

SPECIALIST LENDING CRITERIA OVERVIEW

VERSION 1.11

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1. LOAN CHARACTERISTICS

1.1 Loan Term

Minimum loan term: 5 years

Maximum loan term: 30 years

1.2 Minimum and Maximum Loan Size

2-YEAR PRODUCTS

Minimum loan: £50,000.

Maximum loan: £3,000,000

The maximum portfolio lending we will consider for an applicant is £5 million.

5-YEAR PRODUCTS

Minimum loan: £50,000.

Maximum loan: £3,000,000

The maximum portfolio lending we will consider for an applicant is £15 million.

1.3 Loan to Value (LTV)

LTV is calculated as the loan amount (exclusive of fees for underwriting purposes) divided by the lower of the purchase price or valuation as assessed by the appointed valuer. All references to LTV in this lending criteria are to be read as exclusive of fees, unless explicitly stated otherwise.

Borrowers: - Individual
Limited Company
Limited Liability Partnership (LLP)
First Time Landlords (FTL)

Properties: - Houses in Multiple Occupation (HMO) – Small 1-6 occupants. Large 7+ occupants
Multi-Unit Properties (MUP's) – Small 1-6 units. Large 7+ units

Maximum loan / Loan to Value (LTV) –**Experienced Landlords**

LTV	Up to 70%	Up to 75%	Up to 80% *
Small HMO	<=£3m	<=£2m	<=£750,000 2-Year Products Only
Large HMO	<=£3m	<=£2m	
Small MUP	<=£3m	<=£2m	<=£750,000 2-Year Products
Large MUP	<=£3m	<=£2m	

2-YEAR PRODUCTS**Maximum loan / Loan to Value (LTV) –****First Time Landlords and Ex-Local Authority Properties**

(New Build Properties, including properties to be occupied for the first time, and Ex-Local Authority Properties)

LTV	Up to 65%	Up to 75%
Small HMO Experienced Landlord Ex-Local Authority (FTL Not Acceptable)	<=£1m	<=£1m
Small MUP Experienced Landlord Ex-Local Authority (FTL Not Acceptable)	<=£1m	<=£1m

5-YEAR PRODUCTS

Maximum loan / Loan to Value (LTV) – First Time Landlords (New Build Properties including properties to be occupied for the first time).	
LTV	Up to 75%
Small HMO	<=£1m
Small MUP	<=£1m

Tenancy LTV Restrictions		
LTV	Up to 70%	Up to 75%
Corporate Lets / Housing Associate and Local Authority tenancies not exceeding 5 years	£3m	£2m

Credit Criteria			
All borrowers	Individual Bankruptcy, IVAs or Administration Orders registered 6 or more years ago and discharged at least 3 years ago.	60%	All

* Subject to 15% total portfolio concentration limit in business above 75% LTV

Where the subject property is located above / below / adjacent to the commercial premises, the commercial must be unrelated. For example, if the commercial is owned by the applicant, but is subject to a lease to an unrelated person or company.

Where there is Associated Ownership for freehold and leasehold titles, Keystone Property Finance (KPF) will require a Comfort Charge on the freehold title, in addition to a leasehold charge.

Where multiples LTV's may be applicable, lending will be restricted to the lowest LTV.

1.4 Fees

Arrangement fees can be added to all loans. See separate criteria for Switch & Fix products.

1.5 Loan Purpose

Applications will be considered for the purchase or remortgage of a residential investment property.

Remortgage of the original purchase within 6 months of the purchase date, is acceptable where: -

1. Bridging finance was used for the initial purchase.
2. Cash was used for the original purchase, and the borrower can demonstrate source of funds and source of wealth in the original purchase.
 - a. Suitable proof of wealth is one of:
 - i. Statement of pension drawdown
 - ii. Signed contract governing disposal of property or business Interests.
 - iii. Liquidation of investment portfolio supported by certificate of disposal.
 - iv. Dividend payments supported by company accounts.
 - b. Suitable proof of funds is one of:
 - i. Personal bank statements dated at the time of purchase showing funds used. These should include evidence of a build-up of funds or if a lump sum, where this came from.
 - ii. Signed completion statement of the original purchase.

Remortgage within 6 months of the purchase date and post refurbishment of a property will be considered up to a maximum of 100% of the evidenced costs of the project provided that the LTV remains within the normal product maximums. Breakdown of the works undertaken must be provided to the valuer on instruction for consideration.

Remortgages after 6 months of the purchase date can be considered subject to LTV limits (see 1.3 above).

Capital raising will be considered, subject to scheme maximums and lending criteria being met.

Remortgages for Trading Limited Companies or Limited Liability Partnerships, may be considered, providing the purpose is not for cashflow or consolidation of debt. These applications will be subject to full underwriting, which will include analysis of the latest 1-year's trading accounts, bank statements as well as Directors' or Designated Member's personal financial standing.

Remortgages of an applicants' existing or former main residence can be considered, providing they already have an existing buy-to-let property.

Remortgages of an applicants' existing BTL property, for the purchase of a new residential property or repayment of the applicant's former residential home, can be considered subject to proof that the subject property has been rented out for a full 12 months and full disclosure of the circumstances.

Where an applicant has purchased a property and then split the title to enhance the value, LTV will be assessed against the purchased price unless the applicant has also added physical value to the property, or six months have passed since the purchase.

Contract reassignments on new build flats can be considered, providing lending is against the original purchase price, or valuation, whichever is the lower.

We will not consider loans for the following purposes:

- Repayment of gambling debts or recurring tax liabilities such as Corporation Tax, VAT, or Income Tax.
- Back-to-back sales within 6 months of the original purchase
- Sale and lease back.
- Purchase via a property club
- Mortgages deemed to be Consumer Buy to Let
- Properties to be used as a developer's "Show Home" may be considered, subject to the strength of the developer and an appropriate Corporate Let being in place.

1.6 Rental Income Cover

Applicant Type	Taxpayer	RTI	RTI @ Product Pay Rate	RTI @ Notional Rate or product pay rate whichever is the higher
Individual	Basic Rate	125%	5-year & 7-year products	Variable or Fixed Rate less than 5 years- the product rate +2% or minimum rate 5.5%
Individual	High Rate	145%	5-year & 7-year products	Variable or Fixed Rate less than 5 years- the product rate +2% or minimum rate 5.5%
Limited Company	Limited Company	125%	5-year & 7-year products	Variable or Fixed Rate less than 5 years- the product rate +2% or minimum rate 5.5%
FTL - MUP	Individual	170%	5-year & 7-year products	Variable or Fixed Rate less than 5 years- the product rate +2% or minimum rate 5.5%
FTL - MUP	Limited Company	150%	5-year & 7-year products	Variable or Fixed Rate less than 5 years- the product rate +2% or minimum rate 5.5%

1.6.1 Portfolio Landlords

Borrowers with, or looking to acquire, 4 or more mortgaged buy to let properties, will be classed as a portfolio landlord.

A buy to let property portfolio schedule will be required, this will be subject to further analysis, including Automated Valuation Models or validation checks using Land Registry.

Portfolio Landlords are acceptable where the mortgage being applied for fits KPF lending policy and:

1. The LTV of the borrower's portfolio (including any unencumbered properties) is no more than 80%
2. The stressed rental coverage (on an interest only basis, stressed at the notional rate) of the portfolio, including unencumbered properties, is at least 125%

Loans within the portfolio carrying a stress rental coverage of less than 100% will be subject to further underwriting.

1.7 Deposits

1.7.1 Proof of Deposit

Confirmation of source is required at FMA submission.

1.7.2 Builder or Vendor Deposit Schemes

Builders' or vendor's deposits are acceptable subject to a maximum contribution of 5% of the purchase price, providing the valuer has been made aware of any incentives when conducting the valuation.

The UK Finance Disclosure of Incentives Form and a list price should be provided.

Developer deposits / incentives secured by way of second charge and rental guarantees are not acceptable.

1.7.3 Gifted Deposit

Gifted deposits from family members only will be accepted.

Where the applicants are purchasing from a family member, transactions on this basis must be at full market value.

Gifted deposits outside of the UK cannot be considered from countries on the FATF Black and Grey list.

Parental / family gifts are acceptable as a means of deposit provided that the parents / family register no security in the property. Please see our web page for a Deed of Gift form confirming the gifted amount and that they will take no interest in the property. This must be received prior to offer.

Family members are defined as: -

- Parents (including Stepparents and In-Laws),
- Grandparents
- Grandchildren
- Siblings
- Children
- Spouses

- Civil Partners
- Aunts and Uncles.

1.8 Methods of Repayment

KPF supports two methods of repayment: Interest Only and Capital Repayment.

1.9 Guarantors

Guarantors are not required for individual applications.

All Directors for limited companies are required to sign full personal guarantees for 100% of the loan amount.

All Designated Members for a Limited Liability Partnership are required to sign full personal guarantees for 100% of the loan amount.

2. APPLICANTS

2.1 Number of applicants

The maximum number of applicants must be limited to 4.

2.2 Age of applicants

Minimum age of the first applicant is 21 years old. Additional applicants must be at least 18 years or older.

When lending to individuals the mortgage term must expire before the youngest applicant becomes 89 years old.

When lending to limited companies or Limited Liability Partnerships, there are no maximum age limits applied.

2.3 Individuals

KPF will lend to employed and self-employed individuals as follows:

Employed – There is no minimum term of employment or minimum income requirement; however, any applicant in receipt of Universal credit will not be acceptable (for housing, any Income support, jobseekers, and working tax credit).

Self-employed – There is no minimum term of self-employment or minimum income requirement. Where a company director owns 20% or more of the company shares, they will be treated as self-employed.

At least one applicant must be a homeowner. Where an applicant is not a residential homeowner, the application may be considered provided an applicant owns one Buy-to-Let property which has been rented for a minimum of at least 6 months.

Applicants must have 3 years residential history in the UK.

2.4 First Time Landlords

Applicants who have not owned and let a buy-to-let property in the last 6 months will be considered to be a First Time Landlord (FTL) and the following additional criteria will apply:

- Is purchasing a single dwelling residential securities
- For FTL LTV restrictions, refer to section 1.3 LTV.
- Minimum income £25,000 for at least one applicant who must also be the homeowner.
- Minimum age of 21 years old (all applicants)
- At least one applicant must own their current home, with 6 months satisfactory conduct where mortgaged. Note that if the applicant does not have a current mortgage and there is no mortgage account conduct visible on credit bureau, proof of property ownership will be required (e.g., title showing applicant as owner)
- Maximum loan amount £1m
- A House in Multiple Occupation ("HMO") of less than or equal to 6 units are acceptable, subject to rental income below: -
 - 170% income cover for individuals at either pay rate or Notional Rate as detailed in section 1.6 (Rental Income Cover)
 - 150% income cover for limited companies or Limited Liability Partnerships at either pay rate or Notional Rate as detailed in section 1.6 (Rental Income Cover)
- MUP with less than or equal to 6 self-contained flats are acceptable, subject to rental income below: -
 - 170% income cover for individuals at either pay rate or Notional Rate as detailed in section 1.6 (Rental Income Cover)
 - 150% income cover for limited companies or Limited Liability Partnerships at either pay rate or Notional Rate as detailed in section 1.6 (Rental Income Cover)

2.5 Expatriates

Expatriate applicants, British Citizens who are now working abroad or retired, can be considered, either to individual (s) or the name of a Limited Company or the name of a Limited Liability Partnership. The applicant must also satisfy the following conditions and requirements:

- Acceptable Countries may include but are not limited to countries in the European Economic Area and any country within the FATF (Financial Action Task Force) excluding any country within the Black and Grey FATF list.
- Must have an active credit footprint in the UK
- Must have paid UK tax or declared income for UK tax purposes.
- Must have at least one BTL property in the UK.
- If employed, must be employed by multi-national employer or acceptable Sovereign entities.
- If employed, must have confirmation in writing from the employer of the applicant's residential address in the foreign country and period of residency.
- Must have minimum expatriate employed income of £25,000 per annum
- If retired, must have income from pension of a minimum of £25,000 per annum from a

recognised pension fund.

- If self-employed Ex Pat have at least 2 current BTLs and can show income from their current business with accounts provided by a fully regulated and Qualified Accountant Chartered Accountant (CA), Association of Chartered Accountants (ACA), (CAI) , (SAICA) (CAANZ), Associate of Chartered Certified Accountants (ACCA), Certified Public Accountant (CPA)
- Must have a UK bank account.
- Must have a UK correspondence address.
- Where applicable, must provide the latest 1-year's SA100 (Full Tax Returns), SA302 or Tax Calculations, and the supporting Tax Year Overview.

2.6 Foreign Nationals

All applications from foreign nationals must have either:

- Indefinite leave to remain / enter
- Leave to remain
- Settled status
- Or be an Irish Citizen

2.6.1 Indefinite Leave to Remain

These applicants will need to produce a share code for KPF to check their immigration status or an Indefinite Leave To Remain stamp / sticker in a valid passport.

If the applicant does not have indefinite leave to remain, please refer to our Intermediary Support on 0345 148 9086 or Team or your local BDM.

2.6.2 Leave to Remain

These applicants will need to provide a share code for KPF to check their immigration status through their eVisa, in addition to the following criteria:

- Minimum 25% deposit which must be from the applicant's own resources. Gifts and builder's deposits incentives are not acceptable; unless they are in addition to the 25% deposit provided from the applicant's own resources.
- Provide a valid Passport
- Applicants must have been legally resident in the UK for at least the last 3 years.

Applicants holding a dependent visa may be accepted subject to further supporting evidence.

Spousal and partner visas will be considered for joint applications where one applicant is a British citizen and resident in the UK.

Applicants must have their salary paid into a UK bank account.

If the applicant does not have leave to remain, please refer to our Intermediary Support on 0345 148 9086 or Team or your local BDM.

2.6.3 Settled Status

These applicants will need to provide a share code for KPF to check their immigration status through their eVisa, in addition to the following criteria:

- Need to prove they have been a legal resident in the UK during the last 3 years.
- Provide a valid Passport.
- Provide a minimum of a 25% deposit, which must be from the applicant's own resources. Gifts and builder's deposits incentives are not acceptable; unless they are in addition to the 25% deposit provided from the applicant's own resources.

2.6.4 Irish Citizen

Applicants need to provide a valid Irish Passport.

All applicants must have their salary paid into a UK bank account.

Electronic travel authorisation (ETA) cannot be used to evidence the immigration status.

2.7 Overseas Applicants

Overseas applicants (not classified under 2.5 or 2.6 above) cannot be considered.

2.8 Limited Companies

Limited company and LLP's applications are acceptable if the company is registered in England, Scotland and Wales.

Special Purpose Vehicle (SPV) companies, set up for the purpose of letting of own property, can be considered. These companies should have a Standard Industry Classification (SIC) code 68100, 68209 or 68320. No minimum period of trading is required for newly formed SPV companies.

Consideration can also be given to companies, incorporated for the purpose of recording director's income from consultancy or contracting, such as IT. These companies would not be considered a trading business and do not require a minimum trading period. Evidence of income will be required in the form of the latest 1-year's accounts, or if incorporated for a shorter period a copy of a current Contract and / or up to 3 months bank statements showing income received.

Trading companies with a minimum 2-years trading history can be considered, providing the company can demonstrate positive trading figures from the latest 1-year's accounts.

The maximum number of Directors is 4. All directors must sign and complete the application form and be a party to the mortgage.

Anti-Money Laundering checks must be carried out on all Directors.

Should a company have a shareholder, with 20% or larger, holding in the company, that is not a director, the shareholder will be subject to credit, fraud, and public record checks.

Should a company have a shareholder, that is another company, consideration can be given providing both companies have common directors and shareholders.

Personal Guarantees will be required from the Directors for 100% of the loan amount.

Occupation of the security property by a director of the Limited Company or any relative of the Director of the Limited Company is not permitted.

2.9 Limited Liability Partnerships (LLPs)

Please refer to your BDM / Intermediary Support Team.

3. SECURITY / PROPERTY

3.1 Location

KPF will lend on residential investment properties in England and Wales (excluding Isle of Man and Isles of Scilly).

3.2 Tenure

The tenure of the property must be Freehold or Leasehold.

Commonhold properties will be excluded.

Leasehold houses and flats must have an unexpired term of at least 50 years at the end of the mortgage term.

Freehold houses and bungalows are acceptable when of standard construction.

Freehold flats and maisonettes are not acceptable.

Transactions involving title splits will be considered on their individual merits. Any changes to title required to achieve this must be in place prior to completion.

Where the leasehold and freehold titles are known to be owned by associated parties, these applications can be considered.

3.3 New Build

All new build houses or flats must be referred to your BDM / Intermediary support team on 0345 148 9086.

Residential property built within the last ten years must hold an acceptable New Build Warranty.

Properties created from the conversion of a building can be considered, subject to having appropriate planning permission Professional Consultant's Certificate (PCC) and having a suitable tenure.

3.4 Multi-Unit Properties (MUP)

KPF will accept single freehold and leasehold properties split into self-contained flats, providing each flat is over 30 Sq. m.

The maximum number of self-contained units in one property should not exceed 20.

Leasehold properties must have an unexpired term of at least 100 years at application.

Properties will not be considered where more than 50% of the units are on long leases.

Multi-unit properties consisting of houses are acceptable, subject to satisfactory valuer comments.

Valuations will be undertaken on the Residential Investment Property Report form.

3.5 Houses in Multiple Occupation (HMO)

Maximum number of bedrooms is 20 and all necessary consents must be in place. Sight of the HMO license is required if the Local Authority deems it necessary or:

- The property is rented to 5 or more people who form more than 1 household: and
- Tenants share toilet, bathroom, or kitchen facilities.
- Local authorities may impose additional or selective licensing requirements dependent on the property. It will be the responsibility of the applicant that the property meets these requirements and holds the appropriate licence.
- If the property is a purchase and / or first usage as an HMO, an undertaking will be required from the applicant(s) that the applicable licence will be applied for within 30 days of completion of the loan.
- If the property is a remortgage and is currently an HMO, we require a copy of the HMO licence.
- In all cases your solicitor must ensure that all necessary Local Authority building and planning consents have been obtained for any completed alterations to the property. If results of such enquiries reveal that consent has not been obtained, this must be reported to us in writing prior to completion.
- The applicant must have owned and let a minimum of one buy to let property for 6 months, otherwise they are considered a First Time Landlord, and a maximum of 6 units are acceptable, subject to rental income below:
- 170% income cover for individuals at either pay rate or Notional Rate.
- 150% income cover for Limited Companies or Limited Liability Partnerships at either the pay rate or Notional Rate.
- Available to Limited Companies, LLP's and Individual application.

3.6 Holiday Lets

"Holiday Let Loan" means a Mortgage Loan in respect of which:

- The relevant Property is fully furnished and is, or is expected to be, let on a short-term basis for at least 210 days per 365-day period.
- The value and rental coverage of a Holiday let will be assessed on the same basis as if it had a single Assured Periodic Tenancy ("APT") or either a Secure Occupation Contract or Standard Occupation Contract in Wales in place.
- Multi-Unit Properties can be considered where the borrower has provable Holiday Let experience.

3.7 Ex-Local Authority, Housing Association or Ex-Ministry of Defence

Applications where the property is ex-local authority, housing association or ex-MOD flat, these can be considered, subject to good marketability, construction type, location and confirmation of a minimum of 40% private ownership within the block and subject to satisfactory valuer comments.

Where private ownership is 25-40%, an LTV cap of 65% LTV is to be applied

Flats and maisonettes with deck access, in blocks where private ownership is >40% will be

considered subject to maximum LTV as detailed in section 1.3, subject to underwriter's approval and valuer's comments regarding rentability and re- saleability.

Properties with more than 7 storeys with a lift are acceptable subject to the valuer confirming marketability and adequate condition.

3.8 General Property Types

Basement flats - are acceptable where the property is located in London, over 30 square metres and benefits from natural light.

Number of Storeys- there is no maximum number of storeys but properties with more than 7 storeys must have a lift.

Modern timber framed construction- modern timber framed construction, and properties incorporating modern methods of construction components' can be considered subject to valuers' comments on rentability and re-saleability. Appropriate warranties must be in place.

Studio flats- acceptable to:

- Being self-contained, with a separate bathroom.
- Having natural light
- Minimum size of 30 square metres.

Properties with two kitchens will be considered on a case-by-case basis, subject to a satisfactory explanation.

3.9 Properties Where the Borrower Owns Adjacent Land

Properties where a customer separately owns adjacent land or an access road, terraced or semi- detached properties can be considered, providing there are clear boundaries and no adverse valuer's comments.

Applications where the borrower's main residence adjoins the property or shares access (where the borrower owns both properties) will be considered on a case-by-case basis.

3.10 Self-Build Properties

Applications for properties that have been built or converted by an applicant who is a property developer / qualified builder can be accepted, providing the property is fully complete and will be let on completion.

Properties built by the applicants, where they are not considered suitably qualified builder or contractor, will not be considered.

Appropriate new build warranties, building control, and planning approval will be required.

3.11 Unacceptable Properties

The following types are considered unacceptable security:

Properties with a valuation below £75,000.

Properties with unexpired lease term of less than 50 years at end of the mortgage term.

Freehold flats and Maisonettes

Shared Ownership properties.

Properties with more than 7 storeys with no lift

Commercial properties

Properties subject to restrictions e.g. Agricultural, retirement flats etc.

Properties with more than five hectares / 12 acres

Self-Build where the property was built by an unqualified applicant or contractor.

Unimproved / uninhabitable properties (no kitchen or bathroom)

Prefabricated or large panel concrete construction (LPS)

Prefabricated reinforced concrete construction (PRC)

Concrete block construction designated Mundic.

Properties of High Alumina Cement Mundic block materials

BISF, Metal and Steel framed properties

Any property designated defective under the Housing Act.

Properties with ongoing structural movement or movement that requires monitoring.

Underpinned properties where no guarantees are available.

Uninsurable properties or properties subject to an ongoing insurance claim.

Properties on an unremediated contaminated site or where the Valuer advises possible contamination issue.

Properties where future saleability may be adversely affected by the presence of electricity pylons, mobile masts or other forms of transmitter.

Properties with solar panels that have not been purchased outright.

Properties likely to be adversely affected by local planning, e.g. road widening

Grade I listed buildings.

Second homes

Mobile homes and houseboats

The interior / exterior condition of the property is poor, and demand is poor.

The saleability of the property is affected by local factors and demand is poor.

Determined as unacceptable security by the appointed valuer.

Less than 10 years old without NHBC guarantees or equivalent certificate.

Tyneside Flats

Other non-traditional built property including:

- Wimpey No-Fines (if constructed prior to 1946 or property is a bungalow or flat)
- Laing Easiform construction (if constructed prior to 1966 or property is a bungalow or flat).

3.12 Insurance

KPF requires ALL security to hold at least buildings-only insurance cover for no less than the rebuild value of the property as indicated on the valuation report. Confirmation of this cover will be required prior to the completion of the advance. Where possible KPF interest should also be noted.

4. VALUATION

4.1 Special Reports

The Valuation Report may recommend that specialist reports be obtained. Such reports may be required either prior to the issue of a Mortgage Offer, or as a condition of the Mortgage Offer, depending upon the nature and extent of works required. Once obtained, we may consider referring the case back to the valuer.

- Structural Engineer: Properties evidenced by the valuation report as having actual or potential structural movement may mean we may not be able to proceed. Each case will be individually reviewed.
- Timber and Damp: Dry rot, wet rot, infestation by wood-boring insects. Report to be obtained from one of the following:
 - Property Care Association (PCA)
 - Wood Protection Association (formerly BWPDA)
 - Safeguard (Europe) Ltd
 - Sovereign
 - Wykamol
- Electrical Installation: Report to be obtained from a National Inspection Council for Electrical Installation Contractors (NICEIC) or NAPIT approved contractor.
- If Japanese Knotweed (JKW) If JKW Japanese Knotweed is present within the boundary of the property or neighbouring properties the valuation report will confirm which of four categories applies.
 - If Management Category A which is where JKW is present and causing visible material damage to a significant structure, a full report and detailed insurance backed treatment plan will need to be carried out by an appropriately qualified person who is a member of the Property Care Association (PCA) or the Invasive Non-Native Specialist Association (INNSA) under a JKW Management Plan.
 - When treatment is required it must be carried out by a member of the PCA, or INNSA, backed by a long-term insurance guarantee, and a full retention made until the first part of the treatment programme has been successfully undertaken. The insurance guarantee must be property specific and transferable to subsequent owners and mortgagee in possession.
 - If Management Category B which is where there is no material damage to structures, but JKW is likely to prevent use of or restrict access to amenity space, then a full report and detailed insurance backed treatment plan will need to be carried out by an appropriately qualified person who is a member of the Property Care Association (PCA) or the Invasive Non-Native Specialist Association (INNSA) under a JKW Management Plan.

- When treatment is required it must be carried out by a member of the PCA, or INNSA, backed by a long-term insurance guarantee, and a full retention made until the first part of the treatment programme has been successfully undertaken. The insurance guarantee must be property specific and transferable to subsequent owners and mortgagee in possession.
- If Management Category C applies, which is where JKW is present, but it is not causing damage, or affecting amenity space, then details should be provided and reviewed on individual merits and valuers recommendations considered.
- If Management Category D applies, which is where the JKW infestation is off site, then details should be provided and valuers recommendations considered.
- Gas Installation: Report to be obtained from a Gas Safe registered contractor.
- Trees: Report to be obtained from a consultant / contractor approved by the Arboricultural Association, NCH ARB, Dip Arb
- Cavity Wall Tie: Report to be obtained from a Structural Engineer, qualified Building Surveyor or a reputable specialist company experienced in wall tie replacement.
- Asbestos report to be provided where advised within the valuation reports.
-

4.2 Energy Performance Certificate (EPC) Rating

Where required, properties must achieve a minimum EPC rating of E. Properties that do not meet this standard will be subject to further underwriting.

5.TENANCY

5.1 Occupation

Tenant occupation must be for wholly residential purposes only.

Occupation of the security property by an applicant or immediate family is not permitted, with the exception of MUPs where immediate family may occupy less than 40% of the available units.

In addition, tenants must not be:

- Asylum Seekers.
- Persons having diplomatic immunity.
- Persons who are sub-letting the property.
- Protected or Regulated.

5.2 Tenancy Type

The property may only be let on one of the following types of tenancy:

A single APT in England or either a Secure Occupation Contract or Standard Occupation Contract in Wales. Alternatively, an appropriate common law tenancy.

Corporate Lets not exceeding 5 years are acceptable subject to LTV limits as detailed in section

1.3 where the tenant is an acceptable corporation. These will be subject to additional checks on the corporation to ensure its continued sustainability.

Local Authority and Housing Association Lets not exceeding 5 years are acceptable subject to LTV limits as detailed in section 1.3, subject to confirmation of the letting arrangements.

For Corporate, Local Authority and Housing Association Lets, sight of a signed agreement or copy of the proposed agreement will be required on all cases of this nature for consideration.

For Holiday Lets, the property must be furnished and available for let on a short-term basis for a minimum of 210 days of a 365-day period.

6. CREDIT HISTORY

All borrowers must satisfy credit criteria.

6.1 Credit Criteria

TYPE	PRIME
Active Credit Records	At least one borrower must have an active credit history.
CCJs	No CCJ registered within the last 24 months, regardless of whether they have been satisfied, 1 CCJ in 24-36 months. (Max £2,500).
Defaults	No default registered within the last 12 months, regardless of whether they have been satisfied. 1 default permitted in the last 24 months (Max across all borrowers).
Individual Bankruptcy, IVAs or Administration Order	Registered more than 6 years ago. Discharged at least 3 years. Applicants with a financial associate that has been declared bankrupt or subject to an IVA or administration order are acceptable.
Company CVA or Administration Order	No history of directorships of liquidated / wound up companies or receiverships / CVA's within the last 6 years unless a satisfactory explanation can be provided. Applicants with a financial associate that has been subject to either a CVA or administration order are acceptable. The 6-year history is deemed from the commencement of proceedings.
Mortgage Arrears	Worst Status of 0 in the last 12 months with 1 in the last 24 months.
Secured Loan	Worst status of 2 in the last 24 months with 0 in the last 12 months.
Credit Cards Arrears	Worst status of 2 in the last 24 months with 1 in the last 12 months
Unsecured Loan Arrears (including car finance)	Worst status of 2 in the last 24 months with 1 in the last 12 months
Other Unsecured Arrears (Mail Order, Mobile Phone, Utility,	Worst status of 6 in the last 24 months.

Current Accounts)	
Repossession and Voluntary Surrender	No repossession or Voluntary Surrender registered against any borrower.
Payday Loans	Applicants who have entered into a pay day loan in the last 24 months or are still repaying a pay day loan are not acceptable.
Debt Management Plan	Applicants who have entered into a debt management plan in the last 24 months, or are still repaying, a debt management plan are not acceptable.
Arrangements with Lenders (including forbearance)	Active arrangement with other lenders are unacceptable.

7. SOLICITORS AND LEGAL INFORMATION.

7.1 Individual and Limited Company Applications

KPF will normally instruct the client's solicitor to act for both parties in respect of both conveyance and compilation of the lenders requirements regarding letting of the property.

The solicitor must be registered with the Law Society and have a minimum of 3 SRA approved managers in the firm. Corporate SRA managers are not acceptable. KPF will not accept licenced conveyancers.

For limited company applications solicitors must electronically file the relevant charge documentation at Companies House.

In all cases, any costs or charges incurred will be the responsibility of the applicant(s) whether completion takes places or not.

7.2 Direct Debit Mandate

A Direct Debit Mandate (DDM) must be in place prior to completion of the mortgage and must be drawn on a UK bank account acceptable for direct debit collections and in the same name as the application. This excludes accounts based in Guernsey, Jersey & Isle of Man.

7.3 Validity Periods

DOCUMENT	VALIDITY	ACTION ON EXPIRY
Valuation	6 months	Re-inspection is required.
Offer	3 months	Reoffer is required.

7.4 Title Insurance

Title insurance is acceptable for remortgages and purchase from an individual or a Limited Company into a Limited Company where there are related parties and high levels of common ownership.

These are subject to the following: -

Maximum Loan £2m

Standard property or

Small HMO (1-6 occupants)

8. PRODUCT TRANSFER

8.1 Requirements

- The loan must fit LTV requirements.
- Only current products can be selected.
- The Arrangement Fee may be added to the new loan.

8.2 Company applications

- A change in Directors is not permitted. A new application will be required if there has been a change in the Directors (addition or replacement).
- Change in percentage shareholding is permitted if the Directors remain unchanged.

8.3 Credit History

- Applicants must meet requirements under Section 6.1 Credit Criteria.
- The mortgage subject to Product Transfer must be up to date with no arrears.
- No historic arrears greater than 1 month permitted on the mortgage subject to Product Transfer.

8.4 Valuations

- A new valuation will be required.
- Validity period of valuation: 6 months.

8.5 Offer

- A new offer will be produced and will need to be signed by all applicants.

9. PRODUCT TRANSFER PLUS

Product Transfer Plus is for applicants where their current fixed rate is due to expire, and they wish to transfer the current loan to a new fixed rate but wish to take out additional borrowing to release some of the current equity in the property.

9.1 Product Transfer Plus Criteria

- Loan must fit LTV requirements.
- Only current available products can be selected.
- Arrangement Fee may be added to the new loan.

9.2 Credit History

- Applicant must meet requirements under Section 6.1 Credit Criteria of the Lending Criteria
- Company searches will be undertaken to ensure applicant meets requirements under Section 6.1 Company Searches
- Mortgage subject to Product Transfer Plus must be up to date with no arrears.
- No historic arrears greater than 1 month permitted on the mortgage subject to Product Transfer Plus.

9.3 Valuations

- A new physical valuation is required by one of KPF's approved valuers.
- Validity period of valuation: 6 months.

9.4 EPC Rating

Where required, properties must achieve a minimum EPC rating of E. However, exemption to this rule is allowed in certain circumstances, for example for Grade II listed buildings. KPF will consider these exemptions if the security is readily saleable, rentable and the applicant can provide a valid exemption certificate.

For Green products the EPC rating must meet the EPC rating as determined by the product.

9.5 Company Applications

- A change in Director(s) is not permitted. A new application will be required if there has been a change in the Directors (addition or replacement).
- Change in percentage shareholding is permitted if the Directors remain unchanged.

9.6 Guarantee and Indemnity

- A new Guarantee and Indemnity will be required unless Version 2.2, 2024 or above has been signed which accommodates increased loan amount.
- All Directors for limited companies are required to sign full personal guarantees for 100% of the new loan amount.

- All Designated Members for a Limited Liability Partnership are required to sign full personal guarantees for 100% of the new loan amount.

9.7 Perfect Title Insurance

- Perfect Title Insurance is a requirement on a Product Transfer Plus loan.

9.8 Offer

- A new offer will be produced.

10. Semi-Commercial

Semi-Commercial loans are for MUP, with acceptable freehold, or long leasehold titles, where one or more units within the title is commercial.

10.1 Term

Minimum term: 5 years

Maximum term: 30 years

10.2 Minimum and Maximum Loan Size

Minimum loan: £125,000.

Maximum loan: £2,000,000.

Minimum Property Valuation £200,000 (to include both Commercial and Residential Element).

10.3 Loan to Value (LTV)

LTV is calculated as the loan amount (exclusive of fees for underwriting purposes) divided by the lower of the purchase price or valuation as assessed by the appointed valuer. All references to LTV in this lending criteria are to be read as exclusive of fees, unless explicitly stated otherwise.

We require a maximum of up to 75% LTV based on Vacant possession or Market Value whichever is the lesser.

Maximum loan / Loan to Value (LTV) – Semi-Commercial		
LTV	Up to 75%	Up to 65%
Loan Size	<=£1m	<=£2m

10.4 Fees

Arrangement fees apply to all products. These can be added to the loan or paid upfront.

10.5 Loan Purpose

Semi-commercial is for applicants where they are purchasing or remortgaging a property that contains a commercial element. Also see section 1.5.

We will consider loans where it is confirmed: -

- The commercial is greater than 50% of the value of the total property

10.6 Rental Income Cover

Applicant Type	Tax Payer	RTI	RTI @ Product Pay Rate	RTI @ Notional Rate or product pay rate whichever is the higher*
Individual	Basic Rate	130%	5 year & 7 year	All products less than 5 year fixed.
Individual	High Rate	145%	5 year & 7 year	All products less than 5 year fixed.
Limited Company / LLP	Limited Company / LLP	130%	5 year & 7 year	All products less than 5 year fixed.

*Notional rate as amended and published by the Credit and Risk committee from time to time. The notional rate is detailed within the Product Guide and is subject to a floor of 5.5%.

The stressed rental coverage will be calculated using the rental income from the residential units only. The rental achieved by the commercial unit(s), will be noted, but excluded for calculation purposes.

10.7 Applicants

KPF will lend to the following: -

- Individuals
- Limited Company
- Limited Liability Partnerships

Applicants must be considered experienced landlords, with 2 or more BTL or semi commercial assets.

Ex-Pats may be considered, but Semi-Commercial rates will take precedence.

Occupation of the security property by an applicant is not permitted, with the exception of MUPs where immediate family may occupy less than 40% of the available residential units.

Remortgages of an applicants' existing or former main residence can be considered, providing they have an existing buy-to-let property already.

Remortgages of an applicants' existing BTL property, for the purchase of a new residential property or repayment of the applicant's former residential home, can be considered subject to proof that the subject property has been rented out for a full 12 months and full disclosure of the circumstances.

10.8 Supporting Documentation

In addition to a completed KPF application form, the following documents will be required to support the application:

Details of the commercial units in the security.

Copy of the commercial lease agreement.

10.9 Security / Property

10.9.1 Location

KPF will lend on standard residential investment properties in England and Wales (excluding Isle of Man and Isles of Scilly).

10.9.2 Tenure

The tenure of the property must be Freehold or Leasehold. Also see sections 3.2.

10.9.3 Property

Criteria must be met in respect of the value of the residential element, which needs to be greater than 50% of the value, as confirmed in the valuation and have its own separate access.

Blocks with multiple flats above commercial can be considered.

Minimum flat size is 30 Sq. M.

HMO and MUFB are acceptable.

Residential element is to be self-contained and have its own access.

10.9.4 Tenancy

Residential tenant occupation must be for wholly residential purposes only. Also see sections 5.1.

Commercial element, must be Tenanted or Owner occupied

10.9.5 Unacceptable Properties

Agricultural properties

Amusement arcades

Car showrooms

Casino

Educational Facilities, including schools

Gymnasiums

Hostels

Kennels & Catteries

Nightclubs

Nursing home

Petrol/ex-petrol stations

Places of worship

Properties with EPC rating that is not A-E

Pubs

Religious meeting places

Social club

10.10 Valuations

- Specialist physical valuation is required by one of KPF's approved valuers.
- Validity period of valuation: 6 months.
- Semi Commercial properties the valuer should be qualified as F.R.I.C.S. or M.R.I.C.S.
- A full physical valuation is required for both the residential and commercial elements.
- The valuer is to confirm:
 - Market Rent or passing rent for ICR purposes.
 - Residential part must have own separate access.
 - Residential element must exceed 50% of the total valuation of both elements.
 - Sales and letting marketability period of 12 months or less.
 - Property to be fit for immediate occupation
 - Residential element is self-contained

10.11 Energy Performance Certificate (EPC) Rating

The property must meet necessary Minimum EPC Standards post works. If below EPC Grade E on application the valuer / Underwriting to validate costs to upgrade property.

10.12 Tenancy

Where the property is capable of being let, it should let in according with section 5.2.

10.13 Credit History

Applicant must meet requirements under Section 6.1 Credit Criteria of the Lending Criteria

Company searches will be undertaken to ensure applicant meets requirements under Section 6.1 Company Searches.

10.14 Solicitors and Legal Information

See also section 7.

Where the Property is tenanted, Solicitors must confirm that the lease is drawn on commercially acceptable terms.