

## Portfolio Buy to Let Lending Guide

February 2015

### Submission Requirements:

**The following items are required to be submitted on application:**

- Fully completed lending application form(s)
- Metro Bank Current Account application form
- Personal Tax returns (last 2 years)
- 3 months personal bank statements (evidencing rental income, if applicable)
- 3 months business bank statements (evidencing rental income, if applicable)
- Evidence of any savings / proof of deposit (if applicable)
- ID and proof of residence for all applicants

**Limited Company (if incorporated including LLPs) additional requirements:**

- Certificate of incorporation for the company (scanned copy will suffice)
- Financial accounts (last 3 years if applicable)
- 3 months business bank statements (evidencing rental income)
- Metro Bank Business Current Account application form

**Where the property has had a change of use the following must be provided:**

- Evidence of planning consent for any alteration / conversion and / or change of use. This may be permitted development, a formal planning consent or a lawful development certificate
- Evidence of building regulations approvals together with a building regulations completion certificate should also be provided where applicable, additionally, a satisfactory 10 year new build guarantee is required for new builds or for properties that are less than 10 years old.

**Please note** all rents must be remitted into an account with Metro Bank

**For interest rate information** please refer to our Portfolio Buy to Let Product Range

### Lending Guide Summary

#### Loan to Value:

Our aggregated portfolio buy to let lending is available up to £5m and the maximum LTV per property is shown below. Any fees are excluded from the calculation:

Up to 75% LTV	Maximum loan up to £1,500,000
Up to 70% LTV	Maximum loan up to £2,000,000
Up to 60% LTV	Maximum loan up to £2,500,000
Up to 55% LTV	Maximum loan up to £3,000,000
Up to 50% LTV	Loan over £3,000,000

The value of the property used is the Open Market Value and Metro Bank will fund the lower of either purchase price or valuation. Minimum property value £150,000 - below this amount it will be referred to the Credit Team.

#### Maximum Aggregated Borrowing:

- The borrower will be restricted to the maximum of £5m in personal capacity (whether as a single borrower and / or joint borrower), as a guarantor for Limited Company and if party to an LLP.
- Residential properties only will be taken as security. Any requests over £5m to be considered.
- Maximum 75% loan-to-value aggregated at portfolio level

#### Loan Purpose

Metro Bank provides finance for both purchase and re-mortgage. For re-mortgages, the property must have been owned for at least 6 months.

Proof of the borrowing purpose may be required, and conditions may be added to the mortgage offer to ensure that the funds are used for the purpose stated.

#### Loan Term

For an interest only mortgage, the minimum term is 5 years and the maximum is 25 years.

#### Application types

Both sole and / or joint applicants are allowed. The maximum number of applicants is four. The third / fourth applicants are required to complete a second application form..

#### Applicants Age

All buy to let applicants must be at least 21 years old. The maximum age at the end of the mortgage is the applicant's intended retirement age, generally to a maximum of 70 years old. Exceptions will be considered where there is a clear repayment source beyond that age. UK residents only will be allowed

#### Existing Property Owners

Generally, Metro Bank will not lend on a buy to let basis to anyone who does not already own their own residential property, or has not owned a property previously.

#### Employment Requirements

At least one of the applicants must be employed, self-employed, retired or company directors at the time of a buy to let application.

The application will be subject to full underwriting review and only cases where the total income is clearly adequate to support the borrowing, other commitments and quality of life will be accepted. This includes ensuring that a contingency exists in the event of a rental void.

#### Multiple Mortgages / Buy to let Portfolio

Where applicants have multiple mortgages, full details are required including the addresses, mortgage amounts and repayments, property values and rental income received. An assessment is carried out to establish whether the overall portfolio is self-funding, and the applicant's ability to cope with any rental voids and / or interest rate increases.

### Stress Testing Rental Income and Affordability

Metro Bank assesses the customer's ability to withstand periods of financial stress, and to also understand impacts on affordability due to alterations in the Interest Rate.

In assessing a buy to let application, Metro Bank requires the rental income to cover the interest commitment of the loan by 125% at a stress test rate of 5.5%. The rental income used in the calculation is generally the figure confirmed by the surveyor, however where there is an existing Assured Shorthold Tenancy agreement in place, this can be used.

### Limited company borrowing

Buy to let mortgages are acceptable in the customers' personal names or may be made in the name of a limited company.

### Portfolio Size

The maximum number of properties the Bank will finance for a customer, couple or associated individuals is 25. Customers who wish to have a buy to let portfolio with the Bank of more than 25 properties are referred to the Commercial Property Team.

### Deposit

For buy to let purchase applications, the deposit must be provided by the applicant(s) from their own resources. Gifted deposits are not acceptable.

### Acceptable Property

For new build houses and flats (i.e. built within the past 12 months), the Bank will lend up to a maximum 60% LTV. The following properties are acceptable:

- Residential property only
- The minimum unexpired term of lease for leasehold properties is 65 years at the end of the mortgage term.
- Converted flat
- Studio Flat
- Maisonette
- Concrete
- New build, subject to 60% LTV limitation.
- Ex-local authority – refer
- Above shop – refer
- Maximum storey for the Buildings - refer
- Listed properties - refer
- Timber - refer
- 75% of properties, by volume, must be in Metro Bank catchment area - any variation to this will require referral. All properties must be located within England and Wales.
- Porting will be allowed, subject to underwriting rules
- No part commercial properties are allowed
- The Assured Shorthold Tenancy of a maximum 12 months must be in the name of the borrower and the tenant, with all rents remitted into an account with Metro Bank.
- Property concentration:

Number of units	Percentage of site based on valuation and valuer's comments
10 to 24	25%
25 to 100	20%
101 to 200	15%
201 plus	10%

*N.B. Any variation to this will be require referral*

### Unacceptable Properties

The following property types are generally unacceptable:

- The bank will not lend on HMO
- Properties underpinned in the last 10 years unless covered by a 20 year guarantee.
- Properties with an anticipated life span of less than 25 years beyond the term of the mortgage.
- Any non-residential usage which constitutes more than 25% of the overall property size which is not an office/study.
- Properties with restrictive title covenants e.g. retirement flats.
- Common hold as a tenure type.
- Specially adapted properties.
- Properties where there is an uncapped mine shaft which affects the property.
- Properties which have been built on contaminated land or where contaminated land is in close proximity.
- Flying freehold.
- Properties being bought from the customer's own limited company.
- New properties where the vendor is not the original builder/developer i.e. there has been a sub sale.
- Properties where there is a back to back sale or assignable contract, or any other scenario whereby parties are attempting to sell properties between themselves at inflated prices.
- Properties purchased within the last 6 months – lend on original purchase price rather than current value.
- Properties which have been affected by, or where works are required to, drainage problems or dry rot. Properties which do not obtain the highest pass rate following Mundic Concrete Block Screening Test.
- Grade I listed buildings (Grade II and Grade II\* listed buildings are acceptable subject to satisfactory valuer's comments).
- Properties with agricultural restrictions
- Properties with ongoing structural movement
- Properties with high asbestos content
- Properties excluded from buildings insurance
- Properties defective under the 1984 Housing Act
- Properties affected by Local Planning issues
- Properties that are multi-tenanted / subject to 3rd party interest
- Properties with Japanese Knotweed
- Caravans, static caravans or houseboats

### Solicitors

The customer will be required to pay the legal costs associated with the loan. This solicitor will act solely in the bank's interest. The customer can choose to instruct their own solicitor to act on their behalf if required.

Metro Bank does allow Sole Representation on cases up to £5m where less than 25% of the loan is for the purchase of new properties or withdrawal of equity from an existing portfolio. Sole Representation is defined as a single law firm advising the bank on the transaction where the borrower has no representation. To take advantage of sole representation the customer must sign a declaration stating they will accept the basis of legal instruction.

We will insist on using a bank approved panel law firm to maintain high quality advice and protect the bank.

If personal guarantees or other third party security is required, separate and independent legal advice will still be needed.

### Additional point

Should your application fall outside these guidelines, but require for it be considered further, or you would like to discuss the application prior to submission please contact your local Metro Bank Commercial Business Manager.