

Intermediary Buy to Let Lending Criteria

December 2018

Your clients need to meet our normal residential lending policy, where applicable.

What's changed?

The following section has been updated:

Early repayment charges (ERC)

- Updated to include changes to the amount of days following completion the customer can repay the product fee where it has been added to the loan.

We will not be able to proceed with the application if any of the following apply:

1. Any applicant is aged under 21.
2. Any applicant is aged over 70.
3. Any applicant lives outside the UK; or any non-UK citizen does not have a permanent right to live in the UK.
4. The applicant does not own the residential property in which they live. For joint applications one applicant must own the residential property in which they live.
5. For purchase **or** remortgage applications, on completion of this mortgage, the applicants will own more than three mortgaged let properties on their own or with anyone else or more than ten let properties.
6. For remortgage without capital raising applications (under transitional arrangements), on completion of this mortgage, the applicants will own more than three mortgaged let properties with Santander or more than ten let properties.
7. This Buy to Let mortgage is FCA regulated.
8. The property value is below £75,000.
9. The LTV will be more than 75%.
10. The application includes any capital raising for business use, other than for Buy to Let purposes.
11. The property is subject to planning restrictions preventing occupation for 52 weeks a year.
12. The property will be let to more than four named individuals on a single tenancy agreement; or more than one tenancy agreement.
13. The (proposed) tenant(s) previously owned the property.
14. The property is leasehold and the leaseholder will retain a controlling interest in the freehold.
15. The property is a freehold flat.
16. You (the intermediary) do not hold the appropriate interim permission or authorisation from the FCA to allow you to submit this application to us.

General Buy to Let conditions

- Our Buy to Let mortgages do not allow a landlord to borrow additional funds from Santander after completion of the mortgage.
- We reserve the right to ask for additional customer information where we deem necessary.

Affordability

Our Buy to Let calculator confirms the maximum we may be able to lend up to 75% LTV.

All Buy to Let properties must meet the following criteria:

- Our minimum rental cover at the Buy to Let affordability rate on an interest only basis:

Application type	Rental cover		Buy to Let affordability rate	
	At least one applicant's income tax band is 20% or less ¹	All applicants' income tax bands are 40% or 45%	Less than 5 year products	5 year fixed
Purchase or remortgage	130%	145%	5.50%	4.50% ²
Remortgage without capital raising (meets eligibility criteria for transitional arrangements)	125%	125%	5.00%	4.50%

¹ The income tax band selected should take into account profit on rental income for all properties that the applicant will own on completion.

² Porting applications don't qualify for the 4.50% affordability rate so 5.50% applies.

- Eligibility criteria for **transitional arrangements**:
 - New BTL remortgage application must not be capital raising (adding product fees is allowed, adding ERCs is not allowed)
 - BTL property must have been purchased before 1 January 2017
 - No additional BTL lending has been taken on or after 1 January 2017.
- You'll need to see evidence from your clients that they meet this criteria before you submit the mortgage application, for example a copy of their mortgage statement. You'll also need to keep this on file for at least two years. We may need to see a copy of this evidence.
- Must also be self-financing so the rent must cover both 100% of the mortgage payment at the higher of our Buy to Let affordability rate, product rate or Santander's Follow-on Rate (based on the chosen repayment method) plus monthly running costs.

- We use the lower of our valuer's opinion of the rent or the ongoing/anticipated rent received.

Applicants

Maximum of two customers per application.

Conflict of interest

Intermediaries are required to act appropriately where an application represents a potential conflict of interest situation. This includes dealing with applications in your own name(s) or on behalf of relatives.

For firms where there is no independent person to process the application and validate all necessary documentation, the application will need to be put through another firm.

Credit history

- Landlord must be creditworthy and have a good track record as evidenced by a good credit score.
- Landlord must not be overcommitted on other secured and unsecured borrowings.

Criminal record

We do not accept applications from customers with a criminal record, unless the conviction is for a minor traffic offence, or is spent under the Rehabilitation of Offenders Act 1974.

Deposits

All parties contributing towards the purchase of a Buy to Let should be named as an applicant and meet the criteria stated.

Applications where a third party is contributing towards the deposit may be considered subject to sufficient supporting information being provided.

Eligibility criteria

All Buy to Let applications

- Minimum age at application is 21.
- Maximum age at the end of the mortgage term can't exceed any applicant's 75th birthday.
- At least one applicant must own the residential property in which they live.
- We need three years' address history.
- At least one applicant must have a minimum income of £25,000.
 - The minimum income can be made up of any type of income, excluding rental income.

We don't accept applications from the following:

- First time buyers.
- Limited companies, partnerships or trusts.
- Where any applicant's main income is net profit from their property portfolio.
- Where a property is being sold by a limited company to one of its directors, or a connected person. A 'connected person' includes a spouse/civil partner, a parent or child/step child of the director.

Property criteria

The table below shows the maximum number of properties the applicants can own on completion for purchase and remortgage applications.

Maximum number of mortgaged let properties with any lender	3
Maximum number of let properties	10 (of which a maximum of three can be mortgaged)

Portfolio landlords

We only consider portfolio landlords if the application is a remortgage without capital raising which meets the following transitional eligibility criteria:

- New BTL remortgage application must not be capital raising (adding product fees is allowed, adding ERCs is not allowed).
- BTL property must have been purchased before 1 January 2017.
- No additional BTL lending has been taken on or after the 1 January 2017.

For these applicants, the application must meet the following property criteria on completion:

Maximum number of mortgaged let properties with Santander	3
Maximum number of let properties (mortgaged and mortgage-free)	10

We don't accept portfolio landlords for new purchase applications or remortgage applications that don't meet our transitional eligibility criteria.

Early repayment charges (ERC)

If an ERC applies to a loan part, customers are able to make capital repayments of up to 10% of the balance on this loan part each calendar year without incurring a charge. A minimum amount may apply. Please visit santanderforintermediaries.co.uk for more information. If the product fee has been added to the loan, the customer can repay this up to 21 days following completion.

Repayment of the product fee will not affect a customer's 10% ERC free allowance.

The mortgage must remain with us until the product charge end date or any applicable ERC will be charged. In addition, if a benefit package is taken with the product, there is a benefit package end date which may differ from the product charge end date. If the benefit package end date is before the product charge end date, an ERC will still be applicable until the product charge end date.

Should your client redeem their mortgage before the benefit package end date, they will need to repay the benefit (£250 cashback or £200 for remortgage legal work). The benefit package end date is shown on the mortgage illustration and the Rate Bulletin. The repayment of the benefit package ERC will be in addition to any product ERC which may apply.

Your client will not pay any applicable ERC if on or before the charge end date, they:

- simultaneously with redemption take a mortgage on a new property that completes with us for the same amount and product terms as the previous mortgage. Please see the 'Porting' section for more information; **or**
- simultaneously with redemption, where their existing deal has six months or less to expiry at application, elect to take a new product with us for at least the same amount.

A product ERC is expressed as a percentage of the customer's outstanding mortgage balance at the time of redemption. The level of charge differs by product term. The ERC percentage remains the same until the product charge end date.

Fees

- All mortgage fees are the same as residential rates set out in the standard tariff of mortgage charges which is available from santanderforintermediaries.co.uk.

Foreign currency income

We'll consider applications where any element of income is paid in any of the following foreign currencies:

- US Dollar (USD)
- Euro (EUR)
- Swiss Franc (CHF)
- UAE Dirham (AED).

The sterling equivalent must be calculated and discounted by 25% to allow for currency fluctuations. This figure must be input into the £ equivalent field in Introducer Internet.

You must record in the general notes within the 'Regulation' section in the full mortgage application in Introducer Internet:

- Foreign currency amount
- GBP equivalent
- Exchange rate on the day of the calculation
- Date of calculation.

Guarantors

We do not accept guarantor applications.

Identification

A Confirmation of Verification of Identity Certificate must be completed and meet the requirements set out within the Joint Money Laundering Steering Group Guidance for UK Financial Sector.

Income

- At least one applicant must have a minimum income of £25,000.

Income types

We will not accept rental income from Buy to Let properties to meet the £25,000 minimum income requirement. Please refer to our evidence requirements guide for further details.

Main annual income	Other
Permanent employment - basic salary	Bonus or commission where the amounts are regular and consistent
Fixed term contract (PAYE)	Overtime where the amounts are regular and consistent
Short-term renewable contract (PAYE)	Car allowance
Salary for a director of a limited company	London weighting/large town allowance
Net profit of a sole trader/partnership	Permanent shift allowance
Director's dividends	Indefinite mortgage subsidies or housing allowances
Private/company pensions and annuities	Child benefit ¹
State pension	Child tax credit ²
Employed in a family business	Working tax credit ² /pension credit
	Second job - where this is ongoing and sustainable
	Bonus, commission or overtime paid monthly where the amounts are regular but inconsistent
	Annual bonus or commission
	Other bonus, commission or overtime paid less frequently than monthly
	Long-term mortgage subsidies or housing allowance
	Indefinite state benefits (DWP/HMRC)
	Investment income
	Maintenance payments
	Fostering income

¹ Where either the benefit recipient or their partner's total gross income is above £50,000, child benefit must not be included as a source of income.

² Universal Credit letters are unacceptable unless the child tax credit and working tax credits amounts are separately identified.

Evidence of income is required in all cases and should be retained on file with the declaration for a minimum of two years from the date of completion. Please make sure proof of income is obtained for each applicant prior to the date of the mortgage application.

Interest only applications

- Interest only pure is available subject to the sale of the Buy to Let property. No minimum buffer applies.
- Interest only investment/endowment is permitted subject to criteria.

Leasehold properties

- We do not accept applications on leaseholds where the leaseholder has/will have a controlling interest in the freehold.

Loan to value restrictions

- Maximum LTV 75%.
- New build flats maximum LTV 70%.

Mortgage loan

- Minimum loan £25,000.
- Maximum loan £750,000 per property.
- No higher lending charge applies.

Mortgage term

- Minimum five years.
- Maximum 25 years.

Portfolio landlords

We define portfolio landlords as an applicant(s) owning four or more mortgaged let properties (including holiday lets) on completion of the new Buy to Let property with us, whether it's on their own, with anyone else or in a limited company or LLP where the applicant(s) owns an interest.

We don't accept portfolio landlords unless the applicant is remortgaging without capital raising **and** meets our eligibility criteria for transitional arrangements. Please see the 'Eligibility criteria' section.

Porting

It is possible to 'port' most existing products to a new mortgage providing it is for a house purchase but not to a property being remortgaged or owned mortgage-free.

A customer's entitlement to port their mortgage product is always subject to the conditions for transferring the loan to a new mortgage in their Mortgage Terms and Conditions. In particular, any new mortgage application made will be subject to a full credit assessment and the customer/property must meet our lending criteria at the time of the new application.

If we do not agree a new mortgage, the customer will not be able to port their mortgage product and they may then be required to pay an early repayment charge if they subsequently redeem their existing mortgage.

Where redemption of the existing BTL mortgage and purchase of the new BTL property is not simultaneous, providing the purchase of the new BTL property completes within **three months of the redemption date**, the existing product can be ported to the new BTL mortgage.

On redemption of the existing mortgage the early repayment charge is paid in full and a refund will be made on completion of the new BTL purchase, as long as the product is ported for the full amount. If the new BTL mortgage is less than the existing mortgage, the early repayment charge refund will be a proportionate amount.

Any additional borrowing must come from the new business BTL product range.

Properties in the Isle of Man

We do not accept applications for properties in the Isle of Man.

Property

- Located in England, Scotland, Wales or Northern Ireland.
- Minimum value £75,000.
- No maximum value.

We do not accept applications for:

- Any property where the tenant is a Registered Social Landlord e.g. Housing Association, Local Authority or educational establishment.
- Any property with a restriction on use or occupation.
- Any property with six or more bedrooms.
- Any property on a holiday let basis.
- Freehold flats (in England and Wales).
- Any commonhold properties.

- Sheltered accommodation.
- Property with part commercial use (including property subject to agricultural or other planning restrictions).
- Remortgage applications on properties that we still define as a new build. Please refer to our lending criteria on santanderforintermediaries.co.uk.

We may accept applications for:

Where contiguous land is owned or controlled by the applicant, we will consider lending providing either:

- access and services do not depend on the contiguous land;
or
- adjacent land is in exactly the same name(s) as our security and the land can be charged to us.

Property Investment Club

We do not accept applications where the property is being purchased by, from or connected to a Property Investment Club.

Remortgaging

For all BTL remortgages the property must have been owned for at least six months.

We do not accept applications where the customer is remortgaging their existing residential property as a Buy to Let, regardless of any future intentions.

We will consider remortgaging with capital raising for personal use up to 75% LTV; including:

- home/property improvements
- personal debt consolidation
- investment, including purchase of another BTL or residential property.

Capital raising for business purposes is not accepted.

Repayment methods

- We offer repayment, pure interest only subject to the sale of the Buy to Let property, and investment linked interest only where the vehicle meets the residential lending criteria for the vehicle and its value.

Residency

All applicants must:

- be resident in the UK (excludes Isle of Man)
- have at least 12 months' address history in the UK
- have the right to remain in the UK permanently.

Right to Buy/Acquire

We do not accept applications on Right to Buy properties still within the discount repayment period.

Second charges

We do not allow second or subsequent charges to be registered where a property is let or will be let. Remortgage applications may be considered where any existing second charge will be discharged on or before completion.

Self-employed

- We will not accept applications from customers who have been self-employed or owned their business for less than one year.
- Applicants must provide at least one year of trading figures.

Shared Ownership

We do not accept applications on Shared Ownership properties.

Solicitor panel

All BTL mortgage applications are required to use a solicitor from the Santander panel. We do not accept BTL applications on a dual representation basis. You can use the solicitor panel search on santanderforintermediaries.co.uk to find a solicitor on our panel.

Tenancy types

Assured Shorthold Tenancy (minimum six months, maximum 36 months), including UK jurisdictional equivalents.

- Lettings must be one single tenancy agreement to individuals and single families.
- Maximum of four named individuals on a single tenancy; and no more than one tenancy agreement.

Undervalue transactions

We consider transactions where the reduced purchase price is:

- 80% or more of the current market value; **and**
- no more than £100,000 below the current market value.

The loan to value is based on the reduced purchase price.

Valuations

We will arrange for a valuation of the property to be let. The valuer will advise the expected rental income and the value of the property.

We will accept properties that our valuer considers:

- suitable for marketing as an owner-occupation property without alteration
- acceptable for mortgage purposes by mainstream lenders
- capable of being let/re-let within a maximum of three months
- capable of selling within six months
- suitable security where there are multiple tenants.

Where the location of the property means demand is limited to the investor market, the property is only acceptable if demand is considered to be sustainable and based upon tangible characteristics of the locality and economy e.g. a university.

The opinion of the valuer will be final and non-negotiable.

Valuation fees that have been paid will only be refunded if a valuation is cancelled prior to the valuer's visit to the property; otherwise the fee is not refundable. The fee payable includes a survey set-up fee, which is non-refundable.