

# **Legal & General Home Finance**

Retirement Interest Only Mortgage

New Lending Standards

# Contents

<b>1. Introduction</b>	<b>3</b>
<b>2. Lending Source</b>	<b>3</b>
<b>3. Lending Purpose</b>	<b>3</b>
<b>4. Repayment Types</b>	<b>4</b>
<b>5. Lending Limits</b>	<b>4</b>
<b>6. Borrower Types</b>	<b>6</b>
<b>7. Customer Verification</b>	<b>7</b>
<b>8. Credit Score</b>	<b>8</b>
<b>9. Credit Search</b>	<b>8</b>
<b>10. Affordability</b>	<b>9</b>
<b>11. Income and Expenditure Verification</b>	<b>13</b>
<b>12. Security</b>	<b>18</b>
<b>13. Location/Tenure/Occupation</b>	<b>24</b>
<b>14. Valuation</b>	<b>25</b>
<b>15. Existing Mortgage Customers</b>	<b>26</b>
<b>16. Expiry Dates</b>	<b>26</b>
<b>17. Policy Exceptions</b>	<b>27</b>
<b>18. Glossary</b>	<b>27</b>

## 1. Introduction

The New Lending Standards apply to new customers and existing customers who are applying for a new Retirement Interest Only (RIO) residential mortgage with Legal & General Home Finance (LGHF). Within the New Lending Standards there are 3 different types of 'lending rules' - "Lending Policy", "Mandatory Standards" and "Standards".

"Lending Policy and Mandatory Standards" provide the absolute policy boundaries within which all lending must be undertaken to ensure compliance with Responsible Lending rules and the LGHF Risk Appetite. It is however acknowledged that in exceptional circumstances there may be a requirement to accept a mortgage which does not meet these rules but where the decision to lend is still within the best interests of the customer and LGHF. Therefore, the ability to apply a controlled exception exists but is restricted, by an operational mandate, to LGHF's most senior mandate holders and all cases are reported as "Outside Lending Policy".

These Standards are for internal use only and cannot be distributed externally without the Policy Owner's permission.

The LGHF Lending Principles are;

- Financially strong borrowers:
  - Borrowers with the ability to repay, as determined by the LGHF affordability model, on a long-term basis and;
  - Borrowers with the willingness to repay evidenced via their credit score, past behaviours and Loan to Value (LTV)
- Security - residential property which will be the borrower's main residence is suitable for immediate occupation, is readily marketable and on which LGHF can obtain a first legal charge.

## 2. Lending Source

Code	Policy
NL0201	LGHF accepts new lending residential applications on a fully advised basis via the following sources: Intermediary (must be authorised by the FCA).
Code	Standards
N/A	There are some differences for existing mortgage customers - refer to section 15.

## 3. Lending Purpose

Code	Policy
NL0301	LGHF offers residential mortgages for the following purposes: <ul style="list-style-type: none"> <li>• House purchase</li> <li>• Re- mortgage</li> </ul>
NL0302	Customers must own 100% share of the property.
Code	Standards
NL0303	Lending must be for the customers main residence.
NL0304	The maximum number of borrowers per application is 2. Both must be registered at Land Registry following completion.
NL0305	Re-Mortgages <ul style="list-style-type: none"> <li>• At application, at least one customer must have owned and lived in the property for at least 6 months</li> <li>• Where additional funds are being raised this is acceptable unless it is for business purposes i.e. including, but not limited to, the purchase of a business, investing funds into a business, lending money to a business, and the settlement of business or personal tax liabilities.</li> </ul>
	Acceptable deposit types
NL0306	Customer's own sources/savings and not borrowed.
NL0307	Gifted from an immediate family member only.

NL0308	Builders offer incentives to purchasers in the form of allowances; cash backs and deposit paid schemes. These are acceptable subject to:
NL0309	<ul style="list-style-type: none"> <li>For Houses &amp; Bungalows: the maximum allowable builder's incentive is 5%. If the total value of incentives exceeds 5% of the purchase price, the difference should be deducted from the purchase price and LTV calculated on the lower figure</li> </ul>
NL0310	<ul style="list-style-type: none"> <li>For flats and maisonettes: where the builder's incentive is cash back or deposit paid, this is not acceptable unless the full incentive is deducted from the purchase price to calculate the loan to value. Any other incentives must not exceed 5%</li> </ul>
NL0311	<p>Concessionary purchases are acceptable subject to:</p> <ul style="list-style-type: none"> <li>Purchasing from immediate family member</li> <li>Solicitor confirmation of the purchase price and details of the vendor</li> <li>The LTV is calculated using the valuation amount, not the discounted purchase price</li> <li>The loan amount not exceeding the discounted purchase price</li> </ul>

#### 4. Repayment Types

Code	Policy
NL0401	RIO mortgages are all offered on an Interest Only (IO) basis.
Code	Standards
NL0402	Repayment strategy for RIO mortgages is Sale of Mortgaged Property at the end of the mortgage contract.

#### 5. Lending Limits

Code	Policy
NL0501	Maximum Loan to Value (LTV) is 60% plus fees.
NL0502	Mortgage term will be determined by the mortality tables within the lending system.
NL0503	Maximum Loan to Income (LTI) can be up to 8.5x based on verified income amount.
Code	Standards
NL0504	<p>Maximum LTV's:</p> <p>Loan to Value is calculated on the lower of the purchase price or property valuation, and the LTV calculation excludes fees which can be added to the loan.</p>
NL0505	<p>For flats and maisonettes, the valuation will be reduced by 15%, i.e. 85% of the valuation will be used for purchase or re-mortgage.</p> <p>For example:</p> <p>Eg. Valuation is £100,000 and LGHF product allows you to borrow 60%.</p> <p>The calculation will be:</p> <p><math>£100,000 \times 15\% = £15,000</math></p> <p><math>£100,000 - £15,000 = £85,000</math></p> <p><math>£85,000 \times 60\% = £51,000</math> maximum loan</p>

NL0507

**Properties with a valuation over £2m are adjusted in accordance with the Funder matrix**

Property Type	Location	Haircut
Flats	All Regions	Standard 15% plus 10% over £2m
Houses	All Regions	20% over £2m

Eg. If a house is valued at £7,000,000 an LGHF product allows you to borrow 60%.

The calculation would be:

$$\begin{aligned}
 &£7,000,000 - £2,000,000 = £5,000,000 \\
 &£5,000,000 \times 20\% \text{ (High Value Haircut)} = £1,000,000 \\
 &£5,000,000 - £1,000,000 = £4,000,000 \\
 &£4,000,000 + £2,000,000 = £6,000,000 \\
 &£6,000,000 \times 60\% = £3,600,000 \text{ maximum loan}
 \end{aligned}$$

Eg. If the property is a flat/maisonette and valued over £2m then a further 'high value haircut' is applied in addition to the 15% reduction for the property type. However, the 15% reduction for the property type is always taken off the whole amount first. This quote is based on a flat/maisonette valued over £2m and an LGHF product allows you to borrow 60%.

The calculation would be:

$$\begin{aligned}
 &£7,000,000 \times 15\% \text{ (Flat/maisonette haircut)} = £1,050,000. \\
 &£7,000,000 - £1,050,000 = £5,950,000. \\
 &£5,950,000 - £2,000,000 = £3,950,000. \\
 &£3,950,000 - 10\% \text{ (high value haircut)} = £395,000. \\
 &£3,950,000 - £395,000 = £3,555,000. \\
 &£3,555,555 + £2,000,000 = £5,555,555. \\
 &£5,555,555 \times 60\% = £3,333,333 \text{ maximum loan.}
 \end{aligned}$$

NL0508	<p>Minimum Term:</p> <p>Term will be determined by the mortality tables built into the lending system.</p>
NL0509	<p>Minimum Loan:</p> <p>£10,000</p>
NL0510	<p>Maximum Loan to income (LTI):</p> <p>For both joint and single applicants, applied to the gross allowable income (total income entered into affordability model, i.e. sum of all types and % allowed).</p> <p>Based on verified income at application, i.e. customers' current earnings at DIP.</p> <p>The maximum loan amount will be determined by the affordability calculator with the absolute maximum LTI being 8.50x applied to higher income earners not constrained by either affordability or the maximum Debt Service Ratio within the model</p> <p>All the above 'rules' are subject to product availability.</p>
	Minimum Property Value:
NL0511	£70,000 for houses and bungalows
NL0512	£100,000 for flats, maisonettes, ex-Local Authority/Ex-MOD/Ex-Housing Authority properties
NL0513	<p>Maximum Property Value:</p> <p>£7,000,000 subject to Funder approval.</p>
NL0514	Retirement Villages are not allowed for RIO.

## 6. Borrower Types

Code	Policy
NL0601	Will only lend to individuals.
NL0602	Minimum age 55.
Code	Standards
NL0603	Maximum age - 90 at application (each borrower).
NL0604	Lending to a customer who is retired or enters retirement during the term of the mortgage is permitted, LGHF defines retirement age as age 67 or declared age whichever is earlier.
NL0605	Foreign nationals must confirm whether they have indefinite leave to remain or right to reside.
NL0606	Lending is not permitted to customers with diplomatic immunity from UK law.
NL0607	All applicants must have been resident in the UK for at least 6 months.

NL0610

### Power of Attorney

We only accept an Enduring or Lasting Power of Attorney for use in transactions.

An Enduring or Lasting Power of Attorney continues when an individual loses capacity and requires someone to act on their behalf. An Enduring Power of Attorney must be registered with the Office of Public Guardian once capacity has been lost.

Applications made under an Enduring or Lasting Power of Attorney for Property and Financial Affairs may be acceptable subject to the following requirements:

- The Power of Attorney documents need to be submitted to LGHF for prior approval together with Photo ID and proof of residence for each attorney. **We will not accept an attorney signing on behalf of any borrower unless the borrower has a physical or mental incapacity.**
  - Where a borrower is in the early stages of losing mental capacity (for example early-stage dementia), the preference is that they continue to act for themselves, with the Financial Adviser and Solicitors confirming they had mental capacity to understand and make decisions at the time of the face-to-face appointment.
  - If this is not possible, a letter from the borrower's GP should be obtained stating that they do not have the mental capacity to act for themselves in a transaction such as this.
- Where a borrower is physically incapacitated i.e., they cannot sign the document themselves, they can have an attorney appointed under an enduring or lasting power to sign on their behalf provided that both the borrower and attorney are advised by the financial adviser and solicitor. *NOTE - If a borrower can make a physical mark and has been appropriately identified by the solicitor, the Land Registry preference would be for them to sign for themselves.* Please note that if an Enduring Power of Attorney has been formally registered with the Office of Public Guardian any physical incapacity has been overtaken by mental incapacity.
- Where a borrower is mentally incapacitated the enduring or lasting power of attorney must be requested with the office of the Public Guardian. In addition, we should confirm that the **purpose of the release is for the welfare and benefit of the Donor.**

A borrower cannot act in signing the mortgage deed both as Proprietor (owner) and Attorney as this is unacceptable to the Land Registry.

### General Information - Court of Protection

Where a borrower is mentally incapacitated and has not validly appointed an Attorney, it may be possible to proceed by way of having a Deputy appointed by the Court of Protection. The Order appointing the Deputy should also specifically mention mortgaging and the Deputy appointed must not be a registered proprietor/spouse.

There are 2 types of Deputy - Property and Financial Affairs or Personal Welfare (Care etc). A Court Order sets out what the Deputy can and cannot do and the Deputy must act within the scope of the Court Order.

Land Registry will reject applications where the joint owner is represented by a Deputy unless.

- A new trustee is appointed in place of the customer, or
- There is a specific Court Order in favour of the acting Deputy permitting the Deputy to deal with the beneficial interest of the incapacitated owner.

A newly appointed third-party trustee would not tend to be a suitable solution for release as the trustee would not have the same obligations or relationship with the incapacitated borrower that a Deputy has.

Implication is that for joint owner situations, the Deputy must always be specifically authorised to enter into the release of equity.

A Court Order supplementing the existing Property and Financial Affairs Court Order would be required.

### Scotland

In Scotland, there are 3 types of Power of Attorney.

- Continuing Power of Attorney
- Welfare Power of Attorney (Not appropriate for mortgages)
- Combined Power of Attorney

A Continuing Power of Attorney must be registered at Office of the Public Guardian (Scotland).

Guardianship Orders are made by the Sheriff appointing an individual to make decisions and act for an incapable person on an on-going basis. This is usually for 3 years or more.

A Guardianship Order is applicable where there is no Power of Attorney in place, and you need sheriff court approval to obtain one.

## Further Advances

Where there is a joint mortgage and the borrowers have an Enduring or Lasting Power of Attorney for each other; it is acceptable for the borrower who still retains capacity to act on behalf of the other borrower when applying for a Further Advance if the purpose of the funds benefits the Donor

## Porting

Must be dealt with in the same way as a New Business case - a borrower cannot act in signing the mortgage deed both as a proprietor and attorney as this is unacceptable to the Land Registry.

## 7. Customer Verification

Code	Policy
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As below

Code	Standards
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n/a	There are some differences for existing mortgage customers - refer to section 15.
NL0701	All new applications must comply with the requirements of the Money Laundering Regulations Act.
NL0702	If a document, like a bank statement, serves for both identity and income verification including the assessment of account conduct, it will need to be certified in accordance with section 11 Income and Expenditure Verification.

## Criminal Convictions

Criminal convictions as disclosed (unless for minor driving offences) will not be accepted unless it's spent under the Rehabilitation of Offenders Act 1974. As a general rule, L&G define "spent" as the end of the period of 7 years beginning with the day on which the sentence (including any licence period) is completed.

However, there are exceptions to this as some convictions (such as a those holding a life sentence) can never be spent. *(To confirm if a conviction is spent, please refer to [Rehabilitation Periods - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/rehabilitation-periods)).*

### Sentences that can never be spent

Sentence of imprisonment for life

Sentence of imprisonment, youth custody, detention in a young offender institution or corrective training of over four years for a schedule 18 offence

Sentence of preventive detention

Sentence of detention at His Majesty's pleasure Sentence of custody for life

Public protection sentences (imprisonment for public protection, detention for public protection, extended sentences of imprisonment or detention for public protection and extended determinate sentences for dangerous offenders)

Applications where there is a pending prosecution cannot be accepted until prosecution has occurred and the conviction becomes spent, or the applicant is cleared of any charges.

If a conviction is declared and unspent, we are unable to accept an application.

## 8. Credit Score

Code	Policy
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NL0801	Every application must pass LGHF's minimum credit score. The minimum score cut-off is coded within the system and any application falling below this threshold will be automatically declined.
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## 9. Credit Search

Code	Policy
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NL0901	A credit search must be conducted on every applicant.
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NL0902	The last 3 years' address history must be obtained for all applicants and a credit search conducted on all addresses.
Code	Standards
NL0903	All Customers must reside in the UK at the time of the application.
NL0904	The last 3 years' residency of a customer must be verified, credit searched and be sufficient to ensure an appropriate understanding of residency and credit history.

NL0905

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Adverse credit decline rules:

- CCJ's
  - Any unsatisfied CCJ's
  - Latest satisfied CCJ registered within last 36 months
  - More than 2 satisfied CCJ's
  - Satisfied CCJ's totalling more than £500
- Defaults
  - Any outstanding default of any amount
  - Satisfied defaults totalling more than £150 where latest registered within last 36 months
  - More than 1 satisfied default where latest registered within last 36 months
- Missed Payments:
  - Unsecured loans:
    - More than one missed payment in the last 12 months
    - More than two missed payments in the last 24 months
  - Mortgage, secured loan and or tenancy:
    - One or more missed payments in the last 12 months
    - Two or more missed payments in the last 24 months
- Bankruptcy/Sequestration -
  - Discharged for a minimum of 72 months
- Individual Voluntary Arrangements (IVA) / Trust Deeds / Debt Management Plan -
  - Satisfied for a minimum of 72 months
  - No further adverse credit since it was satisfied.
- Repossessions -
  - Where a customer has had a repossession in last 72 months this must be declined

NL0906	If customer has evidence of having a Payday Loan or Home Credit Loan within the last 6 years, then they will be declined.
NL0907	Applicants who are over-indebted will not be allowed.

## 10. Affordability

Code	Policy
NL1001	Every application must pass LGHF's affordability assessment. For further details refer to the Affordability Model Standards.

### 10.1 Allowable Income

Code	Standards
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NLI002	Only sustainable income can be used in the affordability calculation.
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NLI003	<p>Income from Permanent Employment</p> <p>There is no minimum time in employment if the role is permanent.</p> <p>100% of the following “guaranteed income” can be used:</p> <ul style="list-style-type: none"><li>• Basic salary</li><li>• Allowances (eg. large town/car/shift)</li><li>• Any increase in pay where it is due to be paid within 3 months</li></ul> <p>50% of the following “variable income” can be used, subject to; the amount being used not exceeding the basic salary:</p> <ul style="list-style-type: none"><li>• Bonus and overtime</li><li>• Commission</li><li>• 100% of second job income subject to; this amount being sustainable</li></ul> <p>Zero-hour contractors, seasonal contractors and temporary contractors will not be considered.</p>
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NLI004	<p>Income from Self Employment / LTD Company Director</p> <p>Note: if the affordability assessment is carried out on the self-employed income only then the case must be referred to an underwriter to check for the suitability and sustainability of employment.</p> <p>Acceptable subject to:</p> <ul style="list-style-type: none"> <li>• Minimum trading period of 2 years, where they have only been trading for 2 years a projection is required</li> <li>• The earnings are viably sustainable for the foreseeable future, considering past performance and future reasonability</li> <li>• The nature and sustainability of employment being established in cases where the self-employed income is lower than the projected pension income</li> </ul> <p>Acceptable income types:</p> <p>Sole Traders / Partners - the average of the customer's share of the net profit for the last 2 trading years or the latest years share, whichever is the lower.</p> <p>Company Directors - the customer's basic salary (remuneration) from the latest year, the customer's average dividend for the last 2 trading years or the latest years dividend, whichever is the lower and the cost of any pension contributions being made, up to 10% of income.</p> <p>Where there are downward trends in earnings and company performance, or the applicant declares they anticipate a reduction in income, income should be discounted from affordability.</p>
NLI005	<p>Income from Self Employed Medical Professionals</p> <ul style="list-style-type: none"> <li>• GPs in partnership can be accepted and 100% of their current income used (with a minimum 2-year track record of earnings).</li> <li>• Medically related second income - 100% can be accepted for income purposes. This income is specifically private practice income earned on a self-employed basis by consultants, which is in addition to the NHS salary received.</li> <li>• Public sector contracts - 6 monthly rotational contracts for junior doctors are acceptable.</li> <li>• 6 monthly medical research contracts are not acceptable.</li> </ul>
NLI006	<p>Income from Fixed Term Contracting</p> <p>100% of contract income can be used, subject to:</p> <ul style="list-style-type: none"> <li>• At least 12 months of the current contract remaining, or</li> <li>• Current contract minimum 12months duration and a 2-year track record of income from contract work</li> </ul> <p>Where a customer is employed through an umbrella company this is acceptable subject to; a 2-year track record of earnings being confirmed, and details of the forthcoming year must be obtained from the umbrella company.</p> <p>Zero-hour contractors, seasonal contractors and temporary contractors will not be considered.</p>
NLI007	<p>Contract workers, zero-hour contractors, seasonal contractors and temporary contractors will not be considered.</p>
NLI008	<p>Income from Pension</p> <p>Pension already in receipt</p> <ul style="list-style-type: none"> <li>• 100% of current employment/occupation pension income being received (Defined Benefit/ Lifetime Annuity)</li> <li>• 3.5% of pension pot for flexi-access income drawdown pension</li> <li>• 100% of state pension currently being received</li> </ul> <p>Future pension income</p> <ul style="list-style-type: none"> <li>• 100% of projected Defined Benefit income</li> <li>• 3.5% of pension pot for annuity purchase or flexible drawdown (existing pot)</li> <li>• 100% of projected state pension</li> <li>• The 25% tax free lump sum is not to be included in the income assessment</li> <li>• If the pension is fixed for life, eg. fixed term annuity, then a 15% haircut is to be applied to allow for inflation on expenditure</li> </ul>

NLI009	<p>Income from other sources</p> <p>Maintenance Income</p> <p>Where a customer is receiving maintenance payments, this income can be used within affordability assessment however the following must apply;</p> <ul style="list-style-type: none"> <li>• The customer is in receipt of other income to support the lending</li> <li>• Maximum 50% of the income to be used in the calculation</li> <li>• The maintenance must have a minimum of 2 years remaining</li> </ul> <p>Benefit Income</p> <p>The following types of income are payable indefinitely and can be used at 100%</p> <ul style="list-style-type: none"> <li>• Retirement pension</li> <li>• War widows' pension</li> <li>• War disablement pension</li> </ul>
NLI010	<p>Income from Investments</p> <p>Income from Investment Products</p> <ul style="list-style-type: none"> <li>• Investment Income is acceptable where there is a 2-year track record of earnings</li> <li>• The nature of the investment will need to be reviewed to determine whether the income is sustainable.</li> <li>• LGHF will not accept any form of speculative investment as an income source for any reason</li> </ul> <p>Predictable Investment Income</p> <ul style="list-style-type: none"> <li>• Interest income from corporate bonds and dividend income from stocks are two good examples of predictable investment income. These sources of income can be relied upon in most circumstances, but they are not guaranteed. These investments can create a stable source of retirement income via interest and dividend paying investments, or the purchase of mutual funds that own such investments.</li> </ul> <p>Guaranteed Income</p> <ul style="list-style-type: none"> <li>• Guaranteed investment income is exactly what it sounds like; income that is guaranteed by either the UK government or an insurance company. Safe investments like certificates of deposit, treasury securities, and fixed annuities are the primary sources of guaranteed investment income</li> </ul>
NLI011	<p>Affordability Assessment</p> <ul style="list-style-type: none"> <li>• We will accept 100% of guaranteed investment income for use within the affordability assessment</li> <li>• We will accept 50% of predictable investment income for use within the affordability assessment</li> </ul>
NLI012	<p>Acceptable Investment Products</p> <ul style="list-style-type: none"> <li>• Sustainable surplus income generated from a property portfolio (BTL income after finance, letting fees and maintenance costs - predictable investment income).</li> <li>• Dividend income from a portfolio of shares/investment trust where already retired (predictable investment income).</li> <li>• Dividend income from ownership of a share in a business (not directors' dividends - predictable investment income).</li> <li>• Savings Income (Gilts, corporate bonds, permanent interest-bearing shares, unit trusts) (Can be either predictable or guaranteed).</li> <li>• Life Insurance Investment - With-Profit and Investment bonds (Can be either predictable or guaranteed).</li> </ul>

## 10.2 Committed Expenditure

Code	Standards
NLI013	In addition to the basic essential and basic quality of living costs for the customers household (which are included by the Affordability Model) all current and future committed expenditure that will continue after the mortgage completes must be included within the affordability calculation.
NLI014	<p>The following debts should be taken as a deduction:</p> <ul style="list-style-type: none"> <li>• The monthly costs of all debts which will remain in place on completion of the mortgage are included as a deduction within affordability. If it can be evidenced that a debt is due to be fully repaid within 6 months of the application date, this can be excluded from affordability calculations.</li> <li>• Any credit cards to remain in place on completion of the mortgage are included as a deduction with 3% of the total credit balance being taken.</li> <li>• Monthly costs of any childcare / school fees</li> <li>• Monthly costs Student Loans</li> <li>• Monthly costs of any Mortgage payments that do not meet the self-financing rules or are not going to be let out.</li> <li>• Monthly costs of any property charges - ground rent / service charge</li> <li>• Monthly costs of any regular maintenance payments</li> <li>• Monthly costs of any other significant outgoings that applicant is committed to but do not form part of everyday expenditure. Examples include (not an exhaustive list): <ul style="list-style-type: none"> <li>◦ Regular payments to family members</li> <li>◦ Horse livery fees</li> <li>◦ Care home fees for a relative</li> <li>◦ Maintenance and running costs for second/holiday home</li> <li>◦ Expensive hobbies</li> <li>◦ Golf membership fees</li> <li>◦ Professional fees</li> <li>◦ Life insurance premiums</li> </ul> </li> <li>• Monthly costs of Council Tax</li> </ul>
NLI015	<p>Background Properties</p> <p>Where a customer has a property in the background or a property which is going to be let any regular running costs declared by the customer, including mortgage payments are to be factored into affordability.</p>
NLI016	<p>Buy to Lets</p> <ul style="list-style-type: none"> <li>• Where the property is currently let the mortgage can be classed as self-financing if the rental income exceeds the mortgage payment by at least 150%</li> <li>• If the rental amount does not cover 150% and there is a shortfall amount (i.e. the difference between the rental payment and 150% of the mortgage payment) this must be included as a deduction within affordability</li> </ul>
NLI017	On all background properties, where a mortgage is in place evidence of the mortgage payment amount, and the payment being maintained must be evidenced for the last 12 months.
NLI018	Debt consolidation is permitted All current monthly payments for the debts being consolidated must be included in the affordability assessment. The customer must demonstrate they can afford the mortgage based on these existing commitments, as they are responsible for repaying the debts to be consolidated after completion.

## 10.3 Affordability Calculation

Code	Standards
	In addition to the standards in 10.2 the following must be included when calculating affordability;
NLI019	<ul style="list-style-type: none"> <li>• The correct household composition</li> </ul>
NLI020	<ul style="list-style-type: none"> <li>• Calculated on the product interest rate (fixed for more than 5 years - MCOB 11.6.18 (1))</li> </ul>
NLI021	<ul style="list-style-type: none"> <li>• Standard Tax and National Insurance contributions</li> </ul>
NLI022	<ul style="list-style-type: none"> <li>• Calculated on an interest only basis</li> </ul>

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NLI023	<p>The affordability assessment is to be completed on the lower of;</p> <ul style="list-style-type: none"><li>• the customers' current verified employed income or</li><li>• their expected verified retirement income</li><li>• For joint applications each applicant must be able to afford the mortgage on an individual basis, therefore, the income used will be that of the lowest earning applicant</li></ul>
NLI024	<ul style="list-style-type: none"><li>• If the self-employed income is the lowest and, therefore, used within affordability then the nature and sustainability of employment should be established via a referral to underwriting</li></ul>

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NLI025	<ul style="list-style-type: none"> <li>The mortgage must be affordable for each applicant individually for joint applications</li> </ul>
NLI026	<ul style="list-style-type: none"> <li>The affordability assessment will require spare capacity after mortgage payment for any unforeseen expenses</li> </ul>
NLI027	<p>Over 17's</p> <ul style="list-style-type: none"> <li>Any adult (over 17) who will reside in the property and is financially dependent on the applicant(s) must be included within the affordability calculation</li> </ul>

## 11. Income and Expenditure Verification and Certification

### 11.1 Income Verification and Certification

Code	Policy
NLI101	<p>All documents used for Income Verification and the assessment of account conduct will require certification by the Adviser if they have seen the original document(s).</p> <p>If the Adviser has not seen the original document(s) the list below confirms who can certify the document(s);</p> <ul style="list-style-type: none"> <li>Bank or Building Society official.</li> <li>Post Office official.</li> <li>Councillor.</li> <li>Minister of Religion.</li> <li>Dentist.</li> <li>Chartered Accountant.</li> <li>Solicitor or Notary.</li> <li>Teacher or Lecturer.</li> </ul> <p>The person should not be:</p> <ul style="list-style-type: none"> <li>Related to the applicant.</li> <li>Living at the same address as the applicant.</li> <li>In a relationship with the applicant.</li> </ul> <p>The person certifying the copy will need to:</p> <ol style="list-style-type: none"> <li>Write on the document, 'Certified to be a true copy of the original seen by me'</li> <li>Sign and Date the declaration</li> <li>Print their Name under the signature</li> <li>*Print their occupation, address and telephone number below the signature</li> </ol> <p><b>*Advisers only need to complete points 1 to 3.</b></p> <p>Where multiple documents are photocopied on one piece of paper, either on one or both sides, each items requires its own Certification.</p>

Code	Standards
NLI102	Any income received from foreign currency (non-UK sterling) / asset is not acceptable and cannot be used within the affordability assessment.
NLI103	<p>Bank Statement Principles</p> <p>Bank statements are required to validate the accuracy and authenticity of the income used in the affordability assessment. In addition, they are required to assess the applicant(s) ability to demonstrate financial sustainability (i.e. account conduct) and ensure that necessary outgoings have been appropriately factored into the affordability assessment.</p> <p>At least 3 bank statements are required and must:</p> <ol style="list-style-type: none"> <li>Be genuine and belong to the customer(s).</li> <li>Enable validation of the accuracy and authenticity of the income used with the affordability assessment.</li> <li>Be recent enough to provide assurance that the applicant is still in receipt of the income and the income used is up to date.</li> <li>Provide assurance that the applicant has a strong ability and willingness to repay, and validate (where possible) information declared by the applicant to ensure an appropriate and accurate affordability assessment is undertaken.</li> </ol> <p>If the bank statement(s) provided cannot satisfy the 4 principles, further bank statements and/or P60s must be obtained.</p>



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NLI I04	<p>Permanent Employment</p> <p>For customers new to LGHF / completing New Lending the following is required to verify employed income;</p> <ul style="list-style-type: none"><li>• Latest 3 payslips</li><li>• Where payslips cannot be obtained an employer's reference can be accepted</li><li>• Where a customer is due to start a new job then the income can be used subject to; receiving a copy of the signed contract</li><li>• Any pay increase due within the next 3 months must be confirmed by the employer if used within the affordability calculation</li></ul>
NLI I05	<p>Self Employed / LTD Company Director Income</p> <p>If the affordability assessment is done purely on the self-employed income these cases must be referred to an underwriter to check for type and sustainability of employment.</p> <p>All applications must be checked for the following:</p> <ol style="list-style-type: none"><li>1. Certainty that the company exists and is still trading.</li><li>2. Confirmation of the applicants' current earnings from a source independent of the applicant or verified independently.</li><li>3. The earnings are viably sustainable for the foreseeable future, considering past performance and future reasonability.</li></ol> <p>See table on following page.</p>

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	Accountants Reference	Personal Bank Statement	Business Bank Statement	Last 3 years SA302s Online with a tax overview	Company Search	Payslip	Employers reference (Produced by accountant)	Latest P60
Self Employed/ Partnership/ Limited Liability Partnership (LLP) - Accountant is on list of recognised accountants	✓	✓	✓					
Self Employed/ Partnership/ Ltd Liability Partnership (LLP) - Accountant <b>not</b> on list of recognised accountants	✓	✓	✓	✓				
Self Employed/ Partnership/ Ltd Liability Partnership (LLP) - Prepares own accounts or self-assess		✓	✓	✓				
Partner with minority shareholding eg. large law firm		✓		✓				
Limited Co. Directors (including salaried directors) min 20% Shareholding or <20% where income is derived from dividends- Accountant is on list of recognised accountants	✓	✓	✓		✓			
Ltd Co Directors (including salaried directors) min 20% Shareholding or <20% where income derived from dividends- Accountant not acceptable	✓	✓	✓	✓	✓			
Salaried Directors <20% shareholding (no dividend or dividend not being used)		✓			✓	✓		
Employees of family companies		✓				✓	✓	✓

Acceptable Accountants Qualifications are:

- Institute of Chartered Accountants (FCA/ACA)
- Institute of Chartered Accountants (Scotland) - (FCAS/ACAS)
- Association of Chartered Certified Accountants (ACCA/FCCA)
- Chartered Institute of Public Finance Accountants (CIPFA)
- Institute of Company Accountants (ASCA/FSCA)
- Association of Authorised Public Accountants (FAPA/AAPA)
- Association of International Accountants (FIA/AIA)
- Chartered Institute of Management Accountants (CIMA)
- Institute of Chartered Accountants of Ireland (ICAI)
- Institute of Chartered Accountants Scotland (ICAS)

NLI I 06	<p>Self Employed Medical Professionals</p> <p>Where usual self-employed criteria cannot be met for Consultants/Doctors you can obtain:</p> <p>An Accountants letter (from suitably qualified Accountant) confirming minimum 12 months earnings or, Latest Tax Return documentation SA302 (Tax Calculation Summary) or, SA310 (Revenue Acknowledgement) plus Latest Tax Return.</p>
NLI I 07	<p>Fixed Term Contracting</p> <p>To verify the customers earnings who is on a fixed term contract the following is required;</p> <ul style="list-style-type: none"> <li>• A copy of the current contract</li> <li>• A copy of the most recent bank statement</li> <li>• To obtain a track record contracts or P60s can be used</li> <li>• Latest 3 payslips</li> </ul> <p>For a customer employed through an umbrella company then a 2-year track record, either through a reference or accounts should be supplied, which confirm forthcoming earnings.</p>
NLI I 08	<p>Contractor – non-fixed term</p> <p>Current and previous contracts covering the last 12-month period (2-year track record if less than 3 months remaining on current contract).</p>
NLI I 09	Customers current CV <u>or evidence of contract track record within same employment field as appropriate.</u>
NLI I 10	PAYE/Umbrella Co: latest 3 payslips/invoices and latest 3 months personal bank statements.
NLI I 11	Limited Company: latest 3 months business bank statements and latest 3 months personal bank statement.
	Pension Income
NLI I 12	<p>Pension Income Assessment – Already in Receipt</p> <p>State Retirement Pension (SRP)</p> <ul style="list-style-type: none"> <li>• Department of Work and Pension (DWP) state pension letter issued within the last 12 months; OR</li> <li>• Latest 3 months bank statements identifying payment from DWP</li> </ul> <p>Private/Company Pension and Annuities</p> <ul style="list-style-type: none"> <li>• Latest monthly pension payslip (no older than 2 months from the application date) OR</li> <li>• Latest 3 months bank statements evidencing the payment from the pension company with either:</li> </ul> <p>Pension statement, or:</p> <ul style="list-style-type: none"> <li>• Pension payslip (no more than 12 months old - undated payslips are not acceptable), or</li> <li>• Pension letter, or</li> <li>• P60 (if not clear the P60 is related to the pension then a covering letter is required from the pension company/annuity provider)</li> </ul> <p>Pension Statements and Annuity Letters must:</p> <ul style="list-style-type: none"> <li>• Not be handwritten or amended</li> <li>• Show applicant's name and address, which must match the application details</li> <li>• Include pension company/annuity provider's name, address, telephone number and company registration number (if a limited company)</li> <li>• Be on headed paper or show company logo</li> <li>• Show payment dates</li> <li>• Cover a minimum of one month (5 consecutive weeks)</li> <li>• Show gross income</li> <li>• Show net pay</li> </ul> <p>Pension Statement for private/company and state pension must:</p> <ul style="list-style-type: none"> <li>• Show regularity of payment</li> <li>• Not be older than 12 months</li> </ul> <p>Annuity Letters must:</p> <ul style="list-style-type: none"> <li>• Show lump sum invested in fund</li> <li>• Show end date if applicable</li> <li>• Not be older than 12 months</li> </ul>

NLII12 contd.	<p>For 'Income Drawdown/Flexible Drawdown' pensions additional documentation is required to confirm the value of the pension pot remaining. This documentation should be no older than 12 months.</p> <p>Evidence of any spousal benefits should be obtained from the pension statement or the type of annuity purchased.</p> <p>If the pension is fixed for life, eg. fixed term annuity, then a haircut is to be applied to allow for inflation on expenditure.</p> <p>Future pension income</p> <ul style="list-style-type: none"> <li>• 100% of projected Defined Benefit (DB) income</li> <li>• 3.5% of accrued Defined Contribution (DC) and/or Private pension pot(s) for annuity purchase or flexible drawdown</li> <li>• 100% of projected state pension</li> <li>• The 25% tax free lump sum is not to be included in the income assessment</li> </ul> <p>The assessment should only be carried out on the pension benefits accrued at the time of application, i.e. no assumptions about future pension growth should be made</p> <p>All usable income must be verified by an appropriately mandated underwriter for all cases</p> <p>Pension Income Assessment – Future Income Projection:</p> <p>Private/Occupational (DB/DC) Pension</p> <ul style="list-style-type: none"> <li>• Latest private/company projection statement or FCA regulated letter from the scheme administrator</li> <li>• If different estimated income levels are projected the average/normal value or equivalent will be used</li> <li>• Must be dated within the last 18 months</li> <li>• Must show the assumed normal retirement age</li> </ul> <p>State Pension</p> <ul style="list-style-type: none"> <li>• State Pension projection obtained by the customer from the government website</li> <li>• Must have the customer's name and address</li> <li>• Must be dated within the last 12 months</li> </ul> <p>Annuity Statement</p> <ul style="list-style-type: none"> <li>• Must be dated within the last 18 months</li> </ul> <p>Further evidence to establish participation in the pension scheme may be obtained</p> <ul style="list-style-type: none"> <li>• Latest payslip confirming pension contributions OR</li> <li>• Bank statement showing pension payments</li> </ul>
NLII13	The income assessment will be based on the lower of the current income or estimated retirement income.
NLII14	For joint applications evidence of the spousal benefits must be obtained.
NLII15	<p>Income from other sources</p> <p>Maintenance Payments</p> <ul style="list-style-type: none"> <li>• The income must be evidenced through a formal agreement. This should be one of the following: CSA agreement, Court order, Solicitors Letter or Consent Order</li> <li>• The latest bank statement to show evidence of the income</li> </ul> <p>Benefit Income</p> <ul style="list-style-type: none"> <li>• The award letter will be required to evidence this income along with the latest bank statement evidencing the benefit credit</li> </ul>

Investment Income	
NL1116	<p>Investment income Verification</p> <p>The latest two years' HMRC Tax Year Calculations plus the Tax Overview documentation (one copy of each piece of documentation is required for each tax year).</p> <p>The documentation may show a latest financial year up to 18 months old at the date of application when supported with six months' personal bank statements.</p> <p>Accountant's Certificate covering the most recent 2-year accounting period</p> <p>The Accountant's Certificate may show a latest financial year up to 15 months old at the date of application when supported with six months' personal bank statements.</p> <p>We will request the Certificate directly from the Accountant.</p> <p>The latest year's figures should be used to determine income.</p> <p>Latest financial year should be no older than 12 months at the date of application.</p> <p>Three months' personal bank statements may be required in other circumstances.</p> <p>Dividend income where the applicant is retired</p> <p>The latest two years' HMRC Tax Year Calculations plus the Tax Overview documentation (one copy of each piece of documentation is required for each tax year).</p> <p>The documentation may show a latest financial year up to 18 months old at the date of application when supported with six months' personal bank statements.</p> <p>Accountant's Certificate covering the most recent 2-year accounting period</p> <p>The Accountant's Certificate may show a latest financial year up to 15 months old at the date of application when supported with six months' personal bank statements.</p> <p>We will request the Certificate directly from the Accountant.</p> <p>The latest year's figures should be used to determine income.</p> <p>Latest financial year should be no older than 12 months at the date of application.</p> <p>Three months' personal bank statements may be required in other circumstances.</p> <p><b>Rental Income from Property Investments</b></p> <p>Rental income - from mortgage free properties.</p> <ul style="list-style-type: none"> <li>▪ Latest 3 months' bank statements or you can use a statement/letter from an Association of Residential Lettings Agents (ARLA) registered letting agent if this shows a breakdown of payments received, evidencing the latest three months' net rental payments.</li> <li>▪ Rental income must be paid by Direct Debit/Standing Order.</li> <li>▪ SA302 and TYO for past 2 years showing income from Land and Property</li> </ul> <p><b>Rental Income - from mortgaged properties</b></p> <ul style="list-style-type: none"> <li>▪ Latest 3 months' bank statements or you can use a statement/letter from an Association of Residential Lettings Agents (ARLA) registered letting agent if this shows a breakdown of payments received, evidencing the latest three months' net rental payments and associated mortgage payments.</li> <li>▪ Rental income must be paid by Direct Debit/Standing Order.</li> <li>▪ SA302 and TYO for past 2 years showing income from Land and Property. Note finance costs shown on SA302 should be deducted from the income figure</li> </ul> <p>Rental income from short term or holiday lets, "rent a room" lodgers or foreign property is unacceptable.</p> <p>Rental income - letting business with mortgage.</p> <p>The last 2 years' income figures via an accountant's certificate covering the applicant's share of net profit, or HMRC tax assessments are required.</p>

## 11.2 Expenditure Verification

Code	Standards
NL1117	<p>For Committed Personal expenditure, the information provided by the applicant can be used within the affordability assessment, unless a common-sense view, or additional information challenges the accuracy of the declared information</p> <p>Additional information will include an examination of the applicants' bank statements and information taken from the credit reference search, whereby, the total monthly payments on outstanding debts evidenced will be compared to the customers' declared amounts and the highest value taken.</p>

NL1118

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**All declared expenditure must be verified via the credit reference file or using bank statements.**

- To verify council tax payments:
    - Where the customer is already living at the security address:
      - A recent council tax statement no more than 12 months old OR
      - As evidenced in the most recent bank statement
    - Where the customer has not yet purchased the property:
      - Search for the relevant council tax band using the property postcode and house number (<https://www.tax.service.gov.uk/check-council-tax-band/search> - England & Wales) or (<https://www.saa.gov.uk/> - Scotland)
      - Search for the relevant local authority using the relevant property postcode and house number (<https://www.gov.uk/find-local-council>)
      - Obtain the council tax charge for the relevant council tax band from the local authority website.
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12. Security	
Code	Policy
NLI201	The security must be of an acceptable construction type.
NLI202	A fully enforceable first legal charge must be granted to LGHF.
NLI203	Building insurance is mandatory on all mortgaged properties.
Code	Standards
Properties	
NLI204	Properties over 10 acres may be referred but will be subject to valuer's comments, confirmation that there are no restrictions and confirmation of the type of land and usage.
NLI205	Where properties exceed 5 acres, we will only consider the value of the house and immediate garden area, but the entire plot will be charged.
NLI206	Properties with the benefit of land with planning permission for a separate dwelling must be valued based on what the property would be worth without the planning permission.
NLI207	Properties with ongoing/progressive structural movement are not acceptable.
NLI208	Properties that have been underpinned in the last 5 years are not acceptable.
NLI209	Properties that have been flooded within the last 5 years or where our flood risk data indicates a high risk of flooding.
NLI210	If the property is in a high flood risk area, as determined by the Environment Agency, or flooding of the surrounding area has occurred in the past 5 years, full buildings insurance cover with no endorsements or onerous conditions/excesses will be required.
NLI211	In situations where the applicants own adjoining land next to or near to the security address and this is registered as a separate title which will not be included in our charge, we will only consider lending provided that there are no restrictions to access into the property and no onerous restriction/covenants regarding the usage of either part of the land. The additional land will not be used as part of the valuation.
NLI212	Where the security address has shared access, it will not be considered if the access to the property is shared with or registered to another family member or registered on a separate title owned by the applicants. In circumstances where the applicant or their family own property or land adjacent to the security address, the access to the property needs to be unrestricted as mentioned above.
The following properties are not acceptable for lending;	
NLI273	Properties used for short-term let accommodation, including but not limited to platforms such as Airbnb and Vrbo
NLI272	Age Restricted Properties
NLI213	Japanese Knotweed is acceptable if it is within 7 metres of the boundary, but more than 7 metres away from habitable spaces, conservatory and/or garage of the property.
NLI214	Properties with dry rot unless completely eradicated.
NLI215	Properties used for farming (arable or pastoral) providing any form of commercial income or having livestock* on the property (this includes Small Holdings) or where special licensing or local authority consent for non-residential use has been obtained. *livestock includes any creature kept for the production of food, wool, skins, or fur, or for the purpose of its use in the farming of land.
NLI216	Annexes having additional separate services or being held on separate legal title are not acceptable. Annexes occupied by non-family members or sublet are not acceptable.
NLI217	Properties where more than 15% is a flying freehold.
NLI218	Ex MOD houses on a current MOD site or Housing Association properties forming part of a Ministry of Defence site.
NLI219	Grade 1 and Grade A (Scotland) Listed Buildings.

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NLI220

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Dwellings containing *Mundic* concrete (unless A1 Category Report Held) or High Alumina cement.

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NLI221	Properties with onerous restrictive covenants (eg. agricultural ties).
NLI222	Prefabricated Reinforced Concrete (PRC) even if repaired or panels removed.
NLI223	Properties defective under the 1984 Housing Act.
NLI224	Properties held in Trust.
NLI225	Smallholdings.
NLI226	Caravans/Park Homes.
NLI227	Single skin walls on two floors are not acceptable as the structural integrity may be compromised. Single skin wall construction of the full building is unacceptable.
NLI228	Properties subject to Equity Share Schemes.
NLI229	Large Panel Systems.
NLI230	All Bed-sits or Studio flats under 30m <sup>2</sup>
NLI231	Thatched roof.
NLI232	Freehold Flats.
NLI233	Ex-local Authority Flats above 10 storeys' in height irrespective of the subject property's location.
NLI234	Flats above 5 storeys with no lift access where the subject property is located on the 4th floor or above.
NLI235	Flats not covered by Block buildings insurance.
NLI236	Properties where Spray-foam is present in the loft space.
NLI237	Liable to be subject to; clearance or compulsory purchase order.
NLI238	No kitchen unless installed prior to completion.
NLI239	Properties with restrictions in place that would affect future marketability and resale value.
NLI240	Loans secured against purchase timeshare accommodation.
NLI241	Shared ownership.
NLI242	Shared Equity.
NLI243	Steel framed built before 2001 or steel-clad properties.
NLI244	Properties deemed unacceptable by a valuer due to major restrictions to saleability or significant structural problems.
NLI245	Ex Local Authority, ex Housing Association or ex Ministry of Defence houses/bungalows/flats/maisonettes valued below £100k or where pre-emption conditions have not exceeded clawback period.
NLI246	Properties with water supplied by a Borehole/Spring/Well.

To be referred to Underwriters	
NLI247	Properties offering bed and breakfast facilities where no permanent changes have been made to the home may be acceptable security. Not including any business that employs others.
NLI248	Applicants keeping livestock/animals can be considered if these are kept for non-commercial purposes.
NLI249	Annexes with separate Council Tax banding and annexes sharing Council Tax banding can be acceptable subject to valuation and meeting other acceptability criteria, in particular - no separate services, shared access and less than 50% of the main property footprint. The annexe must be either empty at completion or occupied by a maximum of 2 family members, (more than 2 can be considered by referral to ELSC) or a contracted live-in carer, each of whom signs a Deed of Consent. The annexe must be part of the main legal title. On referral underwriters will consider the circumstances and follow existing rules on deed of consent. Annexes with separate Council Tax bandings should be highlighted to valuer (e.g., via a post valuation query) to assess any impact on value/saleability.
NLI250	Non-traditional construction where the Valuer advises it is widely mortgageable and has high market demand.
NLI251	Properties with >10 acres can be referred. Where properties exceed 5 acres, we will only consider the value of the house and the immediate garden area, the entire plot will be charged.
NLI252	Properties that have been underpinned 5+ years ago, works were completed under guarantees and there has been no further evidence of movement.
NLI253	Properties or land where a Sink Hole has occurred irrespective of whether the impact of that Sink Hole has been resolved must be referred to ELSC.
NLI254	Timber framed dwellings built between 1900-1960 are not acceptable, before and after this period should be referred.
NLI255	Properties with non-standard utilities, ie. 2 kitchens.
NLI256	Grade 2 listed building/Grade C in Scotland.
NLI257	Grade2* and Grade B (Scotland) Listed Buildings can be referred to ELSC.
NLI258	Property originally built with a flat roof (Except flats).
NLI259	Flat Roofed Property where more than 50% of the roof forms part of an extension.
NLI260	Flats above 5 storeys with no lift access where the property is below the 4th floor.
NLI261	Flats in blocks with more than 10 storeys in height where the flat is situated on the 10th floor or below (properties over 10 storeys can be referred)
NLI262	Studios must have a minimum internal measurement of 30m2 and a maximum value of £1,000,000. They must own their own bathroom and kitchen. The kitchen must be in the same room.
NLI263	Property where more than 50% of the total floor area forms part of an extension.
NLI276	<p>A single skin wall is a wall of less than 225mm brick thickness. Property's that have elements of single skin walls may be acceptable subject to meeting <b>all</b> the following conditions.</p> <ul style="list-style-type: none"> <li>• Up to a maximum of 20% of the exterior wall area;</li> <li>• No adverse structural or damp issues;</li> <li>• If the Single skin walls are on an upper floor they must be structurally sound i.e. the roof is securely tied in, and</li> <li>• Saleability and mortgageability must not be adversely affected.</li> </ul>
NLI264	<p>External Wall Systems (Cladding)</p> <p>Residential Properties of any building 4 storeys and above that are constructed with a combustible External Wall System (Cladding) or any attachments such as balconies where there are specific concerns about fire safety must provide an EWS1 form. This referral is based on concern reported by the LGHF panel valuer.</p> <p>LGHF will require the rating to be either A1 or A2 to render the building fire safe, any other rating B1, A3 or B2 will be declined.</p>
Insurance	
NLI264	Buildings Insurance must be in place that is sufficient to cover the reinstatement amount or if the property is part of a larger building and there is a common insurance policy in place, then the sum insured for the building must be at least that amount multiplied by the total number of flats in the building.

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NLI265	Buildings Insurance must be in place under standard terms covering; fire, explosion, earthquake, storm, flood, escape of water or oil, subsidence, heave, landslip and malicious damage.
NLI266	Buildings Insurance must be accepted on normal terms with no endorsements or onerous conditions/excesses.

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## New Build Properties

NLI267

A property that is occupied or transacted for the first time in its current state or converted within the last 2 years.

Additionally, if the property is occupied or transacted for the first time in its current state or converted within the last 6 years it should have either a warranty from LGHF approved list or a suitable Professional Consultants Certificate.

The professional consultants must confirm.

- they have visited the property during construction to check its progress, its conformity with drawings approved under building regulations and its conformity with drawings/instructions issued under the building contract.
- they will remain liable to the first purchasers and their lender and subsequent purchasers and lenders for the period of 6 years from the date of the certificate; confirmed on their indemnity cover.
- has appropriate qualifications and strong experience in the design and/or monitoring of the construction and conversion of residential buildings; and
- will keep a certain level of professional indemnity insurance in force to cover their liabilities under the certificate. The value of the property once completed; or £250,000 if employed directly by the borrower or, in any other case, £500,000. If we require a collateral warranty from any professional adviser, this will be stated specifically in the mortgage instructions.

Recognised Qualifications:

- fellow or member of the Royal Institution of Chartered Surveyors (FRICS or MRICS); or
- fellow or member of the Institution of Structural Engineers (F.I.Struct.E or M.I.Struct.E); or
- fellow or member of the Chartered Institute of Building (FCIOB or MCIOB); or
- fellow or member of the Architecture and Surveying Institute (FASI or MASI) (only if in conjunction with a FCIOB or MCIOB qualification); or
- fellow or member of the Chartered Association of Building Engineers (C.Build E MCABE and C.Build E FCABE); or
- member of the Chartered Institute of Architectural Technologists (formerly British Institute of Architectural Technologists) (MCIAT); or
- architect registered with the Architects Registration Board (ARB). An architect must be registered with the Architects Registration Board, even if also a member of another institution, for example the Royal Institute of British Architects (RIBA); or
- fellow or member of the Institution of Civil Engineers (FICE or MICE).

Properties under 10 years old must have a New Build Warranty; the following have been deemed acceptable:

- NHBC
- Premier Guarantee (including LABC Hallmark and LABC New Home Warranties)
- Building Life Plans Ltd
- Checkmate
- International Construction Warranties (ICW)
- Homeproof Warranties Ltd (formerly known as Aedis)
- Q Assure Build Ltd
- Advantage HCI
- Buildzone
- Protek
- Ark Insurance Group
- One Guarantee
- Global Home Warranties
- ABC+ Warranty
- Build Assure

A new warranty provider can be considered for approval by sending details to the product team for review and progress to an application for assessment.

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Commercial Use at the Property

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NLI268

For applications with a commercial use these will need to satisfy our requirements below:

- The property must be occupied and used exclusively by the applicant for their own business purpose.
- The surveyor must be able to value the property on a residential basis ignoring any business use.
- The property is capable of being sold as a standard residence without extensive modification and expense.
- The surveyor must be aware of the full usage of the property at the time of instruction.
- The property must be wholly or predominantly classified as residential under planning legislation.

Any applications deemed to meet this criteria and progress to valuation may still be deemed unacceptable where the surveyor considers the commercial use to materially impact the marketability of our security.

The underwriter should consider how easily the property could be converted back to a standard residential accommodation in the event of LGHF having to sell as a mortgagee in possession i.e., a home office should only require the removal of a desk/filing cabinet.

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## Property in proximity to a commercial business

NLI269

## Class E (formerly A1)

## Use

## Our guidance

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for the retail sale of goods other than hot food,

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as a post office,

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for the sale of tickets or as a travel agency,

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for the sale of sandwiches or other cold food for consumption off the premises,

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for hairdressing,

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for the display of goods for sale,

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for the hiring out of domestic or personal goods or articles,

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for the reception of goods to be washed, cleaned or repaired

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Above/Below - Accept  
Adjacent/Neighbouring - Accept

However, where the valuer considers the proximity of the commercial use would materially impact marketability of our security the application will be declined.

## Class E (formerly A2)

## Use

## Our guidance

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Financial Services

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Professional services (other than health or medical services)

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Any other services which it is appropriate to provide in a shopping area.

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Above/Below - Accept  
Adjacent/Neighbouring - Accept

However, where the valuer considers the proximity of the commercial use would materially impact marketability of our security the application will be declined.

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Class E (formerly A3)	
Use	Guidance
Use for the sale of food or drink for consumption on the premises or of hot food for consumption off the premises.	Above / Below - Refer Adjacent / Neighbouring - Refer The property must be in a desirable area with good demand, readily saleable and readily marketable.
Class E (formerly B1)	
Use	Guidance
An office other than a use within former class A2 (financial and professional services),	Generally, acceptable where the commercial use of the premises below, adjacent or proximity to the subject property falls under the 'OFFICE' class. Where the commercial use of the premises below is a laboratory this is unacceptable.

We should consider a Sandwich Shop can fall into class A1 if no hot food is prepared. Primary cooking cannot take place on class A1 premises, but hot dishes can be prepared off site and held at a set temperature or reheated. This is a model that Eat, Pret-A-Manger and other lunchtime favourites are exploiting to meet A1 requirements.

NLI270	<p>Solar Panels</p> <ul style="list-style-type: none"> <li>Solar Panels are acceptable if owned outright by the customer. If the solar panels are leased the lease must comply with our minimum requirements. If the lease cannot be varied, ELSC can consider a side letter that addresses the areas of non-compliance with the UK Finance Guidance. The side letter must be addressed to Legal and General Home Finance and its successors. Whether owned or leased the valuer will need to confirm that the solar panels will not adversely affect the saleability of the property and other approvals.</li> <li>We require a copy of the Air Space Lease before the application can proceed. Our representative will check the lease complies with our requirements. If the lease does not meet our requirements the application will be declined.</li> </ul>
NLI271	<p>Retentions</p> <ul style="list-style-type: none"> <li>We do not accept any cases with a Retention. However, Undertakings may, at the discretion of the Underwriter be considered where the works are considered non-essential. The applicants will have sufficient funds to carry out the works following completion and the nature of the works do not affect the structural integrity of the property.</li> <li>LGHF may require works to be carried out by suitably qualified contractors before Offer or Completion. In some instances, we may set out Offer conditions for the works to be carried out within an agreed period after completion.</li> <li>Where the Valuer confirms that essential repairs are required, no monies will be released until the essential repairs have been undertaken. Upon completion of the works, the applicant would need to provide evidence of the completed work, i.e. the schedule of works &amp;/or invoice &amp; guarantees provided. Alternatively, LGHF may instruct the Valuer to reinspect the property to confirm that the works have been carried out to the Valuer's satisfaction, confirm its suitability for mortgage purposes and provide a revised valuation figure where applicable.</li> <li>Where the Valuer confirms that specialist reports are required, we will require the applicant to arrange the reports at their own expense. The specialist reports will be sent to the Valuer for comment. Any repairs deemed essential must be carried out prior to funds release.</li> </ul>

Private Water Supply:

- Due to the varying types of water source, regulation requirements and the number of properties serviced by the water source, all cases need to be referred
- Private Water Supplies (PWS) confined to borehole and well will only be considered subject to evidence provided of:
- A risk assessment carried out by a qualified body no older than 5 years, confirming:
- The installation and specification of the equipment meets the requirements of the regulations prevailing at the time of installation.
- The condition and operation of equipment complies with current legislative standards (as below).
- Confirmation of adequacy and quality of supply under current legislation (as below).
- A water quality test carried out by a qualified body within the last 12 months demonstrating that the water meets the current regulatory standards:
- Private Water Supplies Regulations (2016) incorporating 2018 amendments (England)
- Water Supply (Water Quality) 2018 (Wales)
- The Water intended for Human Consumption (Private Supplies) (Scotland) Regulations 2017
- All cases to be treated as a purchase or porting application, a water and drainage will be obtained as part of the conveyancing process where any issues will be raised and reported to LGHF for consideration.

### 13. Location/Tenure/Occupation

Code	Policy
NLI301	England and Wales (Freehold, Leasehold) Mainland Scotland (Absolute Owner/Heritable Title & Leasehold)
Code	Standards
NLI302	Lending in England, Mainland Scotland & Wales is permitted. Lending in Northern Ireland is not permitted.
NLI303	Acceptable tenure: Leasehold, subject to; <ul style="list-style-type: none"> <li>• Age of youngest borrower plus unexpired lease must be a minimum of 175 years. Where a case falls one year short of this requirement a Technical Underwriter can approve.</li> </ul>
NLI304	Good Leasehold Title will be considered but subject to solicitor's comments.
NLI305	If the borrower owns both the Freehold and Leasehold interests in the security, they should both be charged.
NLI306	Properties where the total service charge payable, including ground rent and any contribution to a sinking fund, is greater than 2.5% of the property value are not allowed.
NLI308	Ground rent reviews to be a minimum of 21 years from commencement of the lease, and at no more frequent intervals thereafter.
NLI309	Increases in Ground Rent, at review, must be limited to no more than, either: a doubling of the rent payable immediately prior to the review or, a figure increased in accordance with the percentage change in Retail Price Index or Consumer Price Index over the previous review period.
NLI310	Where service charge increases are calculated by another means, such as incremental multiplications, the amount of service charge due in 25 years should be no more than 2.5% of the current property value.
NLI311	There is not a provision that the lease is forfeit if the lessee becomes bankrupt.
NLI312	Properties where resale fees exceed 3% of property value are not allowed.
NLI313	Heritable subject to; the property being in Scotland.
NLI314	Freehold, subject to; the property not being a flat.
NLI315	Commonhold properties are not acceptable.

Occupation	
NLI316	The applicants must be the same as those that are/will be on the Proprietorship Register held by HM Land Registry.
NLI317	A maximum of 2 registered parties is permissible.
NLI318	Where registered parties are removed from the title, we require satisfaction that the re-mortgage will include a permanent and financial separation of all interests.
NLI319	If the property is owned and occupied by two spouses or partners, the mortgage must be taken out on a joint basis. If it is only owned by one of them then the spouse / partner who is not on the title deeds will need legal advice and must be added to the title deeds and the mortgage.
NLI320	In order for a lodger to be acceptable, they must be taking one room in the property where the borrower also resides and sharing the facilities of the property.
NLI321	Lodgers must be advised to seek independent legal advice and sign a Deed of Consent.
NLI322	A maximum of two lodgers are permitted.
NLI323	Other adult occupiers living at the property who are not party to their mortgage are required to sign a Deed of Consent to waive to any claim on the property (over the age of 17 before completion).
NLI324	Live-in-carers are exempt from completing a deed of consent where they are from a company providing live-in-care services (providing short term rolling care only). Solicitor instructions include the recommendation that the occupier takes legal advice.
NLI325	Where underwriters are on notice that there may be additional occupiers who have not been declared on the application form, they should make enquiries and condition the Offer of Loan for completion of a Customer Declaration of No Additional Occupancy.
NLI326	In cases where a formal notification has been made that a person or persons has/have expressly. asserted their rights over the property, be it in writing or verbally, the case cannot proceed to completion and will not be accepted.
NLI327	In Scotland, Deeds of Consent are not applicable as there are no rights of occupancy except in cases of matrimonial home rights.
NLI328	Where the occupant is a dependant of unsound mind the occupier's declaration may be signed on their behalf by a person holding Enduring Power of Attorney registered with the Court of Protection. Alternatively, we will consider removing this requirement if we have confirmation from the occupier's Doctor (GP) that they have no mental capacity to sign a Waiver and sight of a care plan indicating the arrangements that are in place following the death or long-term care of the borrower(s).
NLI329	Marital Status; it is not sufficient for a residing spouse to sign a Deed of Consent, they must be party to the loan.

#### 14. Valuation

Code	Policy
NLI401	Every application must be supported by an acceptable valuation of the security by a panel valuer.
Code	Standards
NLI402	The only acceptable valuations for new lending are: <ul style="list-style-type: none"> <li>Internal inspection by a panel valuer</li> </ul>
NLI403	All details on the valuation report must be completed and the valuer must confirm the property is suitable security for LGHF.  Where a customer has had a standard mortgage valuation already carried out in England and Wales this cannot be used for our Mortgage purposes.



NLI404	Mortgage Offer cannot be issued until the structural report is obtained (where requested in the valuation).
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## 15. Existing Mortgage Customers

Code	Policy
	N/A
Code	Standards
NLI501	<p>Lending Source</p> <p>LGHF customers can apply for portability without using an intermediary if they apply through our Customer Contact Centre.</p> <p>Portability applications must be on an advised basis.</p>
	Lending Purpose
NLI502	Portability can be completed with other variations; additional loan, transfer of equity, account amend.
NLI503	Where a customer is being removed from the mortgage as part of the portability application the relevant form should be completed by the party being removed from the mortgage. Transfer of Equity standards can be found within the Account Amendments Lending Standards.
NLI504	Where a customer is new to LGHF and being added to the mortgage as part of the port they must meet new customer lending standards.
NLI505	Where there is no increased risk on the existing lending, and the case falls outside the policy exception rule, the decision to decline a portability application must be authorised by a Technical Underwriter.
	Customer Verification
NLI506	When the original mortgage was opened, ID & V checks for all customers will have been completed and a record retained on file, to comply with the requirements of the Money Laundering Regulations Act 2007.
NLI507	Where a customer is completing new lending, checks must be made to verify all customers, party to the mortgage. This should be done by matching the signature(s) on the new lending application, to the signature(s) we already hold on file. This is a fraud check which helps ensure that all customers are fully aware of the application.
NLI508	If a signature cannot be matched or there is no signature on file, then up to date ID must be obtained that contains a matching signature, such as a passport or driving licence, so the customer can be verified.

## 16. Expiry Dates

Code	Policy
	N/A
Code	Standards

NLI60I	Standard	Expiry Point
	Mortgage Offer	180 days
	AIP Decision	90 days
	Application form and supporting verifications	90 days
	Standard Valuation	180 days

## 17. Policy Exceptions

Code	Standards
N/A	<p>Policy Exceptions - Not Permitted</p> <p>Mandatory Standard Exceptions - Not Permitted</p> <p>Standard Exceptions - Discretion to override, where an appropriate risk rationale exists</p>
Code	New Mortgage Customers
N/A	<p>Policy Exceptions - Only permitted in accordance with MCOB 11.6.3 and/or MCOB11.7</p> <p>Mandatory Standard Exceptions - Only permitted in accordance with MCOB 11.6.3 and/or MCOB11.7</p> <p>The following codes would need to be applied;</p> <p>MCOB 11.6.3 - Affordability rules</p> <p>MCOB 11.7 - Transitional Arrangement rules</p> <p>Standard Exceptions - Discretion to override, where an appropriate risk rationale exists</p>

## 18. Glossary

Key Wordings/ Meanings	Definition
Borrower	A borrower is a customer of LGHF and is someone who we have lent money to.
Concessionary Purchase	You are buying a property at a discounted amount, therefore paying it less than the market value.
Diplomatic Immunity	Diplomatic immunity is a form of legal immunity that ensures diplomats are given safe passage and are considered not susceptible to lawsuit or prosecution under the host country's laws, although they can still be expelled
Dividend Income	Distributions of earnings to shareholders that may be in the form of cash, stock, or property, within the UK dividends are taxed at a different amount.
Execution Only	Taking a mortgage out without receiving any advice from a qualified person
External Appraisal (EA)	Also known as a drive by, a valuer will visit the outside of a property and with knowledge of the area provide a valuation of the property, they will not complete a full internal inspection of the property.
Guaranteed Income	This includes income that is received on a regular basis and forms part of a contractual arrangement between employer/employee, pension provider/pensioner.
LTV	Loan to value - the amount of money lent out to the customer against the market value of the property.
Mortgage Product	<p>The definition of a product is;</p> <p>A product is the item offered for sale. A product can be a service or an item. It can be physical or in virtual or cyber form. Every product is made at a cost and each is sold at a price. The price that can be charged depends on the market, the quality, the marketing and the segment that is targeted.</p> <p>In terms of a mortgage, we are offering to lend someone money, which is the service, a customer has to repay this back over a period of time; the amount paid back a certain point is determined by the rate of the product.</p>

Net Profit	Net profit, also referred to as the bottom line, net income, or net earnings is a measure of the profitability of a venture after accounting for all costs.
Proof of Residency	Residency is where someone has lived; to provide proof means we must be able to see that the person has lived at the property address.
Remuneration	An amount of money paid to someone for the work that person has done. Reward for employment in the form of pay, salary, or wage, including allowances, benefits (such as company car, medical plan, and pension plan), bonuses, cash incentives, and monetary value of the non cash incentives.
Security	What we have lent our monies against, what is there to protect our monies being returned.
Sustainability	For us, it is the amount the customer declares as sustainable on the application form and which the customer believes they can reasonably expect to earn. Proof must be obtained to evidence this.
Transitional Arrangements	Term used to define MCOB 11.7 that allows customers to make changes to their mortgages where they may not meet a lender's current policy, but can meet other requirements set out in MCOB.
Umbrella Companies	<p>An umbrella company is a company that acts as an employer to agency contractors who work under a fixed term contract assignment, usually through a recruitment employment agency in the United Kingdom.</p> <p>An Umbrella Company will employ a person under an overarching Contract of Employment and will be responsible for raising invoices for the work that they do whilst on assignment, this means that they will not have the worry of setting up and running a company or appointing an accountant.</p> <p>It is worth noting that all Umbrella Companies are, effectively, controlled by the HMRC. All payments must be made through PAYE and HMRC also dictate which expenses they are allowed to claim. Therefore, the only difference in your take home pay should be the Umbrella Company's margin.</p>
Variable Income	This includes income where the amount and/or frequency of the income are not guaranteed.