks being undertaken by a support or administration team member to meet the requirement outlined above. The underwriter requires to be fully satisfied as part of the assessment and sign off process

3.2. Term

The minimum acceptable term is 5 years.

The maximum acceptable term is 35 years (subject to there being an acceptable minimum unexpired leasehold term remaining at the end of the mortgage, should the property be leasehold).

3.3. Loan Amount

The minimum acceptable loan amount is £25,001.

The maximum acceptable loan amount is linked to the property's value (LTV) and whichever condition results in the lowest LTV% applies:

- £1million up to a maximum 75% LTV
- £750,000 up to a maximum 80% LTV
- £600,000 up to a maximum 85% LTV
- First time buyer* applications are acceptable, subject to a maximum LTV of 85% (except where the maximum LTV% for any specific product is lower).
- The maximum LTV acceptable on a new build property is 85%, except where the maximum LTV% for any specific product is lower. The definition of a new build property is a property built/converted within the last 12 months based on the date of the completion certificate. Or, where the build or conversion was completed more than 12 months ago, new build applies where the property has not been previously occupied (for converted properties that means since the conversion was completed); or is being sold/marketed by the builder or developer and has not been occupied as a residential property or has not been previously used for residential purposes e.g. within a development that was once used for commercial or other use.
- The maximum loan on a new build property with a builder's deposit/incentive that is not being deducted from the purchase price is £1,000,000.

*A first-time buyer application can be defined as one where no party to the mortgage has held a mortgage within the last 12 months, unless otherwise agreed by the Company.

All LTV limits are exclusive of any fees that can be added to the loan.

The LTV calculation will be based upon the purchase price or the valuation amount, whichever is lower. The maximum LTV is up to 70% on RL7, RL8 and Lumi 4 products.

3.4. Repayment Method

Applications will be considered on a Capital & Interest repayment method only.

3.5. Interest Rate Setting Mechanism

Product rates will be based on the Company's Residential Base Rate plus the product margin.

Interest rate changes will become effective in line with the mortgage terms and conditions.

3.6. Monthly Payment

In line with the mortgage terms and conditions, payments will be collected monthly by direct debit on the 1st of the month. It is a requirement of completion that an active direct debit mandate is in place.

Where applicable, customers may request to switch to an alternative payment method after their initial payment and this will be considered by the Company on an individual basis.

3.7. Acceptable Deposits

Deposits will be required to be evidenced, with the following forms of deposit being considered acceptable:

- Savings – copy of bank statements/bank data in an electronic format from an approved source demonstrating a build-up of savings
- Sale of property – letter from solicitor/ estate agent
- Sale of Shares/investment – contract note / proof of shares held in the name of one or more of the applicants
- Inheritance – letter from solicitor / executor
- Capital raising from another property owned by the applicant(s) – copy of mortgage offer, or other suitable evidence
- Other – evidenced

Alternative forms of deposit and evidence may be considered by the Company on an individual basis.

Objective of obtaining deposit evidence:

The primary objective is to ascertain if the deposit is being funded by an undisclosed third party.

Underwriting guidelines:

The purpose of the underwriter evidencing the deposit funds is to determine the true source of the funds and ensure this is dealt with appropriately. For example, if the applicant has noted the deposit as “savings” however the bank account shows one credit from a family member then this would be a gift deposit and not actual savings.

If the deposit amount or source changes during the application process, then the underwriter can update this on the system.

The underwriter will conduct a reasonability check of the evidence provided for savings.

Typical deposit types:

Savings:

- Normally held in a UK bank account a suitable explanation for the funds coming from an overseas bank account can be provided.
- Bank statement(s)/bank data in an electronic format from an approved source demonstrating a build-up of savings. Where savings are built up over a short period of time an underwriter should enquire as to the nature of the savings and be satisfied there is not a requirement for a Gifted Deposit Letter.

It is recognised that applicants can consider funds available to them as savings even when they have not 'earned' the amount and these will often be acceptable. For example, someone may describe an inheritance amount as 'savings' as for an applicant it is now their cash and they have not spent it.

- The statement should show the applicants name, sort code, account number and Bank name.
- The statement should be in the same name of at least one of the named applicants.
- If the statement shows a joint account but the mortgage is only in the name of one applicant, then the non-named party will need to complete the gifted deposit documentation.
- Latest statement must show a closing balance covering the deposit required.
- Any recent large or unusual deposits into the account will require clarification to ascertain proof of origin.

Sale of property/pending sale:

- The underwriter should check the solicitor is registered with the Law Society or Council for Licensed Conveyancers if the explanation is a sale of a property and upload the check to the case. The underwriter is required to assess the sales price in relation to the outstanding mortgage to ensure that there that there is sufficient equity / surplus funds within this property to fund the deposit by reviewing the credit file or another suitable alternative; or
- If a memorandum of sale is provided by an estate agent, the sale can be identified on Rightmove. The underwriter will check the advertised sale price on Rightmove and assess the sales price in relation to the outstanding mortgage to ensure there is sufficient equity / surplus funds within the property to fund the deposit. The Rightmove confirmation of sale should also be uploaded to the case.

Inheritance:

- If the deposit funds are sourced from the proceeds of an inheritance, then a letter from a solicitor, or an executor of the estate should be obtained.
- This will typically be evidenced by a Solicitor Letter. The underwriter must check that the Solicitor is registered with the Law Society and upload to the case. This will be required even if the applicant describes their inheritance as 'savings'.

Sale of Shares/Investments:

- Contract note from supplier which will provide details of the transaction.
- Underwriter must check the contract note for quality and check the bank statement(s)/bank data in an electronic format from an approved source for receipt of sale proceeds if applicable.

Capital raising from another property:

- A mortgage offer in the applicant's name should be provided with this uploaded to the case.

Evidence for all of the above should be expected to be in the name of the applicant and dated within a reasonable time period; if neither of these apply then an explanation must be sought.

Where the savings are held in a joint account and the mortgage is applied for in a different name or names, then this will be treated as a gift and the gifted deposit process should apply.

Unacceptable deposit types are those which would be classified as proceeds of crime.

Where any lump sums are noted a reasonability check should be completed.

Note: Any reference to an underwriter may include certain tasks being undertaken by a support or administration team member to meet the requirement outlined above. The underwriter requires to be fully satisfied as part of the assessment and sign off process.

3.8. Gifted Deposits

All gifted deposits must be disclosed.

Gifted deposits are allowed from immediate family members, i.e. a parent, grandparent, sibling, aunt, uncle or an adopted/step applicant on a like for like basis, subject to a gift letter from the donor(s).

Identification and evidence of funds will be required in these instances.

A builder's deposit/incentive is allowable up to a maximum of 5% of the property purchase price or valuation, whichever is lower, on new build properties, without deduction from the purchase price.

Where the Company is made aware that a builder deposit/incentive greater than 5% of the valuation amount is present on a new build property, the amount greater than the 5% allowance will be deducted from the property purchase price or valuation, whichever is lower, unless otherwise agreed by the Company.

Where a builder's deposit/incentive is present on a new build property, the Company will review the contract of sale and the UK Finance Disclosure of Incentives Form in order to validate the financial aspects of the sale.

Objective of identifying and evidencing source of deposit:

The main objective is to identify instances where the full purchase price is not being paid, indicating a potentially inflated value or where a third party may make a legal claim to rights to the property.

Underwriting guidelines:

The valuation should be checked for disclosure of vendor or builder deposits.

The solicitor may disclose this on the applicant's behalf.

Family gifted deposits must be on an arm's length basis i.e. they are not involved in the mortgage transaction. Where it is disclosed that the transaction is between family members, the underwriter needs to be especially vigilant to the overall case and provide a specific note in their rationale regarding this. This is when a family member is providing a gift for the applicant's deposit.

- The underwriter should review who is providing the gift;
- The gift must be from an immediate family member (parent, grandparent, sibling, aunt, uncle, or an adopted / step family member);
- If the gift is not from an immediate family member then the underwriter can accept this provided they are satisfied with who the gift is from and the reason for the gift. The underwriter must rationale this on the case. An example of this is where someone is being granted a gift from their aunt/uncle who raised them as a child.

Documents required:

- Gifted Deposit Letter;
- ID is required for all donating parties. If electronic identification is unsuccessful then we will require the certified evidence. We will accept digital ID reports / certificates from approved sources;
- When carrying out an E-ID on donors, the underwriter will need to complete a manual check of the alerts section (OFAC, PEP, CIFAS, HM Sanctions, Deceased etc);
- Evidence of the Gift, i.e. bank statement(s)/bank data in an electronic format from an approved source – if this shows that the gifted monies are jointly held then the documentation must be completed on a joint basis.

All documentation must be checked by the underwriter for correctness with any differences queried with the intermediary.

The underwriter must carry out an electronic ID check on Equifax for the donor. This is done by:

- Logging on to Equifax <https://www.uk.equifax.com>
- Choose "Anti Money Laundering" under the Fraud & ID Services Section
- Click "Anti Money Laundering Profile" under Report options and "OFAC" under Sanctions options then submit.
- Complete Donor Title, Name and Date of Birth then submit
- Complete donor address and then submit
- Check the details and then click on the "Generate" button for the report

- The Donor must pass EID by 3 /1
- This page should be snipped and uploaded to the case.
- The Donor E-ID check should be noted on section 3 of the underwriter's notes.

Particular care should be taken in cases where the gift is being provided by the applicant's spouse or partner and consideration should be taken as to whether or not this type of donor should be an applicant. Each donor will be verified using Electronic ID and where this has failed suitable documentary paper evidence (see section 4.9) will be required to satisfy our identity verification requirements.

The gift letter from a family member must be received prior to offer. Any exceptions must be documented and agreed by the appropriate mandate holder. **In certain circumstances the underwriter may seek a gifted deposit document to be re-signed by the relevant party where the applicant has sought to refinance or capital raise against their property within 6 / 12 months or further in certain situations.**

Vendor /Builder Incentives

We will consider the following as cash incentives:

- Deposit
- Cash Back
- Stamp Duty
- Legal Fees

White goods are considered exempt from any incentive package.

Cash incentives are acceptable provided they do not exceed 5% of the purchase price/valuation. Incentives in excess of this amount will be considered on a case by case basis and will be dependent on the overall case and in particular LTV, for example an LTV of 50% and a cash incentive of 15% may be acceptable.

A cash deposit will NOT be deducted from the property purchase price. An example is noted below:

EXAMPLE – Value £150,000

Purchase Price £150,000

Loan requested is 75% of purchase price therefore this is £112,500

Builder Deposit 5% £7,500

Total Deposit is £37,500 of which £7,500 is from the builder therefore the applicant deposit is £30,000 which is 20%.

The builder/vendor must complete a UK Finance Disclosure of Incentives Form which will be confirmed via the solicitor and valuer. The valuer should comment on this on the report as this may impact on the market valuer reported for lending purposes.

Note: Any reference to an underwriter may include certain tasks being undertaken by a support or administration team member to meet the requirement outlined above. The underwriter requires to be fully satisfied as part of the assessment and sign off process.

3.9. Gifted Equity

Property sales between family members at an under value, i.e. an equity gift, are permitted subject to the following requirements: -

- the equity gift is from an immediate family member, i.e. a parent, grandparent, sibling, aunt, uncle or an adopted/step applicant on a like for like basis
- the donor relinquishes all their rights in the property and ceases to reside in the property on completion
- maximum 75% LTV
- not available on RL7 /RL8 and Lumi 3 / Lumi 4 products
- on cases with a property value greater than £500,000, a secondary full valuation is undertaken by a different valuer appointed to TML's panel.
- each donating party will be required to complete a gifted equity letter and identification will be required.

Underwriting guidelines:

This is reduced value sales between family members.

Gifted equity is often a replacement of an actual cash gift of a deposit as the property will be sold between family members at a reduced price.

Where we are made aware of this, the donating party must not live in the property.

Costs Involved:

- Legal advice for donating party of the gifted equity.
- Title Indemnity Insurance (this is only required if recommended by the solicitor during the legal process).
- The donating party and applicant is responsible for these costs.
- The above costs will not be paid by us.

Loan to Value

Maximum LTV = 75%

We will assess LTV based on the property valuation.

Land Registry Search

A Land Registry search will be carried out at application stage, this search must show the property is currently owned by the family member detailed in the application. The process for carrying this out is detailed on Shared Server/Common/Service Procedures/Finished Procedures/English Land Registry Searches.

Family member type criteria

Gifted equity by the following family members is allowed from the following only:

- Parent
- Grandparents
- Siblings / applicants children
- Aunt/Uncle
- Spouse or Partner
- Step and adoptive relations (as above) will also be accepted.

If donating party and applicant have different surnames – we will assume a family link and we will have a verification form for the donating party however we reserve the right to request evidence of the relationship.

The donating party are not allowed to reside in the property that is being gifted.

If the property is owned by a Limited Company or LLP then a check must be carried out on Companies House to confirm who owns the Limited Company/LLP. If the Company or LLP is owned by a family member noted above under the criteria type then this is acceptable.

Power of Attorney

We cannot accept applications from applicants who have POA on behalf of the donating party.

Independent Legal Advice:

The donating party must take independent legal advice. The donating party is responsible for the cost of this. The solicitor will confirm this advice has been given prior to completion.

Offer Conditions / Solicitor Instructions

A special condition has been created, this will be added MANUALLY by the underwriter to all Gifted Equity case stating - the condition asks the solicitor to confirm independent advice has been received, that the donor will not reside in the property and requests a declaration of solvency. The solicitor may put in place Indemnity insurance to protect our interest.

Note: Any reference to an underwriter may include certain tasks being undertaken by a support or administration team member to meet the requirement outlined above. The underwriter requires to be fully satisfied as part of the assessment and sign off process.

4. The Applicants

4.1. Minimum and Maximum Age

- Minimum age at application – 21 years
- Maximum age at end of term – 79 years and 364 days

Underwriting guidelines:

We will allow an application to be considered if the loan expires 6 months prior to a planned retirement without applying lending into retirement criteria. For any applicants prior to retirement where they fall within the scope this will be at the discretion of the underwriter e.g. an applicant applies for a 20-year mortgage and the actual expiry is 6 months after they retire.

Note: Any reference to an underwriter may include certain tasks being undertaken by a support or administration team member to meet the requirement outlined above. The underwriter requires to be fully satisfied as part of the assessment and sign off process.

4.2. Number and type of Applicants

A maximum number of 2 applicants will be permitted per application.

A First Time Buyer applicant is defined as where no party to the mortgage has held a mortgage within the last 12 months, unless otherwise agreed by the Company.

4.3. Married Couples / Civil Partnerships

The Company will normally require both parties of a couple who are married / in a civil partnership to apply together and to both be named on the mortgage deed. However, should it receive an application in a single name from an applicant who is identified as being married or in a civil partnership, then a suitable explanation must be provided as to the reason for the sole application, for assessment on an individual basis.

Typical scenarios which the Company may consider include, but are not limited to, are: -

- A partner who does not have full right to reside
- A remortgage of an existing property currently held in sole name
- For cultural reasons, where one partner is restricted from being named on the mortgage
- Applicants who are going through a separation or divorce

Objective of obtaining explanation:

To ensure that all interested parties are aware of the mortgage transaction and that no undue influence is being exerted by one party over another.

Underwriting guidelines:

The underwriter must review the explanation given and ensure the objective is met. Written confirmation from the non-borrowing party is required along with identification bearing a signature from the unnamed party.

In some lending requests we may have a two-person household where the application is from only one partner, but the other partner may not have the right to reside, or be going through a separation or divorce etc. For the purposes of affordability, we will assume a 2-person household with 1 income.

In certain examples this can become complicated with complex living arrangements being in place due to a range of reasons. Unless the non-applicant is not added to the application then we should include all other parties in the affordability selection which is reflected in the ONS criteria. Bespoke family arrangements will be considered on a case by case basis. We will consider one person with 1 income if a 2-person adult household as outlined above where this will require approval from a Senior mandate holder or higher.

Where an unnamed party is identified as a financial associate and adverse credit is also identified then the underwriter may decline the case or proceed on a product that is reflective of the level of adverse credit of the financial associate. For cases of this type, affordability will typically be assessed on a household composition based on 2 adults.

On a remortgage the following will be checked as it may indicate undue influence being applied by one party to the other: -

- Joint application in which the one party is raising funds for capital injection into their existing business and the other party has no interest;
- Single application in which one party is raising funds to assist in the clearance of debts incurred and registered in the name of the other party;
- Single application in which the applicant is raising funds for capital injection into his/her existing business.

The underwriter will ensure that any appropriate conditions are added to the mortgage offer as a result.

Additional factors to be considered:

For any party that is divorced the underwriter may ask for additional information if the applicant is living at the same address as their ex-partner. A copy of the decree nisi may be sought, albeit it should be noted that a divorce a decree absolute is the final decree which dissolves any marriage.

In the event of a separation the underwriter may also require a copy of the letter of separation from the applicant's legal advisor confirming the position and terms of any settlement. In certain situations,

if a separation is not legally documented this may give rise to a potential dissolution of an applicant's financial assets with a potential impact on their finances including the ability to repay any mortgage.

Note: Any reference to an underwriter may include certain tasks being undertaken by a support or administration team member to meet the requirement outlined above. The underwriter requires to be fully satisfied as part of the assessment and sign off process.

4.4. Occupants

For England & Wales, any disclosed occupier of the property who is 17 or more at the date of the application or will be 17 or more at the date of completion of the advance and is not party to the mortgage will be required to sign a Deed of Consent as a condition of the mortgage as detailed within the mortgage terms and conditions issued with the offer.

4.5. Excluded Applicants

The following types of applicant will be excluded, if identified:

- Cannot demonstrate an ability to meet the Company's affordability requirements
- Suspected of or proven to have damaged a previous mortgage security
- Ex-pats (non-domicile)
- Currently serving a prison sentence or awaiting trial
- Previously responsible for leasehold security involving forfeiture of lease
- Found guilty of defrauding any lender or insurance company
- With diplomatic immunity
- Without a valid work permit or statutory ability to be employed
- Without the permanent right to work and reside in the UK
- Whose main income is sourced from casual or seasonal employment
- Without a UK bank account
- Non-UK taxpayers
- Applicants with previous convictions – see section 4.11
- Mortgage Brokers submitting their own application through their firm (for the avoidance of doubt a Mortgage Broker may apply for a mortgage through another broker at a different regulated company, but must not submit their own application)
- Applicants who have been declared bankrupt within the last 3 years
- Applicants who have been previously been a borrower or guarantor of a mortgaged property which has been repossessed, including voluntary repossession, in the last 6 years
- Active Debt Arrangement Scheme in Scotland
- Current employees of the Company

The Company may consider an application from an excluded applicant on an individual basis.

4.6. Nationality

There will be no change to the rights and status of EU citizens currently living in the UK. Further amendments may be required as Brexit negotiations continue, and the policy will be updated as required.

UK Nationals and any of the following EEA member states (including EU Nationals) must be traceable at an address, normally either by being registered on the voters roll or by having INSIGHT (or equivalent) data. Where neither of these methods are successful, the Company will consider a reasonable alternative on an individual basis.

EEA member states are currently as follows:

Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Rep of Ireland, (Eire), Italy, Latvia, Lithuania, Lichtenstein, Luxembourg, Malta, Norway, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, & Sweden.

Note that although Switzerland is not a member of either the EU or EEA, residents will be treated in the same way as those from EEA member states. The nationality of any applicant from an EEA member state should be confirmed by way of a current, signed non-UK passport or a valid travel document or (official) EU ID card.

Foreign Nationals

Non-EU/EEA Nationals will be considered by the Company on an individual basis and be subject to the same underwriting requirements as EU/EEA Nationals. Additionally, they will require to evidence they have a Right to Reside in the UK.

Underwriting guidelines:

Current guidance requires that all EU Nationals require to have been living in the UK for the last 5 years and provide a Right to Reside document.

If an applicant from an EEA member state does not have a passport in date, then we will require an alternative valid travel document in addition to a Right to Reside document. Non-EU/EEA Nationals – Underwriter can approve this however they must be satisfied with the following information:

- Applicant nationality
- How long they have been residing in the UK
- Whether they are on the voters roll at their current address
- Employment details
- Credit Score/Profile

The approval must be on the basis that we receive the applicant's passport and right to reside.

The right to reside can be a residence permit card or it can be a stamp in the applicant's passport.

Residence Permit Card

The underwriter will need to see the front and the back of the card. The following should be checked:

- Applicants name matches
- Date is valid
- Applicant has indefinite leave to remain
- Date of Birth matches
- Nationality matches
- Number on front of card matches the number on the back of the card
- Must be certified

Stamp in Passport

This will be a stamp by the UK Immigration Office that the applicant has given leave to remain in the UK. It will be signed and dated on behalf of the Secretary of State Home Office. The number on this will relate to the applicant's passport. The number will relate to the passport that the applicant had at that time. If the applicant has renewed their passport then we will require to see their old passport that the right to reside relates to as we need to match up the numbers and verify that this stamp is for our applicant.

Note: Any reference to an underwriter may include certain tasks being undertaken by a support or administration team member to meet the requirement outlined above. The underwriter requires to be fully satisfied as part of the assessment and sign off process.

4.7. Credit Profile

Each applicant will be subject to the following requirements in relation to credit profile:

- Their name, including any alias disclosed, will be subject to a full credit search at all declared addresses covering the last three years. In addition, any linked addresses identified by the credit search will be included in the search.
- They must 'Opt In' to enable the Company to include any individuals with a defined financial association with them to be included in the search.
- They will be subject to a credit score which will form part of the overall underwriting decision.
- They are traceable at a UK address for at least 2 years, normally either by being registered on the voters roll or by having INSIGHT (or equivalent) data. Where neither of these methods are successful, the Company may consider a reasonable alternative on an individual basis.
- They must meet the Company's product criteria applicable at the time of application on:
 - County Court Judgements (CCJs) and/or Scottish Decrees
 - Defaults
 - Secured and unsecured loan performance
 - Individual Voluntary Arrangement (IVA) &/or Scottish Trust Deeds
 - Bankruptcy or Sequestration
 - Repossession
 - Payday loans

Objective of obtaining an applicant's credit profile:

To ensure we have adequately considered a complete record of the applicant's credit search profile.

Underwriting guidelines:

The underwriter will review referral rules as listed below and ensure that the case notes clearly reflect any decisions made.

Existing BTL / Multiple Mortgages – where the loan has been referred for having existing BTL or multiple mortgages, the underwriter will review the case and determine if the affordability assessment will require to be reviewed, and if yes, then the affordability assessment will be re-run. An example is where the applicant may have a second home and mortgage that is not a BTL. Also, for any BTL lending exposure, Aggregate Lending applies where funder approval may be required.

FTB with mortgage – The underwriter will review the CRA search and ask the intermediary to provide an explanation as to why they have applied as a first-time buyer. A rationale must be recorded if the case is to proceed.

Owner without mortgage, but with live mortgage/secured INSIGHT data – If the applicant declares that they are currently an owner without a mortgage (unencumbered property) and a live mortgage record is held in the credit search, we require an explanation and the relevant INSIGHT record to be updated accordingly.

CIFAS / HM Sanctions / OFAC / PEP match – The underwriter must refer the case to the Financial Crime Team to investigate the relevant match. The case will continue to be worked, unless advised otherwise by the Financial Crime Team while the relevant match indicator is investigated. The Financial Crime Team must confirm any additional requirements to the underwriter and these must be satisfied to allow the case to proceed.

Notice of correction – The underwriter should read the notice on the account and compare this to the results found on the CRA search. These will be reviewed on a case by case basis and should the underwriter support the case then a suitable rationale must be recorded if the case is to proceed.

Deceased indicator – if the case has been identified as having a deceased indicator the underwriter should investigate this further.

Different current address – If the applicant has a linked next address the underwriter will review the address information provided to identify if there is a possible different current address, they will query the information with the intermediary to understand why additional address information is held in the credit search. If the case is to proceed a suitable rationale will be required.

Unconfirmed – a case will be referred to an underwriter if the applicant is not traceable on the credit search i.e. they are not on the voter's roll or they do not have INSIGHT data. The underwriter will review the application information and determine if the lack of credit information is consistent with the customer's profile i.e. is this consistent with the applicant's history, job type, income etc. Where the underwriter wishes to proceed with a case, then further supporting information will be considered and a suitable rationale will be recorded.

Attributable data – The case will be referred to an underwriter if there is information held within the credit search as data that may be attributable to the applicant. A review of the applicant's declared credit information will be undertaken to establish whether or not the data should be included in the affordability calculation and assessment of credit profile. If it is established that the information identified as attributable is to be excluded, the affordability assessment will need to be re-run with the data excluded.

The following should also be considered by the underwriter in relation to:

- 1) Credit Profile - CCJ / Default;
- 2) Debt Management Plan;
- 3) Payday Loans.

- 1) Credit Profile – CCJ / Default

The level of CCJ/Default requires to be assessed on an individual basis to identify the applicant's current credit profile can support the lending proposal submitted in line with our risk appetite.

Our system will automatically create a 'checklist' item for any cases where the credit profile shows:

- i. A CCJ/Default over £3,000 in last 36 months; and
- ii. Any CCJ/Default outside the last 36 months greater than £10,000.

The product criteria apply where the CCJs will be considered on a case by case basis.

Where either appears, the underwriter will assess the credit profile of the case, the recency of the default/CCJ, in this assessment the underwriter will consider if this is material enough to the case and if so may seek clarification as to the nature of the record.

If the underwriter believes the information impacts the overall credit profile of the case, then they are entitled to and empowered to decline the case. In addition, the underwriter will assess the record to decide if a value should be included within the affordability calculation, this data will also assist their review of bank statements/bank data/bank data. The application will be subject to a credit score which will form part of the overall underwriting decision.

The New Lending Management team will identify these cases and on a random basis check the underwriter actions.

2) Debt Management Plan

If an applicant is subject to a formal Debt Management Plan (DMP) or equivalent, we will accept the payment amount agreed within the DMP or equivalent within our affordability calculation.

A Debt Management Plan is used to repay unsecured credit commitments at a reduced rate and many free debt advice organisations manage these on behalf of an applicant. These include Stepchange.org and Payplan.com, although there are other providers who may charge a fee for this service.

Where a regular payment to a DMP provider is identified in the personal bank statements / bank data or in the credit reference agency data, the agreed payment amount will be included in our affordability calculation. In terms of RL product selection, if there is a DMP arrangement in place, then the RL4-8, including plus products, should be selected.

Applicants may have reduced debt payments that they pay directly to a Debt Collection Agency and do not use a debt advice service to do so. The following are some of the main companies who are collection agencies: -

- Westcot;
- Lowell;
- Cabot; and
- Robinson Way.

These payments are not considered to be within a formal Debt Management Plan and the full product range is available.

3) Payday Loans

Where a commitment is identified in the bank statement is suspected as a Payday loan and not reported to the Credit Reference Agency the underwriter will review the lender's website to determine the typical APR or obtain a copy of the loan agreement where a website is not available. We will treat any lending with an APR above 100% as a Payday loan for product assessment purposes.

Note: Any reference to an underwriter may include certain tasks being undertaken by a support or administration team member to meet the requirement outlined above. The underwriter requires to be fully satisfied as part of the assessment and sign off process.

4.8. IVA / Trust Deeds and Bankruptcy / Sequestration

Applicants who have been identified as being party to an IVA/Trust Deed/Debt Arrangement Scheme or subject to bankruptcy/sequestration within the last 6 years will be limited to a maximum 75% LTV and the following additional criteria will apply:

- Applicants who have previously been bankrupt/sequestered must have been discharged from their bankruptcy/sequestration for a minimum of 3 years from the date of the application and have maintained a clean credit profile on any secured and unsecured commitments in the last 3 years.
- Applicants who have previously been party to an IVA /Trust Deed / Debt Arrangement Scheme must have satisfied the IVA / Trust Deed / Debt Arrangement Scheme for a minimum of 3 years from the date of the application and have maintained a clean credit profile on any secured and unsecured commitments in the last 3 years.
- The Company will not fund any request for an applicant who has an active Debt Arrangement Scheme in Scotland.

Objective of assessing IVA / Bankruptcy:

To ensure we have confirmed the applicant's credit profile is consistent with declared information and in line with our risk appetite.

Underwriting guidelines

Bankruptcy – where it cannot be verified through the credit search data, review bankruptcy discharge notification document confirming date is greater than 3 years from date of the application and that the applicant is the named party and all other information provided is consistent with the application.

IVA/Trust Deed/Debt Arrangement Scheme - Review reference from managing agent to confirm IVA has been conducted appropriately and satisfied within product criteria.

No additional arrears should be evidenced in the credit search for existing search data confirming all credit has been kept up to date for the past 36 months. The applicant must have a clear record if they are still operating under an IVA over the last 3 years.

4.9. Proof of Identity & Residency

Proof of Identity and Residency is required for each applicant who is a party to the mortgage.

The Company will establish identity and residency using industry standard electronic verification checks. The Company will accept digital ID reports / certificates from approved sources.

Where the electronic verification attempt is unsuccessful, documentary evidence will be required.

All documents supplied as evidence must be current and valid at the time of application. The provisions of this section will also apply where identification of donors is required (Sections 3.8 and 3.9).

PROOF OF IDENTIFICATION

One of the following combinations of documents must be supplied to satisfy the Company's requirements:

EITHER:

One document from **Section A**

OR

One document from **Section B** AND one document from **Section C**.

The Company may, at its discretion, accept alternative documents as noted in the Joint Money Laundering Steering Group guidance in relation to financially and socially excluded individuals. See the Anti-Financial Crime Policy.

Section A

- Full (signed) UK Passport
- Non-UK (signed) Passport
- UK issued travel document (signed) and Grant of Asylum letter (both items required)
- UK Photo Card Driving Licence (signed)

- UK Provisional Photo Card Driving Licence (signed)
- UK issued Firearm Certificate/Shotgun Licence

Section B

- UK (signed) Paper Driving Licence – Old Style
- Latest HMRC Tax Coding Notice
- State Benefit Notification Letter (Tax Credit Notifications are not acceptable)
- HM Forces Identification Card

Section C

- Bank/Building Society Statement
- Utility Bill (excluding mobile phone and catalogue/mail order)
- Credit Card Statement
- State Benefit Notification Letter (Tax Credit Notifications are not acceptable)
- Most recent Lender Statement*
- Current Local Authority Council Tax Notification*

Documents from Section C must be dated within the last 3 months except where indicated by an (*) and must contain the applicant's full name and address.

The Company will accept satisfactory identification for an applicant who has been known by any other name if it can be evidenced that the name change has occurred within the last 3 months.

The Company will accept identification for an applicant at their previous address provided they can substantiate that they have moved within the last 3 months.

PROOF OF RESIDENCE

When proof of residence is required, then one of the following documents must be supplied:

- HM Forces Identification Card
- Bank/Building Society Statement
- Utility Bill (excluding mobile phone and catalogue/mail order)
- Credit Card Statement
- State Benefit Notification Letter (Tax Credit Notifications are not acceptable)
- UK Photo Card Driving Licence (signed)*
- UK Provisional Photo Card Driving Licence (signed)*
- Latest HMRC Tax Coding Notice *

- Most recent Lender Statement*
- Current Local Authority Council Tax Notification*

Documents must be dated within the last 3 months except where indicated by an (*) and must contain the applicant's full name and address.

NOTE: The same document cannot be used for both Proof of Residence AND Proof of Identification.

The Company may, at its discretion, accept alternative combinations in line with Joint Money Laundering Steering Group guidance. See the Anti-Financial Crime Policy.

Where photographic identification is being supplied, the intermediary firm must confirm that the photograph is a true likeness of the individual, where the advice was given on a 'face to face' basis.

The intermediary firm must also undertake their own customer verification checks to meet their regulatory obligations.

Objective of validating the applicant's identity:

To establish that the applicant is who they say they are and we meet our Know Your Customer & Anti-Money Laundering obligations.

Underwriting guidelines:

Any documents received in copy form must be certified as a true copy of the original. Underwriters must review any documents provided and be satisfied with their authenticity.

The documents provided should be checked against the application data and customer verification form to confirm that it is in the name of our applicant and data is consistent with the information provided e.g. date of birth, time at address, bank details provided match with application data. The underwriter must formally record that they are satisfied with documents provided and where appropriate query any discrepancies with the intermediary.

An example of potential money laundering relates to where applicants are seeking to refinance from say a short-term bridging funder within a 6/12-month period. The individual may have purchased a house and upgraded the property through an extensive refurbishment programme where family or related parties have provided the majority of the deposit to undertake the works. The existing funder may have gone through various checks to confirm the source of original deposit, but the underwriter should be aware that property developments can be exposed to money laundering where placing and layering risks may be evident. TML cannot rely on other funders to validate a source of funds.

All aspects of a case, once combined, need to be consistent with the information that is provided to be considered accurate.

Note: Any reference to an underwriter may include certain tasks being undertaken by a support or administration team member to meet the requirement outlined above. The underwriter requires to be fully satisfied as part of the assessment and sign off process.

4.10. Fraud Prevention

The Company will undertake fraud prevention checks on applicants and the application to mitigate the risk of fraud. Refer to the Anti-Financial Crime Policy for further details.

Objective of undertaking fraud checks:

To mitigate any potential exposure to fraud from mortgage applications.

Underwriting guidelines:

All applications and customer documentation will be subject to fraud checks throughout the application process. The Financial Crime Team will notify the underwriter of any special actions that may be required to take as a result of any potential fraud. Where the underwriter has a suspicion of fraudulent activity, then the case should be referred to the Financial Crime Team to allow further investigation.

Care must be taken by the underwriter to ensure that they do not alert any party regarding any potential fraud investigations.

The underwriter will assess the application details for consistency and not simply concentrate on each section or document in isolation. For example, if an applicant provided pay slips showing a salary of £5,000 per month, but their bank statements/bank data showed income credits of only £2,000 per month, then the underwriter will question this. Additionally, underwriters will check cashflow on a bank statement/bank data to consider if bank movements reflect the level of income disclosed.

All aspects of a case, once combined, need to be consistent with the information that is provided to be considered accurate.

Note: Any reference to an underwriter may include certain tasks being undertaken by a support or administration team member to meet the requirement outlined above. The underwriter requires to be fully satisfied as part of the assessment and sign off process.

4.11. Previous Convictions

Applicants who disclose criminal convictions will be treated with caution, as the nature of the offence may have a bearing on the Company's ability to proceed with the application.

All applications from customers who declare sentences for Fraud, Terrorism, Organised Crime, Money Laundering, Arson or the Possession or Supply of Drugs will normally be declined.

Otherwise, the Company may review applicants with previous convictions on an individual basis.

5. Employment

Applications will only be considered on a full status basis with proof of income being required for all applicants. Certain employment criteria may be amended from time to time in accordance with the Company's risk appetite.

5.1. Minimum Income

The minimum allowable income of the primary applicant is £15,000. There is no minimum allowable income requirement on the secondary applicant.

5.2. Employment History

Current employment must have been for at least 3 months at the date of the application.

A minimum of 12 months' employment history is required.

5.3. Employed Applicants

- The applicant must be employed on a permanent PAYE basis.
- The most recent two monthly (or weekly equivalent up to 8) pay slips will be required to evidence all employed income and the most recent two full monthly bank statement/bank data showing the income credit as validation. Bank statements/bank data may be in an electronic summarised format from an approved source.
- If payslips are not available for a valid reason, then the Company will consider an employer's reference; this must include a breakdown of the last two months' net pay.
- The Company may contact the employer for further information, following receipt of the employer's reference.
- Payslips will be reviewed to determine if any additional credit commitments should be taken into account within the Company's affordability assessment.

Objective of validating income (Employed):

To ensure that the income declared is genuine and reflected in evidence provided. In addition, it is acknowledged that pay-slips now come in a more self-service form i.e. printed from company websites on standard A4 paper, and as a result we want to take care over their authenticity.

Underwriting guidelines:

The underwriter will check that all pay slips are received for the required period (most recent 2 consecutive months or equivalent) and will validate them for authenticity by checking all key values, including but not limited to:-

- Applicant name / address
- National Insurance Number
- Employer details
- Key financials make sense i.e. year to date positions / tax paid
- Salary details match the values input, including checking the salary components have been correctly calculated.
- The [gross/net] pay on the payslips should be annualised up and verified against the declared income.
- Deductions should be reviewed for items to be taken into consideration, such as attachments of earnings/student loans
- Method of payment and recipient bank details, if available

The underwriter reserves the right to request further information, such as an employer's reference, a P60 or a Tax Calculation, particularly if there is insufficient evidence of total income.

The net pay should appear on the supporting bank statements/bank data which themselves should be checked for authenticity, including does the level and type of transactions consistent with application information.

The level of income claimed should be assessed in conjunction with the overall credit profile of the applicant. In addition, any impairment of credit can be questioned on a high salary. In such circumstances, an underwriter may choose further information options on salary.

If a reference is requested, then this should be checked for the following:-

- Does the commencement date of employment confirm the information on the application form and support any other references obtained? Any employment gaps must be explained.
- Applicants must be classed as PAYE otherwise the applicant is self-employed therefore requiring alternative evidence and assessment in line with self-employed applicants.
- Salary figures provided reflect applicant data provided, including bonus and / or any deductions, such as attachment of earnings.

For any applicant who is on parental leave (eg maternity or paternity), an application can be considered where the underwriter should request the following:

- i. latest and last two payslips prior to parental leave (eg maternity or paternity) showing full salary;
- ii. letter from the employer confirming the date when returning to work with details of return to work hours and total salary package agreed;
- iii. the applicant to confirm what their child care arrangements and costs will be once they have returned to work.

The underwriter may request additional information upon receipt of employment details should this not be in line with what has been declared.

Bank statements/bank data – the underwriter will ensure that the bank statements/bank data in an electronic format from an approved source provided cover the required period and the income credit obtained through the pay slip can be verified. The underwriter will also review the bank statements/bank data for any additional credit commitments not disclosed during the Decision in Principle. If required, the underwriter may re-assess the affordability assessment taking into account the additional commitments.

Bank statements/bank data are required to validate the income showing on the payslips but we can consider Bank statements/bank data in an electronic format from an approved source covering less than a full 2-month period, so long as the Bank statements/bank data provided cover the most recent two income credits, or in the case of weekly paid, eight income credits.

The underwriter will check the bank statements/bank data for authenticity, by reviewing the transactions and matching pay slips together with other transaction history.

Note: Any reference to an underwriter may include certain tasks being undertaken by a support or administration team member to meet the requirement outlined above. The underwriter requires to be fully satisfied as part of the assessment and sign off process.

5.3.1 Income Components

The Company will accept:

100% of the following income components provided they are evidenced in each of the latest 2 months' payslips:

- Basic salary, car and regional allowances and pension.

The following additional income components can be accepted on receipt of acceptable evidence:

- 100% of overtime, bonus, commission, shift allowance, unsocial hours payments.
Acceptable evidence needs to show the level being claimed is reasonable on an annual basis.

A reasonability test on occupation type is to be applied for any shift allowance claimed. Acceptable evidence would include – Payslips covering an appropriate period, P60, Tax Calculation (SA302) with the corresponding Tax Year Overview for an applicant showing employed income at a level that supports the values shown in the application.

Objective of accepting correct income components:

To ensure that the income declared is genuine and reflected in evidence provided as part of any affordability assessment.

Underwriting guidelines:

We may apply certain exclusions to industry sectors from time to time as a result of COVID.

For variable income components this will only be considered if the applicant is paid weekly, monthly or quarterly, unless otherwise stated.

Where evidenced overtime is used in any calculation, the underwriter should use a minimum of 2 months payslips where further payslips may be requested, if required. The underwriter should take into consideration whether this level of income component is sustainable.

We can accept variable income components such as a bonus payment paid on an annual basis if the applicant can demonstrate this has been paid during or after 2021 as evidenced by a payslip, or equivalent. For any bonus amounts over £10,000 or 15% of an applicant's salary will require to be referred a Team Leader.

A reasonability test on occupation type is to be applied for any shift allowance claimed. Acceptable evidence would include – Payslips covering an appropriate period, P60, Tax Calculation (SA302) with the corresponding Tax Year Overview for an applicant showing employed income at a level that supports the values shown in the application.

Note: Any reference to an underwriter may include certain tasks being undertaken by a support or administration team member to meet the requirement outlined above. The underwriter requires to be fully satisfied as part of the assessment and sign off process.

5.3.2 Subcontractors under the CIS construction insurance scheme

Subcontractors under the CIS construction insurance scheme will be classified as employed where the following applies: -

- The applicant is employed in construction to work on a permanent or temporary building or structure or civil engineering work like roads and bridges;
- Contractors deduct money from a subcontractor's payments and pass it to HMRC. The deductions count as advance payments towards the subcontractor's tax and National Insurance; and
- Contractors are registered for this scheme. Subcontractors do not have to register, but deductions are taken from their payments at a higher rate if they're not registered.

5.4. Retired Applicants

Where an applicant is retired at the time of application, the following evidence of current income will be required and can be considered at 100%:

- The most recent two-monthly pension statements/payslips or an annual advice notification will be required to evidence all retired income and the most recent 2 full monthly bank statements/bank data showing the income credit as validation; or
- Latest letter from pension provider confirming current pension income and the most recent full monthly bank statements/bank data.

Alternative forms of evidence may be considered by the Company on an individual basis.

Objective of validating income (Retired):

To ensure that the income declared is genuine and reflected in evidence provided.

Underwriting guidelines:

The underwriter will check that all required retired income evidence is received for the required period and will validate them for authenticity by checking all key values, including but not limited to:

- Applicant name / address
- National Insurance Number
- Pension provider details
- Pension type i.e. drawdown / fixed income / continues after death (joint applications)
- Pension income details match the values input

The underwriter reserves the right to request further information, such as a letter from the pension provider, particularly if there is insufficient evidence of total income.

Bank statements/bank data – the underwriter will ensure that the bank statements/bank data in an electronic format from an approved source provided cover the required period and income credit obtained through the pension income evidence.

Bank statements/bank data are required to validate the income but we can consider bank statements/bank data in an electronic format from an approved source covering less than a full 2-month period, so long as the bank statements/bank data provided cover the most recent two pension income credits, or in the case of weekly paid, eleven income credits.

The underwriter will also review the bank statements/bank data for any additional credit commitments not disclosed during the Decision in Principle. If required, the underwriter may re-assess the affordability assessment taking into account the additional commitments.

The gross income on the pension pay-slips should be annualised up and verified against the declared income.

The level of income claimed should be assessed in conjunction with the overall credit profile of the applicant, e.g. a pension income level is reasonable in line with the applicant's previous employment type. In addition, any impairment of credit can be questioned on high pension income. In such circumstances, an underwriter may choose further information options on the applicant's income.

If a letter from the pension provider is requested then this should be checked for the following:

- Does the information on the pension letter confirm the information on the application – what type of pension does the applicant have e.g. drawdown, fixed income. Does the pension have an end date and is it in line with the term of loan being requested. We will assume if it is a joint application, then the pension should have a provision for the surviving party.

Once all income has been evidenced and if there is a positive or negative variance, the underwriter will re-assess affordability to ensure that the loan remains affordable.

Note: Any reference to an underwriter may include certain tasks being undertaken by a support or administration team member to meet the requirement outlined above. The underwriter requires to be fully satisfied as part of the assessment and sign off process.

5.4.1 Lending into Retirement

The Company may consider the extension of an applicant's pre-retirement income beyond the maximum age 70 up to a maximum age 75 for specific professions.

Where an applicant states their intention to retire during the mortgage term, the following evidence of projected future income will be required and can be considered at 100%:

- Latest letter annual statement from pension provider confirming projected pension income.

Alternative forms of evidence may be considered by the Company on an individual basis.

The following alternative sources of projected future retirement income can be considered by the Company on an individual basis, with up to 50% of the income being considered acceptable:

- shares in a limited company / future sale proceeds or dividends
- income from Buy to Let properties
- other long-term investments

For Lending into Retirement applications, current pension contributions will be included as a deduction in the affordability assessment.

Underwriting guidelines:

We may consider the extension of an applicant's pre-retirement income beyond age 70, up to a maximum age 75, for specific professions.

In some cases an employer can force a customer to retire at a certain age known as 'compulsory retirement age'. This may be where the job requires certain physical abilities e.g. in the construction industry or the job has an age limit set by law e.g. the fire service. The underwriter should consider the applicant's employment and whether it is reasonable to assume the retirement age is realistic.

Many employed and self-employed applicants are continuing to work beyond pensionable age, which we will consider. A list of specific professions where consideration may be given is as follows:

- Specialist consultants in finance, legal practice, medicine or media;
- Freelance media / IT specialists;
- Doctor or medical practitioner including support staff;
- Business owners.

The underwriter may require to take into account whether the applicant is capable or continuing to work to the age with a copy of the applicant's contract sought in some situations. The underwriter should be cautious where an applicant seeks to work into retirement in order to manage the affordability criteria. This can be considered on a case by case basis with a referral to a Senior Mandate Holder or higher.

The above is not an exhaustive list of specific professions.

Note: Any reference to an underwriter may include certain tasks being undertaken by a support or administration team member to meet the requirement outlined above. The underwriter requires to be fully satisfied as part of the assessment and sign off process.

5.5. Self-Employed Applicants

Self-employed applicants are required to have been trading for a minimum period of 12 months.

Applicants jointly holding 25% or more of the issued share capital of a company will be considered as self-employed.

Self Employed Type	Evidence Required		Income Considered
	Trading period <24 months but > 12 months	Trading period >24 months	
Maximum LTV allowed	85%	85%	
Sole Trader Or Contractor	Most recent year's certified accounts OR Tax Calculation (SA302) with the corresponding Tax Year Overview for an applicant	Last 2 years' certified accounts OR Tax Calculation (SA302) with the corresponding Tax Year Overview for an applicant	Profit
Partnership	Most recent year's certified accounts OR Tax Calculation (SA302) with the corresponding Tax Year Overview for an applicant	Last 2 year's certified accounts OR Tax Calculation (SA302) with the corresponding Tax Year Overview for an applicant	Share of Profit
Limited Company	Most recent year's certified accounts OR Tax Calculation (SA302) with the corresponding Tax Year Overview for an applicant	Last 2 years' certified accounts OR Tax Calculation (SA302) with the corresponding Tax Year Overview for an applicant	Share of Profit
Director	If a Director's salary is being considered as income, and there is more than one appointed director to the Company, two months' recent pay slips and Company financial information in line with Limited Company detailed above.	If a Director's salary is being considered as income, and there is more than one appointed director to the Company, two months' recent pay slips and Company financial information in line with Limited Company detailed above.	PAYE
Bank statements/bank data	Most recent 1 full month's personal bank statements AND the most recent 3 full month's business bank statements to assess reasonability of current trading. Additional statements may be required.	Most recent 1 full month's personal bank statements AND the most recent 3 full month's business bank statements to assess reasonability of current trading. Additional statements may be required.	Current Trading Income

Unless Section 5.5.1 is being considered due to COVID, the Company will require a self-employed applicant to provide the above information.

The Company will not apply an average of income over a 2 or 3 year period.

Objective of validating income (Self-employed):

To ensure the values captured and used, particularly in affordability, are accurate.

Underwriting guidelines:

The underwriter will check that the appropriate supporting evidence has been supplied for the relevant self-employment type and covers the required period. The underwriter will validate the supporting evidence for authenticity by checking all key values, including but not limited to:

- Business name / address;
- Key financials make sense i.e. turnover / costs / profit i.e. is there very little cost and all profit;
- Income details match the values input, including the ancillary information such as bonus;
- If a salary is included then evidence obtained in line with Employed Income above;
- Bank business and personal statements.

Where a director's salary is being considered as income, and there is more than one appointed director to the Company there will be an additional requirement for the most recent two months' pay slips to be provided as well as company financial information, or a SA302, Accountant's Certificate or Tax Calculation and Tax Year Overview.

The underwriter reserves the right to request further **information**, such as a Tax Calculation (SA302) or business bank statements/bank data to evidence the level of cash / turnover flowing into the business.

As an alternative to the **paper version of the SA302** return, we can also accept the **SA302 Tax Calculation** which has been printed directly from the applicant's HMRC account (or an equivalent tax calculation printed from commercial software (i.e. which the applicant or an agent acting on their behalf has printed themselves) with the corresponding **Tax Year Overview** which is printed from the applicant's HMRC online account. Both must be supplied.

You must also validate the document as authentic by checking each item corresponds to the applicant's name/s.

The figure on the Tax Calculation document – "Income Tax due after dividend tax credits" should also match the "Tax" figure on the Tax Year Overview (excluding any "Surcharges", "Interest" or "Penalties" paid).

The level of personal cash shown on the supporting personal bank statements/bank data should be assessed and the underwriter to consider if this is indicative of the level of income claimed. Where it is not, the underwriter needs to be satisfied as to the reasons why.

Bank Statements / bank data – the underwriter will ensure that the bank statements /bank data in an electronic format from an approved source provided cover the required period. In line with current criteria and processes, the underwriter should also look to the last 3 business bank statements and review the actual trading receipts shown in the statements to establish if they are in keeping with the type of business and are supportive of the level of income declared.

The underwriter will require bank statements to support the application where additional information may be sought to explain any variances that may be evident.

The underwriter will also review the bank personal bank statements for any additional credit commitments not disclosed during the Decision in Principle. Any items identified will be queried with the intermediary and a reason sought for the exclusion. If required, the underwriter may re-assess the affordability assessment taking into account the additional commitments.

The level of income claimed should be assessed in conjunction with the overall credit profile of the applicant. In addition, any impairment of credit can be questioned on such a high salary. In such circumstances, an underwriter may choose further information options on salary.

Once all income has been evidenced and if there is a positive or negative variance, the underwriter will re-assess affordability to ensure that the loan remains affordable.

Note: Any reference to an underwriter may include certain tasks being undertaken by a support or administration team member to meet the requirement outlined above. The underwriter requires to be fully satisfied as part of the assessment and sign off process.

5.5.1 Self-Employed Applicants impacted by COVID

For many self-employed applicants their income may have been reduced compared to previous years as a direct or indirect result of COVID. The Company will still consider applicants where a downturn in trading performance has occurred, subject to additional information being provided and the Company being satisfied on current trading income.

The Company will look to support previous trading performance by reviewing a minimum of 2 years of financial accounts. The Company will require certified financial accounts for each year.

The Company will also require business bank statements to determine that the COVID trading income declared by the applicant has improved and / or returned to normal when compared with the most recent financial accounts. The bank statements should provide a view of the trading income currently being generated. In this scenario, the Company may consider current income levels as a true reflection of an applicant's income, if supported by historical data.

The Company will also require completion of a Self Employed Income Declaration Form – COVID Impact detailing an explanation for any downturn in the most recent financial accounts.

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Objective of validating income (Self-employed):

For customers impacted by COVID, any assessment will seek to verify that the underlying business has recovered and is not likely to be impacted again.

The core objective of steps 1 to 3 is to convert the current turnover as evidenced in the bank statements to Income / Profit utilising the historical data provided.

Underwriting guidelines:

For any self-employed applicant impacted by COVID, the level of recent historical performance may reveal a deterioration in income and / or profits, when compared to current trading levels. In some cases, the level of trading performance may show losses compared to the previous years.

Care will need to be taken when assessing customers who may have been impacted in the last year by COVID to ensure that TML is funding a self-employed applicant who has recovered with their trading business back to a level of normality.

An explanation for any downturn will require to be provided by the applicant and the underwriter satisfied with the reason given with completion of the Self Employed Income Declaration Form – COVID Impact.

If the income evidence reflects a downturn in profits as evidenced from recent trading performance, we will aim to support previous trading performance by reviewing a minimum of 2 years of financial accounts. Additional accounts may be requested, if required for example where the previous cost % is materially lower than the current cost %, where the objective is be comfortable with the normal %.

The underwriter should also look to the last 3 business bank statements and review the actual trading income receipts shown in the statements to establish if the level of income has returned to normal, or within acceptable risk parameters, a reduction in current turnover of more than 15% from the previous non-COVID accounts should be considered further. Note the the overall Profit % will be based on current trading turnover identified in the 3 months bank statements.

The use of bank statements together with financial analysis of historic performance shall aim to confirm that the applicant who suffered a down turn in trading and profits has seen the current performance improve back to pre-COVID levels.

Care should be taken when assessing the 3 months bank statments for the applicant's trading business may be exposed to seasonality, or the bank statements provided may reveal an over estimated income position as a result of reviewing statements from a peak trading point or the trading business is still suffering from a weak trading position, in partial lockdown or struggling financially. From the bank statements, only income from trading activities will be included where internal transfers, Bounce Back loans or SEISS grants should be excluded. The underwriter may ask for additional bank statements or an explanation as to why any grants or loans were required..

The process of income validation will apply as follows: -

Example

The objective of the following steps is to satisfy ourselves that the applicant's trading turnover has improved as shown in the bank statements to determine that the level of estimated current trading is similar to previous trading levels pre-COVID.

Self Employed Applicant	Current Year's Trading -2020 / Impacted Year	Previous Year's Trading -2019	3 Months Bank Statements	Estimated T/o with Statement Figures Annualised
Turnover / Income	£150,000	£300,000	£65,000	Est. £260,000
Costs / %	£120,000 / 80%	£210,000 / 70%	Apply 70%	Est. £182,000
Profit (Income) / %	£30,000 / 20%	£90,000 / 30%	Apply 30%	Est. £78,000

(In this example the customer is back to their 2019 trading levels and as a result we would be comfortable using current trading levels as income.)

Step 1 – Review of business bank statements

The trading income figures should be taken from the last 3 months bank statements. Additional statements may be sought, if required.

The underwriter should initially annualise the trading income. Exceptions to be considered for any business impacted by seasonality where a lesser multiplier may need to be applied.

The underwriter may also need to also investigate the type of business and in some situations request further clarity from the introducer, if seasonality impacts the business, or not. Some businesses generate a large % of their turnover in a few months so any review of bank statements will require to consider the trading cycle of the self-employed applicant's business.

From the bank statements, only income from trading activities will be included where internal transfers, Bounce Back loans or SEISS grants should be excluded. The underwriter may ask for additional bank statements or an explanation as to why any grants or loans were required.

Step 2 – Review of Financial ratios

The financial accounts, or equivalent, to be reviewed and the ratios established between turnover, costs and profit in line with the above table for comparison purposes. 2 years account will be required, where additional accounting information may be sought depending on the complexity of the proposal.

Step 3 – Profit Margin

The main objective is to establish from the bank statements that trading turnover has improved post COVID. The Profit Margin to be applied should be the previous year figures (from the table above this would be 2019 figures) with the profit % applied to the estimated turnover established in the bank statements.

We require to be satisfied that an applicant's income has returned to normal or within acceptable parameters. In the above example, the underwriter will use the lower of estimated T/o statement figures annualised from the bank statement figure.

Should the annualised bank statement figures be higher the underwriter shall apply the lower figures shown in the previous trading financial accounts. The level of income which will be accepted cannot exceed the figure achieved in the business accounts prior to the impact of COVID.

Note - For financials with a trading loss only

The underwriter should identify the reasons for the loss where these ideally should relate to the impact of COVID.

For any loss situation in the current year, the recommended approach can still be adopted. However, if any losses are evident in the previous years (from the above table Year 2019) then the application should not proceed.

If a loss is shown in the most recent accounts the underwriter may request additional accounting information to get comfortable that we can rely on the income presented by the applicant. This also includes the request for further business bank statements.

For any scenarios above the underwriter should refer this to a Senior mandate holder or higher for approval.

Note: Any reference to an underwriter may include certain tasks being undertaken by a support or administration team member to meet the requirement outlined above. The underwriter requires to be fully satisfied as part of the assessment and sign off process.

5.5.2. Financial Accounts

Unless an application is submitted in line with Section 5.5.1 as detailed above, in all cases, the latest year's income will be used to assess affordability.

TML will not accept an accountant's certificate / reference.

If certified accounts are provided these must be completed and returned from a qualified accountant, holding a current practicing certificate. The accountant's qualification will be

confirmed with the relevant accounting body and also checked against the Company's internal watch list. The following qualifications are acceptable:

- ACA/FCA - Institute of Chartered Accountants
- ACCA/FCCA – Chartered Association of Certified Accountants
- ACCIMA/FCIMA – Chartered Institute of Management Accountants
- CIPFA – Chartered Institute of Public Finance Accountants
- ACMA – Associate of Chartered Management Accountants

Objective of validating accountant's qualifications:

To ensure that the values captured and used in the affordability calculation are accurate.

Underwriting guidelines:

The underwriter must check that the credentials and contact details of the accountant are checked with the relevant accounting body and that the individual holds a current practicing certificate. They will also check the accountants against the internal watch list before proceeding.

The following websites / telephone numbers can be used to confirm whether or not the accountant holds the stated qualifications:

England & Wales - Institute of Chartered Accountants

<http://membersearch.icaew.com>

0906 614 0906

Scotland - Institute of Certified Accountants

<https://www.icas.com/find-a-ca>

0131 347 0100

UK – Association of Chartered Certified Accountants

<https://www.acca-business.org/dom/>

0141 582 2000

Chartered Institute of Public Finance Accountants

020 3117 1880

Chartered Institute of Management Accountants

<http://www.cimaglobal.com/Members/Find-a-practising-accountant/>

The Association of Accounting Technicians – Full Membership only to be accepted (FMAAT)

<https://www.aat.org.uk>

020 3735 2434

Once all income has been evidenced and if there is a positive or negative variance, the underwriter will re-assess affordability to ensure that the loan remains affordable.

Note: Any reference to an underwriter may include certain tasks being undertaken by a support or administration team member to meet the requirement outlined above. The underwriter requires to be fully satisfied as part of the assessment and sign off process.

5.6. Contract Workers

The income calculation for a contract worker can be based on a weekly contract rate x 48, thereby allowing for 4 weeks in any year to be unpaid, subject to the following additional requirements:

Existing Contractor

- minimum 12 months' previous contracting history
- minimum term of current contract is 6 months
- copy of current contract provided
- contract rate is reviewed for reasonability

New Contractor

- minimum 12 months' previous employment history in a similar role
- minimum 3 months' contracting history
- minimum term of current contract is 6 months
- copy of current contract provided
- contract rate is reviewed for reasonability
- maximum 75% LTV

The following contractor roles are considered suitable for the income criteria set out above:

- IT
- Engineering
- Construction
- Oil & Gas
- Management
- Professional
 - Education
 - Legal
 - Medical
 - Sport
 - TV/Film
 - Finance

Other roles can be considered by the Company on an individual basis.

Subcontractors under the CIS construction scheme will be classified as employed rather than self-employed. Refer to Policy Section 5.3.2.

Objective of validating income (Contract Worker):

We want to ensure the values captured and used, particularly in affordability, are accurate.

Underwriting guidelines:

The underwriter will check that financial information provided is for the required period and will validate them for authenticity by checking all key values, including but not limited to:

- Applicant name / address
- National Insurance Number
- Employer details
- Key financials make sense i.e. year to date positions / tax paid

Income details match the values input, including any component parts of income e.g. bonus or commission
Deductions should be reviewed for items to be taken into consideration, such as attachments of earnings.

A copy of the current contract will be reviewed by the underwriter to ensure consistency with the application information. Where the current contract length is less than 6 months and there is a history of renewal covering a 6-month period, with the same Company, then this can be considered on a case by case basis.

The underwriter reserves the right to request further information to support the application and income declared.

Bank statements/bank data – the underwriter will ensure that the bank statements/bank data in an electronic format from an approved source provided cover the required period and that these evidence the income disclosed. The underwriter will also review the bank statements/bank data for any additional credit commitments not disclosed during the Decision in Principle. Any items identified will be queried with the intermediary and a reason sought for the exclusion. If required, the underwriter may re-assess the affordability assessment taking into account the additional commitments.

The level of income claimed should be assessed in conjunction with the overall credit profile of the applicant, e.g. a salary of £100,000 per annum is likely to see high credit limits on credit cards. In addition, any impairment of credit can be questioned on such a high salary. In such circumstances, an underwriter may choose further information options on salary.

Once all income has been evidenced and if there is a positive or negative variance, the underwriter will re-assess affordability to ensure that the loan remains affordable.

Note: Any reference to an underwriter may include certain tasks being undertaken by a support or administration team member to meet the requirement outlined above. The underwriter requires to be fully satisfied as part of the assessment and sign off process.

5.7. Other Income and Benefits

The following income components can be accepted on receipt of evidence that the Company determines to be acceptable:

- 100% of maintenance payments (court order showing a minimum remaining period of 5 years payments).
- 50% of investment income.
- 100% of Child Benefit, evidenced in bank statements/bank data or acceptable alternative. The maximum age of a child which the Company will accept Child Benefit for is 13 years of age.
- Universal Credit or their equivalent, subject to the following limits and qualifications:

Limits

- 75% of the benefit evidenced
- The amount can be no more than 25% of the total income on the application

Qualification:

- The applicant with this benefit must have an acceptable other earned income source

Underwriting guidelines:

Child Benefit: Underwriters to check the bank statements/bank data or the equivalent document expected to be the official award letter to validate the value claimed.

Underwriter to assess the reasonability of the amount included and to check the household composition declared includes children to ensure the correct ONS value has been included in the affordability calculation.

Universal Credit: Underwriters to check the bank statements/bank data or the equivalent document expected to be the official award letter to validate the value claimed. If using bank statements/bank data an underwriter should expect to see the value claimed on each or an acceptable explanation as to why not. It should in all cases be on the most recent bank statement, if not, an award communication is likely to be required.

Underwriter to ensure applicant in receipt of this benefit does have another acceptable income type which has been evidenced in line with appropriate section within this underwriting manual.

Buy to Let Income: We will accept rental income at 80% based on SA302s as personal income. The applicant should provide necessary evidence i.e. SA302s or Tax returns / Financial accounts showing their full income to confirm the level of income declared from this source, if it is to be used an income component. We may require a bank statements / bank data in an electronic format from an approved source to support the rental income.

Note: Any reference to an underwriter may include certain tasks being undertaken by a support or administration team member to meet the requirement outlined above. The underwriter requires to be fully satisfied as part of the assessment and sign off process

5.8. Unacceptable Income

The Company will not accept income from the following sources:

- Income from overseas
- Industrial Injuries Disablement benefit
- Housing Benefit
- Income Support
- Income-based Jobseeker's Allowance (JSA)
- Income-related Employment Support Allowance (ESA)
- Expenses payments
- Travel allowance
- Student bursary
- Rental income

5.9. Maximum Income Multiples

The Company's standard maximum income multiple based upon total assessable income is 4.5 x income.

Loan to income ratios above 4.5 x salary (single) or 4.5 x salary (joint) will not be considered by the Company in accordance with its Risk Appetite Statement and the Origination Referral Matrix.

Maximum Income Multiple on RL7 /RL8 and Lumi 3 / Lumi 4 products for joint is 4.0.

Income multiples are part of the Company's overall assessment of the applicant. The Company lends by reference to a range of factors and subject to affordability assessment and does not decide to lend on the basis of income multiples alone. Income multiples are calculated excluding fees.

5.10 Additional Employment

Where an applicant has more than one job, income for all jobs will be considered on the same basis as set out in this section.

Objective of validating income (additional):

We want to ensure the values captured and used, particularly in affordability, are accurate.

Underwriting guidelines:

Any additional income will be reviewed and assessed taking into account actual hours worked and claimed by the underwriter in line with the checks detailed above in line with the type of employment the additional income is earned from. The level of individual hours worked and claimed needs to be sustainable and realistic as part of the assessment process, not simply used as a short-term measure to achieve the maximum level of loan available.

Note: Any reference to an underwriter may include certain tasks being undertaken by a support or administration team member to meet the requirement outlined above. The underwriter requires to be fully satisfied as part of the assessment and sign off process.

5.11 Other - Gambling activity or online entertainment activity

Care should be taken where gambling or online entertainment activity is shown in an applicant's bank statements. The Company must ensure that we act as a responsible lender investigate the transactions further, if necessary.

Underwriting guidelines:

Gambling activity or online entertainment activity

Care should be taken where gambling or online entertainment activity is shown in an applicant's bank statements. The underwriter should look to consider any disproportionate volume and frequency of gambling or online entertainment activity as well as the actual value of the transactions even if that appears to be within the applicant's means. This may also indicate that you are dealing with a vulnerable customer where this may be an indication of more of a commitment or possible addiction.

Gambling or online entertainment activity may not always be apparent with applicants using a number of ways to pay for goods and services. As an example any amount above, say £200 or more than 10 transactions per month per applicant should typically be reviewed by the underwriter. This may vary dependent on each applicant's disposable income and account activity where all general bills etc are being paid or savings being amassed on a monthly basis. An indication of an applicant spending inappropriately is where we identify other bills / household expenses / food etc are not being paid or the bank statements shows the applicant being in overdraft. When considering if other bills / household expenses / food, etc are being paid or not, the underwriter should consider what is shown and what is not shown on the bank statement, for this could indicate that bills / household expenses / food etc are not being paid or being paid by another party not on the mortgage.

The level of gambling activity or online entertainment and exclusion or limited volume of monthly household expenses may indicate that an applicant is dependent on 3rd party financial support. It should not be assumed that the lack of monthly expenses is acceptable. The underwriter should typically seek an explanation with additional evidence sought, albeit this will depend on the circumstances of each case.

The underwriter should be aware that many of the transactions shown on a bank statement may also have no names in the description or a series of numbers with foreign currency references.

The underwriter at their discretion may deem it appropriate to question the level of gambling or online entertainment expenses with the broker and if necessary discuss this with a Team Leader or a Senior Staff member. **For transactions over £200 the underwriter may consider applying this cost as a monthly commitment within the affordability assessment.** If as a result the application fails, this shall require further consideration. Equally, an affordability pass does not mean that this application should proceed.

When communicating with a broker, particularly in cases where we may have concerns the underwriter should avoid phrases like 'problem gambler' or 'excessive gambling transactions'. The underwriter should highlight for example the frequency and /or value and type of gambling transactions seen on the applicant's bank statements. There may also be concerns around the 'sustainability of the spending on gambling' and/or 'the value of gambling transactions versus income' which may mean we may want to obtain further information or which may mean the case cannot proceed.

If the underwriter is satisfied that any gambling or online entertainment activity it is not an area for concern, this should be recorded in the underwriter's notes with a clear and concise rationale of why you are satisfied to proceed.

Note: Any reference to an underwriter may include certain tasks being undertaken by a support or administration team member to meet the requirement outlined above. The underwriter requires to be fully satisfied as part of the assessment and sign off process.

6. Affordability

The Company's Affordability Policy outlines how it assesses whether an applicant will be able to fully repay the requested loan amount over the requested term. It forms an integral part of the mortgage application and underwriting processes and uses a combination of data which is keyed onto the mortgage application screens and data which is derived from the credit reference agency search.

Refer to the Affordability Policy for further details.

7. Mandates

A mandate structure exists for the approval of new applications. Refer to the Mandates Policy and Origination Referral Matrix for further details.

8. Valuation Reports & the Property

A full, physical valuation will be carried out unless the property meets the Company's criteria for a desktop valuation or Automated Valuation Model (AVM). There are limitations, and these will not apply to all property types.

8.1. Desktop valuation

A desktop valuation can be used in the following scenarios:

- Valuations up to £600,000 only
- Above 75% LTV does not qualify for desktop valuation
- England and Wales only
- Applicable on purchase and remortgage
- No property above or adjoining commercial premises
- Freehold and minimum unexpired 85-year leasehold
- No converted flats
- No New Build property built within last 24 months

The exclusions for a desktop valuation are as follows:

- No online visibility of the property or property attributes
- Postcodes outside mainland UK
- Postcodes in Northern Ireland
- Property values in excess of £1m outside M25 or £1.5m inside M25 (prime central London can be considered on an individual basis)
- New Build property
- Studio flats
- Flats in blocks >6 storeys
- Flats with suspected cladding or combustible balconies
- Commercial property
- Shared ownership
- Properties subject to occupancy / age restrictions
- Properties with significant land (>2 acres)
- Listed buildings
- Modern methods of construction (MMC)
- Short leases (<85 years)
- Properties above or adjacent to commercial premises

- Suspected flying freehold (>20%)
- Properties subject to renovation / refurbishment
- Suspected poor condition
- Properties in areas known, or suspected to be subject to:
 - High or extreme flood risk
 - coastal erosion risk
 - ground stability issues
 - Electro Magnetic Fields (EMFs)

8.2. Hometrack AVM

An AVM can be used for specific cases instead of a full physical valuation, in line with the following criteria:

- Single-unit residential property
- Maximum value £600k
- Maximum LTV and minimum confidence levels for capital value must be in accordance with the table below.
- England, Wales and Scotland
- No property above or adjoining commercial premises
- Freehold or minimum unexpired 85-years leasehold
- No converted flats
- No New Build properties

The AVM report is valid for 6 months.

Applicable confidence levels per LTV for proceeding with AVM valuation only

% LTV Minimum Confidence Levels	
% LTV (excluding fees) Minimum Confidence Levels	HomeTrak AVM Result
65.01%-75%	>=6.0
55-65%	5.0 – 5.9
40-55%	4.0 – 4.9
0-40%	3.0 – 3.9

If an application fails the AVM valuation confidence levels, a full, physical valuation will be required.

8.3. The Property

All valuations will be instructed by the Company.

The Company will consider lending on residential properties in England, Wales and Scotland (mainland only Applications in relation to properties in Northern Ireland are not acceptable.

The following postcodes are excluded:

England & Wales	All GY, IM & JE postcodes
Scotland	IV41 – IV51 IV55 & IV56 KA27 & KA28 KW15 to KW17 inclusive PA41 to PA49 PA60 - PA78 PH41 to PH44 All HS & ZE postcodes

The tenure of the property must be freehold or leasehold in England & Wales. For Scottish properties, it must be absolute ownership or heritable.

All leasehold properties must have an unexpired term of at least 40 years at the end of the mortgage term. Flats and maisonettes in England & Wales must be leasehold (freehold flats and maisonettes are acceptable in Scotland). See Unacceptable Properties (section 8.12 below) for further details.

Each security must be formally valued by a valuer appointed to the Company's panel. The valuation report will be valid for a maximum period of 6 months from the date of the inspection.

A 'Retype' valuation report is acceptable, if completed by a valuer appointed to the Company's panel and the original inspection was within the last 3 months.

Re-inspection – where the valuer has advised that a re-inspection is required, the Company will arrange for this to be instructed and received prior to completion. Upon receipt, the re-inspection will be checked to confirm that the report confirms that any works have been completed satisfactorily and that the property is suitable for mortgage purposes. The Company will ensure that the valuation amount confirms the original figure and where there is any variance clarification will be obtained from the valuer.

Re-inspection – for a New Build property only, the Company will accept a £0 market value where a re-inspection is not required. The Company will rely on the market value reported on completion of repairs upon receipt of the completion certificate. The current market value after repairs will be used in the LTV calculation.

The valuer should be qualified as MRICS, FRICS or Tech RICS, be experienced in conducting mortgage valuations and operate from an office not normally more than 20 miles from the property or 10 miles in urban areas to ensure they are an expert in the local area in which the property is located. All valuations will be carried out on an open market basis.

8.4. Audit Valuations

Audit Valuations will be undertaken on the following basis:

Surveyor Comparable Check – carried out on all valuations > £1million – a desktop tool, provided by Rightmove, used to check and corroborate comparable information provided by the Panel Valuer.

Audit Valuations may be undertaken on an individual basis as determined by the Company. The Company will undertake additional fraud prevention measures on valuations to mitigate any potential risk. Refer to the Anti-Financial Crime Policy for further details.

Underwriting guidelines:

The underwriter may request a physical audit valuation to assist in validating key security criteria, if required. If a physical audit valuation is obtained, this can only be instructed once a date has been confirmed for the first valuation.

In addition, a Surveyor Comparable Check will be undertaken for any application where the following criteria also apply: -

1. On all valuations > £1m and carried out on other selected cases;
2. Loan to value greater than 85% (based on future lending as current max lending is 85%);
3. Any unencumbered property;
4. Any back to back transaction, within 6 months of initial purchase; or
5. Gifted equity transaction.

SCT to be completed in line with the valuation training module.

Note: Any reference to an underwriter may include certain tasks being undertaken by a support or administration team member to meet the requirement outlined above. The underwriter requires to be fully satisfied as part of the assessment and sign off process.

8.5. Minimum Valuation

The minimum acceptable property valuation is £70,000, except in London and the South East where the minimum is £150,000.

8.6. Maximum Valuation

The maximum acceptable property valuation amount is £2 million, amounts over £2 million can be considered on referral.

8.7. Valuation Report

The valuation must be completed on the Company's branded valuation form.

8.8. Comparable Evidences

3 'sold' comparables must be provided by the valuer. At least 2 of the 3 sold comparables must be within the last 12 months.

Full address details, including post codes, must be supplied for all comparables.

At least 2 of the 3 comparables figures provided must be within a 10% or 15% range of the security property - 10% up to £250,000, 15% over £250,000.

Alternative comparables may be considered by the Company on an individual basis.

Underwriting guidelines:

The valuation report will include a comparables section. This will show SOLD comparables.

The underwriter may review the comparables provided by the valuer against the Rightmove Surveyor Comparison tool (SCT). The SCT provides a list of information which can help the underwriter validate the valuer's choice of properties they have used for comparison if this is required.

Where using the SCT, the underwriter should check whether the valuer has used the most obvious comparables as per the SCT. If the underwriter feels that the valuer has used the most obvious comparables then underwriter must complete the SCT report for sold comparables and upload to the case. The underwriter must record in their notes if the SCT check has been carried out and whether the underwriter is satisfied with it.

Important points for sold comparables:

- 1) Does the property details for the subject property match the declared details - if number of bedrooms is different, then the underwriter must question this with the valuer and if accepting the valuer's response then underwriter must rationale this on the case.
- 2) Do the comparables meet policy requirements
- 3) Does the underwriter feel that the valuer has used the most obvious comparables

- 4) The underwriter must check the log book which should confirm previous sales/valuation history. This should be similar to the subject property and should support any price increases in the area. This should be noted on the SCT overall note.

If underwriter is not satisfied with valuer comparables then they must review whether the comparables identified on the SCT would have reduced or possibly increased the valuation figure value figure. The underwriter should also raise query with valuer on why they didn't use these comparables, there may be an acceptable explanation.

- 5) If the valuer has used comparables which do not show HMLR information on Rightmove but are showing as being sold subject to contract then the underwriter can accept these however they must state the following on the SCT Report and their notes:-

- Some properties are unique or the location is such, that suitable comparables may not be available. We may consider these properties by exception.
- Alternative comparables may be considered on a case by case basis.

Note: Any reference to an underwriter may include certain tasks being undertaken by a support or administration team member to meet the requirement outlined above. The underwriter requires to be fully satisfied as part of the assessment and sign off process.

8.9. Exposure Limits

The Company will restrict the coverage on individual developments and buildings to:

- no more than 20% of a building (excluding maisonettes), up to a maximum of 10 properties within the building;
- for developments, no more than 10%.

8.10. Ex-Local Authority Properties (England and Wales)

The Company will consider lending on Ex-Local Authority properties in England and Wales, subject to the following criteria:

- Minimum valuation, as per section 8.5 - outside of London and the South East.
- Minimum valuation, as per section 8.5 - in London and the South East.
- Maximum 75% LTV.
- Traditional construction only including Wimpey no fines (as opposed to core criteria where non-traditional properties are allowed).
- Maximum 5 floors in block, except in London and the South East, where the maximum allowed is 10.

8.11. Ex-Local Authority Properties (Scotland)

The Company will consider lending on Ex-Local Authority properties in Scotland, subject to the following criteria:

- Minimum valuation, as per section 8.5.
- Maximum 75% LTV
- Traditional construction only including Wimpey no fines (as opposed to core criteria where non-traditional properties are allowed).
- Maximum 5 floors in block

8.12. Property Types unlikely to be deemed as acceptable

Only suitable residential properties intended for use as a principal place of residence will be accepted. The following types of property are unlikely to be deemed acceptable:

- Properties with a valuation of less than £70,000 or £150,000 in London and the South East
- Property in commercial use
- Where the Company is made aware that a property has been subject to a back to back transaction (previously changed hands in the last 6 months)
- Properties with restrictions as regards to occupancy e.g. agricultural, retirement flats etc
- Properties with more than one kitchen
- Properties with more than 6 bedrooms
- Flats in a block of more than 5 storeys are limited to a maximum of 70% LTV, excluding properties in London and the South East, where the normal LTV rules apply unless the block is more than 10 storeys, in which case it is limited to a maximum LTV of 70%
- Properties in a block of more than 4 storeys that do not have a lift
- Ex-local authority houses in an area where the majority of housing remains in local authority ownership (as confirmed by the valuer)
- Properties above or immediately adjacent to commercial property or shops, including food outlets, i.e. properties above restaurants, public houses, nightclubs, take-aways, shops selling

perishable foodstuffs, pet shops, workshops, petrol station or any outlet which is highly unsuitable on the grounds of noise, smell or danger to health and safety will not be considered.

- Properties above or adjacent to other types of commercial property are considered providing:
 - The proximity
 - Valuation exceeds £150,000
 - Located in an urban area
- Individual studio flats, where the lounge and bedroom are incorporated into one room, exceptions may be made if the property is located in a city centre location with a confirmed value in excess of £150,000 and where the valuer confirms that there is demand for such property to be sold in the residential property market
- Freehold flats/maisonettes (except former feudal flats in Scotland)
- Live/work properties
- Shared ownership/equity
- Local Authority properties
- Ex Local Authority properties that are subject to a pre-emption period
- Certain flats/maisonettes within blocks owned by Local Authorities (except cottage flats/maisonettes in Scotland)
- Properties identified by the valuer as having re-sale difficulties
- Properties which comprise one of two leasehold flats in a building where the applicant also owns the freehold reversion of the other flat and the other leaseholder owns the freehold reversion in the applicant's flat (also referred to as a Tyneside lease, or a criss-cross or cross-over lease)
- Properties with continual structural movement – this includes properties that require monitoring
- Properties with dry rot that affects the value of the property
- Properties that have been underpinned within the last three years or require underpinning
- Tie-bars
- Properties likely to be affected by local planning developments / proposals.
- Monkey Puzzle Style Houses – these are mid-terrace houses where there are 2 houses interlocked with approximately 50-60% flying freehold therefore not acceptable security
- Flying Freehold (elements of flying freehold can be considered providing the valuer confirms that the flying freehold is less than 10% of the total property)
- Land locked properties
- Single leaf brick offshoots/extensions (unless the single skin element relates to a non-habitable room)
- Properties with 'over age' clauses

- Any property with a gross floor area of less than or equal to 45sqm
- Affordable housing properties
- Uninsurable properties
- Houses in Multiple Occupancy
- Mobile homes, caravans, park homes, houseboats
- Holiday home
- Any invasive tree or invasive vegetation in close proximity to the property
- Properties with land included which exceeds 3 acres
- Properties where power lines or electricity supply apparatus are located directly over and/or on the site
- Self builds
- Properties less than 10 years old and without one of the following Certificates:
 - National House-Building Council Buildmark Scheme (NHBC)
 - Zurich Municipal Newbuild Scheme
 - Premier Guarantee for Private Housing and Completed Housing
 - Building Life Plans Scheme
 - Local Authority Building Control (LABC)
 - Checkmate
 - Castle 10
 - Build Assure
 - ARK
 - One Guarantee
- Architect's Certificate, (the Architect's Certificate must be completed on the Company's Professional Consultant's Certificate Format. The Professional Consultant used must have one or more of the following qualifications:
 - Fellow or member of the Royal Institution of Chartered Surveyors (FRICS or MRICS)
 - Fellow or member of the Institution of Structural Engineers (F.I.Struct.E. or M.I.Struct.E)
 - Fellow or member of the Chartered Institute of Building (FCIOB or MCI OB)
 - Fellow or member of the Architect and Surveying Institute (FASI or MASI)
 - Fellow or member of the Association of Building Engineers (FB.Eng or MB.Eng)
 - Member of the Chartered Institute of Architectural Technologists (MCIAT)
 - Architect registered with the Architects Registration Board (ARB), even if also a member of another institution, e.g. the Royal Institute of British Architects (RIBA)
 - Fellow or member of the Institution of Civil Engineers (FICE or MICE)

Other certificate/warranty types may be considered upon review by the Company.

- For any converted property a certificate may be required, depending on the scope of the conversion undertaken and extent of planning required.

Underwriting guidelines:

Conversions

The majority of property conversions typically require formal planning, consents and / or approvals with all relevant building control documentation in place prior to completion. Our valuer and / or legal conveyancer will review and confirm if planning has been satisfied, where appropriate.

Warranties are typically required in most cases for any converted or new build where works are undertaken in the last 10 years from the date of practical completion. Our valuer will confirm when this is required. For any properties beyond 10 years, the valuer may raise specific concerns as to whether further specialist reports are required or recommend that a specialist report is instructed.

Note: Any reference to an underwriter may include certain tasks being undertaken by a support or administration team member to meet the requirement outlined above. The underwriter requires to be fully satisfied as part of the assessment and sign off process.

8.13. Unacceptable Property Construction Types

The following types of construction are unacceptable:

- Properties listed under the Housing Defects Act unless repaired under the PRC Homes Ltd guarantee scheme including the subject property and all adjoining properties in the structural block
- Reinforced forms of poured or shuttered concrete construction including Easiform construction but excluding Laing Easiform from 1945 onwards and No Fines construction which are acceptable construction types
- Steel clad properties
- Steel framed construction unless modern purpose-built flats
- Large Panel System (LPS) built construction flats and maisonettes (houses and maisonettes of not more than 2 storey in height are acceptable subject to a satisfactory report from a structural engineer)
- Timber or metal framed buildings where the cavity between the frame and cladding has been filled with an insulation material after construction
- Pre-1965 softwood timber framed constructions lacking special merit on saleability
- 100% timber construction, unless of high standard and in a location where there is a proven, sustainable demand
- Buildings containing high alumina content
- Walls containing Mundic in Devon and Cornwall built between 1900 and 1960 unless a suitable specialist test of the concrete returns a Grade A classification
- Concrete construction, with the exception of Wimpey no fines

- Steel framed construction, which includes: BISF, B1 & B2 Aluminium Bungalows, Trusteel Mk11, Trusteel 3M, Telford, Nissen-Petren (all other types must be referred)
- Pre-1960 timber framed properties
- Any residential apartment above one storey with cladding that does not have an EWS1 form or an A3 or B2 rating

Underwriting guidelines:

Cladding on residential apartments

For any residential apartment above one storey that requires an EWS1 form to be signed only one of the options detailed should be selected: -

Option A	Where external wall materials are unlikely to support combustion
A1	There are no attachments whose construction includes significant quantities of combustible materials (i.e. materials that are not of limited combustibility or better)
A2	There is an appropriate risk assessment of the attachments confirming that no remedial works are required
A3	Where neither of the above two options apply, there may be potential costs of remedial works to attachments
Option B	Where combustible materials are present in external wall
B1	I have concluded that in my view the fire risk is sufficiently low that no remedial works are required
B2	I have concluded that an adequate standard of safety is not achieved, and I have identified to the client organisation the remedial and interim measures required (documented separately)

Options A1, A2 and B1 are considered acceptable. For A3 or B2 categories these highlight that works and costs will be required where lenders will not proceed with any funding proposal. This approach is to be adopted by us. Our funder has agreed to accept this assessment on the basis that the valuer must be satisfied. As already outlined, if we receive the EWS1 form in advance of any valuation instruction and the score is unacceptable, the valuer will not be instructed or the application progressed unless an acceptable rating is provided.

The underwriter will review the valuation report and the valuer's comments to ensure that the property does not breach any of our unacceptable property types.

Note: Any reference to an underwriter may include certain tasks being undertaken by a support or administration team member to meet the requirement outlined above. The underwriter requires to be fully satisfied as part of the assessment and sign off process.

8.14. Acceptable Modern Methods of Construction

Properties of a modern method of construction will be considered on their individual merits and will be referred to the valuation panel manager. As a general rule, properties with the following will likely be acceptable:

- Local Authority approval
- NHBC or similar ten-year warranty
- BBA/BRE certificates as follows
 - Frame: confirming the building system has a durability of at least 60 years. The certificate must also confirm that the system can be used with appropriate claddings and roof types
 - Claddings: stating what maintenance is required and the life expectancy of them

8.15. Retentions & Stage Build

Retentions will be acceptable where the reason for the retention is for essential repairs only. A full retention will apply where the valuer advises the property is not lettable or is not in a habitable condition.

If the valuer quotes both a current market value and an after essential repairs value, the current market value will be used in the LTV calculation.

Stage build applications are not acceptable.

9. Solicitors

The Company will operate a market standard legal panel which offers applicants a choice of firm from a wide panel of solicitors/licensed conveyancer firms, whose activities are overseen by a panel manager firm appointed by the Company.

If the applicant wishes to instruct a non-panel solicitor/licensed conveyancer to act on their behalf, they can do so. However, in this scenario, the Company will appoint its own firm to act on its behalf and the applicant will be required to pay both sets of fees. There may be other situations in which the Company appoints its own firm to act on its behalf, for example, on fees-assisted or free legals products. In situations of this nature, the Company will appoint a firm from its preferred panel.

10. Other Information

10.1. Buildings Insurance

The applicant is required to provide evidence of adequate Buildings Insurance to the Company's solicitor prior to completion. Specialist property insurance may be required depending on the type of property.

10.2. Mortgage Fees

The applicant may add the completion fee and telegraphic transfer fee to the loan above the approved LTV, even if the LTV is at the maximum.

10.3. Expiry Timescales

The following supporting documents will expire after the undernoted maximum timescales:

DIP – 30 days

Credit Search – 90 days

Application – 180 days

Valuation – 180 days

Mortgage Offer – 90 days (extended to 184 days on new build properties, subject to the valuation remaining within its validity period and if not, a fresh valuation being carried out).

The Company will issue re-offers, at its discretion, subject to the document expiry timescales set out above and utilising the applicable product range.

11. Monitoring

In accordance with the Company's Risk Management Framework, it will put in place, and be able to demonstrate that it has, robust systems and controls, including the use of management information and key performance indicators, to monitor the effectiveness of its affordability assessments, including in preventing payment difficulties.

A summary of standard information in an agreed form will be included in the monthly Residential Credit Pack. The Company will provide a daily asset register for the residential portfolio including all apps, declines and completions.

The Company's method for calculating the size of advance for each applicant, based on a consideration of income and expenditure, will be reviewed by the Chief Operating Officer on a continual basis and monitored through the key performance indicators and reports that are provided by the Chief Operating Officer to the Credit Committee.

Should the Company's method for calculating the size of advance for each applicant not perform as expected, the Credit Committee will receive recommendations from the Chief Operating Officer to adjust or improve the Company's methodology. Upon approval from the Credit Committee and the Company's funding partner, if required, the necessary actions will be taken to update the suite of regulated residential credit-related documentation and the Company's systems.

Regular reviews will be undertaken within the New Lending team to check compliance with the suite of regulated residential credit-related documentation, with the results reported to the Credit Committee, and the Company's Compliance & Legal team will undertake an independent review on at least an annual basis, with the results being reported to the Chief Operating Officer, the Risk, Oversight & Compliance Committee and the Board of Directors.

12. Record Keeping

The Company will make an adequate record of the information taken into account in each affordability assessment, so that it possible to understand from the record the basis of its lending decision. This record will include:

- the customer's income, including, where relevant, a breakdown of the different income types;
- the customer's committed expenditure;
- the basic essential expenditure and basic quality-of-living costs of the customer's household;
- the evidence relied on to assess income and expenditure;
- the rate or assumptions used to test affordability against likely future interest rate rises;
- the repayment type and term of the regulated mortgage contract; and
- the calculation used to determine whether the regulated mortgage contract is affordable.

The Company will retain the records referred to above for the term of the mortgage.

13. Ownership & Review

This policy is owned by the Chief Operating Officer and is approved by the Credit Committee and the Board of Directors.

The Chief Operating Officer is responsible for formally reviewing and updating this policy on at least an annual basis, to ensure it remains up to date and in line with regulatory requirements and industry best practice, and for monitoring actual credit results and overall pool performance, with the results being reported to and reviewed by the Credit Committee.

The Company's New Lending team is responsible for adherence to, and application of, this policy on a day-to-day basis.