

# Lending Criteria



Before applying for a Post Office<sup>®</sup> mortgage please read this to ensure that all applicants and the property you'd like a mortgage on meet our requirements.

## Buy to Let

**Age:** Minimum: 21. Maximum: 80 at expiry of mortgage term

**Ability to pay:** We will review your application to ensure we are satisfied with your ability to pay, including the level of unsecured and mortgage debt held in relation to your income

**Eligibility:** At least one applicant must live in a home which they own (whether subject to mortgage or not)

**Rent cover:** Ability to pay is assessed on rental income (which must be received in GBP). The rental income must be at least 145% of the monthly interest due, inclusive of any product fees added to the loan. This is calculated using the notional interest rate below (whichever is applicable):

| Product  | Notional interest rate |
|--|------------------------|
| Fixed rate for less than five years or a variable rate | 5.5%                   |
| Fixed rate for five or more years                      | 4.5%                   |

The examples below demonstrate how to work out the monthly rent required depending on your scenario. These are for illustrative purposes only and the figures have been rounded up to the nearest pound (£).

| Example 1 - Product rate; fixed for 5 or more years |               | Example 2 - Product rate; fixed for less than five years or variable |               |
|---|---------------|--|---------------|
| Mortgage plus product fee                           | £99,995       | Mortgage plus product fee  | £99,995       |
|   | x 4.5%        |  | x 5.5%        |
| Sub total   | <u>£4,500</u> | Sub total  | <u>£5,500</u> |
|   | x 145%        |  | x 145%        |
| Annual rent required                                | £6,525        | Annual rent required   | £7,975        |
| Monthly rent required                               | £544          | Monthly rent required  | £665          |

**Term:** 35 years or the number of years until the (eldest) applicant is 80 (whichever is lesser). Minimum: 5 years

**Loan size:** Unless otherwise stated: Minimum: £25,001. Maximum: £750,000 per property for purchases and remortgages. Maximum total borrowing: £2,000,000

**Loan to Value:** Up to a maximum 75% for purchases and remortgages. Fees may be added. Conditions apply

**Maximum number of properties:** We accept a maximum of 3 mortgaged Buy to Let properties per applicant (either solely or jointly) across all lenders, including any with Bank of Ireland Group. Properties that are owned in the name of a limited company that an applicant is a director of and applications in progress should also be included. We don't take any Buy to Lets into account if they're not mortgaged.

**Product fees:** Fees may be added to the loan provided that they do not exceed £2,500 or 2.5% of the loan (whichever is lesser)

**Refinance:** Additional funds can be considered except for the following purposes:

- Business purposes
- Speculative purposes
- Overseas property (including timeshare)
- Payment of tax
- Debt consolidation
- Payment of gambling debts

**Property:** The following property types are not acceptable:

- Properties with a floor area of less than 31 square metres
- Newly built flats or conversions (built or converted within the last 12 months)
- Properties which have an Energy Performance Certificate rating lower than E. In England and Wales we will accept a lower rated property provided the property is listed on the PRS Exemptions Register
- Properties less than 10 years old that are not covered by an approved new home warranty scheme or Professional Consultant's Certificate
- Any property that is subject to a private sale
- Where the existing owner will become the tenant upon completion
- Properties outside Mainland UK. Please contact us if your property is located on any Scottish island except Skye, Bute, Lewis & Harris, Mainland Orkney, Mainland Shetland, Arran, Mull, Islay, Whalsay, Yell, South Ronaldsay, West Burra, Tiree and Unst which are acceptable
- Studio flats, freehold flats, retirement flats, flats with unacceptable access arrangements (e.g. rear external staircases) or flats within blocks where our valuer reports inadequate maintenance of communal areas
- Properties with a value of less than £60,000 (Northern Ireland less than £40,000)
- Ex-local authority or ex-public sector flats that are greater than 4 storeys high or that have open decking access or where the value is less than £90,000
- Flats converted from office buildings or refurbished ex-local authority blocks
- Subdivided houses where no leasehold title exists
- Properties being purchased under a Right to Buy, Shared Ownership, or Shared Equity arrangement
- Properties which include commercial usage within the title
- Properties with occupancy restrictions
- Remortgages where you have owned the property for less than 6 months
- Properties being acquired under an assignable contract or from a property investment club/company
- Purchases where the vendor has owned the property for less than 6 months (except where we have given consent)
- Properties with communal heating, hot water or other services where the property is not individually metered
- Flats or maisonettes in a development which contains mixed residential and commercial use (other than privately built flats or maisonettes above Class A1 (retail) or Class A2 (financial services etc) units)

# Lending Criteria continued...



A property will be considered to have onerous leasehold terms where one or all of the following is identified:

- The original lease term on a new build flat (or second hand flat built post 2000) is less than 125 years
- The original lease term on a new build house (or second hand house built post 2000) is less than 250 years
- The maximum ground rent at the start of the lease term exceeds 0.1% of the property value or £500 a year whichever is the higher
- The ground rent must remain reasonable at all times during the lease term, with unreasonable multipliers not allowed. For example, it is acceptable for ground rent escalation to be linked to RPI (Retail Price Index) or a similar index and where this is the case we do not need to be advised. However, unreasonable multipliers of ground rent will not be permitted, for example, doubling every 5, 10 or 15 years. These must be referred to us and we will advise if our mortgage offer remains valid. If you are unsure as to whether the terms of a lease are unreasonable, please refer the details to us.
- The lease must be amended to comply with the above. If not the case cannot proceed.
- Leasehold terms of less than 85 years at the start of mortgage

**Interest only:** If not sale of mortgaged property, all repayment strategies must be held in the UK and the benefits must be held, valued and paid in GBP

## Please see the Buy to Let Tenancy Information

|                                  | Buy to Let Tenancy Information   |                     |   |                     |
|----------------------------------|--|---------------------|---|---------------------|
|                                  | England & Wales  |                     | Scotland & Northern Ireland   |                     |
|                                  | With vacant possession   | With tenant in situ | With vacant possession  | With tenant in situ |
| Purchases                        | Yes  | Yes                 | Yes   | No                  |
| Remortgages                      | Yes  | Yes                 | Yes   | Yes                 |
| Tenanted Possession Restrictions | The existing tenancy must have commenced after 28th February 1997 and the existing tenant must not have resided in the property before the date of the agreement   |                     | <b>Scotland:</b> Remortgages will only be considered provided the tenant has not been resident in the property 5 years earlier than the date of our offer<br><b>Northern Ireland:</b> Remortgages will only be considered if the existing tenancy is a protected shorthold agreement or an uncontrolled letting |                     |
| Tenancy Types                    | The tenancy must not exceed 2 years in duration and must be written in one of the following formats: <ul style="list-style-type: none"> <li>• <b>England &amp; Wales</b> Assured Shorthold Tenancy (AST)</li> <li>• <b>Scotland</b> Shorthold Assured Tenancy (SAT)</li> <li>• <b>Northern Ireland</b> Protected Shorthold Agreement or Uncontrolled letting</li> </ul> Student lets are acceptable subject to a maximum of 4 tenants on a single AST (or equivalent)<br>Licensable Houses in Multiple Occupation (HMOs), holiday lets or lets to family members are NOT acceptable<br>Areas subject to selective licensing are acceptable<br>Company/housing association lets can be considered but tenancy agreements will need to be approved by Bank of Ireland's legal department<br>Tenants in receipt of Housing Benefit can be considered<br>Lets to asylum seekers are not acceptable |                     |   |                     |
| Use of Letting Agent             | Not mandatory  |                     |   |                     |

## General

**Lending areas:** Properties in England, Scotland (including the Scottish islands of Skye, Bute, Lewis & Harris, Mainland Orkney, Mainland Shetland, Arran, Mull, Islay, Whalsay, Yell, South Ronaldsay, West Burra, Tiree and Unst - please contact us to discuss properties located on any other Scottish island), Wales and Northern Ireland (unless otherwise stated)

**Property owner:** We only accept transactions where the seller is the owner or registered proprietor of the property, and has been for at least 6 months. If you're remortgaging, you must have owned the property for a period of at least 6 months.

**Nationality:** We normally require all applicants to be resident in the UK for the 3 years preceding the mortgage application. Foreign Nationals from within the European Economic Area (EEA) have automatic rights of residency and work so will be assessed for status in the same way as a British citizen. Non EEA citizens need to demonstrate rights to work and reside in the UK and can apply to borrow up to a maximum of 75% Loan to Value. These rights can be shown by passport stamps or Home Office papers. The right to remain in the UK must be for a sufficiently long period to justify the granting of a long-term loan.

**Early Repayment Charge:** If you repay all or part of your loan before the end of the early repayment period, we may charge you an Early Repayment Charge to cover any losses we might otherwise incur. When you repay the whole of the loan you must pay us any mortgage release fee we charge at the time of repayment. If you have deferred payment of the lending fee you must also pay this. For part repayments, an additional administration fee applies.

**Clean credit history:** We will not lend to you if you have ever:

- Been bankrupt
- Been subject to an Individual Voluntary Arrangement (IVA)
- Owned a property which has been taken into possession or who has surrendered voluntary possession to a lender
- Had a CCJ

We will normally only lend to you, if in the last 3 years you have no:

- Arrears on mortgages, fixed loans or rent
- More than two consecutive missed payments on credit or store cards
- Missed mail order or telecoms payments are normally disregarded

**Payday loans:** If you have had a payday loan within the last 12 months we won't normally lend. If you have taken out a payday loan over 12 months ago then your case will need to be looked at individually to assess affordability

**Portability:** All mortgages are portable when redeeming and completing on a new Bank of Ireland UK product. Conditions apply; please ask for details

### Standard legal fees paid by lender

**Remortgage Transaction:** If stated in the Offer of Loan, Bank of Ireland UK will pay for the legal fees and disbursements (excluding additional work, see below) providing the remortgage transaction is handled via Legal Marketing Services, and is completed. The firm of Solicitors is instructed to act for us only. If applicants wish to arrange their own legal representation they will be responsible for the legal costs and disbursements incurred. Please note: Bank of Ireland UK will not pay for charges relating to additional work outside the scope of a standard remortgage transaction. This includes further valuation reports, related legal services, transfer of equity, deed of postponement, deed of grant, deed of variation, merger of freehold or leasehold title, leasehold supplements, change of name, telegraphic transfer of surplus funds to borrower, local searches for loans over £1,000,000, or if an exceptional amount of work is required to correct a defective title.

**Purchase Transaction:** If stated in the Offer of Loan, Bank of Ireland UK will pay the basic fee for the legal work involved in a standard property purchase. This offer of fees assisted conveyancing does not include any payment for cost that the solicitor must pay to a third party such as a local authority or other search fees, Stamp Duty Land Tax, the cost of taking out defective title indemnity insurance or registration fees payable to the Land Registry. The offer also does not include the charge, plus VAT, payable to the solicitor to deal with the settlement of any Stamp Duty Land Tax and the submission of the Stamp Duty Land Tax form or the cost of any associated sale. The solicitor will provide you with full details of this charge and the third party costs you will have to pay. These fees, along with the legal fee for any additional legal work that the solicitor carries out for you, are payable by you. If the purchase does not go ahead, you will not have to pay for the standard conveyancing work carried out, but you will have to pay any third party costs already paid by the solicitor. For property purchases in Scotland please contact us for details of our nominated Solicitor when obtaining your Approval in Principle. If you choose not to use our nominated Solicitor you will be liable for the legal costs.

**Product fees:** Payments should not be made at application stage. Bank of Ireland UK will deduct the fee from the loan amount upon completion or add it to the loan amount.

**Overpayments:** You can overpay at any time during your mortgage term. If in a promotional period, you can overpay a minimum of £500 and a maximum of 10% of the outstanding mortgage balance (as at 31st March the previous year) without incurring any early repayment or administration charges. After the promotional period the amount you can overpay is unlimited, however if you pay off your mortgage in full charges may apply.

**This list is not exhaustive. Please contact us to discuss your requirements**

# Valuation and Surveys



When you apply for a mortgage, we'll arrange for a Mortgage Valuation Report to be completed. This is used to check the value of the property and make sure it's suitable to lend against. It will be instructed as part of your application and you may have to pay a fee.

If you want a more detailed survey, you'll need to arrange this yourself with a Surveyor. This will provide information on any specific areas you'd like covered and on the condition of the property. You can find more information on local surveyors and the different types of survey on the Royal Institution of Surveyors (RICS) website at <https://www.rics.org/uk/>

## Scottish valuations

In Scotland, it is a legal requirement that the seller provides potential purchasers with a Home Report. This includes a Mortgage Valuation Report and provides buyers with information regarding the condition and value of a property, ahead of committing to the purchase. We may be able to use the Mortgage Valuation included in the Home Report to assess the property as part of your application, meaning you won't have to pay for a separate valuation.

| Purchase Price or Valuation | Standard Mortgage Valuation Report only |
|-----------------------------|---|
| Up to £50,000               | £240                                    |
| Up to £75,000               | £240                                    |
| Up to £100,000              | £240                                    |
| Up to £150,000              | £240                                    |
| Up to £200,000              | £310                                    |
| Up to £250,000              | £310                                    |
| Up to £350,000              | £360                                    |
| Up to £500,000              | £470                                    |
| Up to £750,000              | £610                                    |
| Up to £1m                   | £840                                    |
| Up to £1.5m                 | £940                                    |
| Up to £2m                   | £1,090                                  |
| Up to £2.5m                 | £1,290                                  |
| Up to £3m                   | £1,490                                  |
| Up to 3.5m                  | £1,690                                  |
| Up to £4m                   | £1,890                                  |

Please note these valuation fees include an administration fee of £90. Re-inspections incur a minimum charge of £50 per visit (this includes an administration fee of £8.50). All fees are non-refundable once the inspection has taken place.

This document can be made available in Braille, large print or audio upon request.

Subject to status and lending criteria. Borrowers must be 21 or over unless otherwise stated.

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