

For the use of Professional Mortgage Intermediaries only



# Buy-to-Let criteria for UK residents

Shariah-compliant financing for UK Buy-to-Let residential investment property

Effective from 11 September 2019



## Why choose Gatehouse Bank?

- No early payment charges are payable
- Dedicated, professional and experienced Business Development Managers
- Every application is individually assessed
- 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 - £5M  
MAX**

NO LIMIT ON THE NUMBER  
OF PROPERTIES

**MIN/MAX FINANCE  
SIZE £40K-£1M PER  
PROPERTY**

**MAX FTV 80%**

## Product Criteria



	BTL (Excluding Consumer BTL)	BTL Portfolio (Excluding Consumer BTL)	HMO/MUFB
<b>Financing</b>			
Purpose	<ul style="list-style-type: none"> <li>• Purchase or Re-finance</li> <li>• Finance capital raising allowed</li> </ul>	<ul style="list-style-type: none"> <li>• Purchase or Re-finance</li> <li>• Finance capital raising allowed</li> </ul>	<ul style="list-style-type: none"> <li>• Purchase or Re-finance</li> <li>• Finance capital raising allowed</li> </ul>
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"> <li>• 125% if basic rate taxpayer</li> <li>• 125% if limited company</li> <li>• 145% if higher rate taxpayer</li> <li>• 145% if additional rate taxpayer</li> </ul> <p>&gt; The tax band for individuals is applicable to the applicant with the highest income</p> <p>&gt; 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>&gt; National stress rate 5.5%</p> <p>&gt; 5 year fixed rate applicants can be stress tested against initial pay rate</p>	<ul style="list-style-type: none"> <li>• 125% if basic rate taxpayer</li> <li>• 125% if Limited company</li> <li>• 145% if higher rate taxpayer</li> <li>• 145% if additional rate taxpayer</li> </ul> <p>&gt; The tax band for individuals is applicable to the applicant with the highest income</p> <p>&gt; 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>&gt; National stress rate 5.5%</p> <p>&gt; 5 year fixed rate applicants can be stress tested against initial pay rate</p>	<ul style="list-style-type: none"> <li>• 140% if basic rate taxpayer</li> <li>• 140% if Limited company</li> <li>• 145% if higher rate taxpayer</li> <li>• 145% if additional rate taxpayer</li> </ul> <p>&gt; The tax band for individuals is applicable to the applicant with the highest income</p> <p>&gt; National stress test 5.5%</p> <p>&gt; 5 year fixed rate applicants can be stress tested against initial pay rate</p>
BTL Supporting documents		<ul style="list-style-type: none"> <li>• Property schedule</li> <li>• Business plan</li> <li>• Cash flow forecast</li> </ul>	<ul style="list-style-type: none"> <li>• Property schedule (Portfolio landlords only)</li> <li>• Business plan (Portfolio landlords only)</li> <li>• Cash flow forecast (Portfolio landlords only)</li> <li>• HMO licenses</li> </ul>
Applicant Type	<ul style="list-style-type: none"> <li>• Individuals</li> <li>• Partnerships</li> <li>• Limited Companies/SPV</li> <li>• LLP's</li> </ul>	<ul style="list-style-type: none"> <li>• Individuals</li> <li>• Partnerships</li> <li>• Limited Companies/SPV</li> <li>• LLP's</li> </ul>	<ul style="list-style-type: none"> <li>• Individuals</li> <li>• Partnerships</li> <li>• Limited Companies/SPV</li> <li>• LLP's</li> </ul>
Min/Max Finance size	£40K - £1M per property £5 (max 70%>£1m) - portfolios	£40K - £1M per property £5 (max 70%>£1m) - portfolios	£40K - £1M per property £5 (max 70%>£1m) - portfolios
Min/Max Term	Min: 5 years Max: Rent Only: 30 years Acquisition & Rent: 30 years	Min: 5 years Max: Rent Only: 30 years Acquisition & Rent: 30 years	Min: 5 years Max: Rent Only: 30 years Acquisition & Rent: 30 years



	BTL (Excluding Consumer BTL)	BTL Portfolio (Excluding Consumer BTL)	HMO/MUFB
<b>Applicant</b>			
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"> <li>Individuals – 4 applicants</li> <li>Special Purpose Vehicle Limited companies – 4 directors/shareholders</li> <li>Trading companies – 4 directors/shareholders</li> </ul>	<ul style="list-style-type: none"> <li>Individuals – 4 applicants</li> <li>Special Purpose Vehicle Limited companies – 4 directors/shareholders</li> <li>Trading companies – 4 directors/shareholders</li> </ul>	<ul style="list-style-type: none"> <li>Individuals – 4 applicants</li> <li>Special Purpose Vehicle Limited companies – 4 directors/shareholders</li> <li>Trading companies – 4 directors/shareholders</li> </ul>
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
<b>Employment</b>			
Employed Income Verification	<ul style="list-style-type: none"> <li>Employed –</li> <li>Most recent P60, 3 months most recent payslips &amp; 3 months most recent bank statements</li> <li>OR Bank Statement showing salary credits for last 12 months</li> </ul>	<ul style="list-style-type: none"> <li>Employed –</li> <li>Most recent P60, 3 months most recent payslips &amp; 3 months most recent bank statements</li> <li>OR Bank Statement showing salary credits for last 12 months</li> </ul>	<ul style="list-style-type: none"> <li>Employed –</li> <li>Most recent P60, 3 months most recent payslips &amp; 3 months most recent bank statements</li> <li>OR Bank Statement showing salary credits for last 12 Months</li> </ul>
Employed Acceptable Income	<ul style="list-style-type: none"> <li>Basic pay</li> <li>Car allowance</li> <li>50% of average bonus over the previous 2years</li> <li>Second job</li> <li>Child benefit, working and/or Child Tax Credits</li> <li>Maintenance</li> <li>Disability living allowance on behalf of a child under 16</li> </ul>	<ul style="list-style-type: none"> <li>Basic pay</li> <li>Car allowance</li> <li>50% of average bonus over the previous 2years</li> <li>Second job</li> <li>Child benefit, working and/or Child Tax Credits</li> <li>Maintenance</li> <li>Disability living allowance on behalf of a child under 16</li> </ul>	<ul style="list-style-type: none"> <li>Basic pay</li> <li>Car allowance</li> <li>50% of average bonus over the previous 2 years</li> <li>Second job</li> <li>Child benefit, working and/or Child Tax Credits</li> <li>Maintenance</li> <li>Disability living allowance on behalf of a child under 16</li> </ul>
Self Employed Income Verification	<ul style="list-style-type: none"> <li>2 years, SA302s</li> <li>3 months most recent personal bank statements</li> <li>3 months most recent business bank statements</li> <li>Sole trader/Partnership/Company Director: <ul style="list-style-type: none"> <li>- If trading for less than 2 years, minimum 1 year accounts with management accounts and/or cash flow forecasts</li> <li>- If trading for longer, min 2 years most recent accounts.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>2 years, SA302s</li> <li>3 months most recent personal bank statements</li> <li>3 months most recent business bank statements</li> <li>Sole trader/Partnership/Company Director: <ul style="list-style-type: none"> <li>- If trading for less than 2 years, minimum 1 year accounts with management accounts and/or cash flow forecasts</li> <li>- If trading for longer, min 2 years most recent accounts.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>2 years, SA302s</li> <li>3 months most recent personal bank statements</li> <li>3 months most recent business bank statements</li> <li>Sole trader/Partnership/Company Director: <ul style="list-style-type: none"> <li>- If trading for less than 2 years, minimum 1 year accounts with management accounts and/or cash flow forecasts</li> <li>- If trading for longer, min 2 years most recent accounts.</li> </ul> </li> </ul>
Retired	Evidence of pension income	Evidence of pension income	Evidence of pension income



	BTL (Excluding Consumer BTL)	BTL Portfolio (Excluding Consumer BTL)	HMO/MUFB
<b>Income</b>			
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
<b>Deposit Details</b>			
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"> <li>• Proof of deposit required</li> <li>• Builder vendor deposits considered up to 5%</li> <li>• Gifted deposits accepted from family members subject to interested party waiver.</li> </ul>	<ul style="list-style-type: none"> <li>• Proof of deposit required</li> <li>• Builder vendor deposits considered up to 5%</li> <li>• Gifted deposits accepted from family members subject to interested party waiver.</li> </ul>	<ul style="list-style-type: none"> <li>• Proof of deposit required</li> <li>• Builder vendor deposits considered up to 5%</li> <li>• Gifted deposits accepted from family members subject to interested party waiver.</li> </ul>
<b>Finance Criteria</b>			
Credit History	<ul style="list-style-type: none"> <li>• No Bankruptcy / CVA or IVA in last 3 years</li> <li>• No CCJs in last 3 years</li> <li>• No missed mortgage or other property finance payments in last 12 months</li> <li>• No voluntary enforced possession</li> <li>• Up to date UK credit report required</li> <li>• Default - none in the 12 months prior to application, maximum of one default of up to £300 between month 13 to 36</li> </ul>	<ul style="list-style-type: none"> <li>• No Bankruptcy /CVA or IVA in last 3 years</li> <li>• No CCJs in last 3 years</li> <li>• No missed mortgage or other property finance payments in last 12 months</li> <li>• No voluntary enforced possession</li> <li>• Up to date UK credit report required</li> <li>• Default - none in the 12 months prior to application, maximum of one default of up to £300 between month 13 to 36</li> </ul>	<ul style="list-style-type: none"> <li>• No Bankruptcy /CVA or IVA in last 3 years</li> <li>• No CCJs in last 3 years</li> <li>• No missed mortgage or other property finance payments in last 12 months</li> <li>• No voluntary enforced possession</li> <li>• Up to date UK credit report required</li> <li>• Default - none in the 12 months prior to application, maximum of one default of up to £300 between month 13 to 36</li> </ul>
Existing Mortgage/ Home Finance	Proof of conduct for all mortgages / home finance	Proof of conduct for all mortgages / home finance	Proof of conduct for all mortgages / home finance
<b>Residency</b>			
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/MUFB
<b>Property</b>			
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-Unit Freehold Blocks
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).	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"> <li>&lt;7 letting rooms (C4 planning use) located outside an Article 4 Direction Area – Market Value (VP)</li> <li>&gt;6 letting rooms or any HMO located within an article 4 direction area (Sui Generis planning use) the Investment Value can be considered</li> </ul>
Minimum value	£50,000	£50,000	£75,000
Property types acceptable as security	For more information on the property types acceptable as security, please refer to our document <a href="#">Home Finance Property Types – Guidance Notes for Intermediaries</a> on the Bank's website. Please note this list is not exhaustive and if unsure about the suitability of any property as security, you should contact the Bank or your BDM.		

## Valuation fees

Property Value	BTL -Single Dwelling Valuation Fee (Including VAT)	HMO/Multi-Unit Freehold Blocks Valuation Fee* (Including VAT)
£50,000 - £100,000	£192	£690
£100,001 - £150,000	£230	£700
£150,001 - £200,000	£252	£725
£200,001 - £250,000	£308	£750
£250,001 - £300,000	£322	£775
£300,001 - £350,000	£364	£800
£350,001 - £400,000	£406	£825
£400,001 - £500,000	£448	£850
£500,001 - £600,000	£476	£900
£600,001 - £700,000	£518	£1000
£700,001 - £800,000	£567	£1100
£800,001 - £900,000	£644	£1200
£900,001 - £1,000,000	£707	£1250
£1,000,001 - £1,250,000	£735	£1500
£1,250,001 - £1,500,000	£770	£1650
£1,500,001 - £1,750,000	£910	£1900
£1,750,001 - £2,000,000	£1050	£2400
£2,000,001 - £3,000,000	Refer	By agreement
£3,000,001 - £5,000,000	Refer	By agreement
Re-inspection	£180	By agreement

\*Valuation fees for HMO/Multi-Unit Freehold Blocks >6 letting rooms/bedrooms are by agreement



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## 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 (this is not possible during a fixed term period) 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 & Rent Diminishing Musharakah product as the monthly payments under the Rent Only structure only consist of rent, whereas under the Acquisition & Rent 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 & Rent Diminishing Musharakah

Our Acquisition & Rent 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 Tariff of Charges 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.



## FOR THE USE OF PROFESSIONAL MORTGAGE INTERMEDIARIES ONLY

Gatehouse Bank plc (“Gatehouse”) is a public limited company authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority and incorporated under the laws of England and Wales with registered number 06260053 having its registered office at 14 Grosvenor Street, London, W1K 4PS United Kingdom.

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