



Lending Criteria Guidelines

INTERMEDIARY USE ONLY
Updated February 2023

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** and **Off-site build** constructed of sustainable building materials and incorporating high levels of energy efficiency
- **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"> • Borrowers 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	
Applicant Residency Status	<ul style="list-style-type: none"> • Provable UK residency for minimum of 12 months is required. Where applicants do not have UK citizenship they will need to provide evidence of right to reside or indefinite leave to remain and a valid passport.

Appendix E:

Assessable Income

Main Income

Income Component	Description	Evidence
Basic net salary	<p>Minimum 6 months' employment, not in a probationary period.</p> <p>If the applicant is on Maternity/Paternity/Parental Leave/Any other declared, an Employer reference is required to confirm return to work hours, level of pay and return to work date. The applicant will also need to declare any future childcare costs.</p> <p>If the applicant is employed by family, the company accountant must provide an accountant's reference.</p> <p>100% Used.</p>	<ul style="list-style-type: none"> • Employers reference • Last 3 months payslips
Contractual Allowances	<p>If part of employment contract e.g. car allowance, home-working, housing allowance, large town allowance, shift allowance.</p> <p>100% Used.</p>	<ul style="list-style-type: none"> • Employers reference • Last 3 months payslips
Overtime/commission	<p>100% of average paid over a minimum 6 month period.</p>	<ul style="list-style-type: none"> • Last 6 month's payslips
Bonus – Discretionary	<p>50% of latest year.</p>	<ul style="list-style-type: none"> • Employers reference • Last year's Bonus Payslips
Bonus – Guaranteed	<p>100% of latest year.</p>	<ul style="list-style-type: none"> • Employers reference • Last year's Bonus Payslips
Guaranteed	<p>Minimum of 12 months' track record required. 6 months further contract in place or 6 months remaining.</p> <p>100% Used.</p>	<ul style="list-style-type: none"> • Employers reference

Income Component	Description	Evidence
Second job	<p>Minimum 6 months' employment, not in a probationary period.</p> <p>If the applicant is on Maternity/Paternity/Parental Leave/ Any other declared, an Employer reference is required to confirm return to work hours, level of pay and return to work date. The applicant will also need to declare any future childcare costs.</p> <p>If the applicant is employed by family, the company accountant must provide an accountants reference.</p> <p>100% Used.</p>	<ul style="list-style-type: none"> • Employers reference • Last 3 months payslips
Fixed term contracts	<p>Minimum of 12 months' track record required. 6 months further contract in place or 6 months remaining.</p> <p>100% used.</p>	<ul style="list-style-type: none"> • Employers reference
Self employed	<p>Average salary, drawings, dividends, partnership profits or net profit payable over the last 3 years. If latest year is lower than average latest year to be used.</p> <p>If the applicant is not required to submit a tax return, an accountant's reference is acceptable. If no accountant cannot use this income.</p> <p>If applicant is on Maternity/Paternity/Parental Leave/Any other declared, we will require 1 years full tax summary calculation to verify current level of income.</p> <p>Where a shareholding is less than 20% we will treat the applicant as employed.</p>	<ul style="list-style-type: none"> • Accountants reference (if not self assessment) • Latest 3 Years Tax Summary Calculations
Private pension	<p>Net pension income</p> <p>Income must be paid on a regular monthly basis.</p>	<ul style="list-style-type: none"> • Annual pension award document
Umbrella Companies	<p>If applicants are paid through an umbrella company they will be treated as self-employed. Average 3 years net profits or latest year if lower.</p>	<ul style="list-style-type: none"> • Latest 3 Years Tax Summary Calculations.
Construction Industry Scheme	<p>Applicants are treated as self- employed. Average net income over last 3 years or latest year if lower.</p>	<ul style="list-style-type: none"> • Latest 3 Years Tax Summary Calculations.

Additional Income

Income Component	Description	Evidence
Child Maintenance	Child Maintenance Agency Direct Payment or Court Order Approved. 3 months evidence of receipt. 100% used if child is under 14. If child is over 14 unable to use this income.	<ul style="list-style-type: none"> • Latest Child Maintenance Agency Notice • Consent Order
Rental income surplus	100% net income used.	<ul style="list-style-type: none"> • Latest Years Tax Summary Calculation
Regular investment income	Average net income over latest 3 years or latest year if lower.	<ul style="list-style-type: none"> • Accountants reference • Latest 3 Years Tax Summary Calculations

Benefits Income

Income Component	Description	Evidence
Carer's Allowance	100% used.	<ul style="list-style-type: none"> • Latest benefit award document
Foster Carer's Allowance	Average net income over latest 3 years or latest year if lower.	<ul style="list-style-type: none"> • Latest 3 Years Tax Summary Calculations
Personal Independence Payment (formerly disability living allowance)	100% Used. If the applicant is in receipt of disability living allowance for the benefit of a child, this income cannot be used.	<ul style="list-style-type: none"> • Latest Benefit award document
State Pension	100% Used.	<ul style="list-style-type: none"> • Latest pension award document
War Widow(er) Pension	100% Used.	<ul style="list-style-type: none"> • Latest pension award document
Universal Credit	Must have been in receipt for last 6 months. 100% of average over last 6 months used. Rental element cannot be used as income.	<ul style="list-style-type: none"> • Latest 6 Months benefit award document

Benefits Income

Income Component	Description	Evidence
Attendance Allowance	100% Used.	<ul style="list-style-type: none"> • Latest pension award document
Child Benefit	<p>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>100% used if child is under 14. If child is over 14 unable to use this income.</p>	<ul style="list-style-type: none"> • Latest benefit award document
Child Tax Credit	100% used if child is under 14. If child is over 14 unable to use this income.	<ul style="list-style-type: none"> • Latest benefit award document • Income/Childcare declared on award document must match current level of income/expenditure.
Constant Attendance Allowance	100% Used.	<ul style="list-style-type: none"> • Latest benefit award document
Employment & Support Allowance	100% Used.	<ul style="list-style-type: none"> • Latest benefit award document
Guardian's Allowance	100% used if child is under 14. If child is over 14 unable to use this income.	<ul style="list-style-type: none"> • Latest benefit award document
Industrial Injuries Disablement Benefit	100% Used.	<ul style="list-style-type: none"> • Latest benefit award document
Pension Credit	100% Used.	<ul style="list-style-type: none"> • Latest benefit award document

Income Component	Description	Evidence
Reduced Earnings Allowance	100% Used.	<ul style="list-style-type: none"> • Latest benefit award document
Working Tax Credit	100% Used.	<ul style="list-style-type: none"> • Latest benefit award document • Income declared on award document must match current level of income.

Unacceptable Income

- Foreign Income
- Crypto currency
- Trust Income
- Retained Profit
- Gifted income
- Income paid in cash
- Agency income
- Zero hours contract income

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 2 years unless credit search information is available. • For buy to let or 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 may 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 – Monthly payment made. – Credit cards and mail order commitments – 3% of outstanding balance. – Buy now pay later finance, the future monthly payment will be deducted. <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 of the highest overdraft amount over the latest 3 month period is deducted. 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. Please refer to our credit history parameters on page 11 for guidance.</p> <p>Applications will not be considered where repossession has previously occurred.</p>

Appendix T:

Credit History parameters

Credit Status	< 80% LTV	Between 80 - 90% LTV	> 90% LTV
Mortgage/Secured Loan	No more than 1 missed payments in the last 2 years	No more than 1 missed payments in the last 3 years	No missed payments in the last 3 years
Unsecured Loan	No more than 1 missed payments in the last 2 years	No more than 1 missed payments in the last 3 years	No missed payments in the last 3 years
Credit Card/Store Card/ Mail Order	No more than 2 missed payments in the last 2 years	No more than 2 consecutive missed payments in the last 3 years	No more than 1 missed payments in the last 3 years
CCJ/Sheriff Court Decrees	Active CCJ/SCD not considered Must have satisfied CCJ over 3 years ago	Active CCJ/SCD not considered Must have satisfied CCJ over 3 years ago	Not considered
Default	Active Default not considered Must have satisfied default over 3 years ago	Active Default not considered Must have satisfied default over 3 years ago	Not considered
Debt Relief Order/ Debt Management Plan	Must have been cleared for at least 2 years	Must have been cleared for at least 3 years	Not considered
Bankruptcy/IVA	Satisfied for 6 Years	Satisfied for 6 years	Not considered
Payday loans	None in the last 36 months	None in the last 36 months	None in the last 36 months
Repossessions	Not considered	Not considered	Not considered

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. Interest Only without an acceptable repayment vehicle is not offered, even temporarily during any construction period.
Part and Part	<ul style="list-style-type: none"> Permitted on specific products – refer to the <i>current residential mortgage rates and charges</i> document. Repayment strategies accepted as per interest only.
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% - 1.50%	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 Off-site 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



T 01535 650 770

W ecology.co.uk

E mortgages@ecology.co.uk

 EcologyBS

 @EcologyBS

Ecology Building Society

Ellis House

7 Belton Road

Silsden

Keighley

West Yorkshire

BD20 0EE

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