

# Legal & General Home Finance

Retirement Interest Only Mortgage Lending Policy



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## 1. Introduction

The New Lending Policy is divided into lending categories. Within the document there is a code assigned to each 'lending rule'. This code is in place so that information relating to the policy can be easily referenced. The reference of the code covers the type of lending, the number of the lending category and is numbered in order of the document, for example;

The code regarding the policy of 'At application, at least one customer must have owned and lived in the property for at least 6 months' which can be found in the 'Lending Purpose' category would be;

"NL 03 06"

NL = New Lending

03 = Section 3 – Lending Purpose

06 = this is the 6th rule in this section

## 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).

## 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	<b>Re-Mortgages</b> <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</li> </ul>
	<b>Acceptable deposit types</b>
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: <b>For Houses &amp; Bungalows:</b> 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.
NL0309	<b>For flats and maisonettes:</b> 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%.

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NL0310	Concessionary purchases are acceptable subject to: <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>
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#### 4. Repayment Types

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

Code	Policy
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NL0501	Maximum Loan to Value (LTV) is 60% plus fees.
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NL0502	Mortgage term will be determined by the mortality tables within the lending system.
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NL0503	Maximum Loan to Income (LTI) ranges from 4.49x to 5.00x based on verified income amount.
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Code	Standards
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NL0501	<b>Maximum LTV's:</b>
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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.

NL0504	<b>For flats and maisonettes</b>
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The valuation will be reduced by 15%, i.e. 85% of the valuation will be used for purchase or remortgage.

For example:

E.g. Valuation is £100,000 and LGHF product allows you to borrow 60%.

The calculation will be:

$$£100,000 \times 15\% = £15,000$$

$$£100,000 - £15,000 = £85,000$$

$$£85,000 \times 60\% = £51,000 \text{ maximum loan}$$

NL0505	<b>Age restricted properties.</b>
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These are properties with resale restricted to a specific age group by lease, restricted covenant or planning consent. The maximum LTV will be reduced by 5%.

E.g. Valuation is £100,000 & LGHF product allows you to borrow 60%

The calculation will be:

$$60\% - 5\% = 55\%$$

$$£100,000 \times 55\% = £55,000 \text{ maximum loan}$$

Note: this Standard excludes Retirement Villages which are covered by separate Standard NL0511.

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NL0506

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

Property Type	Location	Haircut
Flats	London & South East	Standard 15% plus 10% over £2m
Flats	Rest of UK	Standard 15% alone
Houses	London & South East	20% over £2m
Houses	Rest of UK	10% over £2m

E.g. If a house in London & South East is valued at £7,000,000 & LGHF product allows you to borrow 60%.

The calculation would be:

- £7,000,000 - £2,000,000 = £5,000,000.
- £5,000,000 x 20% (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 x 60% = £3,600,000 maximum loan.

E.g. If the property is a flat/maisonette in London & South East 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 in LSE & LGHF product allows you to borrow 60%.

The calculation would be:

- £7,000,000 x 15% (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% (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 x 60% = £3,333,333 maximum loan.

E.g. If the property is then also age restricted flat then the maximum LTV will be reduced by 5%.

The calculation would then be:

- £7,000,000 x 85% = £5,950,000.
- £5,950,000 - £2,000,000 = £3,950,000.
- £3,950,000 - 10% (high value haircut) = £395,000.
- £3,950,000 - £395,000 = £3,555,000.
- £3,555,555 + £2,000,000 = £5,555,555.
- £5,555,000 x 55% (60% product LTV - 5% age restricted haircut) = £3,055,250

NL0507

**Minimum Term:**

Term will be determined by the system.

NL0508

**Minimum Loan:**

£10,000

NL0509	<p><b>Maximum Loan to income (LTI):</b></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>
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Customer Income (Single/Joint)	LTI
£0-24,999	4.49x
£25,000-£50,000	4.75x
Above £50,000	5.00x

All the above 'rules' are subject to product availability.

**Minimum Property Value:**

NL0510	£100,000
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**Maximum Property Value:**

NL0512	£7,000,000 subject to approval.
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NL0513	Retirement villages and L&G villages are not allowed for RIO.
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## 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.
NL0607	Customers whose nationality is outside the EU / EEA must confirm whether they have indefinite leave to remain or right to reside.
NL0608	Lending is not permitted to customers with diplomatic immunity from UK law.
NL0609	All applicants must have been resident in the UK for at least 6 months.

- NL0610
- Power of Attorney: applications made under an Enduring or Lasting Power of Attorney for Property and Financial Affairs may be acceptable for RIO applications
  - "General" Powers of Attorney and "Health and Welfare" Powers of Attorney are not acceptable
  - A borrower cannot act in signing the mortgage deed as both Proprietor and Attorney as this is not acceptable to the Land Registry
  - 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 the RIO mortgage and the Deputy appointed must not be a registered proprietor/spouse.

**The Applicant: Power of Attorney - Joint Owner scenarios**

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.

**The Applicant: Power of Attorney - Scotland**

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

- Continuing Power of Attorney
- Welfare Power of Attorney (Not appropriate for Equity Release)
- 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.

## 7. Customer Verification

Code	Policy
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As below

Code	Standards
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NL0701	All new applications must comply with the requirements of the Money Laundering Regulations Act.
NL0702	Proof of name and current address required for all new customers, to meet Anti Money Laundering regulation and requirements.
NL0703	Customers whose nationality is outside the EU / EEA must provide evidence that they have either indefinite leave or right to reside, via a passport (showing stamp) or confirmation from the Home Office.
NL0704	If ID is required and if the customer is unable to provide in their current name as they have recently changed their name, either due to choice or marriage, ID must be obtained in the previous name, along with a copy of change of name via deed poll or the marriage certificate.

## 8. Credit Score

Code	Policy
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NL0801	Every application must pass LGHF's minimum credit score.
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## 9. Credit Search

Code	Policy
NL0901	A credit search must be conducted on every applicant.
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	<p><b>Acceptable financial history:</b></p> <p>Applications meeting the below acceptable adverse credit criteria should be referred to establish the reason for the past financial problems.</p> <p>Applicants must not have any arrears at the time of application.</p> <p>Missed payments –</p> <ul style="list-style-type: none"> <li>• Unsecured loans (within the last 12 months), maximum 1 missed payments</li> <li>• Mortgage, secured loan and or tenancy;               <ul style="list-style-type: none"> <li>– No missed payments in the last 12 months</li> <li>– No more than 1 missed payment in the last 24 months</li> </ul> </li> <li>• CCJ's –               <ul style="list-style-type: none"> <li>– Maximum 2</li> <li>– Registered over 36 months ago</li> <li>– Satisfied within 6 months of registration</li> <li>– Total amount cannot exceed £500</li> </ul> </li> <li>• Defaults –               <ul style="list-style-type: none"> <li>– Maximum 1 (registered within the last 36 months)</li> <li>– Total amount cannot exceed £150</li> </ul> </li> <li>• Bankruptcy/Sequestration –               <ul style="list-style-type: none"> <li>– Discharged for a minimum of 72 months</li> </ul> </li> <li>• Individual Voluntary Arrangements (IVA) / Trust Deeds / Debt Management Plan -               <ul style="list-style-type: none"> <li>– Satisfied for a minimum of 72 months</li> <li>– No further adverse credit since it was satisfied.</li> </ul> </li> <li>• Re-Possessions –               <ul style="list-style-type: none"> <li>– Where a customer has had a re-possession this must be declined</li> </ul> </li> </ul>
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## 10. Affordability

Code	Policy
NL1001	Every application must pass LGHF's affordability assessment.

Code	Standards
	Allowable income
NL1002	Only sustainable income can be used in the affordability calculation.



NL1003	<b>Income from Permanent Employment</b> <ul style="list-style-type: none"> <li>• There is no minimum time in employment if the role is permanent.</li> </ul> <p>100% of the following "guaranteed income" can be used:</p> <ul style="list-style-type: none"> <li>• Basic salary</li> <li>• Allowances (e.g. 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>
NL1004	<b>Income from Self Employment / LTD Company Director</b> <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><b>Acceptable income types:</b></p> <p><b>Sole Traders / Partners</b> – 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><b>Company Directors</b> – 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>
NL1005	<b>Income from Self Employed Medical Professionals</b> <p>GP's in partnership can be accepted and 100% of their current income used (with a minimum 2 year track record of earnings).</p> <p>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.</p> <p>Public sector contracts - 6 monthly rotational contracts for junior doctors are acceptable.</p> <p>6 monthly medical research contracts are not acceptable.</p>
NL1006	<b>Income from Fixed Term Contracting</b> <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 12 months 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 two 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>
NL1007	<p>Contract workers, zero hour contractors, seasonal contractors and temporary contractors will not be considered.</p>

NL1008	<b>Income from Pension</b> <ul style="list-style-type: none"> <li>• Pension already in receipt <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> </li> <li>• Future pension income <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> </ul> </li> </ul>
NL1009	<b>Income from other sources</b> <b>Maintenance Income</b> Where a customer is receiving maintenance payments, this income can be used within affordability assessment however the following must apply; <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> <b>Benefit Income</b> The following types of income can be used at 100%; <ul style="list-style-type: none"> <li>• Retirement pension</li> <li>• War widows pension</li> <li>• War disablement pension</li> </ul>
NL1010	<b>Income from Investments</b> <b>Income from Investment Products:-</b> <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>
NL1011	<b>Affordability Assessment</b> <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>
NL1012	<b>Acceptable Investment Products</b> <ul style="list-style-type: none"> <li>• Reviewed at application</li> </ul>
<b>Code</b>	<b>Standards</b>
	<b>Committed Expenditure</b>
NL1013	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 must be included within the affordability calculation.

NL1014	<p>The following debts should be taken as a deduction:</p> <ul style="list-style-type: none"> <li>• The monthly costs of all debts are included as a deduction within affordability.</li> <li>• Any credit cards 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</li> </ul>
NL1015	<p><b>Background Properties</b></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>
NL1016	<p><b>Buy To Lets</b></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>
NL1017	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.
NL1018	<p>Debt consolidation is permitted up to a maximum of £30k</p> <p>The loans not taken into affordability are to be repaid upon completion by Eversheds.</p>
<b>Code</b>	<b>Standards</b>
	<p><b>Affordability calculation</b></p> <p>In addition to the standards in 10.2 the following must be included when calculating affordability;</p>
NL1019	The correct household composition.
NL1020	Calculated on the product interest rate (fixed for more than 5 years – MCOB 11.6.18 (1)).
NL1021	Standard Tax and National Insurance contributions.
NL1022	Calculated on an interest only basis.
NL1023	<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> </ul>
NL1024	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.
NL1025	The mortgage must be affordable for each applicant individually for joint applications.
NL1026	<p><b>Over 17's</b></p> <p>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.</p>

## 11. Income and Expenditure Verification

Code	Policy
NL1101	All income being used in the assessment of affordability must be independently verified.
Code	Standards
NL1102	Any income received from foreign currency (non-UK sterling) / asset is not acceptable and cannot be used within the affordability assessment.
NL1104	<p><b>Permanent Employment</b></p> <p>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>
NL1105	<p><b>Self Employed / LTD Company Director Income</b></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><b>See table on following page</b></p> <p>Acceptable Accountants Qualifications are:</p> <ul style="list-style-type: none"> <li>– Institute of Chartered Accountants (FCA/ACA)</li> <li>– Institute of Chartered Accountants (Scotland) – (FCAS/ACAS)</li> <li>– Association of Chartered Certified Accountants (ACCA/FCCA)</li> <li>– Chartered Institute of Public Finance Accountants (CIPFA)</li> <li>– Institute of Company Accountants (ASCA/FSCA)</li> <li>– Association of Authorised Public Accountants (FAPA/AAPA)</li> <li>– Association of International Accountants (FIA/AIA)</li> <li>– Chartered Institute of Management Accountants (CIMA)</li> <li>– Institute of Chartered Accountants of Ireland (ICAI)</li> <li>– Institute of Chartered Accountants Scotland (ICAS)</li> </ul>

	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 not on list of recognised accountants	✓	✓	✓	✓				
Self Employed/ Partnership/ Ltd Liability Partnership (LLP) – Prepares own accounts or self-assess		✓	✓	✓				
Partner with minority shareholding e.g. 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		✓				✓	✓	✓

NL1106	<b>Self Employed Medical Professionals</b>
	<ul style="list-style-type: none"> <li>• Where usual self-employed criteria cannot be met for Consultants/Doctors you can obtain:</li> <li>• 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</li> </ul>
NL1107	<b>Fixed Term Contracting</b>
	To verify the customers earnings who is on a fixed term contract the following is required;
	<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>
	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.
	<b>Contractor - non-fixed term</b>
NL1108	Current and previous contracts covering the last 12 month period (2 year track record if less than 3 months remaining on current contract).
NL1109	Customers current CV.
NL1110	PAYE/Umbrella Co: latest 3 payslips/invoices and latest 3 months personal bank statements.
NL1111	Limited Company: latest 3 months business bank statements and latest 3 months personal bank statement.
NL1112	<b>Pension Income</b>
	<b>Pension Income Assessment – Already in Receipt</b>
	<ul style="list-style-type: none"> <li>• State Retirement Pension (SRP) <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> </li> <li>• Private/Company Pension and Annuities <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> </li> <li>• Pension statement, or</li> <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> <li>• Pension Statements and Annuity Letters must: <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> </li> </ul>

NL1112  
(continued)

- Pension Statement for private/company and state pension must:
  - Show regularity of payment
  - Not be older than 12 months
- Annuity Letters must:
  - Show lump sum invested in fund
  - Show end date if applicable
  - Not be older than 12 months
- 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
- Evidence of any spousal benefits should be obtained from the pension statement or the type of annuity purchased
- If the pension is fixed for life, e.g. fixed term annuity, then a haircut is to be applied to allow for inflation on expenditure

#### Future pension income

- 100% of projected Defined Benefit (DB) income
- 5% of accrued Defined Contribution (DC) and/or Private pension pot(s) for annuity purchase or flexible drawdown
- 100% of projected state pension
- The 25% tax free lump sum is not to be included in the income assessment
- 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

All usable income must be verified by an appropriately mandated underwriter for all cases.

#### Pension Income Assessment – Future Income Projection

- Private/Occupational (DB/DC) Pension
  - Latest private/company projection statement or FCA regulated letter from the scheme administrator
  - If different estimated income levels are projected the average/normal value or equivalent will be used
  - Must be dated within the last 18 months
  - Must show the assumed normal retirement age
- State Pension
  - State Pension projection obtained by the customer from the government website
  - Must have the customer's name and address
  - Must be dated within the last 12 months
- Annuity Statement
  - Must be dated within the last 18 months
- Further evidence to establish participation in the pension scheme may be obtained
  - Latest payslip confirming pension contributions OR
  - Bank statement showing pension payments

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NL1113      The income assessment will be based on the lower of the current income or estimated retirement income.

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NL1114      For joint applications evidence of the spousal benefits must be obtained.

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NL1115      **Income from other sources**

#### Maintenance Payments

- 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
- The latest bank statement to show evidence of the income

#### Benefit Income

- The award letter will be required to evidence this income along with the latest bank statement evidencing the benefit credit
-

NL1116

**Investment Income**

The following are examples of the verification standards required to meet acceptable investment income guidelines.

**Investment income Verification**

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).

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.

And/Or

Accountant's Certificate covering the most recent two year accounting period

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.

We will request the Certificate directly from the Accountant.

The latest year's figures should be used to determine income.

Latest financial year should be no older than 12 months at the date of application.

Three months' personal bank statements may be required in other circumstances.

**Dividend income where the applicant is retired**

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).

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.

And/Or

Accountant's Certificate covering the most recent two year accounting period

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.

We will request the Certificate directly from the Accountant.

The latest year's figures should be used to determine income.

Latest financial year should be no older than 12 months at the date of application.

Three months' personal bank statements may be required in other circumstances.

**Rental Income from Property Investments**

- Rental income – from mortgage free properties
  - 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.
  - Rental income must be paid by Direct Debit/Standing Order.
- Rental income from short term or holiday lets, "rent a room" lodgers or foreign property is unacceptable.
- Rental income – letting business with mortgage
  - 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.

**Code****Standards**

NL1117

**Expenditure Verification**

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.



## 12. Security

Code	Policy
NL1201	The security must be of an acceptable construction type.
NL1202	A fully enforceable first legal charge must be granted to LGHF.
NL1203	Building insurance is mandatory on all mortgaged properties.
Code	Standards
	<b>Properties</b>
NL1204	Properties with up to 10 acres may be considered subject to valuer's comments, confirmation that there are no restrictions and confirmation of the type of land and usage.
NL1205	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.
NL1206	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.
NL1207	Properties with ongoing/progressive structural movement are not acceptable.
NL1208	Properties that have been underpinned in the last 5 years are not acceptable.
NL1209	Properties that have been flooded within the last 5 years or has adverse comments on the evaluation regarding flooding are not acceptable.
NL1210	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.
NL1211	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.
NL1212	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.
	<b>The following properties are not acceptable for lending;</b>
NL1213	Japanese knotweed is unacceptable if within 7 metres of the habitable building.
NL1214	Properties with dry rot unless completely eradicated.
NL1215	Properties with any commercial use or 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.
NL1216	Properties adjacent/connected to commercial premises which could materially impact marketability, e.g. late night fast food outlets, petrol stations.
NL1217	Properties < 10 years old without NHBC Certificate, LABC Home Warranty or Castle 10, BLP Housing Warranty or acceptable Architects Certificate.
NL1218	Annexes occupied by non-family members or considered separate dwellings with separate access are not acceptable.
NL1219	Properties where more than 15% is a flying freehold.
NL1220	Ex MOD houses on a current MOD site.

NL1221	Housing Association properties forming part of a Ministry of Defence site.
NL1222	Grade 1 and Grade 2* Listed Buildings.
NL1223	Dwellings containing Mundic concrete (unless A1 Category Report Held) or High Alumina cement.
NL1224	Properties with onerous restrictive covenants (e.g., agricultural ties/leased solar panels).
NL1225	Properties with any commercial use or 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.
NL1226	Pre-fabricated Reinforced Concrete (PRC) even if repaired or panels removed.
NL1227	Properties defective under the 1984 Housing Act.
NL1228	Properties held in Trust.
NL1229	Smallholdings.
NL1230	Caravans/Park Homes.
NL1231	Single Skin Construction (10-15% may be acceptable provided it is not above the ground floor or for a kitchen/bathroom).
NL1232	Properties subject to Equity Share Schemes.
NL1233	Large Panel Systems.
NL1234	Bed-sits or Studios.
NL1235	Thatched roof.
NL1236	Freehold Flats.
NL1237	Flats above 10 storeys' in height irrespective of the subject property's location.
NL1238	Flats above 5 storeys with no lift access where the subject property is located on the 4th floor or above.
NL1239	Flats not covered by Block buildings insurance.
NL1240	Property where more than 50% of the total floor area forms part of an extension.
NL1241	Properties where Sprayfoam is present in the loft space.
NL1242	Liable to be subject to; clearance or compulsory purchase order.
NL1243	No internal bathroom and WC unless installed prior to completion.
NL1244	No kitchen unless installed prior to completion.
NL1245	Properties with restrictions in place that would affect future marketability and resale value.
NL1246	Isolated, rural properties with restricted access and services.
NL1247	Residential property divided into bed sitting rooms.
NL1248	Flats with balcony access (i.e. access via covered walkway).
NL1249	City properties with self-contained basement units which are (or are to be) let out.
NL1250	Loans to purchase timeshare accommodation.
NL1251	Local Authority multi storey blocks.
NL1252	Shared ownership.
NL1253	Shared Equity.

NL1254	Dwellings of totally timber construction (ie not clad with brick, stone etc) including the log cabin/chalet type of construction.
NL1255	Flats in Office Block Conversions.
NL1256	Steel framed built before 2001 or steel-clad properties.
NL1257	Properties deemed unacceptable by a valuer due to major restrictions to saleability or significant structural problems.
NL1258	Ex Local Authority, ex Housing Association or ex Ministry of Defence houses/bungalows/flats/maisonettes valued below £150k or where pre-emption conditions have not exceeded clawback period.
<b>Properties meeting the below conditions are to be referred to the Technical Underwriting Team.</b>	
NL1259	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.
NL1260	Properties with business use that does not cause permanent changes to security (e.g. home office, physiotherapy business). Not including any business that employs others.
NL1261	Annexes sharing Council Tax banding & services of the main property are acceptable where the annexe is either empty at completion or occupied by a maximum of 2 family members or a contracted live-in carer, each of who signs a Deed of Consent.
NL1262	Non-traditional construction where the Valuer advises it is widely mortgageable and has high market demand.
NL1263	Properties with > 10 acres and <15 acres. 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.
NL1264	Flats above/properties adjacent to commercial premises which do not materially impact on marketability.
NL1265	Properties that have been underpinned 5+ years ago, works were completed under guarantees and there has been no further evidence of movement.
NL1266	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.
NL1268	Timber framed dwellings built between 1900-1960 are not acceptable, before and after this period should be referred.
NL1269	Properties with non-standard utilities, i.e. 2 kitchens.
NL1270	Grade 2 listed building/Grade C in Scotland.
NL1271	Property originally built with a flat roof (Except flats).
NL1272	Flat Roofed Property where more than 50% of the roof forms part of an extension.
NL1273	Flats above 5 storeys with no lift access where the property is below the 4th floor.
<b>Insurance</b>	
NL1274	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.
NL1275	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.
NL1276	Buildings insurance must be accepted on normal terms with no endorsements or onerous conditions/excesses

NL1279	<b>New Build Properties</b>
	<ul style="list-style-type: none"> <li>• All properties must have an acceptable new build warranty in place or a Professional Consultant's Certificate must be obtained, completed by a suitably qualified professional</li> </ul> <p>Acceptable new build warranties are;</p> <ul style="list-style-type: none"> <li>– National House-Building Council (NHBC)Buildmark scheme.</li> <li>– Zurich Municipal Newbuild scheme (for policies issued up to 30/9/2009)</li> <li>– Premier Guarantee (including LABC Hallmark and LABC New Home Warranties)</li> <li>– Building LifePlans Ltd</li> <li>– Castle 10</li> <li>– International Construction Warranties (ICW)</li> <li>– CRL Management Ltd. (CRL) Unless underwritten by Alpha Insurance.</li> <li>– Aedis Warranties Ltd.</li> <li>– Q Assure Build Ltd.</li> <li>– Advantage HCI</li> <li>– Buildzone</li> <li>– Protek</li> </ul> <ul style="list-style-type: none"> <li>• See section 3 for acceptable new build incentives</li> <li>• The UK Finance Disclosure of Incentives Form must be obtained on all cases</li> </ul>
NL1280	<b>Mortgage Offer Validity Dates</b> 180 days
NL1281	<b>Flats above / below Commercial Premises</b> Flats above or below commercial premises may be acceptable subject to; <ul style="list-style-type: none"> <li>• At least 3 storeys in the block</li> <li>• Valuer confirmation of constant &amp; reliable demand</li> </ul>
NL1282	<b>Solar Panels</b> Properties with leased solar panels are not acceptable.
NL1283	<b>Retentions</b> <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 Mortgage Offer or Completion. In some instances, we may set out Mortgage 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>

### 13. Location/Tenure/Occupation

Code	Policy
NL1301	England and Wales (Freehold, Leasehold) Mainland Scotland (Absolute Owner/Heritable Title & Leasehold) Commonhold
Code	Standards
NL1302	<ul style="list-style-type: none"> <li>Lending in England, Mainland Scotland &amp; Wales is permitted</li> <li>Lending in Northern Ireland is not permitted</li> </ul>
NL1303	Acceptable tenure: Leasehold, subject to; <ul style="list-style-type: none"> <li>Age of youngest borrower plus unexpired lease must be a minimum of 185 years; 180 -185 years will be considered. Where a case falls one year short of this requirement a Technical Underwriter can approve</li> </ul>
NL1304	Good Leasehold Title will be considered but subject to solicitor's comments.
NL1305	If the borrower owns both the Freehold and Leasehold interests in the security they should both be charged.
NL1306	Properties where service charge and ground rent combined exceeds 1.5% of property value are not allowed.
NL1308	Ground rent reviews to be a minimum of 21 years from commencement of the lease, and at no more frequent intervals thereafter.
NL1309	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.
NL1310	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 1.5% of the current property value.
NL1311	There is not a provision that the lease is forfeit if the leasee becomes bankrupt.
NL1312	Properties where resale fees exceed 3% of property value are not allowed.
NL1313	Heritable subject to; the property being in Scotland.
NL1314	Freehold, subject to; the property not being a flat.
NL1315	Commonhold properties may be acceptable subject to referral to a Technical Underwriter
Occupation	
NL1316	The applicants must be the same as those that are/will be on the Proprietorship Register held by HM Land Registry.
NL1317	A maximum of 2 registered parties is permissible.
NL1318	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.
NL1319	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.
NL1320	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.
NL1321	Lodgers must be advised to seek independent legal advice and sign a Deed of Consent.
NL1322	A maximum of two lodgers are permitted.
NL1323	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).

NL1324	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 requirement that the occupier takes legal advice.
NL1325	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 Mortgage Offer for completion of a Customer Declaration of No Additional Occupancy.
NL1326	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.
NL1327	In Scotland, Deeds of Consent are not applicable as there are no rights of occupancy except in cases of matrimonial home rights.
NL1328	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).
NL1329	Marital Status, it is not sufficient for a residing spouse to sign a Deed of Consent, they must be party to the Mortgage.

## 14. Valuation

Code	Policy
NL1401	Every application must be supported by an acceptable valuation of the security by a panel valuer.
Code	Standards
The only acceptable valuations for new lending are:	
NL1402	<ul style="list-style-type: none"> <li>Internal inspection by a panel valuer</li> </ul>
NL1403	<ul style="list-style-type: none"> <li>All details on the valuation report must be completed and the valuer must confirm the property is suitable security for LGHF.</li> <li>Where a customer has had a standard mortgage valuation already carried out in England and Wales this cannot be used for our Mortgage purposes.</li> </ul>
NL1404	<ul style="list-style-type: none"> <li>Mortgage Offer cannot be issued until the structural report is obtained (where requested in the valuation)</li> </ul>

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