



A GUIDE TO OUR OWNER OCCUPIER MORTGAGE CRITERIA

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A GUIDE TO OUR OWNER OCCUPIER LENDING POLICY CRITERIA

INTRODUCTION

This document outlines a summary of the current lending terms which apply to our **Owner Occupier** mortgage products. Please note that this is not our full lending policy and any specific queries should be referred to a member of our team.

Please note, these lending terms should be read in conjunction with the relevant mortgage product summary which will outline any requirements specific to individual mortgage products.

SUMMARY

Subject to confirmation of status and no adverse credit history, borrowing secured on wholly residential property is available up to 75% of the property value or purchase price, whichever is lower. This may be higher for some mortgage products - please refer to the relevant mortgage product summary for details.

PURPOSE OF BORROWING

- Purchase of property
- Replacement of existing secured loans.

For **remortgage and further advance applications**, details of the purpose of the remortgage and the use of any additional funds being raised must be provided.

Remortgage and further advance applications will be considered for:

- Purchase of residential property, including the provision of a deposit for family members to purchase property **(remortgage only)**
- Purchase of land
- Purchase of buy to let property
- Repayment of existing loans originally used to purchase land or property, or for property improvements
- Transfer of Equity
- Business loans
- Alteration, extension, repair or improvement to the mortgaged property
- Purchase of business premises
- Other business purposes
- Car purchase.

Remortgage and further advance applications will **NOT** be considered for:

- Repayment of tax or gambling debts
- Borrowers who have impaired credit
- Borrowers who have utilised 'payday' lenders
- Borrowers seeking to consolidate over five credit cards
- Borrowers seeking to consolidate debts accumulated with sub-prime or non-mainstream mortgage lenders or non-mainstream credit card providers
- Borrowers seeking to raise capital for debt consolidation for more than 20% of the property value, or where the main purpose of the loan is debt consolidation i.e. where more than 49% of the monies being raised are to consolidate existing debts.

A complete breakdown of the use of additional funds must be provided, to the total value of the advance requested. All cases, irrespective of loan purpose, will be required to pass the Family Building Society's income and affordability requirements.

STATUS

Applicants will need to provide satisfactory proof of identity, residence and clear credit register enquiry. They may submit a personal credit report with their application. This must be printed in colour and will be accepted where produced via a recognised credit reference agency such as Equifax, Experian or Callcredit.

Alternatively lender, landlord, bank and current and / or previous employment references may be required.

Where applicants are **employed**, confirmed annual salary will be accepted with guaranteed overtime / bonus elements up to 100% and non-guaranteed elements up to 50%. The most recent original P60 and last three months' original payslips will be required.

Where applicants are **self-employed** and have more than a 33% financial stake in a business, their proportion of net profit for the most recent year is accepted. The most recent SA302 or online HMRC Self Assessment Return can be accepted showing:

- The tax calculation, showing the customer's self-reported income and the HMRC calculation of the tax due on that income and
- The tax year overview, showing the total tax due and how much the customer has paid in tax.

Alternatively the latest audited accounts (prepared by a Certified or Chartered Accountant) may be accepted to determine whether the income to be used appears reliable.

An accountant's reference or other corroborative information may be required.

Where applicants are **retired**, annual pension income is accepted. A copy of the latest original pension statement, latest original P60 or original bank statements will be required.

The Family Building Society does not penalise those applicants who wish to work beyond State or normal retirement age, however, we do not consider earned income beyond the age of 70 years and would expect those borrowers whose mortgage term extends beyond this age to have sufficient pension provision to support the advance requested.

We do not consider lending where income is made up entirely of Benefits.

FOREIGN NATIONALS

In order to be considered for a loan, foreign nationals must have permanent / indefinite rights to reside in the UK.

Where an applicant is a foreign national from a country outside of the European Economic Area (EEA) we will require proof of nationality through sight of a certified copy of their passport. Certification is acceptable by a person within an organisation which is covered by Money Laundering Regulations such as a bank or building society, solicitor or financial advisor.

IMPAIRED CREDIT

Where an applicant has an impaired credit history we may consider this on an individual basis. However, we will not consider if any of the following circumstances have occurred:

- Arrears on any mortgage, a credit arrangement such as a credit card, secured or unsecured loan within the last two years, where the cumulative amount overdue at any point reached three or more monthly payments
- One or more County Court Judgements (CCJs), with a total value greater than £500, within the last three years
- An ongoing Individual Voluntary Arrangement (IVA) or bankruptcy order at any time within the last three years.

Please contact a member of our team to discuss before proceeding.

INCOME

The following forms of income will be accepted:

- **Employed:** confirmed annual salary plus guaranteed overtime / bonus elements up to 100% and non-guaranteed elements up to 50%
- **Self-employed:** net profit
- **Retired:** annual pension income.

We may also accept investment income depending on circumstances. Income which is totally reliant on Benefits will not be considered.

Any financial commitments will be deducted from the net annual income, net profit or pension income.

If it is identified during the application process that an applicant's circumstances may change during the life of the mortgage, the affordability will be assessed taking into account those changed circumstances. Triggers for reassessment include:

- **Retirement:** the proposed advance must be affordable based on post retirement income.
- **Job change:** where the Family Building Society is made aware of a change in employment, affordability will be assessed based on the new circumstances. This can be where a new job has been obtained or where employment has ceased. In the latter case, unless there is sufficient income from other sources, the application will typically be unaffordable and the Family Building Society will not be able to proceed.
- **Change to household size:** where the Family Building Society becomes aware that children / dependants will be joining the household; the affordability must be assessed taking this into account. Please note that the Family Building Society does not discriminate against women on maternity leave.

This list is not exhaustive and our underwriters will apply a common sense approach. In these circumstances details of the applicant's income, following the change, will be collected and assessed to ensure the proposed advance is affordable.

AGE

Minimum: 18 years old.

Maximum: There is no maximum age limit but the mortgage term available may be limited depending on the age of the applicant(s).

MORTGAGE TERM

Minimum: 5 years.

Maximum: 40 years.

The mortgage term available may be limited depending on age at application. Our maximum mortgage term guidelines can be viewed on our website. Where the mortgage term extends beyond retirement age, applicants will be asked to provide evidence of how the loan will continue to be affordable in retirement.

MINIMUM LOAN

The minimum loan is £45,000. This may vary depending on the product terms selected.

MAXIMUM LOAN

New business and additional borrowing:

LOAN AMOUNT	MAXIMUM LOAN TO VALUE (LTV)
£45,000 - £350,000	80%
£350,001 - £500,000	75%
£500,001 - £1,000,000	70%
£1,000,001 - £1,250,000	65%
£1,250,001 - £1,500,000	60%
£1,500,001+	50%

This may vary depending on the product selected.

Please note, for loans over £500,000 you are recommended to obtain an Agreement in Principle.

Discounted purchases (including 'Right to Buy' and 'Key Worker Schemes') are available at 100% of purchase price, subject to 75% maximum of valuation and the terms of the discount being acceptable to the Society.

PROPERTY TYPE

We will accept:

- Residential properties of standard construction in England and Wales; either freehold or leasehold subject to a minimum of 70 years unexpired remaining on the lease at outset (or 80 years for a lifetime mortgage).

We will not accept:

- Isolated properties, farms, small holdings, or properties where animals are grazed
- Shared ownership
- Houses in Multiple Occupation (HMOs)
- Properties with commercial use.

Where the property is a flat, we will require a suitable lease to be in place. We will not normally accept a flat when it is:

- A new build
- Above a commercial premises (however see 'Properties above commercial premises' below)
- Ex-local authority / Housing Association
- Above four storeys high
- A studio flat
- Freehold.

Properties above commercial premises

These can be considered subject to the valuer's comments. Specific consideration will be given to the location of the property and adjacent businesses. The property must be located in a desirable area with good demand and should be readily saleable. The proximity of the commercial use must not affect the quiet enjoyment of the property.

The property must be self-contained, having separate access, and must be on a separate title to the commercial premise. Properties which are over, adjacent to or in very close proximity to a café / restaurant / take-away, pub, bar, club or any property where the use is likely to cause a nuisance or which may involve hazardous materials will not be considered. The commercial premises must not be owned by the potential borrower as this would have legal implications in the event of repossession. This is not an exhaustive list and every case will be considered on its own merits.

If you have any further questions on standard or non-standard construction, or if you are unsure about whether we will consider the type of property in question, please contact a member of our team.

MINIMUM PROPERTY VALUE

The minimum acceptable property value or purchase price (whichever is the lower) is £120,000. This may vary depending on the product terms selected.

INTEREST ONLY MORTGAGES

All or part of the loan may be on an interest only basis. Details of the repayment strategy or savings plan must be provided along with evidence confirming the value of any repayment strategy. Types of repayment vehicles accepted include:

- Sale of other assets e.g. second home, property, land, etc.
- Pension cash lump sum (personal or occupational)
- Stocks & Shares ISA (new or existing)
- Unit trust (new or existing)
- Investment bond (new or existing)
- Endowment policy (new or existing)
- Stocks and shares
- Sale of mortgaged property, where this is a credible strategy because of downsizing and where it is deemed that the sale will provide sufficient funds to both repay the advance and allow the borrower to purchase a cheaper property to reside in.

As a general rule, the following repayment strategies will **NOT** be acceptable:

- Periodic repayment of capital from irregular sources of income e.g. bonuses, self-employed income
- Sale of mortgaged property outright
- An expectation that the mortgaged property will increase in value over time
- The expectation of an uncertain inheritance
- Conversion to repayment in the future
- Cash ISA
- Overpayment from income
- A repayment strategy including anyone who is not a party to the mortgage
- Sale of a business unless the business has tangible assets (such as property) that can be sold
- Sale of an overseas investment property.

SPECIALIST MORTGAGES

Joint mortgage sole owner (JMSO)

This section should be read in conjunction with our “Joint mortgage sole owner (JMSO)” customer leaflet, as this includes full details as well as some examples of who this arrangement may be suitable for. This can either be downloaded from our website at familybuildingsociety.co.uk/JMSO, or by contacting our New Business Team to request a copy by email or post.

Our JMSO arrangement is available subject to certain criteria conditions. The non-occupying borrower(s) must be family members of the occupying borrower or for older borrowers, working adult children of the occupying borrower.

As a condition of the Mortgage Offer all non-occupying borrowers are required to seek separate independent legal advice and are responsible for the costs involved with this.

The occupying borrower must currently receive an income where there is a realistic prospect of rises in the future. Applicants with little or no current income will not be eligible for this arrangement. In most cases, affordability will be established by firstly calculating the non-occupying borrower's net disposable monthly income. This figure will then be added to the occupying borrower's income to confirm the total loan amount available.

Available for purchase and remortgage applications on a repayment or interest only basis. We will not accept repayment strategies for interest only applications which are held jointly with non-occupying borrower(s) including the sale of property which is owned by the non-occupying borrower(s).

If any amount is on interest only, the mortgage must finish before the anticipated retirement age of the eldest borrower or age 70, whichever is sooner.

Capital raising is only allowed when applicants aim to buy out the previous second owner or where essential home improvements are necessary.

Maximum loan amount: £500,000.

All enquiries must be reviewed by us before an application is submitted, and our normal lending criteria will apply.

Second home

Where an applicant's work requires them to live away from their main residence, a loan on a second home may be considered, subject to affordability. Interest only loans are accepted on this basis.

Armed forces

Loans are available subject to certain conditions; applications will be assessed on an individual basis depending on circumstances. We accept Forces Help to Buy (FHTB) as a source of funds for a deposit. For more information on FHTB, please visit the Forces Law website.

Flexibility to change occupancy status and subsequent product terms will be considered on request; this may be subject to standard fees and Early Repayment Charges.

Holiday homes

Mortgage applications on holiday homes are available, subject to affordability which must be calculated against the applicant's earned income without inclusion of any rental that may be received from the property. Interest only loans will be accepted on this basis. It is intended that these properties should be for the applicant's use but where the property may be occupied on a holiday let basis when the applicant is not in occupation.

Applicants with portfolios of holiday homes will not be permitted.

Holiday homes will not be accepted where there is a formal AST or where they can only be used as a holiday home due to restrictive covenants within the deeds. Maximum Loan To Value (LTV) will be 70%.

Expatriate mortgages

We will lend to UK nationals working abroad with families remaining in the UK. Mortgages are available on an interest only basis and the repayment vehicle must be from a Sterling denominated UK asset. These mortgages are also subject to the below conditions and an additional 1.25% fee will apply.

Non Sterling earnings

We will also lend to UK nationals and foreign nationals working in the UK but who are paid in a foreign currency. Mortgages are available on an interest only basis and the repayment vehicle must be from a Sterling denominated UK asset. Foreign nationals must have permanent / indefinite rights to reside in the UK. These mortgages are also subject to the below conditions.

Specific conditions relating to the above two types of mortgage:

- The property must be used by the borrower and / or their family members
- They must intend to return to it at a future time. Should this decision change at a later date, no further lending or variations of our agreement are possible
- They must be employed (self-employed is not acceptable, but we will accept pension income)
- The mortgage is available as interest only
- Repayment mortgages are not available
- Early Repayment Charges apply in line with the relevant product terms
- The mortgages are only available across our variable rate products
- Sterling income will be calculated using the lowest exchange rate over the past 10 years. For the exact calculations, the intermediary is encouraged to contact us.

Note that applications from expatriates are acceptable from a restricted list of countries, as follows:

Austria	Estonia	Iceland	Lithuania	Singapore	United Kingdom ²
Belgium	Finland	India	Luxembourg	Slovakia	United States
Brazil	France	Ireland	Malta	Slovenia	
Bulgaria	Germany	Italy	Mexico	South Africa	
Canada	Gibraltar	Japan	Norway	South Korea	
Cyprus	Greece	Kingdom of the Netherlands ¹	Poland	Spain	
Czech Republic	Hong Kong	Latvia	Portugal	Sweden	
Denmark	Hungary	Liechtenstein	Romania	Switzerland	

¹ The Netherlands, the Netherlands Antilles and Aruba

² UK Crown Dependencies

Evidence of identity must be certified as original by the applicant's overseas bankers or a solicitor / notary in their country of residence. Please note the introducing intermediary cannot certify these documents.

As part of our ID verification, the applicant's employers will be contacted to confirm the residential address details held for them.

FOREIGN CURRENCY MORTGAGES

We will not consider foreign currency mortgages, as defined under the EU Mortgage Credit Directive.

APPLICATION FEE

For full details about our application fees please visit familybuildingsociety.co.uk/applicationfees.

LIFE COVER AND INCOME PROTECTION

There is no requirement to purchase life assurance or other protection products. However it is in the applicant's interest to review their financial planning when taking out a new mortgage to ensure that they have adequate protection against the impact of involuntary unemployment, accident or ill-health. For joint applications the Family Building Society may need to consider whether the proposed mortgage is affordable should one applicant predecease the other.

CAPITAL REPAYMENTS AND REDEMPTION

Early redemption of our Standard Variable Rate mortgage, in full or in part by capital repayment, is allowed at any time, without notice or Early Repayment Charge. Redemptions can be arranged within five working days of receipt of the applicant's request.

Other mortgage products will each have specific Early Repayment Charges. The conditions will be stated in the product summary sheet and in the mortgage offer or product switch illustration.

All products are subject to change or withdrawal without prior notice.

The Family Building Society reserves the right to refuse any application submitted.

THE MORTGAGE WILL BE SECURED ON YOUR HOME.

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.

For customer enquiries please contact our New Business Team:



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Family Building Society is a trading name of National Counties Building Society which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

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