



Northern Rock Lending Criteria

March 2012 Version 1.8

What has changed?

The following sections have been updated recently:

Section 5: Income

Fast Track – removal of Fast Track option for Next Time Buyers and Remortgage Customers.

Contact us

The purpose of this document is to provide guidance on Northern Rock's lending criteria. If you require further information or are unsure if Northern Rock will accept your customer's application, please contact your local Business Development Manager (BDM), who will be able to discuss your query in detail with one of our experienced underwriters. For details of your local BDM, please call 0845 600 1516.

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 Mortgage products have strictly limited availability and can be withdrawn at any time.

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1. Customer

Age

Residential – 18 years

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

Guarantor – 25 years

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

Maximum number of customers

The maximum number of customers per application is four. In these circumstances income and affordability is assessed on the income of the two highest earners.

Customer types

Customers can be one of four types:

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

Dependants

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

For example a dependant could be a child who is under 18 years of age, a child over 18 years of age but whose parents are funding them at university, or an ageing relative in permanent care or living with the customer.

2. The loan

Term

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

(*) Subject to age of customer at application

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

Maximum Loan to Value (LTV)

Loan to Value Limits			
Purchase/remortgage valuation or purchase price, whichever is lower	Maximum Loan to Value remortgage	Maximum Loan to Value purchase (FTB & NTB)	BTL purchase and remortgage
£0 to £500,000	85%	90%	70%
£500,001 +	80%	80%	70%

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

Maximum loan

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

Lending in excess of 85%

Residential lending between 85% and 90% is available to purchase customers (FTB and NTB).

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

- Minimum of three items of active credit, or one item which is greater than six months old

A maximum of 90% LTV may be available for purchases only.

Repayment methods

Northern Rock accepts the following methods of repayment:

- repayment (capital and interest)
- interest only
- part & part – (combination of both repayment and interest only)

Repayment

Although Northern Rock offers a maximum term of 35 years, affordability is calculated on a repayment basis on either the term requested or a maximum term of 25 years, whichever is lower.

Please note: the minimum term is seven years.

Interest only

The customer must have a plausible repayment vehicle in place that will cover the balance of the loan at the end of the mortgage term. The repayment vehicle must be in the name of the customer(s) and be from one of the following:

- investment plan, ISA, personal pension plan
- endowment policy

The value of the following other acceptable repayment vehicles must cover the full loan amount at the time of application:

- sale of the property (max 60% LTV and minimum equity £150,000 at time of application)
- sale of another property
- share portfolio

Affordability and the maximum available loan are calculated over a 25 year term on a full repayment basis at an interest rate of SVR + 2%. The cost of any repayment vehicle would therefore be discounted for the purposes of the affordability calculation.

It is the customer's responsibility to monitor the chosen repayment vehicle to ensure it is on track to repay the mortgage balance at the end of the term. Northern Rock reserves the right to request documentation as proof of repayment vehicle.

Part and part

The maximum LTV on any interest only element is 75%. Any lending beyond this LTV must be taken on a repayment basis.

The maximum loan amount is calculated on a repayment basis on either the term requested or a maximum term of 25 years, whichever is lower. The cost of any repayment vehicle would therefore be discounted for the purposes of the affordability calculation.

Unacceptable purpose of loan

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

- the purchase of a time share property
- currency speculation
- the purchase of stocks and shares
- business purposes
- accident sickness and unemployment premiums
- tax bill

3. Credit scoring

Credit score

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

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

Adverse credit

The mortgage application will be declined in the following circumstances:

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

In addition to the above you must declare on the application if the customer has had any of the following:

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

4. Identification

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

Electronic evidence:

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

Documentary evidence:

- where the customer(s) cannot be identified electronically, documentary evidence must be provided. One document from List A and one from List B must be provided.

List A – Government issued documents	List B – Other documents
<ul style="list-style-type: none"> ▪ Valid passport ▪ Valid driving licence (full or provisional, photo card or old style) ▪ National or Northern Ireland identity card ▪ Firearms certificate or shotgun licence ▪ Recent evidence of entitlement to a state or local authority funded benefit, tax credit, pension, education or other grant 	<ul style="list-style-type: none"> ▪ Current bank statement or credit/debit card statement (excluding those printed from the internet) ▪ Current utility bills (excluding those printed from the internet) ▪ Current Council Tax demand letter or statement ▪ Instrument of a court appointment (such as liquidator, or grant of probate)

5. Income

Employment types

Northern Rock considers customers will fall in to one or more of four categories. Employed, self employed, contractors or retired.

Self employed

The customer is considered as self employed if they have a shareholding of 20% or more in a business.

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

The income that Northern Rock will consider is:

sole trader/partnership

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

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

Limited company

The director's remuneration can be taken into account as income along with their share of net profits.

If net profits are increasing – average of the director's remuneration and share of net profits over the past two years will be used.

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

Net profits of a limited company are often referred to as operating profit before taxation.

Contractors

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

Currently on a 12 month contract:

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

Currently on a six month contract:

- Current contract must have at least three months remaining, or evidence of new/renewed six month contract must be provided and:

- Evidence of 24 months continuous employment on this basis (i.e. no more than a two month gap between contracts).

12 and six month contracts:

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

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

Lending into retirement

If the term of the mortgage extends beyond the oldest customers anticipated retirement date evidence of HM Revenue & Customs (HMRC) approved pension income must be obtained to assess the customer's ability to afford the mortgage over the full term. Affordability, over the full term of the mortgage, will be calculated on the customers expected pension income unless current income is lower.

- The maximum age that Northern Rock will accept employed income is 70.

The following evidence will be required:

- Employed customers in a final salary scheme must provide their latest pension statement, or where they have made their own pension arrangements a copy of a personal pension policy is required.
- If the customer is relying on state pension then a forecast confirming (a) the amount payable, and (b) the age from which it would be payable is required.
- For employed customers whose anticipated retirement age extends beyond the age 70 then the term will be restricted to the age of 70, if pension income cannot be evidenced.

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

Sale of property is **not** acceptable in place of a private/employer pension scheme.

Income and affordability

The amount Northern Rock will lend to a customer is dependent on an assessment of their affordability based on income and expenditure.

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

The affordability calculator can be accessed via www.northernrockforintermediaries.co.uk

Northern Rock will consider the following types of income for employed/retired customers. 50% of variable income will be considered if it is evidenced:

Income – 100%		Variable income – 50%
<ul style="list-style-type: none"> ▪ Gross basic salary ▪ Housing allowance ▪ Mortgage Subsidy ▪ Large city weighting ▪ Disability living allowance ▪ Disabled persons tax credit ▪ War disablement pension ▪ Employment and support allowance ▪ permanent shift allowance 	<ul style="list-style-type: none"> ▪ Pensions ▪ Annuities ▪ Maintenance (In existence for two years and payable under a court order/CSA) ▪ Car allowance ▪ Contractual allowance ▪ Probationary income (where employment is confirmed as permanent) 	<ul style="list-style-type: none"> ▪ Bonuses ▪ Non-permanent shift Allowance ▪ Second job ▪ Commission ▪ Performance related pay ▪ Regular overtime

Northern Rock will **not** consider the following, non exhaustive list of income:

<ul style="list-style-type: none"> ▪ Seasonal overtime ▪ State benefits (other than pension or disability) ▪ One-off payments ▪ Dividends ▪ Pension tax credits ▪ Meal allowance ▪ Territorial Army pay 	<ul style="list-style-type: none"> ▪ Care workers allowance ▪ Probationary Income (Where no track record or permanent status is proven) ▪ Child tax credit ▪ Working tax credit ▪ Temporary/agency work
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Fast Track

Fast Track is not available for any application which has a decision in principle dated on or after 19 March 2012. Income must be verified for all applications received with a decision on or after this date.

Some low risk residential mortgage applications with a decision in principle dated prior to 19th March 2012 may be eligible for the Fast Track service. In these instances, income details declared by the customer may be accepted without obtaining standard documentary verification. The eligibility criteria customers must satisfy to qualify for Fast Track are as follows:

- Next Time Buyers (NTBs) or Remortgage customers only
- Maximum LTV 70%
- Minimum property value £100K
- Maximum loan £1million
- High credit score
- Application does not involve lending into retirement
- Details of income and expenditure to demonstrate affordability
- Customers certify on application they can afford the loan
- Confirmation of ID and affordability is obtained

Northern Rock reserves the right to ask for evidence of income on Fast Track qualifying applications and random sampling is carried out.

Income verification

For employed/retired customers:

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

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

Three months bank statements evidencing salary credits are required if the customer:

- is employed by a family business
- is paid in cash
- provides handwritten payslips and/or P60

For contractors:

If the customer is employed on a fixed term contract the following income verification must be provided. (Fast Track may be available for those who qualified before 19th March 2012 – see section 5: Income):

Currently on a 12 month contract:

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

Currently on a six month contract:

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

12 and six month contracts:

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

Example of how to calculate income for contractors:

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

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

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

For self-employed customers:

Employment type	Income verification requirements
Self-employed	Last two years accounts, or accountants certificate, or last two years HM Revenue and Customs SA302 forms.

Northern Rock will consider 100% of the average of the last two years net profit for self-employed customer, as long as the following conditions are met:

Income – 100%	
<ul style="list-style-type: none"> ▪ Average of the last two years net profit evidenced by: <ul style="list-style-type: none"> - accounts - accountants certificate - Inland Revenue tax assessment ▪ Where net profit is decreasing the lower figure will be used provided the business is on track to make the same or increased profits in the next financial year. Evidence from a suitably qualified accountant must be provided 	<ul style="list-style-type: none"> ▪ The customers drawings do not exceed the net profit of the business ▪ The company's capital account is not in deficit by more than £1,000 in any of the three previous years ▪ The company and their auditors must be registered in the UK ▪ Acceptable accountants qualifications are amongst the following <ul style="list-style-type: none"> - FCA, ACA, FCCA, ACCA, FAPA, CA, MAAT, FAAT, CTA (formerly AT II), CTA Fellow (formerly FT II), CIMA, ACMA, FCMA, AIA

Absence from employment and reduction of income (maternity/paternity leave, unpaid leave, sabbatical)

If a customer is anticipating a temporary reduction in their income, the customer's return to work salary will be used for affordability purposes providing:

- The customer confirms in writing how long they will be incurring a reduction in income and when their income will return to normal levels, and:
- If the customer is not due to return to work on their normal levels of income within the next two months they must be able to evidence that they have sufficient savings to substitute their reduction of income during this period, and:
- The customer must be able to evidence what their 'normal income' is.

The reduction of income should not be anticipated for any more than 12 months.

If the above criteria cannot be met then affordability must be assessed against the anticipated, and lower, level of income.

When a customer is on or due to go on maternity leave the cost of any associated dependant must be included within the affordability calculation

6. Expenditure

Financial commitments

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

- unsecured loans
- hire purchase/contract hire
- revolving debt (credit cards, store cards, mail order, overdrafts)
- second charge loans
- other mortgages (BTLs need not be included provided the rent covers the mortgage payment by 120%)

Regular and essential monthly expenditure

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

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

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

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

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

7. Buy to Let (BTL)

Evidence of contingency funding may be required. No minimum loan amount.

The following conditions must be met:

- evidence of a minimum personal combined gross income of £25,000 is required (excluding income received from BTL properties)
- rental income must be confirmed of at least 125% of the mortgage interest calculated at a notional rate of 5.99% or the product pay rate, whichever is higher
- maximum LTV 70%
- maximum loan portfolio £3m on a maximum of 10 properties
- minimum property value £40k
- an assured shorthold tenancy (AST) or Scottish/Northern Ireland equivalent is set up within three months of completion and does not exceed 12 months
- the property must be let on a single AST with a maximum of four tenants.

Restrictions:

- Available to individuals only, not Limited Companies
- Not available where customer intends to let the property back to the seller
- Maximum exposure of 20% on any development

Letting to a family member

This will be a regulated mortgage contract. Therefore, the customer must be able to satisfy affordability as with a residential product. Applications will proceed on a residential product.

Premium leases

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

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

Student lettings

Accepted in the following circumstances:

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

The following circumstances are not acceptable:

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

8. Other general guidelines for residential mortgages

Foreign nationals

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

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

- Iceland
- Liechtenstein
- Norway
- Switzerland

Nationals of Bulgaria or Romania will be referred to an underwriter for consideration

Non-EEA nationals

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

Requirements:

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

Guarantor mortgages

A guarantor application will be considered in the following circumstances:

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

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

- the property to be mortgaged is for a young professional who is likely to have a quick increase in salary within the next few years and will ultimately be able to support the mortgage in the long term
- the customer will never be in a position to afford the loan but due to relationship the guarantor can establish a long term commitment. e.g. elderly relatives or children
- for business reasons, the self employed customer wants to act as a guarantor for their spouse/partner

If the guarantor is also making a capital contribution to the purchase price, it must be confirmed whether this is a gift or for a share in the property. If a share of the property is required, this is acceptable providing Northern Rock take first legal charge and the guarantor(s) sign a deed of postponement.

Affordability is based on the guarantor(s) income only. Northern Rock recommends prospective guarantors seek independent legal advice prior to acting as a guarantor.

Non-resident joint borrowers

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

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

Armed Forces personnel

Applications will be considered where they meet the following criteria:

- the property to be mortgage is not a former or current MoD property
- the customer has a minimum of two years left to serve
- the customer can afford the mortgage and any accommodation costs if they stay in an MoD property, and spouse/partner occupies the mortgaged property
- deposit must be from own resources
- sole customers must occupy the property full time

Running two mortgages

Northern Rock will consider mortgages for second properties in the following circumstances:

- maximum LTV 90% on new property
- where a customer is running two mortgages there must not be any mortgage arrears in the last 6 months or the case will be automatically declined.
- NTB or remortgage customers must provide a copy of their mortgage statement if no active mortgage is showing on the credit file.
- customer must be able to afford both loans. The current mortgage will be calculated at 120% within the affordability test
- deposit monies must be from the customers own resources

Let to Buy

- Maximum LTV 90% on new property
- There must not be any mortgage arrears in the last six months or the case will be automatically declined
- The existing property must be let and on a formal recognised tenancy basis
- Rental income must be at least 120% of the existing mortgage payment in order to take as self-supporting
- Deposit monies must be from customers own resources
- Please see below for additional documentation requirements*

*If the applicants current property is to be let or they have other Buy To Lets, evidence that the rent covers the mortgage payment by 120% is required. The mortgage payment and rent must be evidenced with one or more of the following:

To confirm monthly rental income:

- Letter from a member of the Association of Residential Letting Agents (ARLA)
- Copy of the Assured Shorthold Tenancy agreement and/or bank statements showing rental income credits

To confirm monthly mortgage payment:

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

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

Purchase of a second home

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

Purchase of a holiday home

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

Purchase within the family

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

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

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

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

Northern Rock does not normally accept an application where the vendor will continue to live in the property being sold. In the event that Northern Rock does accept, both an occupiers waiver and a deed of postponement of the vendor's interest must be obtained.

British national working overseas

Northern Rock must be able to assess a track record to consider the application.

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

Right to Buy

Maximum LTV – 100% discounted purchase price provided this does not exceed maximum LTV of valuation.

Capital raising – must be for home improvements and solicitor's fees, and agreed by the local authority. A deed of postponement must be obtained for the excess.

Where the borrowing includes additional monies for home improvements, full estimates to be referred to the valuer and a suitable retention will be made. Maximum release up front £5,000.

All borrowers must be named on the Right to Buy papers.

High rise flats are not acceptable and blocks of flats must exhibit reasonable demand.

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

Offer of loan extensions

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

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

9. Property

Valuations

Customers can choose from three types of valuation report:

- Mortgage Valuation – assesses suitability for mortgage purposes, instructed in all cases
- HomeBuyer Report – survey report showing state of repair and condition of property
- Building Survey – detailed inspection producing a comprehensive report. A separate Mortgage Valuation will also be instructed

In Scotland, the valuation will usually have been completed before Northern Rock receives the mortgage application. In these circumstances, a transcript valuation is acceptable, providing the valuer is on the Northern Rock panel.

Unacceptable properties

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

- houses in multiple occupation
- properties where the unexpired lease term is less than 30 years at the end of the mortgage term
- mobile homes/caravans/park homes/houseboats
- working farms, smallholdings and houses subject to an agricultural occupancy restriction
- shared ownership properties
- affordable housing properties
- uninsurable properties
- properties built using high alumina cement or mundic
- flats above shops/commercial premises (exceptions apply)
- freehold flats (exceptions apply)
- back-to-back houses (except within the M62 corridor)
- live/work units
- certain properties of non traditional construction
- single leaf brick offshoots/extensions (unless the single skin element relates to a non-habitable room)
- District or communal heating systems

Referral to underwriter will be required for certain properties of non traditional construction:

- Prefabricated Reinforced Concrete (PRC)
- Insitu poured concrete
- Steel Framed
- Large Panel System (LPS)
- Timber framed
- Craft techniques and period timber framed dwellings
- Modern Methods of Construction (MMC)

Incentives

- Where an incentive is being offered as part of the property purchase, then the maximum loan is based upon the net purchase price (after deduction of the incentive)
- Any incentive offered by the vendor is deducted from the purchase price before applying maximum LTV

New build

We define new build as a property constructed in the last 24 calendar months.

- Maximum LTV on new build flats is 70% for residential and BTL
- Maximum LTV new build houses is 85% for residential and 70% for BTL
- Builder or developer incentives are deducted from the purchase price before the maximum LTV is calculated. Incentives are anything the builder/developer provides to the buyer in discount, cash or goods.
- Requirement for the acting solicitor to confirm that the property has been satisfactorily completed and that an acceptable new build warranty is in place
- Maximum exposure of the residential units within any one development is 10%

New build warranty

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

- NHBC
- Zurich Municipal (Zurich withdrew from the market 30th Sept 09)
- Premier Guarantee
- Building Life Plans (BLP)
- Build Zone and Local Authority Building Control New Home Warranty
- Castle 10
- Certification by certain professional consultants may be accepted where the property has been built/converted within the last six years

Self build

Provided the property is a single dwelling stage payments may be considered and releases are available at the following stages of construction:

1. Property wind and weather tight
2. Plastered out
3. Fully completed

In all cases certification must be obtained including a certificate of completion once all building works are complete. Stage releases will be limited to a percentage of the re-inspection value and will take into consideration valuer's recommendations.

Flats

Flats should be leasehold with the unexpired term of the lease at the end of the mortgage term being a minimum of 30 years. Northern Rock does not tend to lend on the following:

- Studio flats (sometimes considered dependent on location)
- Flats with external 'deck' or balcony access
- Flats above lock-up garages, except the modern 'coach house' style dwelling – subject to valuer's comments
- Flats above/adjacent to retail premises (unless located in more prestigious areas. Will be considered in one of the seven major centres in Scotland – Edinburgh, Glasgow, Dundee, Aberdeen, Inverness, Stirling and Perth. Consideration will be limited to the city centre areas and more particularly in Glasgow, restricted to the following postcodes:

G1-G5	G51-G53	G72
G11-G15	G61	G73
G20-G23	G62	G76
G31-G34	G64	G77
G40-G46	G69	G81

The following conditions must be satisfied:

- Location of flat should be where there is reasonable demand and the block is predominantly owner occupied
- Garden or basement flats must benefit from adequate levels of ventilation and natural light and be located in areas of proven demand.
- Block does not exceed four storeys

Freehold flats

Only acceptable in the following circumstances:

- where there is a leasehold interest in the flat and the reference to freehold relates to a share of the freehold interest in the block
- the other flat(s) in the block are all leasehold
- where there are reciprocating lease/freehold arrangements (such as Tyneside flats)

Flats in Greater London

- Purpose built flats in blocks not exceeding five storeys
- Converted flats in blocks not exceeding four storeys
- Mansion Flats up to eight to 10 storeys being lift served in areas such as Kensington, Chelsea, Westminster and St John's Wood
- Flats with external 'deck' or balcony access may be considered in prestigious areas of central London where it is confirmed demand exists

Unacceptable loan types

Northern Rock does not accept applications on the following:

- shared equity
- shared ownership
- affordable housing
- keyworker
- homebuy

Sheltered/retirement housing

The following types of retirement housing will be considered:

- Former Category 1 – includes specially designed housing with no warden support and housing with warden support but no communal facilities
- Former Category 2 – grouped units, usually flats, with a range of adaptations such as kitchens and bathrooms designed to be used by older people

Former Category 2.5 and above sheltered housing will **not** be considered

Sub-sales and back-to-back transactions

A back-to back remortgage takes place when a customer purchases/exchanges on a property then attempts to take out a mortgage based on an enhanced market value within six months of the original purchase/exchange. Northern Rock policy in these cases is to lend against the lower of either the original purchase price or valuation.

A sub-sale takes place when a customer is purchasing a new build property from a third party (not the builder) and is paying a premium price but the third party is purchasing from the builder at a lower price or in a Stamp Duty Landlord Tax (SDLT) mitigation scheme. Northern Rock policy for sub-sales is to lend against the lower figure until a minimum of six months from completion

Solar Panels

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

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

10. Flexible features

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

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

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

Everyday products

Mortgage overpayments

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

Payment holidays

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

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

Borrow back and underpayments

Not permitted on Everyday mortgage products.

Fully Flexible products

Mortgage overpayments

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

Borrow back

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

Underpayments

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

Payment holidays

As per Everyday policy above.

11. Porting

Porting – transferring a mortgage to a new property

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

Porting applications that require additional borrowing will need to be submitted by completing the downloadable application form on the intermediary section of the Northern Rock plc website (www.northernrock.co.uk/intermediaries/)

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

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

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

Early Repayment Charges when porting

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

Procuration fees

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

Porting cases – products launched before 12 May 2008

Northern Rock plc will allow customers who completed onto products launched prior to 12 May 2008 to take additional borrowing when porting at the same rate as their existing product, so long as the application fits the maximum LTV of the product and its prevailing lending policy, including credit scoring and affordability assessments. A porting additional borrowing fee will apply, which is currently £495.

Porting cases – products launched after 11 May 2008 where completion took place prior to 25 July 2011

Customers who have a product launched after 11 May 2008, and who completed before 25 July 2011, will be able to port their existing mortgage balance or a reduced balance, subject to any applicable Early Repayment Charge (ERC).

Customers who wish to move home and increase their mortgage balance, will only be able to do so by applying for a new product from our prevailing range at that time.

The new product will be for the value of the entire loan. Any applicable ERC on the original product will be payable. However, your client may be eligible for an ERC refund of up to 50%, subject to their terms and conditions.

Porting cases – completions that have taken place on or after 25 July 2011

Customers who have completed on or after 25 July 2011 will be able to port their existing mortgage balance or a reduced balance, subject to any applicable ERC.

If your client requires additional borrowing to purchase their next property, they will be able to apply for the additional amount from the product range available at that time.

Existing customers moving home and taking an entirely new product

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

Customers redeeming and completing on different days

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

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