

FOR THE USE OF PROFESSIONAL MORTGAGE INTERMEDIARIES ONLY

BUY TO LET CRITERIA GUIDE FOR UK RESIDENTS

SHARIAH-COMPLIANT FINANCING FOR BUY TO LET RESIDENTIAL INVESTMENT PROPERTY

EFFECTIVE FROM 12/06/2018



GATEHOUSE
BANK

This criteria is to provide guidance on the main policy and is not exhaustive. Our experienced underwriters endeavour to make cases work, and will make the final decision based on all obtained facts and information on the applicants and property.

CGUKR12/06/18vF11

WHY CHOOSE GATEHOUSE BANK?



- No early payment charges are payable
- Dedicated, professional and experienced Business Development Manager
- Every application is individually reviewed
- Fast decision in principle
- A range of financing options, from simple single residential investment finance, to more complex structures including property portfolios.
- Finance to individuals, sole proprietors/partnerships, limited companies and SPV structures

BUY TO LET FINANCE AT A GLANCE



FINANCE AVAILABLE FOR

- INDIVIDUALS
- PARTNERSHIPS
- LIMITED COMPANIES
- LLP'S
- SPV'S

RENTAL TOP-UP

SURPLUS INCOME TO TOP UP RENTAL INCOME SUBJECT TO 110% RENTAL COVERAGE RATIO FOR CORPORATE STRUCTURE & 115% FOR PRIVATE INDIVIDUALS

NO EARLY PAYMENT CHARGES

PORTFOLIO LANDLORDS

NO LIMIT ON THE NUMBER OF PROPERTIES

MIN/MAX FINANCE SIZE £40K-£5M

MAX FTV 80%



PRODUCT CRITERIA

	BTL (Excluding Consumer BTL)	BTL Portfolio (Excluding Consumer BTL)	HMO/MFU
Financing			
Purpose	<ul style="list-style-type: none"> • Purchase or Re-finance • Finance capital raising allowed 	<ul style="list-style-type: none"> • Purchase or Re-finance • Finance capital raising allowed 	<ul style="list-style-type: none"> • Purchase or Re-finance • Finance capital raising allowed
Max FTV	80%	80%	75%
Payment	Acquisition & Rent or Rent Only	Acquisition & Rent or Rent Only	Acquisition & Rent or Rent Only
Portfolio Size	Maximum 3 properties within BTL portfolio	No limit	No limit
Affordability Test	<ul style="list-style-type: none"> • 125% if basic rate tax payer • 125% if limited company • 145% if higher rate tax payer • 145% if additional rate tax payer <p>> The tax band for individuals is applicable to the applicant with the highest income</p> <p>> Rental top-up – surplus income to top up rental income is acceptable subject to the rental income being 110% of corporate structure and 115% for private individual</p> <p>> National stress rate 5.5%</p> <p>> 5 year fixed rate applicants can be stress tested against initial pay rate</p>	<ul style="list-style-type: none"> • 125% if basic rate tax payer • 125% if Limited company • 145% if higher rate tax payer • 145% if additional rate tax payer <p>> The tax band for individuals is applicable to the applicant with the highest income</p> <p>> Rental top-up – surplus income to top up rental income is acceptable subject to the rental income being 110% of corporate structure and 115% for private individual</p> <p>> National stress rate 5.5%</p> <p>> 5 year fixed rate applicants can be stress tested against initial pay rate</p>	<ul style="list-style-type: none"> • 140% if basic rate tax payer • 140% if Limited company • 145% if higher rate tax payer • 145% if additional rate tax payer <p>> The tax band for individuals is applicable to the applicant with the highest income</p> <p>> National stress test 5.5%</p> <p>> 5 year fixed rate applicants can be stress tested against initial pay rate</p>
BTL Supporting documents		<ul style="list-style-type: none"> • Property schedule • Business plan • Cash flow forecast 	<ul style="list-style-type: none"> • Property schedule (Portfolio landlords only) • Business plan (Portfolio landlords only) • Cash flow forecast (Portfolio landlords only) • HMO licenses
Applicant Type	<ul style="list-style-type: none"> • Individuals • Partnerships • Limited Companies/SPV • LLP's 	<ul style="list-style-type: none"> • Individuals • Partnerships • Limited Companies/SPV • LLP's 	<ul style="list-style-type: none"> • Individuals • Partnerships • Limited Companies/SPV • LLP's
Min/Max Finance size	£40K - £5M (max 70%>£1m)	£40K - £5M (max 70%>£1m)	£40K - £5M (max 70%>£1m)
Min/Max Term	Min: 5 years Max: Rent Only: 30 years Acquisition: 30 years	Min: 5 years Max: Rent Only: 30 years Acquisition: 30 years	Min: 5 years Max: Rent Only: 30 years Acquisition: 30 years



	BTL (Excluding Consumer BTL)	BTL Portfolio (Excluding Consumer BTL)	HMO/MFU
Applicant			
Applicant Experience	First Time Landlords Allowed	Must have own property and existing BTL finance	Must have own property, existing BTL finance and a minimum 2 years lettings experience
Maximum Numbers	<ul style="list-style-type: none"> • Individuals – 4 applicants • Special Purpose Vehicle Limited companies – 4 directors/shareholders • Trading companies – 4 directors/shareholders 	<ul style="list-style-type: none"> • Individuals – 4 applicants • Special Purpose Vehicle Limited companies – 4 directors/shareholders • Trading companies – 4 directors/shareholders 	<ul style="list-style-type: none"> • Individuals – 4 applicants • Special Purpose Vehicle Limited companies – 4 directors/shareholders • Trading companies – 4 directors/shareholders
Minimum Age	21	21	21
Maximum Age	85 years at end of finance term	85 years at end of finance term	85 years at end of finance term
Applicant Background Assets	One applicant must have a residential mortgage/home finance or home owner	One applicant must have a residential mortgage/home finance or home owner and existing BTL loan/financing	One applicant must have a residential mortgage/home finance or home owner and existing BTL loan/financing
Employment			
Employed Income Verification	Employed – <ul style="list-style-type: none"> • Most recent P60, 3 months most recent payslips & 3 months most recent bank statements • OR Bank Statement showing salary credits for last 12 months 	Employed – <ul style="list-style-type: none"> • Most recent P60, 3 months most recent payslips & 3 months most recent bank statements • OR Bank Statement showing salary credits for last 12 months 	Employed – <ul style="list-style-type: none"> • Most recent P60, 3 months most recent payslips & 3 months most recent bank statements • OR Bank Statement showing salary credits for last 12 months
Employed Acceptable Income	<ul style="list-style-type: none"> • Basic pay • Car allowance • 50% of average bonus over the previous 2 years • Second job • Child benefit, working and/or Child Tax Credits • Maintenance • Disability living allowance on behalf of a child under 16 	<ul style="list-style-type: none"> • Basic pay • Car allowance • 50% of average bonus over the previous 2 years • Second job • Child benefit, working and/or Child Tax Credits • Maintenance • Disability living allowance on behalf of a child under 16 	<ul style="list-style-type: none"> • Basic pay • Car allowance • 50% of average bonus over the previous 2 years Second job • Child benefit, working and/or Child Tax Credits • Maintenance • Disability living allowance on behalf of a child under 16
Self Employed Income Verification	<ul style="list-style-type: none"> • 2 years, SA302s • 3 months most recent personal bank statements • 3 months most recent business bank statements • Sole trader/Partnership/Company Director: <ul style="list-style-type: none"> - If trading for less than 2 years, minimum 1 year accounts with management accounts and/or cash flow forecasts - If trading for longer, min 2 years most recent accounts. 	<ul style="list-style-type: none"> • 2 years, SA302s • 3 months most recent personal bank statements • 3 months most recent business bank statements • Sole trader/Partnership/Company Director: <ul style="list-style-type: none"> - If trading for less than 2 years, minimum 1 year accounts with management accounts and/or cash flow forecasts - If trading for longer, min 2 years most recent accounts. 	<ul style="list-style-type: none"> • 2 years, SA302s • 3 months most recent personal bank statements • 3 months most recent business bank statements • Sole trader/Partnership/Company Director: <ul style="list-style-type: none"> - If trading for less than 2 years, minimum 1 year accounts with management accounts and/or cash flow forecasts - If trading for longer, min 2 years most recent accounts.
Retired	Evidence of pension income	Evidence of pension income	Evidence of pension income



	BTL (Excluding Consumer BTL)	BTL Portfolio (Excluding Consumer BTL)	HMO/MFU
Income			
Minimum Income	£18,000	£20,000	£25,000
Finance to Income	N/A	N/A	N/A
Additional Income	Additional income can be considered but must be verifiable	Additional income can be considered but must be verifiable	Additional income can be considered but must be verifiable
Deposit Details			
Evidence of Deposit	Evidence of the source of deposit is required	Evidence of the source of deposit is required	Evidence of the source of deposit is required
Deposits	<ul style="list-style-type: none"> • Proof of deposit required • Builder vendor deposits considered up to 5% • Gifted deposits accepted from family members subject to interested party waiver. 	<ul style="list-style-type: none"> • Proof of deposit required • Builder vendor deposits considered up to 5% • Gifted deposits accepted from family members subject to interested party waiver. 	<ul style="list-style-type: none"> • Proof of deposit required • Builder vendor deposits considered up to 5% • Gifted deposits accepted from family members subject to interested party waiver.
Finance Criteria			
Credit History	<ul style="list-style-type: none"> • No Bankruptcy /IVA in last 3 years • No CCJs in last 3 years • No missed mortgage payments or other property finance in last 12 months • No voluntary enforced possession • Up to date UK credit report required • Default - none in the 12 months prior to application, maximum of one default of up to £300 between month 13 to 36 	<ul style="list-style-type: none"> • No Bankruptcy /CVA or IVA in last 3 years • No CCJs in last 3 years • No missed mortgage payments or other property finance in last 12 months • No voluntary enforced possession • Up to date UK credit report required • Default - none in the 12 months prior to application, maximum of one default of up to £300 between month 13 to 36 	<ul style="list-style-type: none"> • No Bankruptcy /CVA or IVA in last 3 years • No CCJs in last 3 years • No missed mortgage payments or other property finance in last 12 months • No voluntary enforced possession • Up to date UK credit report required • Default - none in the 12 months prior to application, maximum of one default of up to £300 between month 13 to 36
Existing Mortgage/Financing	Proof of conduct for all mortgages / home finance	Proof of conduct for all mortgages / home finance	Proof of conduct for all mortgages / home finance
Residency			
Applicant Residency Status	UK or EEA citizens	UK or EEA citizens	UK or EEA citizens



	BTL (Excluding Consumer BTL)	BTL Portfolio (Excluding Consumer BTL)	HMO/MFU
Property			
Location	England & Wales	England & Wales	England & Wales
Tenure	Freehold or Leasehold	Freehold or Leasehold	Freehold or Leasehold
Property Type	Standard Residential only	Standard Residential only	HMO/Multi Freehold Unit
Lease Type	AST to single family Corporate leases to PLCs, local authority and housing associations (contract up to a maximum of 5 years).	AST to single family Corporate leases to PLCs, local authority and housing associations (contract up to a maximum of 5 years).	AST to single family Corporate leases to PLCs, local authority and housing associations (contract up to a maximum of 5 years).
Valuation Basis	Market Value (VP)	Market Value (VP)	<ul style="list-style-type: none"> • <7 letting rooms (C4 planning use) located outside an Article 4 Direction Area – Market Value (VP) • >6 letting rooms or any HMO located within an article 4 direction area (Sui Generis planning use) the Investment Value can be considered
Minimum value	£50,000	£50,000	£75,000
Unacceptable Property Type	Refer to unacceptable property list		

PROCUREMENT FEES

	BTL	BTL Portfolio Landlord	HMO/MFU
Broker or Intermediary	0.50%	0.65%	0.65%
Approved Network or Club	0.55% (Net 0.50%)	0.70% (Net 0.65%)	0.70% (Net 0.65%)

Net = Paid to broker
All fees are based on the finance amount

- Tariff of charges & rates are available on request



VALUATION FEES

Property Value	BTL -Single Dwelling Valuation Fee (Excluding VAT)	HMO/Multi Freehold Unit Valuation Fee* (Excluding VAT)
£50,000 - £100,000	£302	£690
£100,001 - £150,000	£329	£700
£150,001 - £200,000	£345	£725
£200,001 - £250,000	£385	£750
£250,001 - £300,000	£395	£775
£300,001 - £350,000	£450	£800
£350,001 - £400,000	£455	£825
£400,001 - £500,000	£485	£850
£500,001 - £600,000	£505	£900
£600,001 - £700,000	£535	£1000
£700,001 - £800,000	£570	£1100
£800,001 - £900,000	£625	£1200
£900,001 - £1,000,000	£670	£1250
£1,000,001 - £1,250,000	£700	£1500
£1,250,001 - £1,500,000	£725	£1650
£1,500,001 - £1,750,000	£825	£1900
£1,750,001 - £2,000,000	£925	£2400
£2,000,001 - £3,000,000	£1625	By agreement
£3,000,001 - £5,000,000	£2625	By agreement
Re-inspection	£180	By agreement

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* Valuation fees for HMO/Multi Freehold Units > 6 letting rooms/bedrooms are by agreement.

HOW DOES IT WORK?

We offer a range of financing options, from simple single residential investment finance, to more complex corporate structures including property portfolios.

RENT ONLY DIMINISHING MUSHARAKAH

Our Rent Only Diminishing Musharakah product is an arrangement between the Bank and the applicant. Both the applicant and the Bank will each contribute a percentage towards the purchase or refinance of a residential property. For example, the Bank may contribute 75% and the applicant 25% of the purchase price (for refinances, the applicant's contribution is the equity in the property).

The Bank will lease its share in the property to the applicant for the duration of the finance term.

Over the finance term, the applicant will make monthly payments to the Bank which will comprise of rent only. This means that during the term of the agreement, the applicant is not acquiring any shares of the property from the Bank and as a consequence the applicant's share in the property during the term will remain the same. In addition, the applicant's monthly payments will also be lower when compared to our Acquisition Diminishing Musharakah product.

To acquire the Bank's share in the property, the applicant will either need to pay part lump sum instalments prior to each rent review and/or make a full lump sum instalment at any time or at the end of the agreed term.

Until the Bank's share had been acquired by the applicant, the Bank will charge the applicant rent for the use of its share of the property. The rent is calculated according to the respective shares owned.

Following the applicant's acquisition of all the Bank's share, either at the end of the agreed term or upon early purchase of the Bank's share of the property, whichever is earlier, the Bank will transfer the full ownership of the property to the applicant.

Our Rent Only Diminishing Musharakah product is higher risk than our Acquisition Diminishing Musharakah product as the monthly payments under the Rent Only structure only consist of rent, whereas under the Acquisition Diminishing Musharakah product the applicant's monthly instalment consists of both acquisition instalments and rent payment.

It is the applicant's responsibility to make sure that they put in place, maintain and regularly monitor, any financial arrangement that is expected to provide a lump sum sufficient to acquire the Bank's share at the end of the agreed finance term.

ACQUISITION DIMINISHING MUSHARAKAH

Our Acquisition Diminishing Musharakah product is an arrangement between the Bank and the applicant. Both the applicant and the Bank will each contribute a percentage towards the purchase or refinance of a residential property. For example, the Bank may contribute 75% and the applicant 25% of the purchase price (for refinances, the applicant's contribution is the equity in the property).

The Bank will lease its share in the property to the applicant for the duration of the finance term.

Over the finance term, the applicant will make monthly acquisition instalments through which the Bank will sell its share of the property to the applicant. With each acquisition instalment, the Bank's share in the property diminishes while the applicant's share increases.

While the acquisition instalments are being made, the Bank will charge the applicant rent for the use of its share of the property, the rent is calculated according to the respective shares owned.

Following the applicant's acquisition of all the Bank's share, either at the end of the agreed term or upon early purchase of the Bank's share, whichever is earlier, the Bank will transfer the full ownership of the property to the applicant.

NOTES:

- At the end of the term, administration fees are payable in accordance with the Bank's standard fee tariff to cover the Bank's administration costs.
- No early settlement penalties are payable when the Bank's Share is purchased by the Customer before the end of the agreed term.
- The Customer is responsible for their own solicitor costs, stamp duty and other conveyancing charges (such as land registry fees) at outset and on settlement.

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