

# ABC Lender Mortgage Policy - v1.0

## 1. Introduction and Policy Statement

### 1.1 Purpose and Scope

This document outlines the comprehensive mortgage lending policy for ABC Lender, designed to provide a robust framework for assessing and approving mortgage applications. This policy ensures adherence to regulatory requirements, manages risk effectively, and promotes responsible lending practices. This version is intended for proof-of-concept purposes and will be subject to further refinement and expansion.

### 1.2 Policy Objectives

- To establish clear and consistent criteria for mortgage eligibility.
- To mitigate credit, operational, and market risks.
- To comply with all relevant legal and regulatory obligations in the UK.
- To ensure fair and transparent treatment of all applicants.

### 1.3 Effective Date and Review

This policy is effective from  Date and will be reviewed annually or as regulatory changes dictate by the Policy Review Committee, chaired by  Person.

## 2. Core Lending Principles

### 2.1 Eligibility Criteria

- **Age:** All applicants must be over the age of 18 at the time of application.
- **Residency:** Applicants must have the legal right to reside in the UK. Acceptable evidence includes valid passports, visas, or other government-issued documentation.
- **Capacity:** Applicants must demonstrate the legal and mental capacity to enter into a mortgage contract.

### 2.2 Responsible Lending Commitment

ABC Lender is committed to responsible lending, ensuring that applicants can afford the proposed mortgage repayments without undue financial hardship. This commitment underpins all assessment criteria.

### **3. Loan-to-Value (LTV) Limits**

LTV ratios are calculated based on the lower of the purchase price or the valuation provided by an ABC Lender approved valuer.

#### **3.1 Standard Residential Properties**

The maximum LTV for standard residential properties is 90%.

#### **3.2 First-Time Buyers**

The maximum LTV for first-time buyers is 95%, provided they meet enhanced affordability criteria as detailed in Section 5.

#### **3.3 New-Build Properties**

The maximum LTV for new-build properties is 85% due to inherent valuation risks associated with this property type.

#### **3.4 Buy-to-Let (BTL) Properties**

- The maximum LTV for Buy-to-Let (BTL) properties is 75%.
- Rental income must cover at least 125% of the mortgage interest payments calculated at a stressed interest rate of %.

#### **3.5 Specific Property Types**

The following table outlines LTV limits for specific property types:

Property Type	Maximum LTV	Notes
Standard Residential	90%	
First-Time Buyer	95%	Subject to enhanced affordability.
New-Build	85%	Due to valuation risk.
Buy-to-Let	75%	Rental cover of 125% stressed rate.
Leasehold Flats (less than 70 years remaining)	70%	Subject to specific leasehold criteria.
Commercial Mixed-Use	65%	Case-by-case basis.

## 4. Employment and Income Verification

All income must be fully verifiable and sustainable.

### 4.1 Employed Applicants (PAYE)

- **Evidence:** The latest 3 months of payslips and the latest P60 form are required.
- **Verification:** Employers will be contacted to verify employment status and salary details.
- **Probationary Periods:** Applicants on a probationary period may be considered if they have a confirmed permanent contract offer and at least 6 months of continuous employment history in the same industry.

### 4.2 Self-Employed Applicants

- **Trading History:** A minimum of two full years of trading history is required. Applicants with less than two years of history will be declined.
- **Income Verification:** Based on the average of the last two years' SA302 forms and corresponding tax year overviews.
- **Company Directors:** For limited company directors, income will be assessed on salary plus dividends, supported by company accounts for the last two years.

### 4.3 Other Income Sources

- **Rental Income:** Can be considered if evidenced by tenancy agreements and bank statements, subject to a maximum of 75% of the gross rental income.
- **Benefit Income:** Certain benefits (e.g., Disability Living Allowance, Personal Independence Payment) may be considered on a case-by-case basis if they are sustainable and long-term.
- **Commission/Bonuses:** Considered on a discretionary basis, typically up to 50% of the average over the last two years, provided they are regular and clearly evidenced.
- **Overtime:** Regular and contractually guaranteed overtime may be considered up to 50% of the average over the last 12 months.

## 5. Affordability Assessment

ABC Lender utilizes a robust affordability model to ensure applicants can comfortably meet their mortgage repayments, even if interest rates rise.

### 5.1 Income Multiples

While income multiples serve as a guide, the primary assessment is based on the Debt-to-Income (DTI) ratio and stressed affordability.

- Maximum income multiple for single applicants: 4.5x gross annual income.

- Maximum income multiple for joint applicants: 4.75x combined gross annual income.

## 5.2 Stressed Affordability

All applications will be assessed against a stressed interest rate, typically the higher of the product's revert rate or a base rate plus a margin of %.

## 5.3 Expenditure Analysis

- **Credit Commitments:** All existing credit commitments (loans, credit cards, car finance) will be factored into the affordability calculation.
- **Household Expenditure:** A realistic assessment of household expenditure will be undertaken, using Office for National Statistics (ONS) data as a benchmark, adjusted for individual circumstances.
- **Dependents:** The number of financial dependents will be considered, with appropriate allowances made for their living costs.

# 6. Credit History and Scoring

## 6.1 Minimum Credit Score

A minimum credit score of 650 (TransUnion equivalent) is required for all applicants. Applications below this threshold will be automatically declined.

## 6.2 Adverse Credit

The following adverse credit events will result in an automatic decline:

- Missed mortgage payments in the last 24 months.
- Defaults or County Court Judgments (CCJs) exceeding £500 in the last 24 months.
- Bankruptcy or Individual Voluntary Arrangements (IVAs) in the last 6 years.
- Multiple (3 or more) unsecured credit arrears in the last 12 months.

## 6.3 Soft Searches and Full Credit Checks

- A soft search will be conducted at the initial enquiry stage to provide an indicative decision.
- A full credit search will be undertaken upon submission of a full mortgage application. Applicants must consent to both types of searches.

## 7. Loan Products and Features

### 7.1 Product Range

ABC Lender offers a range of mortgage products including:

- Fixed-rate mortgages (2, 3, 5, and 10-year terms).
- Tracker mortgages.
- Variable rate mortgages.
- Buy-to-Let mortgages.

### 7.2 Interest-Only Mortgages

Interest-only mortgages are available on a limited basis and are subject to strict repayment strategy requirements, including:

- Endowment policies.
- Investment portfolios.
- Sale of another property.
- A minimum equity requirement of 50% of the property value.

## 8. Valuation Policy

### 8.1 Approved Valuers

All valuations must be conducted by valuers from ABC Lender's approved panel.

### 8.2 Valuation Types

- **Standard Valuation:** Required for all purchase and remortgage applications.
- **Homebuyer Report:** Can be requested by the applicant at an additional cost.
- **Building Survey:** Can be requested by the applicant at an additional cost.

### 8.3 Red Flags

The following valuation issues may lead to a decline or further investigation:

- Significant structural defects.
- Lack of essential services (water, electricity, drainage).
- Unusual construction types not meeting modern standards.
- Properties with restrictive covenants or significant access issues.
- Properties located in areas prone to flooding or subsidence.

## 9. Legal and Regulatory Compliance

### 9.1 UK Regulatory Bodies

ABC Lender operates under the regulatory oversight of the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA).

### 9.2 Anti-Money Laundering (AML) and Know Your Customer (KYC)

All applicants are subject to robust AML and KYC checks in accordance with UK legislation. This includes:

- Verification of identity (e.g., passport, driving license).
- Verification of address (e.g., utility bills, bank statements).
- Source of funds checks.

### 9.3 Data Protection

All personal data will be processed in accordance with the General Data Protection Regulation (GDPR) and the Data Protection Act 2018.

## 10. Application Process and Documentation

### 10.1 Initial Enquiry

Applicants can make an initial enquiry online, by phone, or at our branch located at [Place](#).

### 10.2 Full Application Submission

A full application requires the submission of a completed application form along with all supporting documentation as outlined in the ABC Lender Documentation Checklist, available at [File](#).

### 10.3 Underwriting

All applications are subject to a thorough underwriting process by qualified underwriters.

### 10.4 Decision and Offer

Applicants will be notified of the decision within business days of receiving a complete application. Successful applicants will receive a formal mortgage offer.

## **11. Appeals and Complaints**

### **11.1 Appeals Process**

Applicants have the right to appeal a declined mortgage application. Appeals must be submitted in writing to the Appeals Department at [File](#) within 30 days of the decline decision.

### **11.2 Complaints Procedure**

ABC Lender is committed to resolving complaints fairly and promptly. Our full complaints procedure is available at [File](#) or by contacting [Person](#).

## **12. Policy Review and Amendments**

This policy will be reviewed and updated annually or as necessitated by changes in legislation, market conditions, or internal risk assessments. Any amendments will be approved by the ABC Lender Senior Management Team and communicated to all relevant staff. For the next review, please refer to [Calendar event](#).