



Lending Criteria Guidelines

INTERMEDIARY USE ONLY
Updated December 2018

Building a greener society

A brief summary for IFAs and mortgage brokers

Introducer fees

Introducer fees on new residential mortgage business will be paid at a rate of 0.40% of the mortgage value (minimum £300; maximum £2,000). The fee will be paid on completion of the mortgage.

The Society lends on properties in England, Wales, Scotland and Northern Ireland. Lending cannot be considered in Channel Islands or Isle of Man.

We are a provider of specialist mortgages for:

- **Renovation** of derelict, deteriorated or redundant properties including listed buildings
- **Conversion** of disused buildings such as barns, chapels, water towers and windmills
- **Self-build** constructed of sustainable building materials and incorporating high levels of energy efficiency
- **Difficult to sell properties** such as non-standard construction (where energy efficiency improvements are to be undertaken), sound properties in deprived neighbourhoods or properties with agricultural restrictions (but only where other features of the project make it acceptable)
- **Energy efficiency improvements** to existing homes such as insulation and condensing boilers, and **renewable energy technologies** such as solar panels and wind turbines.

As well as:

- Affordable housing
- Live/work properties
- Buy-to-let properties
- Houseboat moorings
- Organic farms and smallholdings
- Small woodlands
- Shared ownership

Features of our mortgages include:

- **Daily interest**
- **No higher lending charges**
- **Funds released on land** (with planning permission) or unimproved property value
- **Flexible release of funds in stages**
- **Discount payable** based on the energy saving and environmental features of the property. Once the discounts are applied, they remain in place for the term of the mortgage
- **A dedicated broker online portal** enabling brokers to submit and track cases 24/7.



Packaging Support

Helping you receive a quicker offer

Here are some points to remember when submitting mortgage applications.

Bank statements must

- Contain all pages, including cover pages for postal statements
- Be full months for the period requested
- Show the full account number and sort code
- Show the applicant's address, full name (or initials and surname) and match the application
- Online statements don't need the full address displayed but must include name, account number and sort code.

Payslips must

- Show the pay date
- Match the name and address (if present) on the application
- Show net pay and gross pay.

Benefit statements must

- Be the latest award statement
- Contain all pages
- Match the name(s) on the application.

Project information must include

- Professional costings
- Planning permission (if applicable)
- Plans (if applicable)
- Evidence of predicted energy rating
- Proof of own funds (if applicable).



Loan type & sizes	
Current residential mortgage rates and charges. www.ecology.co.uk/mortgages/brochures/	
Maximum Loan-to-value	<ul style="list-style-type: none"> As specified in the current residential mortgage rates and charges document. LTV based on the lower of the purchase price or valuation.
Minimum Loan	<ul style="list-style-type: none"> As specified in the current residential mortgage rates and charges document.
Maximum Loan	<ul style="list-style-type: none"> As specified in the current residential mortgage rates and charges document.
Mortgage terms	
Minimum Term	<ul style="list-style-type: none"> 5 years.
Maximum Term	<ul style="list-style-type: none"> 30 years (as specified in the current residential mortgage rates and charges document).
Age requirements	
Minimum Age	<ul style="list-style-type: none"> 18 years.
Maximum Age	<ul style="list-style-type: none"> At least one borrower should normally be no more than 85 years old at the end of the mortgage term for residential mortgages. There is no maximum age for standard buy-to-let mortgages. Where the term of a mortgage would go beyond an applicant's intended retirement age, evidence of post retirement income is required to demonstrate that the mortgage will remain affordable in retirement. Where the applicant has indicated that their retirement age is beyond state pension age, we will assess whether this is feasible, based on the nature of the role being performed.
Applicant residency status	
EU Member Citizens	<ul style="list-style-type: none"> A citizen of an EU member state must be currently resident in the UK with provable residency and a valid passport.
Non-EU Member Citizens	<ul style="list-style-type: none"> A non-EU citizen must be currently resident in the UK, have 12 months provable residency and a right to stay in the UK by way of a permanent 'Right to reside' OR 'Indefinite leave to remain' stamp and a valid passport.

Employment	
Employed	<ul style="list-style-type: none"> • Applicants must have been employed in their current job for a minimum of 6 months. • Employment within a probationary period is not acceptable. • Income paid in cash is not acceptable. • Income paid must be paid in sterling and into a UK bank account. <p>Maternity/Paternity leave:</p> <ul style="list-style-type: none"> • Where the applicant is currently on maternity leave, they will be asked to confirm their intention to return to work. Income based on the response (i.e. full-time, part-time) can be taken into account in considering the application. The applicant(s) must be able to confirm that the mortgage will remain affordable during the maternity leave period. <p>Employment by fixed-term contract or contractors must have:</p> <ul style="list-style-type: none"> • Been reviewed at least once. • At least 3 months to run to renewal. • Every chance of being renewed. • Minimum of 12 months' track record and verification that further contract in place. <p>Employed by temp agency must have:</p> <ul style="list-style-type: none"> • Minimum of 12 months' track record. • Verification that further contract in place for a minimum of 3 months. <p>Verification:</p> <ul style="list-style-type: none"> • Income will be verified in all cases by the 3 most recent consecutive monthly payslips. • A satisfactory employment reference from the applicant's current employer. • Three months' full bank statements, evidencing receipt of salary must be produced in support of each application. • Rental income must be verified by reference to a tenancy agreement plus proof of 6 months' rental income evidenced on bank statements, supported by accountant or tax assessments. • <i>Hand written documents will not be accepted.</i>
Self-employed	<ul style="list-style-type: none"> • Applicants must have been trading for a minimum of 36 months. • For self-employed and company directors the following are required: Most recent 3 years' accounts and SA302 documents. <p>Profits:</p> <ul style="list-style-type: none"> • Stable/increasing net profits: income will be calculated as the average of the most recent net profit figures.

	<p>The income of company directors will be based on:</p> <ul style="list-style-type: none"> • An average of salary and dividend payments in the last 3 years. • Where applicants own 100% of the shares in the company then 50% of the residual retained profit may also be taken into account. <p>Verification:</p> <ul style="list-style-type: none"> • An accountant's reference will be requested confirming the net earnings for the last 3 years. • Acceptable accountant qualifications are ACA, ACCA, ACMA, CPFA, FCA, FCCA, FCMA and ICAEW.
Income	

General Income Requirements

- All applicants must be UK tax payers and resident in the UK. In arriving at eligible income the following may be taken into account:

Income Component	Description	Evidence
Contractual allowances	If part of employment contract e.g. car allowance, guaranteed bonus, home-working or housing allowance, guaranteed overtime, large town allowance.	As above
Commission – regular	Average paid over a minimum 6 month period.	Last 3 months' payslips or P60 documents
Contractor / Fixed term contracts	Minimum of 12 months' track record required. Verification that further contract in place.	Employer's reference SA302 documents also acceptable alternatives
Private pension	Annual annuity or drawdown of less than 5% from private pension(s).	Annual pension award document
Regular investment income e.g. dividend payments	Average paid over a minimum 24 month period.	Accountant's reference or SA302 documents
Regular trust income	Average paid over a minimum 12 month period.	Accountant's reference or SA302 documents
Second job	Minimum 6 months' employment.	<ul style="list-style-type: none"> • Employer's reference supported by (where required): • Last 3 months' payslips or P60 documents
Temp agency income	Minimum of 12 months' track record required. Verification that further contract in place for a minimum of 3 months.	<ul style="list-style-type: none"> • Employer's reference supported by (where required): • Last 3 months' payslips or P60 documents

Payment shift allowance	Minimum of 6 months' track record required.	<ul style="list-style-type: none"> • Employer's reference supported by (where required): • Last 3 months' payslips or P60 documents
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Additional Income

Bonus – discretionary (performance related)	50% of the average of the last 2 years.	<ul style="list-style-type: none"> • Employer's reference supported by (where required): • Last 3 months' payslips or P60 documents
Court, non-court approved and CSA child maintenance	Paid for the last 6 months and payable over mortgage term.	Court order award document
Rental income surplus	<p>Net amount after mortgage payments and costs are covered.</p> <p>Must be verified by formal accounts or SA302 documents from the HMRC.</p>	Accountant's reference or SA302 documents

Benefits Income

Carer's Allowance	<p>Paid to people aged 16 or over spending at least 35 hours per week caring for someone with substantial caring needs.</p> <p>Paid over a minimum 12 month period. Subject to underwriter's discretion.</p>	Benefit award document
Disability Living Allowance (DLA)	<p>For children and adults aged under 65 who need help with personal care due to disability. From April 2013, DLA was replaced by Personal Independence Payment.</p> <p>Paid over a minimum 12 month period. Subject to underwriter's discretion.</p>	Benefit award document
Foster Carer's Allowance	<p>Minimum allowance to cover the costs of caring for a child in their home. National minimum rates apply.</p> <p>Paid over a minimum 12 month period. Subject to underwriter's discretion.</p>	Benefit award document
Personal Independence Payment (PIP)	<p>Replaced DLA for people aged 16 to 64 from April 2013. PIP assists with the extra costs caused by long-term ill health or disability.</p> <p>Paid over a minimum 12 month period. Subject to underwriter's discretion.</p>	Benefit award document

State Pension	State Pension is received when an individual reaches the State Pension Age.	Pension award document
War Widow(er) Pension	<p>Payment if wife/husband/civil partner has died as a result of their service in HM Armed Forces during a time of war.</p> <p>Paid over a minimum 12 month period. Subject to underwriter's discretion.</p>	Benefit award document

Benefits Additional Income

Attendance Allowance	<p>For people aged 65 or over who need help with personal care due to physical or mental disability.</p> <p>Paid over a minimum 12 month period. Subject to underwriter's discretion.</p>	Benefit award document
Child Benefit	<p>Paid to individuals responsible for a child even if not their parent. If any borrower receives an income of more than £50,000 a year Child Benefit should not be included as part of their income.</p> <p>Paid over a minimum 12 month period. Subject to underwriter's discretion.</p>	Benefit award document
Child Tax Credit	<p>Paid to individuals responsible for children aged under 16 or under age 20 if enrolled in certain types of education or training. Incorporated into Universal Credit (rolled out on a phased basis).</p> <p>Paid over a minimum 12 month period. Subject to underwriter's discretion.</p>	Benefit award document
Constant Attendance Allowance	<p>Payment if in receipt of Industrial Injuries Disablement Benefit and need daily care and attention.</p> <p>Paid over a minimum 12 month period. Subject to underwriter's discretion.</p>	Benefit award document
Employment & Support Allowance	<p>Provides financial help to people who are unable to work due to illness or disability. Incorporated into Universal Credit.</p> <p>Paid over a minimum 12 month period. Subject to underwriter's discretion.</p>	Benefit award document

Guardian's Allowance	<p>Payment to those bringing up a child whose parents have died.</p> <p>Paid over a minimum 12 month period. Subject to underwriter's discretion.</p>	Benefit award document
Industrial Injuries Disablement Benefit	<p>Payment to those who are ill or disabled from an accident or disease caused by work.</p> <p>Paid over a minimum 12 month period. Subject to underwriter's discretion.</p>	Benefit award document
Pension Credit	<p>Income related benefit.</p> <p>Paid over a minimum 12 month period. Subject to underwriter's discretion.</p>	Benefit award document
Reduced Earnings Allowance	<p>Payment to those who can't earn as much as they used to because of an accident or disease caused by their work.</p> <p>Paid over a minimum 12 month period. Subject to underwriter's discretion.</p>	Benefit award document
Working Tax Credit	<p>Payment is based on the number of hours worked and the salary received. Has been incorporated into Universal Credit (on a limited basis). Universal Credit was introduced in April 2013 and combines a number of current benefits into one monthly payment.</p> <p>Paid over a minimum 12 month period. Subject to underwriter's discretion.</p>	Benefit award document
Unacceptable Income	<p>Unacceptable income includes:</p> <ul style="list-style-type: none"> Zero hour contracts Rent allowance Income not paid in £ sterling Irregular overtime Maintenance¹. <p>Notes</p> <p>¹ Unless verified legal documents suggest available throughout remaining/proposed mortgage term</p>	

Affordability	
Affordability Assessment	<ul style="list-style-type: none"> The Society bases its lending decision on the applicant's ability to repay their loan.
Commitments	
Mortgage/Tenancy	<p>Mortgage:</p> <ul style="list-style-type: none"> Full details and proof of payments will be required for all current and previous mortgages, including second charges, held in the last 3 years unless Call Credit information is available. For let to buy, when the current mortgage will remain, rental income must cover the whole mortgage repayment. In addition, confirmation will be required from the current lender that they are in agreement with the tenancy and a copy of the tenancy agreement will be required. <p>Tenancy:</p> <ul style="list-style-type: none"> Full details will be required for all current and previous tenancies held in the last 12 months. A landlord's reference will be obtained for all applicants who are renting, including confirmation that payments have been made satisfactorily.
Expenditure	<ul style="list-style-type: none"> Regular commitments in respect of loans, credit cards, hire purchase agreements, mail order, maintenance etc. will be deducted from income as follows: <ul style="list-style-type: none"> Loans, hire purchase, maintenance – Annual payment made. Credit cards and mail order commitments – 3% of outstanding balance x 12. <p>Where credit card balances are repaid in full each month – the amount should be covered by expenditure items rather than be deducted from income.</p> <ul style="list-style-type: none"> Child care costs – will be included in the affordability calculation. On other encumbered properties any shortfall (i.e. where the rental income is less than 100% of the borrowing commitment) the difference will be treated as a commitment.
Regular Significant Outgoings	<p>Regular significant outgoings such as gambling will be considered on a case-by-case basis and at the underwriter's discretion an acceptable deduction for expenditure will be made. For more extreme cases where the regularity and amounts are excessive in the context of the applicant(s) lifestyle, the application may be declined.</p> <p>Where the applicant(s) are significantly in their overdraft but operating within their agreed facility, a 3% deduction as a monthly commitment is normally taken. In extreme cases where the overdraft facility is breached, the application may be declined.</p>
Impaired credit	
Criteria	<p>The Society will consider applications where there is historic Impaired Credit/CCJ/IVA/Bankruptcy/Debt Management Plan/Debt Relief Order where these were settled.</p> <p>Applications will not be considered where repossession has previously occurred.</p>

In addition, the following criteria regarding an applicant's credit history will be considered:

Credit Status	< 80% LTV	80 - 90% LTV	> 90% LTV
Mortgage/ Secured Loan	No more than 1 missed payment in the last 2 years	No more than 1 missed payment in the last 3 years	No missed payments in the last 3 years
Unsecured Loan	No more than 1 missed payment in the last 2 years	No more than 1 missed payment in the last 3 years	No missed payments in the last 3 years
Credit Card/ Store Card/Mail Order	No more than 2 consecutive missed payments in the last 2 years	No more than 2 consecutive missed payments in the last 3 years	No more than 1 missed payment in the last 3 years
CCJ/Sheriff Court Decrees	None registered in last 3 years CCJs registered more than 3 years ago but only satisfied in last 2 years acceptable if total balance does not exceed £750 and maximum of 2	None registered in last 5 years CCJs registered more than 5 years ago but only satisfied in last 4 years acceptable if total balance does not exceed £500 and maximum of 2	Not normally considered
Default	Total must not exceed £500 and must have been satisfied for more than 2 years	Total must not exceed £500 and must have been satisfied for more than 3 years	Total must not exceed £250 and must have been satisfied for more than 3 years
Debt Relief Order/Debt Management Plan	Cleared for at least 2 years as long as effected over 3 years and less than £10,000 in total	Cleared for at least 3 years as long as effected over 4 years and less than £10,000 in total	Cleared for at least 3 years as long as effected over 4 years and less than £5,000 in total
Bankruptcy/IVA	Satisfied for 6 years	Satisfied for 6 years	Not normally considered
Payday Loans	None in the last 18 months	None in the last 2 years	None in the last 3 years
Repossessions	Not acceptable	Not acceptable	Not acceptable

Deposit

Verification

- In respect of property/land purchases the source of the deposit must be verified by written confirmation.
- Deposit from a gift from a family member or other third party: evidence will be required from the acting Solicitor.

Repayment strategy	
Capital & Interest	<ul style="list-style-type: none"> Permitted.
Interest Only	<ul style="list-style-type: none"> Permitted on specific products – refer to the current residential mortgage rates and charges document. <p>Repayment strategy:</p> <p>Must be held in the UK in Sterling.</p> <p>Endowment policy</p> <ul style="list-style-type: none"> Projection from the provider based on current value and contribution levels. Term must coincide with or mature before expiry of the mortgage term. <p>Commutable sum from pension</p> <ul style="list-style-type: none"> Projected tax-free cash value. Term must coincide with or mature before expiry of the mortgage term. <p>ISA</p> <ul style="list-style-type: none"> Value of existing savings/investment vehicles, including projected value where further regular contributions will be made. <p>Sale of property</p> <ul style="list-style-type: none"> Sale of other UK property where there is evidence the net value of the asset is sufficient to repay the mortgage.
Part and Part	<ul style="list-style-type: none"> Permitted on specific products – refer to product guide.
Security	
Property Types	<p>Acceptable security types:</p> <ul style="list-style-type: none"> Houses: <ul style="list-style-type: none"> Detached/semi-detached/terraced/townhouse/bungalow Shared ownership Flat roof properties Properties with agricultural ties Flying freehold Timber construction Ex council properties Earth shelters Turf roofs Modern Methods of Construction (MMC)

	<ul style="list-style-type: none"> • Flats: • Maximum 4 storeys • Shared ownership • Leasehold with remaining term on the lease of at least 35 years at the end of the mortgage term • Flats above occupied shops and commercial premises (with due regard to the nature of the activity in such premises).
Unacceptable Security	<p>The following types of property are not acceptable:</p> <ul style="list-style-type: none"> • Freehold flats • Holiday/second homes • Mobile homes • Park homes • Bedsits • Houseboats • Properties which are affected by Japanese Knotweed • HMO properties
Unacceptable Defective Properties	<ul style="list-style-type: none"> • Airey • Boot • Boswell • Butterley • Cornish Type 1 • Cornish Type 2 • Dorran • Dyke • Gregory • Hawksley • Laing Easiform • Myton • Newland • Orlit • Parkinson Frame • PRC Limited • Reema Hollow Panel • Schindler • Smith • Stent • Stonecrete • Tee Beam • Tarran • Underdown • Unity • Waller • Wates • Wessex • Whitson Fairhurst • Wimpey No Fines • Winget • Woolaway
Mortgage Types	
Purchase of Existing Properties	<ul style="list-style-type: none"> • Permitted (provided that the property complies with the Society's ecological requirements). • Provided that building insurance can be obtained.
Re-mortgage	<ul style="list-style-type: none"> • Acceptable if the property complies with the Society's ecological requirements.
Self-build	<ul style="list-style-type: none"> • Permitted (provided that the property complies with the Society's ecological requirements). • Provided that building insurance can be obtained. • Outline planning permission required as a minimum. • Full plans and professional build costs required. • Eligible for our C-Change discounts (see page 11). • Available on repayment or interest-only (see our repayment strategy criteria).
Debt Consolidation	<p>The Society will only provide debt consolidation for secured mortgage debt or repayment of family loans.</p>

Renovation	<ul style="list-style-type: none"> • Permitted (provided that the property complies with the Society’s ecological requirements). • Provided that building insurance can be obtained. • Planning permission required where applicable. • Full plans and professional build costs required. • Eligible for our C-Change discounts (see page 11). • Available on repayment or interest-only (see our repayment strategy criteria).
Conversion	<ul style="list-style-type: none"> • Permitted (provided that the property complies with the Society’s ecological requirements). • Provided that building insurance can be obtained. • Outline planning permission required as a minimum. • Full plans and professional build costs required. • Eligible for our C-Change discounts (see page 11). • Available on repayment or interest-only (see our repayment strategy criteria).
Shared Ownership	<ul style="list-style-type: none"> • Permitted (provided that the property has a minimum Energy Performance Rating of ‘B’). • Minimum purchase share is 25%. • The maximum LTV ratio considered by the Society is 95% of the share being purchased. • Eligible for our C-Change discounts (see page 11). • Available on a repayment basis only.
Buy-to-let	<ul style="list-style-type: none"> • Permitted (provided that the property complies with the Society’s ecological requirements). • A maximum portfolio of no more than 3 properties (including the property being mortgaged with the Society). • Rental income must exceed the mortgage payment by 135%. • Maximum term 25 years. • Available on repayment or interest-only basis.

Our C-Change discounts are a unique way for your client to save money on their mortgage. The discounts are available on mortgages for self builds, existing energy efficient homes, renovations and conversions.

The following table outlines the three types of discount available under our C-Change scheme. For further details, please visit ecology.co.uk/mortgages/c-change-discounts.

C-Change discounts				
Type of discount	Interest rate reduction (applied from SVR)	Applicable to	When applicable	Project suitability
C-Change sustainable homes	0.50% - 1.25%	The whole of the mortgage balance outstanding. The higher the energy rating, the higher the discount.	At completion, if confirmation of energy rating is available. Otherwise, as soon as confirmation of energy rating is achieved.	Self-build Conversion Shared Ownership
C-Change retrofit	0.25% - 1.50%	The whole of the mortgage balance outstanding. The size of the discount will depend on the number of grade improvements achieved within the Energy Performance Certificate (EPC). 0.25% discount for each EPC grade improvement.	Once works are complete and a new EPC verifying the upgrade is received.	Renovation
C-Change energy improvements	1.00%	Funds being used to install energy savings measures or renewable energy systems.	Once works are complete and invoices are provided for qualifying works.	Renovation



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