

Virgin Money Lending Criteria

April 2018 version 5.24



The following section(s) have been updated:

5. Income

For self-employed customers

Limited Companies

Updated to reflect that acceptable income will now be the customers salary plus their share of profit after corporation tax.

Where the customers are not collectively 100% shareholders 3 months personal bank statements are required.

Income verification

For self-employed customers

Limited Companies

Updated to reflect that where customers are not collectively 100% shareholders 3 months personal bank statements are required.

7. Buy to Let (BTL)

Updated to include the following changes:

Reducing the interest rate stress applied to 5 year products from BTL SVR + 0.25% to a notional rate of 5%

Reducing the interest rate stress applied to re-mortgage applications with no additional borrowing from 5.99% to 5.5%

Reducing the interest coverage ratio applied to personal income applications from 125% to 100%

Introducing a minimum income for all applicants looking to use personal income of £50k p.a. from non-rental sources

Contact us

The purpose of this document is to provide guidance on Virgin Money's lending criteria. If you require further information or are unsure if Virgin Money will accept your customer's application, please contact your local Business Development Manager (BDM), who will be able to discuss your query in detail with one of our experienced underwriters. For details of your local BDM, please call 0345 600 1516*.

For full details of available products, please view our current Mortgage Product Update at www.virginmoneyforintermediaries.com or contact your local BDM. Mortgage products have strictly limited availability and can be withdrawn at any time.

*Lines are open Monday to Friday 8am to 6pm, excluding Bank Holidays. Calls are charged at your prevailing rate and may be monitored and recorded.

For professional Intermediary use only

Virgin Money plc - Registered in England and Wales (Company No. 6952311). Registered Office - Jubilee House, Gosforth, Newcastle upon Tyne NE3 4PL. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Contents

| | |
|--|----|
| 1. Customer..... | 3 |
| Age | 3 |
| Maximum number of customers | 3 |
| Customer types..... | 3 |
| Dependants | 3 |
| 2. The loan | 4 |
| Term | 4 |
| Maximum Loan to Value (LTV)..... | 4 |
| Maximum loan | 4 |
| Lending in excess of 85%..... | 4 |
| Repayment methods | 4 |
| Unacceptable purpose of loan..... | 7 |
| 3. Credit scoring..... | 8 |
| Credit score | 8 |
| Adverse credit..... | 8 |
| 4. Identification..... | 9 |
| 5. Income | 10 |
| Employment types | 10 |
| Lending into retirement..... | 12 |
| Income and affordability | 12 |
| Income Multiples..... | 14 |
| Income verification..... | 14 |
| Absence from employment and reduction of income (parental leave, unpaid leave, sabbatical) | 17 |
| 6. Expenditure | 19 |
| Financial commitments..... | 19 |
| Regular and essential monthly expenditure | 19 |
| 7. Buy to Let (BTL)..... | 20 |
| Repayment methods | 22 |
| Letting to a family member | 22 |
| Premium leases..... | 22 |
| Student lettings..... | 22 |
| 8. Other general guidelines for residential mortgages..... | 23 |
| Foreign nationals | 23 |
| Non-EEA nationals | 23 |
| Guarantor mortgages | 23 |
| Non-resident joint borrowers | 24 |
| Armed Forces personnel | 24 |
| Running two mortgages..... | 24 |
| Let to Buy..... | 24 |
| Purchase of a second home..... | 25 |
| Purchase of a holiday home | 25 |
| Purchase within the family..... | 25 |
| British national working overseas | 25 |
| Right to Buy | 26 |
| Offer of loan extensions – Non New Build..... | 26 |
| Offer of loan extensions – New Build | 26 |
| 9. Property..... | 27 |
| Valuations | 27 |
| New build | 29 |
| New Build Incentives | 29 |
| Help to Buy – Equity Loans | 30 |
| Self Build..... | 32 |
| Flats / Maisonettes..... | 32 |
| Unacceptable loan types | 33 |
| Sub-sales and back-to-back transactions | 33 |
| Solar Panels | 34 |
| 10. Flexible features..... | 34 |
| Everyday products | 34 |
| Fully Flexible products..... | 34 |
| 11. Porting..... | 35 |
| Porting – transferring a mortgage to a new property..... | 35 |
| 12. Custom Build..... | 37 |
| 13. Shared Ownership..... | 39 |

1. Customer

Age

Residential – 18 years

BTL – First named customer 21 years, additional customer(s) 18 years

Guarantor – 25 years

For all customers, including guarantors, the maximum age at the end of the mortgage term is 75 years and 364 days.

Maximum number of customers

The maximum number of customers per application is four. In these circumstances income and affordability is assessed on the income of the two highest earners. Where there are more than two applicants a paper application will be required.

Customer types

Customers can be one of four types:

- First Time Buyer (FTB)*
- Next Time Buyer (NTB)
- Remortgage
- BTL (remortgage and purchase)

* First Time Buyers are not eligible for interest only or part and part repayment methods. We do not accept BTL applications for first time buyers and applicants must have been an owner occupier for at least 6 months on the date of decision (this applies to at least one applicant on joint applications). We may ask for evidence of this.

Dependants

A dependant for Virgin Money mortgage purposes is a person who is not named on the mortgage but is supported financially by a party to that mortgage.

For example a dependant could be a child who is under 18 years of age, a child over 18 years of age but whose parents are funding them at university, a spouse or partner with no income who is not named on the mortgage, or an ageing relative in permanent care or living with the customer.

2. The loan

Term

| | Minimum | Maximum (*) |
|--------------------|---------|-------------|
| Residential | 7 years | 35 years |
| BTL | 7 years | 25 years |

(*) Subject to age of customer at application

Please note: The minimum mortgage term is seven years; therefore the maximum age at the time of application is 68 years.

Maximum Loan to Value (LTV)

| Loan to Value Limits | | |
|---|----------------------------------|--|
| Purchase/remortgage valuation or purchase price, whichever is lower | Maximum Loan to Value remortgage | Maximum Loan to Value purchase (FTB & NTB) |
| £0 to £500,000 | 90% | 95% |
| £500,001 to £1,250,000 | 80% | 80% |
| £1,250,001 to £2,000,000 | 75% | 75% |

The maximum LTV on interest only lending is 70% on residential and 75% on BTL (this includes the interest only element of a part & part loan)

Virgin Money excludes product fees when calculating the maximum loan to value.

Maximum loan

The maximum loan on residential is £2million and on BTL applications it is £1million.

Lending in excess of 85%

Residential lending between 85% and 95% is available to purchase customers (FTB and NTB) and lending between 85% and 90% is available for re-mortgage customers.

The whole of the mortgage must be taken on a repayment basis, and the following conditions must be met:

- Minimum of three items of active credit, or one item which is greater than six months old
- No missed payments on any item of credit within the last 6 months

Repayment methods

Virgin Money accepts the following methods of repayment:

- repayment (capital and interest) up to 95% LTV
- interest only up to 70% LTV residential and 75% LTV BTL
- part & part – (combination of both repayment and interest only) up to 85% LTV, with interest only element available up to a maximum of 70% LTV

Please ensure you use our affordability calculator before submitting a Decision in Principle

Repayment

Virgin Money offers a maximum term of 35 years, affordability is calculated on a repayment basis on either the term requested or the maximum term of 35 years, whichever is lower. (Interest only loans will be assessed on a repayment basis using a 25 year term)

For the assessment of affordability please refer to the Virgin Money affordability calculator. The affordability calculator can be accessed via www.virginmoneyforintermediaries.com

Under the Governments Help to Buy Equity loan the whole mortgage must be arranged on a repayment basis.

Please note: the minimum term is seven years.

Interest only

Residential mortgages are available on an interest only basis up to 70% LTV.

All of our Buy-to-Let products are available on an interest only basis (up to 75% LTV).

Residential Interest Only key criteria

- Applicants must have a combined minimum gross income of £50,000 (including 100% of additional income such as bonuses, overtime etc.)
- We will give a maximum loan to income multiple of 3.5 for interest only and part and part loans, based on our usual allowable income
- Capital raising for debt consolidation is not permitted
- We do not currently offer interest only mortgages to first time buyers.

Repayment Strategies

All interest only applicants must have one of the following repayment strategies in place, to cover the balance of the loan at the end of the mortgage term. The repayment strategy must be in the name of the applicant(s), and substantiated with documented evidence:

- Endowment Plan
- Managed Investment Plan
- Personal Pension Plan
- Sale of a mortgaged property – not main residence (max. 60% LTV on residential). Cannot be used in conjunction with any other repayment strategy
- Sale of other property - to cover 110% of the interest only element (max. 60% LTV on residential)
- Managed share portfolio (must cover 110% of the interest only element at the time of application)

It is the customer's responsibility to ensure that their repayment strategy is on track to repay the mortgage balance at the end of the term. Periodically we will ask for information on the performance of the repayment plan. The repayment vehicle must be in the name of the customer and be in place for at least 12 months prior to the date of application. The exceptions to the 12 month rule are sale of other property and sale of mortgaged property (not main residence).

The repayment vehicle must be in GBP/£ Sterling. For example a second home in Spain is not acceptable as a repayment strategy.

For the assessment of affordability on an interest only loan please refer to the Virgin Money affordability calculator. The affordability calculator can be accessed via www.virginmoneyforintermediaries.com

This table shows the evidence required substantiating each repayment strategy, and how we will assess it.

| Acceptable Repayment Strategies | Evidence Required | Assessment |
|---|---|--|
| MANAGED INVESTMENT PLANS (including Unit trusts / Open Ended Investment Companies (UK), Investment Bonds (UK), Stocks and Shares ISA, (Only UK based investments quoted within the FTSE index held in sterling are acceptable)). | Copy of latest projection statement dated within last 12 months. | Allow up to 100% of projected amount using the middle % figure currently 6%. Amount must be equal to or greater than the interest only element it is being used to cover |
| PENSION (Company or Individual Plan) | Copy of latest statement dated within last 12 months. | Allow 100% of the tax free lump sum (which is 25% of the projected value at retirement age). Amount must be equal to or greater than the interest only element it is being used to cover |
| SALE OF MORTGAGED PROPERTY (NOT MAIN RESIDENCE). | VM will carry out a valuation of the property, loan amount is known. | Must meet agreed lending policy including Itv. |
| SALE OF OTHER PROPERTY (Must be located in the UK). | We will check the ownership via Land Registry check and use AVM to determine value. A copy of the latest mortgage statement dated within last 12 months. | Customer's equity must be equal to or greater than 110% of the interest only element it is being used to cover. This is to allow for property fluctuations and sale costs. |
| MANAGED SHARE PORTFOLIO (Only UK based investments quoted within the FTSE index held in sterling are acceptable). | Copy of share certificates, nominee account statement or confirmation from an authorised stock broker containing evidence of shareholdings together with their valuation (must be dated within the last 12 months). | Allow the face value which must be equal to or greater than 110% of the interest only element it is being used to cover. This is to allow for fluctuations in share prices and sale costs. |
| Endowment Policy (Both with profits and unit trusts) | Copy of latest projection statement dated within last 12 months. | Allow up to 100% of projected amount using the middle % figure currently 6%. Amount must be equal to or greater than the interest only element it is being used to cover |

IMPORTANT NOTES:

1. For stocks and shares ISA it is not possible to obtain a projection therefore current value must be used.
2. The repayment vehicle must be in Great British Pounds (GBP)/£ Sterling. For example a second home in Spain is not acceptable as a repayment strategy.
3. The maximum LTV for sale of mortgaged property (not main residence) and sale of other property is 60%.
4. Sale of VM mortgaged property (not main residence) must not be used with any other repayment vehicle.

Part and part

The maximum LTV on any interest only element is 70% with a combined minimum gross income requirement of £50,000. Any lending beyond this LTV must be taken on a repayment basis up to a maximum of 85% LTV. We will give a maximum loan to income multiple of 3.5 for interest only and part and part loans, based on our usual allowable income.

Where the customer is borrowing more than 85% the whole mortgage must be arranged on a repayment basis.

For the assessment of affordability on a part and part loan please refer to the Virgin Money affordability calculator.

The affordability calculator can be accessed via www.virginmoneyforintermediaries.com

Unacceptable purpose of loan

Capital raising is permitted. However, customer(s) cannot borrow additional monies for the following:

- the purchase of a time share property
- currency speculation
- the purchase of stocks and shares
- business purposes
- accident sickness and unemployment premiums
- tax bill
- debt consolidation where the repayment method is interest only

It is acceptable for a customer to capital raise for a deposit to purchase a Buy to Let property and any associated disbursements (i.e. payment of stamp duty).

3. Credit scoring

Credit score

A credit score will be performed for all customers. One of five initial decisions will be provided when a Virgin Money credit score is completed:

- high accept
- medium accept
- low accept
- decline – application cannot proceed
- refer – application will be assessed by an underwriter

Adverse credit

The mortgage application will be declined in the following circumstances:

- arrears are recurring or likely to recur
- where a CCJ is declared or detected, whether satisfied or unsatisfied
- if insolvency e.g. bankruptcy or an IVA is identified or pending

In addition to the above it must be declared on the application if the customer has had any of the following:

- court order for non-payment of debt
- mortgage, rent or loan arrears
- refusal of a mortgage or credit
- repossession where they were party to the mortgage

4. Identification

A customer's identity can be confirmed either electronically, with documentary evidence, or a combination of both.

Electronic evidence:

- one active Voters Roll 'hit' and one active credit item - at current address
- two active credit items – both at current address

Documentary evidence:

Where the customer cannot be identified electronically, documentary evidence must be obtained. One document from list A and one document from list B (confirming current address and must be less than three months old from date of issue other than for HM Revenue & Customs, Council Tax and Department of Works and Pensions documentation which is 12 months) is required. The list of acceptable documents is shown below:

| List A – Government issued documents | List B – Other documents |
|---|--|
| <ul style="list-style-type: none"> ▪ Valid passport. (If the applicant's nationality is outside of the UK, EU and EEA then we need a current UK visa alongside the passport). ▪ Valid photo card driving licence full or provisional photo card as long as the photo and licence are valid ▪ Old style full UK driving licence is acceptable providing it is still valid). ▪ EU National identity card (if customer is a non-UK national) ▪ Valid Firearms certificate or shotgun licence ▪ HM Revenue and Custom letter (coding confirmation/assessment letter/tax credit) quoting the customer's national insurance number. ▪ Local Authority Housing Benefit letter addressed to the customer confirming the benefits at time of issue. ▪ State or Local Authority Educational grant letter addressed to the customer. ▪ Department for Work and Pensions letter confirming the customer's benefits or pension entitlement at time of issue. ▪ Customer's full old-style driving license issued before 1998. ▪ Customer's current Northern Ireland Electoral card. ▪ Customer's Immigration Status Document (ISD)/Biometric Residence Permit (BRP) ▪ Students and under 18s can also use the following: Birth adoption certificate Pass Card / Citizen Card | <ul style="list-style-type: none"> ▪ Current utility bills (excluding those printed from the internet) e.g. gas, water, electric, home phone bill but not a mobile phone bill). ▪ Current Bank or Building Society statement issued to the customer's home address and not via the internet (not from Virgin Money). ▪ Local Authority Council Tax demand letter or statement ▪ Debit/Credit Card statement or mortgage statement issued to the customer's home address and not via the internet (not from Virgin Money). ▪ Valid photocard driving licence (full or provisional photocard as long as the photo and licence are valid and it is not being used as a List A document). ▪ Students and under 18s can also use the following: Letter from a GP practice showing NHS number Child Tax Credit or Child Benefit documentation naming you at your address Student loan or UCAS letter or statement dated in the last 12 months Educational Maintenance Allowance Letter Letter from parent(s) confirming applicant lives with them – signed and dated in the last four months ▪ Mortgage statement/solicitor's mortgage correspondence (not Virgin Money) ▪ Private Pension Statement ▪ Life assurance / life insurance policy ▪ Current local council/regulated housing association tenancy agreement. |

Virgin Money will accept copies of documentation including photographs as long as these have been sent from an intermediaries business email, but do reserve the right to request original documentation or certified copies where required.

5. Income

Employment types

Virgin Money considers customers will fall in to one or more of four categories. Employed, self-employed, contractors or retired.

Self employed

The customer is considered as self-employed if they have a shareholding of 20% or more in a business, or a customer with a small shareholding in a large Limited Liability Partnership (LLP) and has been with the same firm for at least 2 years

The business must have been in operation for two years and have been profitable during that period.

A maximum loan to income multiple of 4.49 will be applied where one or more applicant is self-employed.

The income that Virgin Money will consider is:

Sole trader/partnership

If net profits are increasing – average share of net profits over the last two years will be used.

If net profits have decreased – the most recent year will be used.

Income must be paid in GBP/£Sterling, unless being used as part of the minimum £25,000 income requirement for BTL.

NB. The conversion to GBP/£Sterling will be made at the closing exchange rate for the day previous, to the mortgage application being assessed.

Limited Liability Partnership

Customers who have a small shareholding in a large LLP (e.g. Accountancy / Law firms) can be classed as self-employed providing the following criteria is met:

- They must have continuous employment with the firm for a minimum of 2 years. This can be in the form of employment or as a shareholder.
- If their income has increased over the last 2 years the average will be used for affordability
- If their income has decreased over the last 2 years the most recent year will be used for affordability

Income must be paid in GBP/£Sterling, unless being used as part of the minimum £25,000 income requirement for BTL.

NB. The conversion to GBP/£Sterling will be made at the closing exchange rate for the day previous, to the mortgage application being assessed.

Limited company

The director's remuneration can be taken into account as income along with their share of profits after corporation tax. If profits are increasing – average of the director's remuneration and share of profits after corporation tax over the past two years will be used.

If profits are decreasing – the most recent year's share of profit after corporation tax plus the individual director's remuneration for that year will be used.

- We will require the last 3 months personal bank statements where the shareholding is less than 100% per application. Bank statements will be used to help demonstrate affordability.
- If the company has made a loss within the last 2 years Virgin Money would be unable to lend
- If the company's net worth has been negative in either of the last 2 years Virgin Money would be unable to lend

Income must be paid in GBP/£Sterling, unless being used as part of the minimum £25,000 income requirement for BTL.

NB. The conversion to GBP/£Sterling will be made at the closing exchange rate for the day previous, to the mortgage application being assessed.

Contractors

Can be classed as employed for income and affordability purposes providing they can meet the following criteria:

Currently on a 12 month contract:

- Current contract must have at least six months remaining, or evidence of new/renewed 12 month contract must be provided and:
- The customer's previous contract must be provided to show:
 - a term of 12 months, and:
 - continuous employment on this basis (i.e. no more than a two month gap between contracts)

Currently on a six month contract:

- Current contract must have at least three months remaining, or evidence of new/renewed six month contract must be provided and:
- Evidence of 24 months continuous employment on this basis (i.e. no more than a two month gap between contracts).

12 and six month contracts:

- The current contract value will be used unless its value is higher than the previous, in which case an average of the two will be used.
- Affordability must be based on the lower of the value of the contract or what has been paid to the customer, evidenced from six months' bank statements (note: tax and NI will also be deducted)
- Contracts of less than six months or for seasonal work will not be considered
- A contract must be in place and the customer cannot be employed on a day-by-day basis.

If the above criteria cannot be satisfied then contract workers will be treated as self-employed therefore two years' accounts or two years' HMRC SA302s and corresponding years Tax Year overview** will have to be provided to evidence income. In this instance you should input your clients as self-employed.

**These are acceptable if printed by HMRC or from your customers online HMRC Account. The Tax Calculation document must indicate the tax return is 100% complete for each year evidenced.

Income must be paid in GBP/£Sterling, unless being used as part of the minimum £25,000 income requirement for BTL.

NB. The conversion to GBP/£Sterling will be made at the closing exchange rate for the day previous, to the mortgage application being assessed.

Lending into retirement

Lending into retirement is defined as being 'where the term of the loan extends beyond the lower of the customers anticipated retirement date or age 67'(67 years and 364 days).

Where the customer is within 10 years of their anticipated retirement date or age 67 (whichever occurs first) affordability will be based on the lower of the current income or expected pension income and must be confirmed.

Where the customer is more than 10 years from their anticipated retirement date or age 67 (whichever occurs first) affordability will be based on the current income and must be confirmed.

- Pension Income must be paid in GBP/£Sterling

The following evidence will be required:

- Employed customers in a final salary scheme must provide their latest pension statement, or where they have made their own pension arrangements a copy of a personal pension policy is required.
- If the customer is relying on state pension then a forecast confirming (a) the amount payable, and (b) the age from which it would be payable is required.
- If the customer is more than 10 years from their anticipated retirement date or age 67 and the term of the loan extends beyond this age then evidence they are making pension provision must be provided (i.e. Pension Statement or payslip showing deduction).
- For customers who are within 10 years of their anticipated retirement date and the mortgage term extends past age 67 (for both male and female customers), then the term will be restricted to the lower of customers anticipated retirement date or age 67 and 364 days if pension income cannot be evidenced.

Please note: If the customer is employed in a position where there is a default retirement age for health and safety reasons this should be declared as the customers anticipated retirement age. E.g. Police Officer, Fire Fighter, Air Traffic Controller etc.

Statements must be dated within the last 12 months. Requirements may differ if a customer has stopped, or intends to stop, making contributions to a scheme.

Sale of property on retirement is **not** acceptable in place of a private/employer pension scheme where the term extends into retirement.

Income and affordability

The amount Virgin Money will lend to a customer is dependent on an assessment of their affordability based on income paid in GBP/£Sterling only and expenditure.

The Virgin Money affordability calculator should be used before submitting any application as it will provide you and your customers with an accurate and consistent illustrative borrowing figure, which is tailored to their personal circumstances. To avoid delays in processing your application please ensure the **monthly essential and regular expenditure form** is fully completed and sent to Virgin Money, where requested.

The affordability calculator can be accessed via www.virginmoneyforintermediaries.com

Any known future changes to income and/or expenditure must be declared.

This will be taken into account for the purpose of assessing affordability. Similarly if the customer has recently applied for credit this must be declared in their application and will be taken into account for the purpose of assessing affordability.

Virgin Money will accept 100% of the following types of income for employed/retired customers when they are paid in GBP / £Sterling

| Acceptable Income from Employment where 100% will be used for affordability | |
|--|----------------------------------|
| Gross basic salary | Housing Allowance |
| Mortgage subsidy | Large city weighting |
| Permanent shift allowance | Car allowance |
| Other contractual allowances | Agency / Fixed term employment * |
| Parental Leave | |

* Where Agency / Fixed term employment is being used the customer must be able to evidence a two year track record in the same line of work, whether on a permanent basis, or as a contractor.

* Where income is derived from a second job, 50% will be used for affordability.

* Customers who are employed on a zero hours contract basis will be treated as Agency/Fixed term employment, so must be able to provide a two year track record of the income type.

| Acceptable Income from other sources where 100% will be used for affordability | |
|---|----------------------------------|
| Disability living allowance | Disabled persons tax credit |
| Personal Independence Payment (PIP) previously DLA | Employment and support allowance |
| War disablement pension | Pension tax credits |
| Pensions | Maintenance ** |
| Annuities | |

** Maintenance must be in place for the term of the loan in order to be used for the purposes of affordability

Virgin Money will accept 60% of the following types of income when they are paid in GBP / £Sterling:

| Acceptable Variable Income Types where 60% will be used for affordability | |
|--|-------------------------------|
| Monthly commission | Monthly overtime |
| Monthly bonus | Quarterly bonus |
| Annual / Half yearly bonus | Non-permanent shift allowance |
| Performance related pay | |

Virgin Money will **not** consider the following, non-exhaustive list of income:

| | |
|---|---|
| <ul style="list-style-type: none"> ▪ Seasonal overtime ▪ State benefits (other than pension or disability) ▪ One-off payments ▪ Dividends ▪ Third Jobs ▪ Bursaries ▪ Temporary Employment ▪ Income not paid in GBP/£Sterling (for BTL refer to section 7) ▪ Expenses | <ul style="list-style-type: none"> ▪ Investment Income ▪ Care workers allowance ▪ Non-permanent Probationary Income ▪ Child tax credit ▪ Working tax credit ▪ Income from Lodgers ▪ Housing Benefit ▪ Foster Carers ▪ Piece Work |
|---|---|

A customer is considered to be in a probationary period if they have been employed for less than 6 months. The employment can only be considered permanent if the employer can confirm the customer is guaranteed to become permanent or the customer can evidence a 2 year track record in a similar line of work in either an employed or self-employed role.

Income Multiples

The following table shows the maximum income multiples available, based on our usual allowable income. Where the loan falls into more than one category, the lowest maximum income multiple will be used.

| Criteria | Maximum Income Multiple |
|------------------------------|-------------------------|
| LTV > 85% | 4.49 |
| Self-Employed applicants | 4.49 |
| Loan amount > £500,000 | 4.0 |
| Interest Only or Part & Part | 3.5 |

Income verification

For employed/retired customers:

| Employment Type | Income Verification Requirements |
|--|--|
| Employed (variable and standard income) | *Last two monthly payslips and last P60, or last four weekly payslips and last P60. |
| Retired | Latest annual pension statement (must be dated within the last 12 months), or latest two monthly pension slips, or latest two monthly bank statements showing pension credits, or latest P60 or HMRC SA302 and corresponding years Tax Year overview** |

* We will request further supporting documentation in any instances where the customer's P60 and payslips don't support declared income.

**These are acceptable if printed by HMRC or from your customers online HMRC Account. The Tax Calculation document must indicate the tax return is 100% complete for each year evidenced.

Where a P60 cannot be provided one of the following can be used as a substitute:

(Note if the applicant cannot provide their P60, or P60 equivalent document below due to being in their first role, or returning from a prolonged career break then we can proceed without this and rely on standard payslip requirements alone)

| Alternative Documents to a P60 |
|--|
| Last payslip in previous tax year i.e. March payslip if paid monthly |
| Duplicate P60 from employer |
| P45 from previous employment |
| Letter from HMRC to evidence last year's earnings |
| Statement of earnings from the Employer to confirm all information which would be on a P60. (must be on company letter headed paper) |

The tables below confirm how the different elements of income should be validated:

| Income Type from Employment | % Used | How the income is evidenced |
|--|---------------|---|
| Gross basic salary | 100% | Payslips, and last P60 |
| Housing Allowance | 100% | Payslips supported by YTD figure. Amounts must be consistent on both payslips provided |
| Mortgage Subsidy | 100% | |
| Large City Weighting | 100% | |
| Permanent Shift Allowance | 100% | |
| Car Allowance | 100% | |
| Other Contractual Allowance | 100% | |
| Agency / Fixed Term Contract Employment | 100% | Payslips supported by YTD figure and evidence of a 2 year track record by way of P60's and / or P45's |
| Parental Leave | 100% | Payslips |
| 2 nd Job (including territorial army reservist allowance) | 50% | Payslips supported by YTD figure |
| Variable Income ** | % Used | How the income is evidenced *** |
| Monthly bonus | 60% | Payslips supported by YTD figure * If the variable income fluctuates on a monthly basis the lower of an average over the previous two monthly payslips or the on target earnings from the YTD should be used |
| Monthly overtime | 60% | |
| Monthly commission | 60% | |
| Non-permanent shift allowance | 60% | |
| Performance related pay | 60% | |
| Quarterly bonus | 60% | Payslip showing quarterly bonus supported by YTD figure, or previous P60 |
| Annual/half yearly bonus | 60% | Evidence of bonus by way of previous P60 or payslip(s) showing the bonus paid. If bonus exceeds 100% of basic salary two years evidence required |

** Where variable income from 2nd job is being used this will be capped at 30%

*** For loans over £1 Million and where variable income is needed – we will require 2 years P60's to support the variable income in addition to the standard requirements noted above

| Income from Other Sources | % Used | How the income is evidenced |
|----------------------------------|--------|---|
| Disability Living Allowance | 100% | Letter from Department for Work and Pensions confirming benefit (must be based on current tax year) |
| Disabled Persons Tax Credit | 100% | |
| War Disablement Pension | 100% | |
| Employment and Support Allowance | 100% | |
| Maintenance | 100% | A copy of the maintenance agreement received under court order, or; Child Support Maintenance agreement (Subject to confirmation this will be in place for the term of the loan and must have been in place for 2 years) |

Two of the last four months' bank statements, evidencing salary credits, are required if the customer:

- is employed by a family business
- is paid in cash
- provides handwritten payslips and/or P60
- Last 3 months personal bank statements are required for Self employed applicants where they run a Limited Company and the Shareholding is less than 100% per application.

In the circumstances above, the date of the bank statements submitted must correspond to the income verification supplied. For example, if the July and August payslips are provided for income verification, then the July and August bank statements must be provided.

For contractors:

If the customer is employed on a fixed term contract the following income verification must be provided, and income paid in GBP/£Sterling

Currently on a 12 month contract:

- Copy of current 12 month contract which must have at least six months remaining or evidence of new/renewed 12 month contract must be provided.
- A copy of the customer's previous contract to show:
 - a term of 12 months, and:
 - continuous employment on this basis (i.e. no more than a two month gap between contracts)

Currently on a six month contract:

- Copy of current contract which must have at least three months remaining, or evidence of new/renewed six month contract and:
- A copy of the customer's previous contracts to evidence 24 months continuous employment on this basis (i.e. no more than a two month gap between contracts).

12 and six month contracts:

- six months' bank statements to evidence income from the contract (note: tax and NI will also be deducted in the affordability assessment)
- the current contract value will be used unless its value is higher than the previous, in which case an average of the two will be used.

Example of how to calculate income for contractors:

- Current contract £500/day, bank statements show average £480/day, previous contract £450/day
- Step 1 - which is lower, bank statements or contract value? **£480/day**
- Step 2 - is value of current contract (£480/day) higher or lower than previous contract (£450) if yes, take average. **£465/day**

Therefore affordability will be based on earnings of £465/day which would mean the customer's total gross annual income will be calculated as:

- weekly - £465 multiplied by 5 = £2,325
- annually - £2,325 multiplied by 46 = £106,950 (a 46 week year must be used to account for holidays)

For self-employed customers

| Employment type | Income verification requirements |
|-----------------|--|
| Self-employed | <p>Last two years accounts, or accountant's certificate or last two years HMRC SA302 forms and corresponding years Tax Year overview**</p> <p>For Limited Companies last two years accounts, or accountant's certificate. Where the customers are not collectively 100% shareholders 3 months personal bank statements are required.</p> |

**These are acceptable if printed by HMRC or from your customers online HMRC Account. The Tax Calculation document must indicate the tax return is 100% complete for each year evidenced.

Virgin Money will accept 100% of the average of last two years net profit for self-employed customers when it is paid in GBP / £Sterling. As long as the following conditions are met:

| Income – 100% | |
|--|--|
| <ul style="list-style-type: none"> ▪ Average of the last two years net profit evidenced by: <ul style="list-style-type: none"> - accounts - accountants certificate <p>HMRC SA302 forms and corresponding years Tax Year overview</p> <ul style="list-style-type: none"> ▪ Where net profit is decreasing the lower figure will be used provided the business is on track to make the same or increased profits in the next financial year. Evidence from a suitably qualified accountant must be provided <p>Please note for Limited Companies we will use profit figures after Corporation tax.</p> | <ul style="list-style-type: none"> ▪ The customer's drawings do not exceed the net profit of the business for two years running and the company has a positive net worth for each of the last 2 years (i.e. positive capital account or assets outweigh liabilities). ▪ The company's capital account is not in deficit / Asset's must outweigh the liabilities in each of the last two years ▪ The company and their auditors must be registered in the UK ▪ Acceptable accountants qualifications are amongst the following <ul style="list-style-type: none"> - ACA, FCA, CA, ACCA, FCCA, AAPA, FAPA, ACMA, FCMA, MAAT, FMAAT, AAIA, FAIA, AFA or FFA |

For Limited Liability Partnerships:

| Employment type | Income verification requirements |
|--------------------------------|--|
| Limited Liability Partnerships | <p>Last 2 years' compensation statements (which provide a breakdown of the customer's total remuneration for that particular year), or letter from HR/Finance Director verifying the total remuneration for each of the last 2 years', or last 2 years HMRC SA302 forms and corresponding years Tax Year overview.</p> |

For Loans over £1 Million

Sole Trader/Partnerships:

- 2 Years Full accounts
- Company must have been trading for a minimum of 3 Years

Limited Companies

- 2 Years Full Accounts
- Company must have been trading for a minimum of 3 years
- A Directors search is required

Absence from employment and reduction of income (parental leave, unpaid leave, sabbatical)

If a customer is anticipating a temporary reduction in their income, the customer's return to work salary will be used for affordability purposes providing the customer is due to return to work within the next 3 months. For periods of absence between 4 and 12 months the customer's return to work salary will be used, providing the customer evidences how they intend to cover the shortfall in income i.e. savings. The shortfall is defined as the lower of the total contractual mortgage payment or the reduction in net income, for the total period of absence.

Examples to calculate shortfall:

- i) Customer will experience a drop in income of £300 per month for 6 months and the contractual monthly mortgage payment is £700. Required savings = £1,800 (£300 x 6 months)
- ii) Customer will experience a drop in income of £1,000 per month for 5 months and the contractual monthly mortgage payment is £600. Required savings = £3,000 (£600 x 5 months)

For all periods of absence, the customer and the employer must provide confirmation of the return to work date and salary. Where confirmation is not received from the employer any unsustainable income, such as maternity or sick pay, will be excluded for affordability purposes.

When a customer is on or due to go on maternity or paternity leave the dependant field must be updated accordingly and childcare costs included as part of the customer's regular and essential expenditure, or an explanation provided as to why they do not apply.

6. Expenditure

Financial commitments

All financial commitments as well as regular and essential household expenditure will be taken into account when assessing a customer's affordability. In order to obtain an accurate lending decision for the customer, please provide details of the following:

- unsecured loans
- hire purchase/contract hire
- revolving debt (credit cards, store cards, mail order, overdrafts)
- second charge loans
- other mortgages (BTLs need not be included provided the rent covers the mortgage payment by 145%)

Regular and essential monthly expenditure

The following non-exhaustive list shows the items of expenditure that must be gathered at the time of application and taken into account when assessing affordability:

- household and communications (Council Tax, utilities (electricity, gas, water etc.), telephone and internet, TV and satellite)
- annual ground rent and service charges
- housekeeping (food, drink, tobacco, clothing and footwear, pets, medical/glasses/dental)
- childcare/education (school/college/university fees, childcare/babysitting)
- car and travel (vehicle tax/insurance, vehicle maintenance, fuel, public transport, travel season ticket (if deduction appears on the customer payslips))
- insurance and investments (buildings and contents, life assurance/endowment policies, private pension, company pension/AVCs (if deductions appear on the customer's payslips), household insurances)
- maintenance/CSM payments

Where appropriate the household expenditure must relate to the new property. There may be other regular expenditure relevant to a particular customer to be considered within the lending decision (e.g. utility bills of second home).

To avoid delays in processing your application please ensure the **monthly essential and regular expenditure form** is fully completed and sent to Virgin Money, where requested.

As a responsible lender and in order to fully assess that the mortgage is affordable in all circumstances, the declared level of expenditure will be assessed by Virgin Money and must be reasonable, based on the context of the profile of the customer. It is therefore important that an accurate level of expenditure is declared.

Any essential deductions from payslips must be included in the affordability assessment, for example
 Company pension / AVC's (Include within "Insurance and Investments"),
 Student loan / Other Loans (include as monthly loan repayment, balance does not need input)
 Travel Season Ticket (Include within "Car and Travel")
 Childcare vouchers (include within "Childcare/Education")

7. Buy to Let (BTL)

Buy to Let (BTL) lending will fall into one of three categories as detailed below:

Business BTL

The agreement is entered into by the borrower wholly or predominantly for the purposes of a business carried on, or intended to be carried on, by the borrower.

Consumer BTL (CBTL)

- The agreement is not entered into by the borrower wholly or predominately for the purposes of a business carried on, or intended to be carried on, by the borrower.

Regulated BTL

Where a property is to be occupied at any time during the term of the loan by the customer(s) or a family member(s) it will become an FCA Regulated Mortgage Contract (RMC) under MCOB.

Consumer Buy-to-Let (CBTL)

We offer CBTL loans, defined as a BTL mortgage contract which “is not entered into wholly or predominantly for the purposes of a business carried on, or intended to be carried on, by the borrower”, whereas a BTL loan is wholly or predominantly for the purposes of a business. We consider both BTL and CBTL business to be a property that is occupied under a rental agreement and where there is no intention for the borrower or family member to reside.

The following examples explain what we would consider to be CBTL where the property will be occupied on the basis of a rental agreement and there is no intention for the customer (or a family member) to live there.

CBTL loans:

> If a customer is remortgaging the property and meets either of the criteria below, we would treat this as a CBTL loan:

- They do not own other BTL properties and since becoming the owner of the property the customer or their family members have lived in the property (e.g. the customer is completing a Let to Buy transaction or has inherited a property and resided in it prior to letting it out)
- They do not own other BTL properties and are looking to raise capital for themselves which amounts to 50% or more of the total loan amount (e.g. the property is unencumbered and the customer is raising capital to pay for a wedding or a car)

These loans are not regulated by the FCA under MCOB. If your client (s) or family member(s) are to reside in the property at any time during the term of the loan it will be a FCA Regulated Mortgage Contract (RMC) under MCOB.

The below criteria applies to both CBTL and BTL loans:

No minimum loan amount.

The following conditions must be met:

- Evidence of a minimum personal combined gross income of £25,000 is required (excluding income received from BTL properties)
- Virgin Money will accept non GBP / £Sterling income as part of the £25,000 minimum income requirement for all Buy to Let applicants.

The rental income used to assess BTL affordability will be based on the lower of the rent received as declared by the applicant, or the estimated rental figure from the valuation report.

The mortgage interest rate stress is calculated as follows:

- Variable rate, tracker and products fixed for less than five years, or where personal income has been used to cover a rental shortfall the mortgage interest will be the higher of:
 - product rate plus two percentage points;
 - product rate plus five year market expectation of the base rate;
 - any prevailing Financial Policy Committee (FPC) recommendation; and
 - a minimum rate of 5.5%, or BTL variable rate if higher
- Products fixed for five years or more the mortgage interest will be 5%

It is acceptable to use personal income in the affordability assessment subject to;

- Minimum income of £50,000 per application from non-rental sources.
 - Only being used to cover the rental shortfall between 100% and 145%;
 - The interest rate stress used in the assessment should be the same as a non-five year fixed rate product;
 - A full income and outgoings check;
 - To accept income in line with that of residential lending policy, excluding other BTL income;
 - Any other residential mortgages must be stressed at SVR plus 3% in line with residential lending criteria;
 - Take any shortfall from any other BTL properties as an outgoing where the rent doesn't cover the mortgage payment by 145%.
- If a new to bank remortgage application with no additional borrowing does not pass the revised affordability assessment they can proceed under the previous policy. The application will be assessed using a rental cover of 100% of the mortgage interest calculated at a notional rate of 5.50% or the pay rate of the selected product whichever is higher.
- The rental income used to assess BTL affordability will be based on the lower of the rent received as declared by the applicant, or the estimated rental figure from the valuation report.
 - Minimum Age is 21 – If joint customers then at least one must be 21 or over and the others must be 18 or over.
 - Maximum LTV 75%
 - Interest Only available up to maximum 75% LTV.
 - No minimum loan amount.
 - Maximum number of mortgages with all lenders of 3.
 - Maximum loan on any one property £1 Million.
 - Maximum loan portfolio with Virgin Money of £2m on a maximum of 3 properties
 - Minimum property value £50k
 - Maximum Total secured loan to income cap of 30 of usable income will apply.
 - In England and Wales an assured shorthold tenancy (AST) is required as a condition of the loan. This must be set up within 3 months of completion and must not exceed 12 months in duration.
 - In Northern Ireland an Uncontrolled Tenancy agreement is required as a condition of the loan, which must be set up within 3 months of completion and must not exceed 12 months in duration.
 - In Scotland a Private Residential Tenancy is required as a condition of the loan with effect from 1st December 2017. This must be set up within 3 months of completion. There is no maximum time limit on this tenancy. Prior to 1st December 2017, a short assured Tenancy was acceptable. There is no maximum time limit on this tenancy.
 - In England and Wales if the rental income is less than £100,000, an assured Shorthold Tenancy (AST) is required. If the rental income is in excess of £100,000 then a standard tenancy agreement must be in place.
 - The property must be let on a single Tenancy Agreement with a maximum of four tenants.
 - The property must be in a readily lettable condition at application or the property will be declined. Virgin Money consider readily lettable to be:
 - Not in need of essential repairs and/or refurbishment
 - Overall condition in respect of repair and fittings is to a standard which would be expected by the majority of potential tenants

Any property which does not meet the above requirements will not be acceptable to Virgin Money on a BTL basis until further improvements have been made to bring the property up to the required minimum standard.

Restrictions:

- Available to individuals only, not Limited Companies
- We do not accept BTL applications for first time buyers and applicants must have been an owner occupier for at least 6 months on the date of decision (this applies to at least one applicant on joint applications). We may ask for evidence of this.
- Not available where customer intends to let the property back to the seller
- Maximum exposure of 20% of Flats / Maisonettes in any new build development

Where a customer is remortgaging their main residential onto a BTL product a simultaneous completion must be made on a new residential property

Repayment methods

Interest only, including sale of mortgaged property, is an acceptable repayment method for buy to let loans up to 75%

Letting to a family member

Although Buy to Let mortgages are not regulated, scenarios where a tenant of the property is the customer's immediate family (e.g. parent, grandparent, child, grandchild, brother, sister) are regarded as regulated loans therefore they must proceed on a standard residential product.

The following restrictions must be met:

- Maximum LTV 75%
- Affordability will be assessed as per residential lending policy. The customer must be able to afford the repayments (including any other mortgage payments) without taking into account any rent received
- Repayment vehicles for Interest Only mortgages must follow residential lending policy

Premium leases

Premium leases occur where the tenant pays rental income to the landlord in advance resulting in a long-term rental agreement.

These situations will always be referred to an underwriter where additional conditions may apply.

Student lettings

Accepted in the following circumstances:

- property is let on a single Tenancy Agreement with a maximum of four tenants
- the property has not been adapted from a single family dwelling in any way
- property has private and investor demand

The following circumstances are not acceptable:

- the property is in a 'student suburb' and has limited owner-occupier demand
- the property is private halls of residence

Converted Properties

Virgin Money is unable to lend on a buy to let basis on converted properties where the transaction involves either:-

- The creation of a new leasehold title

- The splitting of the existing title at the land registry

And:

- The freeholder/landlord will be the borrower or someone connected to the borrower and/or
- The transaction is for a purchase price of below market value

8. Other general guidelines for residential mortgages

Foreign nationals

Virgin Money does not differentiate between a British national and a European Economic Area (EEA) national in our lending policy i.e. in all cases Virgin Money requires a minimum of three years' UK addresses.

Due to EEA and or EU agreements, nationals of the following countries will be treated as EEA nationals for mortgage purposes:

- Iceland
- Liechtenstein
- Norway
- Switzerland

Non-EEA nationals

The customer(s) must have unrestricted rights to live and work in the UK.

Requirements:

- Passport or national identity card
- Home Office approval, unrestricted work or family permit
- Two items of ID confirming residence in the UK
- Must have evidence of three years' consecutive UK addresses

Guarantor mortgages

A guarantor application will be considered in the following circumstances:

- The guarantor is at least 25 years and is a blood relative of the customer
- The maximum number of guarantors on the application is two
- Each guarantor has passed the Virgin Money scorecard and policy rules. They must reside and work in the UK
- The guarantor(s) can meet the total commitment including their own mortgage.

Acceptable reasons for a mortgage to proceed on a guarantor basis:

- The customer will ultimately be able to support the mortgage in the long term, or;
- The customer will never be in a position to afford the loan but due to relationship the guarantor can establish a long term commitment. e.g. elderly relatives or children, or;
- For business reasons, the self-employed customer wants to act as a guarantor for their spouse/partner

If the guarantor is also making a capital contribution to the purchase price, it must be confirmed whether this is a gift or for a share in the property. If a share of the property is required, this is acceptable providing Virgin Money take first legal charge and the guarantor(s) sign a deed of postponement. Affordability is based on the guarantor(s) income only. VM will only take into account income received in GBP / £Sterling as part of the affordability assessment.

Virgin Money recommends prospective guarantors seek independent legal advice prior to acting as a guarantor.

Guarantors are not accepted under the government Help to Buy Equity Loan scheme

Non-resident joint borrowers

This will occur where a customer (must be UK resident) joins the mortgage as joint borrower rather than guarantor, but will not be residing in the property.

They must be able to afford all existing mortgages and credit commitments in addition to the mortgage on the property they are not occupying.

Armed Forces personnel

Applications will be considered where they meet the following criteria:

- The property to be mortgaged is not a former or current MOD property
- The customer has a minimum of two years left to serve
- The customer can afford the mortgage and any accommodation costs if they stay in an MoD property, and spouse/partner occupies the mortgaged property
- It is acceptable for the source of deposit for a new purchase to be from a gift providing a letter is obtained from the person, or persons, gifting the deposit to confirm the deposit monies are a gift and the person does not expect to be repaid these monies either whilst the borrower(s) owns the property or upon its sale. Vendor gifted deposits are not acceptable.
- Sole customers must occupy the property full time

Running two mortgages

Virgin Money will consider mortgages for second properties in the following circumstances:

- If the property to be mortgaged is the customer's main residence, the maximum LTV is 85%. Where the property to be mortgaged is not to be the main residence the maximum LTV is 75%.
- Where a customer is running two mortgages there must not be any mortgage arrears in the last 6 months or the case will be automatically declined.
- NTB or remortgage customers must provide a copy of their mortgage statement if no active mortgage is showing on the credit file.
- Customer must be able to afford both loans. The monthly mortgage payment will be stressed at 120% within the affordability calculation.
- It is acceptable for the source of deposit for a new purchase to be from a gift providing a letter is obtained from the person, or persons, gifting the deposit to confirm the deposit monies are a gift and the person does not expect to be repaid these monies either whilst the borrower(s) owns the property or upon its sale. Vendor gifted deposits are not acceptable.

Let to Buy

- If the property to be mortgaged is to be the customer's main residence then the maximum LTV is 85%. If the property will not be the customer's primary residence (i.e. second home) then the maximum LTV is 75%.
- There must not be any mortgage arrears in the last six months or the case will be automatically declined
- The existing property must be let and on a formal recognised tenancy basis
- Rental income must be at least 145% of the existing mortgage payment in order to take as self-supporting
- If the other mortgage is not self-supporting the shortfall will be taken into account within the affordability calculation as a mortgage payment
- It is acceptable for the source of deposit for a new purchase to be from a gift providing a letter is obtained from the person, or persons, gifting the deposit to confirm the deposit monies are a gift and the person does not expect to be repaid these monies either whilst the borrower(s) owns the property or upon its sale.
- For all applications simultaneous completion must be made on a new residential property

- Please see below for additional documentation requirements*

*If the applicants current property is to be let or they have other Buy To Lets, evidence that the rent covers the mortgage payment by 145% is required. The mortgage payment and rent must be evidenced with one or more of the following:

To confirm monthly rental income:

- A current acceptable Tenancy agreement as detailed in Section 7
- Bank statement to evidence the rent
- A letter from a reputable letting agent which would include:
 - Members of Association of Residential Letting Agents (ARLA)
 - Members of The Property Ombudsman scheme
 - Members of The Royal Institution of Chartered Surveyors (RICS)

To confirm monthly mortgage payment:

- Copy of the new Buy To Let/Consent to Let offer (if letting proposed is new and the mortgage payment is clearly evident)
- Latest mortgage statement (for existing BTL)

Where a customer has multiple Buy To Let portfolios a copy of their written Buy To Let schedule will be accepted. The portfolio must be present on the customer's credit file.

Purchase of a second home

The customer's immediate family must occupy the property for Virgin Money to consider lending for a second home. The customer must be able to afford all credit commitments including any mortgages.

Purchase of a holiday home

- Maximum LTV 75%
- Timeshares will **not** be considered
- The customer must be able to afford all credit commitments including any mortgages

Purchase within the family

This is available to FTBs and NTBs. Either a bankruptcy search on the seller and declaration of solvency, or defective title indemnity insurance arranged by acting solicitor in the full market value of the property will be required

Where the property is being sold at a discounted price Virgin Money will lend up to the lower of:

- 100% of that discounted price, or
- The maximum LTV permitted on valuation

Additional lending up to maximum LTV limits is allowed, providing the extra funds are solely for home improvements. If lending exceeds the discounted price, a retention may be held.

Virgin Money does not accept an application where the vendor will continue to live in the property being sold.

British national working overseas

Virgin Money must be able to assess a track record to consider the application.

- If the customer is not found on Experian, the last six months' bank statements, copy of employment contract and CV must be evidenced
- Overseas and UK living costs to be deducted from gross salary, which must be paid into a UK bank account
- Customer and/or immediate family must occupy the property
- Customer must be able to evidence a three year consecutive UK address history
- Customer must be paid in GBP/£Sterling

Right to Buy

VM will lend up to 100% of the discounted purchase price, subject to not exceeding 85% of the valuation. No additional lending above the discounted price is permitted.

All borrowers must be named on the Right to Buy papers, which must be submitted with the mortgage application.

Flats / Maisonettes in blocks greater than 3 storeys are not acceptable and blocks of Flats / Maisonettes must exhibit reasonable demand.

Where the property is within an ex-council estate there must be a minimum of 50% private ownership.

Offer of loan extensions (Standard Applications) – Non New Build

The original offer of loan is valid for 16 weeks from date of issue. An extension may be considered if there has been a delay in the sale of the existing property or purchase of the new property. Where an extension is requested:

- The loan must be re-underwritten against current policy rules and take into account the customers current circumstances
- A new credit score, property valuation and affordability assessment must be performed to consider extending the offer
- Mortgage offers can only be extended once for a further eight weeks, after which the customer must re-apply

Offer of loan extensions (Standard Applications) – New Build

- An Offer of Loan on a new build property is valid for 30 weeks
- We may be able to provide an Offer extension for seven months subject to the application being re-underwritten against current lending policy. This requires a new credit score, updated affordability, income documentation and any supporting documentation requested on the initial assessment
- A referral to the valuer seeking confirmation the property value provided in the original mortgage valuation remains appropriate. If the valuer provides an updated property valuation, lending must be calculated using the lower of the updated valuation or purchase price
- A new mortgage product from the current range will be required

Please note, when assessing a new build offer extension your client will not be charged an additional valuation or application fee.

Gifted Deposits

Where the deposit is being gifted, a letter must be obtained from the person, or persons, gifting the deposit to confirm that:

- The deposit monies are a gift
- They will have no interest in the property
- The person does not expect to be repaid these monies either whilst the borrower(s) owns the property or upon its sale.

Vendor gifted deposits are not acceptable. This applies to Residential and BTL applications. Customers buying a new build property may receive an incentive from the Builder or Developer to purchase the property. Builders' incentives greater than 5% of the purchase price must be discounted from the purchase price. Please see section 9 – New Build Incentives, for full details.

9. Property

Valuations

Customers can choose from three types of valuation report:

- Mortgage Valuation - This is a basic valuation and assesses the suitability of the property for mortgage purposes only, instructed by the lender and is purely for their use.
- Homebuyer Report - This is an internal and external inspection of the property. The report provides an account of the properties condition and highlights any problems using a traffic lights rating. It will include advice on defects that may affect the value of the property with comments on repairs and ongoing maintenance. The report will also contain an estimated market value of the property.
- Building Survey - This is an in depth analysis of the properties condition. Includes advice on defects, repairs and maintenance options and should be considered essential for larger or older properties, or if you are planning major works. A separate Mortgage Valuation will also need to be instructed.

In Scotland the Valuation will usually have been completed before Virgin Money receives the mortgage application. In these circumstances a transcript valuation is acceptable providing the valuer is on the Virgin Money Panel.

For some Remortgage transactions VM may use an Automated Valuation Model (AVM) valuation where it fits our criteria.

We will not send you or your clients a copy of the basic valuation report.

Acceptable Properties

Properties should be of conventional construction.

A property is considered to be of conventional construction if it is built of stone, natural stone, reconstituted stone, cob and flint, modern timber frame, concrete block and / or brick with either solid or cavity walls that consist of an inner and outer skin. The outer skin will usually be of stone, brick or block. The roof will be of slate, tile, thatch or felt.

The following forms of construction are considered as acceptable:

- Cavity outer walls of brick or stone with inner walls of brick or block
- Cavity outer walls of brick, stone or concrete block rendered with inner walls of brick, stone or block
- Timber framed property with outer walls of brick or stone built 1970 or after
- Timber framed property with rendered outer walls of brick, stone or block built 1970 or after
- Craft techniques and period timber framed dwellings built prior to 1900
- For pitched roofs – Tiles, slate, thatch or copper
- For Flat Roofs – copper, lead, zinc, asphalt or mineralised felt.

Properties with a single annexe are acceptable to where these comprise a large house and a smaller annexe which is ancillary/additional to the main residence. The annexe can be detached from the main security but can only be occupied by the applicants' immediate family with no sub-letting permitted.

Leasehold properties with an unexpired lease term of 85 years at the point of application.

In all cases a satisfactory valuation report is required before confirmation a property is acceptable to Virgin Money.

VM will only lend on up to 20% of residential units within any one development or postcode. This applies to residential and BTL loans.

Some properties constructed using non-conventional methods of construction may be acceptable to Virgin Money subject to satisfactory valuation report and valuer comment. Please refer to Virgin Money.

Unacceptable properties

The following property types are considered unacceptable for mortgage purposes. This is not an exhaustive list:

- Houses in multiple occupation
- Leasehold properties where the unexpired lease term is less than 85 years at the point of application or where the valuer suspects the remaining term does not represent satisfactory security.
- Mobile homes/caravans/park homes/houseboats
- Working farms, smallholdings and houses subject to an agricultural occupancy restriction
- Properties with occupancy restrictions including retirement Flats / Maisonettes and sheltered accommodation
- Properties with a gross internal floor area of less than 30m² not including balconies or covered external areas.
- Affordable housing properties
- Uninsurable properties
- Live/work units
- Freehold Flats / Maisonettes
- Properties built using high alumina cement or Mundic not classified as Class A1, A2, or A3 following a Petrographic Test
- PRC Homes not repaired under an approved scheme and/or where the adjacent property remains unrepaired PRC.
- Properties with Pre – emptio Clauses (excluding Right to Buy)
- Properties constructed using concrete Large Panel Systems (LPS)
- Studio Flats
- Timber frame properties constructed between 1900 and 1969 for the private or public sector
- Properties with Overage Clauses (Except Custom Build)
- Properties with ongoing structural issues
- Properties altered/adapted for commercial use
- Landlocked properties
- Properties with greater than 5 acres of land as part of the title
- Self-Build Properties whilst under construction and not habitable
- Properties where power lines or electricity supply apparatus are located directly over and/or on the site which are not for domestic supply to the subject property
- Properties not recommended as suitable security by the valuer.

VM may accept properties constructed using non-conventional methods subject to satisfactory valuation report and valuer comment. Full details of those which are acceptable can be provided by your BDM. Properties in this category include:

- Prefabricated Reinforced Concrete (PRC) if repaired under an approved scheme and any adjacent property is also repaired
- Insitu Poured Concrete
- Steel Frame
- Timber Frame
- Craft Techniques and period timber framed properties
- Modern Methods of Construction (MMC)

The following list (which is not an exhaustive list) refers to the more common property matters which may be raised either within the content of the Mortgage Valuation Report or subsequently by the acting solicitor and which may require further underwriting as part of the processing of a mortgage case.

- Adverse comments regarding the property's suitability for mortgage purposes.
- Adverse findings within a mining search (e.g. presence of a mineshaft in proximity to the property).
- Adverse findings within an enviro-search where obtained (e.g. reference to contaminated land that has not been subject to remediation).
- Section 106 Agreements affecting a property.
- Reference to hazardous materials including asbestos, methane gas and radon gas.
- Deficiencies in the title to the property.

Proximity to high voltage electricity supply apparatus including overhead/nearby power cables, sub stations, transformer houses and communications masts

Where any of these issues may be suspected on a case, please contact your BDM to discuss before submitting your application.

New build

We define new build as: where property construction has been completed and/or the property first occupied in the last 24 calendar months.

- Maximum LTV on new build Flats / Maisonettes is 75% for both residential and BTL
- Maximum LTV new build houses is 90%* for residential and 75% for BTL
- Requirement for the acting solicitor to confirm that the property has been satisfactorily completed and that an acceptable new build warranty is in place
- Maximum exposure of the residential units within any one development is 20%
- Help to Buy Equity Loans are available for first and next time buyers with smaller deposits

New Build Incentives

Customers buying a new build property may receive an incentive from the Builder or Developer to purchase the property.

*Cash incentives on new build homes greater than 85% will not be accepted, the applicant must provide a minimum 10% deposit from their own resources.

All incentives must be declared at the time of application or later if these are changed.

Cash Incentives

Cash incentives of up to and including 5% of the purchase price are acceptable without impacting the loan amount. Where the value of the cash incentive is greater than 5%, the balance of the incentive above 5% must be deducted from the purchase price when calculating the maximum loan amount.

VM considers cash incentives to include:

- Cashback deals
- Stamp Duty (Land and Buildings Transaction Tax in Scotland) paid
- Payment of Professional Fees (Solicitors, valuers, Estate Agents etc.)
- Guaranteed rental payments for a period after completion
- Gifted deposit from the builder / developer (Please note that family gifted deposits are acceptable in line with standard policy and do not need to be deducted from the purchase price).

Non Cash Incentives

The following non cash incentives are acceptable to VM without impacting the purchase price:

- White Goods (where not included as standard specification)
- Carpets and curtains
- Kitchen upgrade (including tiling and worktops)
- Bathroom upgrade
- All electric upgrade (i.e. additional sockets, TV points, etc.)

- Turf and landscaping

Part Exchange Transactions

A Part Exchange Transaction is where the builder or developer is purchasing the customers' existing residential property. This is acceptable to VM and may be accepted along with Cash Incentives

Part exchange is not available on Help to Buy Equity Loan.

Declaring Incentives

Incentives MUST be clearly set out in the online DIP or on the application form.

If the valuer confirms they have seen the CML Disclosure of Incentives form and has quoted the property value as net of any incentive or discount no further discount applies.

HTB Equity Loan - Incentives

If a property is being purchased as part of the Help to Buy - Equity Loan Scheme incentives of any kind cannot be more than 5% of the value of the property. Full details of Help to Buy – Equity Loans can be found in paragraph 10.14

Part exchange transactions are not available.

How to calculate maximum loan when the customer is in receipt of incentives:

1. House – Purchase price £200,000 with a 15% builder's discount.

| | |
|-------------------------------|----------|
| Valuation amount | £200,000 |
| Purchase price | £200,000 |
| Less 10% incentive (15% – 5%) | £ 20,000 |
| Net purchase price | £180,000 |
| VM lend maximum 85% LTV | £153,000 |

This means the customer must provide the £17,000 deposit from their own resources.

2. Flat / Maisonette – Purchase price £200,000 with £830 rental contribution per month paid by the developer for 2 years (i.e. £19,920 an incentive of 9.96%).

| | |
|-----------------------------------|----------|
| Purchase Price | £200,000 |
| Less 4.96% Incentive (9.96% - 5%) | £9,920 |
| Net Purchase price | £190,080 |
| VM will lend maximum 75% LTV | £142,560 |

This means the customer must provide a deposit of £47,520

HTB Equity Loan Incentives

If a property is being purchased as part of the Help to Buy - Equity Loan Scheme incentives of any kind cannot be more than 5% of the value of the property. Full details can be found in the in the Help to Buy – Equity Loans section below.

Part exchange transactions are not available.

Help to Buy – Equity Loans

The Help to Buy Equity Loan scheme is the first phase of the Government's Help to Buy programme and is designed to help home buyers with smaller deposits buy a new build home in England, Scotland or Wales.

The customer must apply for an Equity Loan through the appropriate agency who will ensure the customer is eligible to participate in the scheme. Eligible customers are able to apply for a second charge loan to assist them in purchasing a New Build property, the customer must provide a minimum deposit of 5% from their own resources.

The Equity Loan is interest free for the first 5 years. From year 6 the customer is required to pay an annual fee to the government which is 1.75% of the outstanding equity loan amount. The interest rate will then increase on an annual basis in line with the Retail Price Index (RPI) plus 1%.

To ensure that the Equity Loan is affordable to the customer Virgin Money must assume an annual fee of 3% of the Equity Loan spread over a year as a monthly financial commitment.

If a property is being purchased as part of the Help to Buy - Equity Loan Scheme incentives of any kind cannot be more than 5% of the value of the property.

In order to qualify for the equity loan the customer must meet the following criteria:

| HTB Equity Loan scheme | Minimum Deposit | Equity Loan (up to) | Mortgage (up to) | Maximum Property Value |
|------------------------|-----------------|---------------------|------------------|------------------------|
| England | 5% | 20% | 75% | £600,000 |
| London | 5% | 40% | 75% | £600,000 |
| Scotland | 5% | 15% | 80% | £200,000 |
| Wales | 5% | 20% | 75% | £300,000 |

- Available for residential first and next time buyers
- Guarantors are not permitted
- The mortgage must be arranged on a Capital and Interest Basis
- The customer cannot have an interest in any other property (i.e. no second homes or Buy To Lets in the background)
- The property cannot be used as a Buy to Let
- Where the loan is arranged on a Help to Buy Equity Loan basis the offer of loan is valid for 30 weeks this may be extended subject for an additional six months. Please see section 8 Offer of Loan extensions – New Build for further details.

The London Scheme operates in the City of London and the following 32 boroughs:

| | | | |
|----------------------|----------------------|----------------------|--------------------|
| City of Westminster | Kensington & Chelsea | Hammersmith & Fulham | Barking & Dagenham |
| Richmond upon Thames | Kingston upon Thames | Waltham Forest | Tower Hamlets |
| Wandsworth | Lambeth | Southwark | Hackney |
| Camden | Brent | Ealing | Islington |
| Hounslow | Merton | Sutton | Croydon |
| Bromley | Lewisham | Greenwich | Bexley |
| Havering | Redbridge | Newham | Haringey |
| Enfield | Barnet | Harrow | Hillingdon |

New Build Warranty

An acceptable new build warranty must be in place for any property which has been built or converted in the last 10 years, or is to be occupied for the first time. Acceptable warranty schemes are:

- NHBC
- Zurich Municipal (Zurich withdrew from the market 30th Sept 09)
- Premier Guarantee
- Build Assure
- Building Life Plans (BLP)
- Build Zone and Local Authority Building Control New Home Warranty
- Castle 10 / Checkmate
- CRL Limited

- Global Home Warranties
- International Construction Warranties (ICW)
- Advantage HCI
- Aedis
- Protek
- Q Assure

- Certification by certain professional consultants may be accepted where the property has been built/converted within the last six years, subject to it being in Standard Council of Mortgage Lenders (CML) format.

Self Build

VM does not accept self-build properties whilst they are undergoing construction and the property is not in a habitable condition.

VM will accept a self-build property once construction is complete and the property is in a habitable condition. This is subject to the property having the benefit of a New Build Warranty or Professional Consultants Certificate in standard CML format, acceptable to VM, satisfactory valuation report and valuer comment.

The VM definition of a property being habitable is:

- Wind and weather tight
- Plastered out
- All services functioning and connected and at least one kitchen with:
 - functioning hot and cold water supply to a sink
 - Adequate food preparation and storage facilities
- functioning bathroom with bath or shower and WC

Flats / Maisonettes

In England, Wales & Northern Ireland flats and maisonettes must be leasehold.

Leasehold Flats / Maisonettes with an equal share in the freehold of the block are acceptable subject to satisfactory valuation report and valuer comment.

In Scotland Flats / Maisonettes must be Absolute Ownership (Heritable) or leasehold.

Virgin Money does not accept freehold flats except in the following scenarios:

Tyneside flat where there are reciprocating lease/freehold arrangements.

A flat in a building converted to no more than 4 flats and the other flats each have a long lease.

Flats / Maisonettes built for the private sector are acceptable in blocks up to a maximum of 10 storeys across the UK. In the following areas of London we will accept an unlimited number of storeys. Where the building is above 10 storeys the maximum LTV will be 80% .

- The City of London
- Canary Wharf
- London Boroughs – Camden, Greenwich, Hackney, Hammersmith & Fulham, Haringey, Islington, Kensington & Chelsea, Kingston upon Thames, Lambeth, Richmond upon Thames, Wandsworth and Westminster.

Flats / Maisonettes in blocks above 5 storeys must be lift served.

Ex-Local Authority, Housing Association or Ministry of Defence (MOD) Flats / Maisonettes are acceptable in blocks to a maximum of 3 storeys subject to satisfactory valuation report and valuer comment. NB. This includes flats and maisonettes located in London (defined as being within the boundary of the M25.)

When assessing storey height the valuer will take into account flats at garden, basement and attic levels. Maisonettes/ duplex flats over two floors are counted as separate storeys. Where there is more than one block in the development but they share a common entrance, storey height of the overall and development should be assessed, not only on the block in which the security is situated but on each.

Studio flats are not acceptable to VM.

Converted Flats / Maisonettes are acceptable in blocks up to a maximum of 10 storeys across the UK (unlimited in London Boroughs – refer to the list above) subject to the following:

- If the Flat / Maisonette has been converted or first occupied in the last 24 calendar months it is classed as new build. VM will not lend over 75% LTV on this type of property until at least 24 months from the date of completion or 1st occupation. This includes additional borrowing by way of Personal Secured Loan or Mortgage Review.
- If the Flat / Maisonette has been converted in the last 10 years it must have the benefit of an acceptable New Build Warranty or Professional Consultants Certificate in standard CML format.

New Build Flats / Maisonettes are acceptable to VM, subject to them having the benefit of an acceptable New Build Warranty or Professional Consultants Certificate in standard CML format, fulfilling lending policy requirements and satisfactory valuation report & valuer comment.

- Flats or maisonettes situated over or adjacent to retail or commercial premises are acceptable to VM in London (defined as being within the boundary of the M25) subject to satisfactory valuation report and valuer comment. Flats or maisonettes above retail or commercial premises in the remainder of England, Wales and Northern Ireland are not acceptable.
- Traditional tenement flats or maisonettes in Scotland, situated above retail or commercial premises are acceptable to VM if situated in central areas of Edinburgh, Glasgow, Dundee, Aberdeen, Inverness, Stirling and Perth, subject to satisfactory valuation report and valuer comment.
- Flats / Maisonettes with external deck or 'balcony access' are acceptable if built for the private sector subject to satisfactory valuation report and valuer comment.
- Flats / Maisonettes with external deck or 'balcony access' are not acceptable if built for local authorities, housing associations or MOD and must be declined.

Unacceptable loan types

Virgin Money does not accept applications on the following:

- Shared equity
- Affordable housing
- Keyworker
- Homebuy

Sub-sales and back-to-back transactions

A back-to back remortgage takes place when a customer purchases/exchanges on a property then attempts to take out a mortgage based on an enhanced market value within six months of the original purchase/exchange. Virgin Money policy in these cases is to lend against the lower of either the original purchase price or valuation. The original transaction must be registered at the Land Registry.

A Sub-sale occurs where the applicant is purchasing a new build property from a third party i.e. not the builder / developer. The applicant will pay a premium price to the third party, but the third party will be purchasing from the builder / developer at a much lower price.

Virgin Money will only lend on the lower of the purchase price or property valuation in the original transaction unless the applicant has made significant improvements to the property. In this instance the valuer will still require sight of the CML Disclosure of Incentives Form (DiF) which must be in the name of the applicant(s)

Solar Panels

VM will lend on properties where solar panels have been installed, subject to no materially detrimental impact on the value of the property, satisfactory valuation report and valuer comment.

Where the customer wants to purchase and install solar panels on a property in mortgage to Virgin Money, this will be acceptable provided this does not have a material detrimental impact on the value of the property.

Where Virgin Money receives a request from solar panel providers to install solar panels on a property in mortgage to Virgin Money, then consent will only be provided where the terms of the lease meet the minimum requirements set out by the Council of Mortgage Lenders (CML), which is updated periodically on its website. www.cml.org.uk.

The terms of lease must include a valid break clause, which Virgin Money can exercise in the event of possession. We will not lend on properties in Scotland or Northern Ireland where an existing lease of roof space is in place following the installation of Solar Panels.

10. Flexible features

Your customer may be able to take advantage of a range of flexible features. The use of these features is subject to Virgin Money's prior agreement and may be considered if the applicant is:

- Up to date (no arrears)
- Making full contractual payments (not in a payment arrangement)
- Not subject to IVA or bankruptcy proceedings

Please check the individual terms and conditions for your customer's product to check which features are available to them.

Everyday products

Mortgage overpayments

Your customer(s) are able to make overpayments of up to 10% of their outstanding balance per calendar year without incurring an Early Repayment Charge (ERC).

Payment holidays

Your customer(s) may apply for a one month payment holiday for every nine consecutive full monthly payments they make, up to a maximum of three which can be applied for after 27 consecutive full monthly payments.

The number of consecutive payments is reset to zero if a customer does not make a full monthly payment in the month it is due or if Virgin Money agrees for an underpayment to be made.

Borrow back and underpayments

Not permitted on Everyday mortgage products.

Fully Flexible products

Mortgage overpayments

This allows your customer to make unlimited, penalty free overpayments, either monthly or in a lump sum provided the mortgage is not redeemed in full.

Borrow back

Your customers can borrow back any previously paid overpayments that total at least £500. Where the borrow back takes the LTV above 90%, customers will be made aware of the risk of negative equity prior to the release of any funds.

Underpayments

If your customer has made previous overpayments they have the option to make lower monthly payments or stop their monthly payment.

Payment holidays

As per Everyday policy above.

11. Porting

Porting – transferring a mortgage to a new property

Porting is when a customer moves home and transfers their current mortgage rate (fixed or variable) to a new property.

Porting applications that require additional borrowing will need to be submitted by completing the downloadable application form on the intermediary website (www.virginmoneyforintermediaries.com/)

Porting applications where no additional borrowing is required can be submitted as normal via VMO.

Virgin Money plc's Mortgage Product Update provides full details of the porting policies that apply to existing customers.

The acceptance of the porting application will be at Virgin Money plc's discretion and subject to lending policy, including credit scoring and affordability assessment.

Cashback - From time to time we may offer a cash incentive on completion for selected products to help your clients with the costs related to buying a new property. The cashback incentive is not available to customers who are porting including when taking additional borrowing.

Virgin Money will only accept income paid in GBP / £Sterling.

Early Repayment Charges when porting

- If redemption of the existing Virgin Money plc mortgage and the completion of the new loan take place simultaneously, and there is no reduction in outstanding balance, then no ERC or help with costs repayment will be payable
- If redemption of the existing Virgin Money plc mortgage and completion of the new loan **do not** take place simultaneously, then any applicable ERC and help with costs repayment will be charged and subsequently refunded on completion of the new mortgage, providing this takes place within three months and there is no reduction in the outstanding balance
- If the new loan amount is lower than the outstanding balance of the existing mortgage, the customer will be required to pay an ERC on the reduction in balance subject to the terms and conditions of their mortgage product.

Procuration fees

Procuration fees are available on cases where applicants port their existing product to a new property. Contact your BDM for further details and the process of how to make a porting application.

Porting – products launched before 12 May 2008

Customers who completed onto products launched **prior to 12 May 2008** will be able to port their existing mortgage balance or a reduced balance, subject to any applicable ERC. If your client requires additional borrowing to purchase their next property, they will be able to apply for the additional amount at the same rate as their existing product. Applications must fit all lending criteria, including maximum LTV, credit scoring and affordability assessments.

Porting – products launched on or after 12 May 2008

Customers who completed onto products launched **on or after 12 May 2008** will be able to port their existing mortgage balance or a reduced balance, subject to any applicable ERC. If your client requires additional borrowing to purchase their next property, they will be able to apply for the additional amount from the product range available at that time. The additional borrowing must be from the same product family as the main loan. I.e. everyday or flexible. Applications must fit all lending criteria, including maximum LTV, credit scoring and affordability assessments.

Existing customers moving home and taking an entirely new product

All customers who are moving home also have the option to take a new mortgage product from our prevailing range for the entire loan against their new property. Provided the new loan completes within three months of redemption of the existing loan, they may receive a refund of up to 50% on any applicable ERC subject to their original terms and conditions.

Customers redeeming and completing on different days

If a customer does not repay the loan on their property on the same day as they complete the loan on the next property, then any applicable ERC will be payable in full on the day they redeem. If they complete the loan on the next property within three months of redeeming, then the ERC will be refunded. If there is a reduction in the balance, any applicable ERC will be payable on the difference.

Please refer to the mortgage offer issued to your client(s) for confirmation of their terms and conditions when moving home.

12. Custom Build

Custom build gives the customer an opportunity to have a say in the creation of their new home. It can mean a single one-off home commissioned by an individual and built by a developer, through to a group of homes, built by a developer, but with the offer of bespoke design for the individual.

- Custom Build sites will be proposed by Buildstore and pre-approved by VM .
- Exposure will be restricted to a maximum of 20% of the Custom Build plots on the site unless previously agreed

Standard lending policy applies in all instances subject to the following additional requirements:

Repayment of the loan

- During the build phase or a maximum of 24 months the loan will be on a deferred capital basis i.e. the customer will only make interest payments only and no repayment of capital
- When the customer(s) switch from a deferred capital loan to a standard residential loan they may choose to repay the loan on a capital and interest basis or an Interest Only basis subject to them complying with all Interest Only new business policy requirements

Affordability

VM will carry out two affordability assessments before deciding how much a customer can borrow. The customer must pass both affordability assessments, the details of which are as follows:

Capital and Interest Affordability Assessment

- Affordability must be confirmed on a Capital and Interest Basis, using the full loan amount to calculate the monthly mortgage payment
- This assessment must be based on the costs associated with the new property and all the customer financial commitments and expenses
- Where the customer has an existing residential mortgage in place at the start of the mortgage term, VM assumes this property will be let out when the Custom Build property is completed. The loan will therefore be treated as self-supporting where the monthly rental income covers the mortgage payment by 145%. If the loan does not cover the mortgage payments by 145%, the shortfall must be included as a financial commitment.
- To confirm the prospective monthly rental income a letter is required from a reputable Letting agent, which would include Members of the Association of Residential Letting Agents (ARLA), Members of the Property Ombudsman Scheme and Members or Fellows of the Royal Institution of Chartered surveyors (RICS).

Interest Only Cash Flow Assessment

- The customer will also be required to pass an initial cash flow assessment on an interest only basis covering the customer's expenditure including the current mortgage/rent payment during the build phase of the mortgage, the customer's financial commitments and essential expenditure. NB. The full loan amount must be used to calculate the monthly mortgage payment.
- The customers declared expenditure must cover the property in which they are living and any additional ongoing expense relating to the property being built

The loan will be stressed in line with VM standard policy

The loan

- Residential only
- Maximum Loan To Income 4.49 x
- Maximum loan £500,000
- Maximum LTV 85%. No staged release to be greater than 85% Loan to Cost (LTC) of the value of the property at that stage of the build. Maximum LTV and LTC for properties valued at over £500,000 is 80%
- No Guarantors are allowed

Property

VM will lend on Custom Build Detached Houses only

Help to Buy Equity Loan is not available with a Custom Build mortgage

The property must have a New Build Warranty, acceptable to VM, in place from the start of the build.

Solicitor

VM requires separate legal representation in a Custom Build transaction. Eversheds solicitors will represent VM.

Valuation

The property must be inspected at all stages.

- A mortgage valuation, instructed by VM, will be undertaken at the start of the mortgage process. The report will include an estimated value of the property when complete and a valuation of the LAND (Plot)
- At each of the interim stages a re-inspection report will be required. The report, provided by the valuer will confirm the build is proceeding to plan and to a satisfactory standard
- Prior to the final release a re-inspection report and valuation will be instructed and must include confirmation the property has been constructed in line with the plans and to a high standard and confirm the value of the property now it is fully constructed, before we will release the funds

Staged Releases

- VM will consider a maximum of five staged releases during the building of the property depending on the circumstances of each build.
- Maximum LTV 85% on purchase of the land and completion of the mortgage. N.B. No staged release to be greater than 85% LTC.
- VM will only make a staged payment when a signed request is received from the customer, an interim certificate from the warranty provider and satisfactory report including valuation from the valuer. No staged release payment can be made if this information is not received.
- We will only release staged payments to the customer's bank account used to pay their mortgage by Direct Debit

Insurance

- VM requires Build Out Cover Insurance and Mortgage Indemnity Guarantee Insurance is in place during the during the build phase of the property. This will be arranged by Buildstore on behalf of VM on receipt of the Certificate of Title. Premiums will be paid by VM.
- The Property and the Build must have an adequate Contractors All Risk insurance cover (also known as contract works or self-build insurance) during the Build Phase. The insurance cover must provide the following:
 - at least 125% of the professional reinstatement cost
 - public liability insurance of at least £5,000,000
 - employers' liability insurance of at least £5,000,000
 - where possible we should be named as the joint insured, but where this is not possible our interest should be noted.
- The customers solicitor must confirm Buildings Insurance including all perils is in place on completion of the build phase of the property

New Build Warranty

- An insurance backed New Build Warranty must be in place from the start of the build. The warranty provider must certify at each stage of the property build that it is proceeding to a satisfactory standard.

Offer of Loan

- An Offer of Loan on a Custom Build mortgage is valid for 16 weeks
- We may be able to provide an Offer extension for a further 8 weeks subject to the application being re-underwritten against current lending policy. This requires a new credit score, updated affordability, income documentation and any supporting documentation requested on the initial assessment.

- A referral to the valuer seeking confirmation the property value provided in the original mortgage valuation remains appropriate. If the valuer provides an updated property valuation, lending must be calculated using the updated valuation.

13. Shared Ownership

Shared Ownership (SO) involves a buyer purchasing a share of their home (typically between 25% and 75%) whilst a Registered Provider (Housing Association) retains ownership of the remaining share. Rent is paid on the unsold share, which is usually capped at 3% of its value and buyers obtain mortgages to fund the purchase of the share they buy. Buyers can purchase further shares in the future ('staircasing') until they own the property in full usually with the aid of further mortgage borrowing.

Standard lending policy applies in all instances along with the following additional requirements:

- Lending is currently restricted to England only.
- VM will lend on a maximum of 15% of the total number of shared ownership units on individual sites unless previously agreed by VM.

Repayment of the loan

- All loans must be arranged on a Capital & Interest Basis until the customer owns or purchases 100% of the property.
- When the customer owns 100% of the property they may apply to repay the loan on an Interest only basis subject to new business lending policy

Income and Affordability

- Maximum household income is £80,000 in England except in London where it is £90,000
- An income multiple cap of 4.49 times will apply on all applications
- The monthly rental payment must be included in the affordability calculation as a financial commitment.
- The current rental payment will be projected forward for 5 years assuming an increase of 3% (5 Year BOE Consolidated forecast for RPI) in each year.

The Lease

- The lease for the property must be in the form of the Homes & Communities Agency's 2015 model lease (or later) and must contain the Mortgage Protection Clause
- The landlord must be a registered provider of social housing
- Restrictions on ownership are acceptable provided they only apply to the initial sale of the property and are subsequently dis-applied to any future sale e.g Section 106
- The following pre-emption rights are acceptable:
 - The owner is able to sell the property, free of the pre-emption right if the property sale is not completed within 3 months of the owner giving notice to the registered provider of their intention to sell.
 - The sale price under the pre-emption right must be at the open market value.
 - The proceeds of the sale must be payable to the vendor on completion of the sale.
- The following nomination rights are acceptable:
 - The owner must have the right to assign the lease free of any nomination right or marketing restriction if either the landlord fails to nominate or nominee fails to exchange contracts within 6 months of the notice to sell being served

The Loan

- Maximum Loan to Value limit is 90% (including New Build) of the share of the property, being purchased by the customer or already owned by the customer. i.e. minimum customer deposit required is 10%.
- Customer must purchase a minimum of 25% of the property and be able to purchase additional shares in the property (staircasing) to 100%
- There must be no compulsory requirement in the lease for the customer to purchase additional shares in the property at a future date
- In all instances where a customer is seeking to purchase an additional share of the property a mortgage valuation is required and permission granted by the Registered Provider (Housing Association).
- Guarantors are not acceptable on Shared Ownership mortgages

- VM must have a first charge over the customer's leasehold interest in the property and consent to any second charge in the usual way
- The customer must get the prior permission of the registered provider for Further advances which are only available in the following circumstances:
 - The purchase of additional shares in the property only.
 - To buy out another leaseholder (Change of Parties)
 - Comply with a covenant in the lease

Unacceptable Properties

- The list of unacceptable properties shown in Section 9 of this guide applies along with the following:
 - Office to residential conversions
 - Ex local authority flat conversions

Offer of Loan Extensions (Shared Ownership)

New Build

- An Offer of Loan on a new build property is valid for 30 weeks
- We may be able to provide an Offer extension for seven months subject to the application being re-underwritten against current lending policy. This requires a new credit score, updated affordability, income documentation and any supporting documentation requested on the initial assessment.
- A referral to the valuer seeking confirmation the property value provided in the original mortgage valuation remains appropriate. If the valuer provides an updated property valuation, lending must be calculated using the lower of the updated valuation or purchase price.

Non-New Build

- An Offer of Loan is valid for 16 weeks from date of issue
- Offer of Loan extensions can be considered where there has been a delay in the sale of the existing property or purchase of the new property
- When an extension is requested, the loan must be re-underwritten against current policy rules and taking into account the customer's current circumstances
- A new credit score, and affordability assessment must be performed to consider extending the Offer
- Mortgage offers can only be extended once for a further 8 weeks, after which the customer must reapply
- A referral to the valuer seeking confirmation the property value provided in the original mortgage valuation remains appropriate. If the valuer provides an updated property valuation, lending must be calculated using the lower of the updated valuation or purchase price.