

Your guide to **commercial mortgages and secured loans**

PROGRESSIVE COMMERCIAL FINANCE



Plan and Criteria Changes

Maximum LTV increased

Rental income calculation revised

Demerit Points Matrix revised

Core Products & Criteria

**Interest Only for up to 30 years or Capital & Repayment mortgages and secured loans;
3 months Early Payment Plan option; 2% Discounted Rate option; Business Loans**

Second Charges available

Can cross charge across any number of properties

All status

Demerit points still accepted on almost all plans

All types of income source accepted;

Employed; self-employed; self-cert; additional income; will lend to Limited & Offshore Limited Companies, LLP, Charities and Trusts, Sole Traders, Partnerships

All property types accepted including land; can cross charge any number of properties

Increased commissions for volume business

July 2009


lancashire mortgage
CORPORATION
progressive commercial finance

Commercial Term Loans & Mortgages

Qualifying Contracts	Commercial properties and land with less than 40% intended immediate family occupancy
Maximum LTV	Purchases 70% (70% - 75% by referral) Remortgages & Secured Loans 70% (70% - 75% by referral) 100% funding available with additional security
CCJs/Arrears	See below for details (unlimited considered)
Loan Amount	£26,000 - £1,000,000 (£200,000+ by referral)
Charge Type	First or second charge
Term	7 - 30 years
Acceptance Fee	3.00% (Minimum £780)
Broker Fee	Can be applied
Commission	1%
Packagers	An additional 0.5% paid if 3 or more cases are completed within a calendar month

Income Calculation - Monthly Net Profit/Income

Calculation

Net profit/income + other provable disposable income* x 50% must exceed all secured lending payments.

*full incomings & outgoings assessment required on other disposable income

Employed and Self-employed Income accepted - please see overleaf for further details.

Responsible Lending: The customer must be able to afford the mortgage/loan. All income must be plausible.

Buy to Let Portfolio Rental Income

Rental Income (or Agent Assessed Rental Income) must be a minimum of 130% of the total secured lending repayments. (If rent is less than 130% of secured lending payments then additional income acceptable with a full incoming and outgoings assessment.)

Mortgages and Secured Loans

These are guidelines and all cases are subject to underwriter approval

Maximum LTV	70%	60%	55%	50%
Loan Amount First Charges	£26,000 - £200,000	£26,000 - £200,000	£26,000 - £200,000	£200,000+ by referral
Loan Amount Second Charges	£26,000 - £50,000 (£50,000+ by referral)			
Purchases	accepted			
Remortgages & Second Charges	accepted			
Max Demerits	0	4	6	6
Max arrears (missed payments)	0	3 (0 in last 6 months)	3 (3 in last 6 months)	3 (2 in last 3 months)
Max CCJs/Defaults (registered)	0	3 (0 in last 6 months)	3 (3 in last 6 months)	3 (0 in last 3 months)
Minimum Valuation	£75,000			
Property Type (see below)	A			A C
Self-certification of Income	accepted with proof			

Case outside criteria? - we will always take a view!

Notes Cases >£200,000 strictly subject to underwriter approval. **Early Payment Plan** reduce maximum LTV by 5%. Rate Loading for Early Payment Plan is 0.25%. **A Type** standard construction properties. **C Type** all other properties, 'poor' recorded on valuation, non-standard construction, defective, low/poor value, etc. **Bankrupts** discharged more than 1 year and **IVAs** with satisfactory conduct more than 1 year accepted. **Arrears** - cannot be last consecutive months, includes first or second charge arrears or a combination, cannot be deducted from the redemption figure. **Explanations required** Satisfactory explanations are required in all cases for arrears and defaults/CCJs. **Non-conforming lender as first charge** - must be with the same lender for a minimum of 12 months. **LTV** based on redemption figure on all cases. If the client is remortgaging or redeeming a second charge it must be in the client's best interests and to their benefit. **All other standard terms and conditions apply. See overleaf for more details.**



Demerit Points - Arrears, CCJs, etc.

CCJs and Defaults definitions (Defaults show as status 8 or D on the credit bureaux search)	Individual CCJs/Defaults			Cumulative CCJs/Defaults	
	<£250	>£250 and <£3,000	>£3,000	total >£7,500	Number in last 12 months >3
<3 years old unsatisfied	Ignore	1 Demerit	Underwriter Approval	Underwriter Approval	Underwriter Approval
Satisfied or >3 years old & unsatisfied	Ignore	Ignore	Underwriter Approval	Underwriter Approval	Underwriter Approval

Demerit points are defined as arrears, a CCJ or a Default. CCJs and Default definitions- see matrix. Current arrears are equivalent of 1 full calendar month payment. Arrears Demerit Points defined as the highest number of arrears in the last 12 months. Arrears to be cleared are defined as current arrears as detailed on the credit bureaux or confirmation from the mortgage lender at the time of completion. Maximum arrears is the total of the first and second charge arrears. Satisfactory explanation required for **all** CCJs, Arrears, Defaults.

Rates

Demerit Points	0		≤4		≤6		>6/By Referral	
	Discounted Rate	Nominal Rate	Discounted Rate	Nominal Rate	Discounted Rate	Nominal Rate	Discounted Rate	Nominal Rate
Loans <£50,000	12.90%	14.90%	13.90%	15.90%	14.90%	16.90%	15.90%	17.90%
Loans £50,000 - £100,000	11.90%	13.90%	12.90%	14.90%	13.90%	15.90%	14.90%	16.90%
Loans >£100,000	10.90%	12.90%	11.90%	13.90%	12.90%	14.90%	13.90%	15.90%

Commercial Loan to Values

Higher LTVs considered on the merits of the case.
Additional security accepted on all cases.

DMV: Market Value (The market value subject to a Special Assumption of a defined marketing (DMV) period of 90 days with vacant possession) **EUV:** Existing Use Value. Underwriter will discuss the valuation with the surveyor before completion.

Commercial Loan to Value Guidelines

Maximum LTVs based on 90 day DMV/EUV vacant possession (or equivalent), or purchase price in some instances dependent on the overall merits of the case. Bricks and mortar valuation only. Valuations are valid for a maximum of 3 months. MV and 180 day DMV/EUV may be considered dependent on the merits of the case, e.g. security, status, LTV, etc.

Accepted Property Types

Buy to Let Portfolios
Commercial Investment Property
leased industrial/manufacturing/wholesale/office units
Equestrian Centres and House
Hotels/Bed and Breakfast
Land
Leisure Premises
Licensed Premises
pubs, wine bars, social and political clubs, etc
Lock-up Garages

Residential/Multi-let
Residential Care/Day Care/Nursing Homes
Restaurants Retail Units
Warehouse/Light Industrial Units
Working Farms & Farmhouses

Considered on Merit

Non-standard construction properties, lower value properties, petrol stations, property portfolios, vacant investment properties, amusement parks, golf courses, private clubs, discotheques, night clubs.

These plans and commissions supersede all previous packs, criteria, special plans and commissions including overrides. This information is for use by authorised intermediaries only and must not be distributed to potential borrowers.

Term Loans & Mortgages

Terms & Conditions

Acceptable Security

All property structures including land, with or without planning permission, and developments considered in England, Scotland and Wales. Minimum of 50 years + term of loan for leasehold properties. See plans for details. If the case is on an interest only basis and to be secured on a leasehold property typically a minimum of a 99 year lease will be required.

Acceptance Fee

Not included in LTV. Will be applied to all loans and mortgages. Please refer to Quick Quote Calculator.

Accepted

Sole traders, partnerships, limited companies, pension funds. Self-declaration of income accepted with proof of self-employment.

Bankrupts, IVAs/CVAs

See plans. It may be possible to clear the IVA/bankruptcy/CVA by underwriter referral.

Broker Fees

May be charged on all plans and must have been agreed with the client.

Commercial & Buy to Let Portfolio/Semi-commercial Loans

Unregulated Loans. Where the loan is secured on property and, at the time the agreement is entered into, **40% or less will be occupied by the customer (or a member of the customer's immediate family) the loan will be unregulated.** The loan is exempt from CCA Regulation and no consideration period is required. This includes loans (irrespective of the amount) that are secured on Buy to Let, semi-commercial and commercial property. It is imperative that before issuing any documentation the percentage occupancy of the property is acquired as this affects the legal documentation.

Commissions

Maximum commission per case is based on a £200,000 loan. Commissions are paid on the loan advance (not including Payment Protection or fees). Commissions may be reduced for shorter term loans. You should disclose a monetary amount of the commission you will earn to the customer and hold confirmation on file.

Development Finance/Self Build

Each case considered on its own merits. Strictly by underwriter approval only. Must have NHBC, Zurich or Premier Guarantee to accompany Architect's Certificates.

Early Repayment Charges

Unregulated Loan/Mortgage redemptions will be calculated as a percentage of the initial balance for the first 8 years of the term, as detailed below, then 1% thereafter for the remainder of the term. **Standard Loan/Mortgage** - 6,6,6,5,4,3,2,1. **Early Payment Plan** - 7,7,7,5,4,3,2,1. **Discounted Rate** - 8,8,8,5,4,3,2,1.

Identification

As part of 'know your customer' we will conduct Electronic Identification and Credit Searches. Should any information become apparent we may need to carry out further investigations which may need the broker's assistance. (Please refer to 'Identification' in General Underwriting and Processing Guide.)

Income Calculation

For cases that are submitted to Lancashire Mortgage Corporation the total debt to income is also assessed. Please ensure that the Declaration of Income and Affordability is completed in full with all outgoings declared. All income and outgoings will be assessed for plausibility and affordability; if we believe that either of these cannot be achieved we reserve the right to reject the case.

Income Proof

Employed - if monthly paid, 2 payslips dated within the last 3 months; if weekly paid, 4 payslips dated within the last 2 months. Additional income can be self-certified with proof.

Self-employed - we will require 2 strong income proofs of self-employment, e.g. Trade Invoice, 715 or SC60 certificate, VAT or Inland Revenue correspondence. Applicants self declaring income in excess of £5,000 net per month must provide an original accountant's letter confirming self-employment, trade and period trading. This letter will be acceptable as one of the proofs of self-employment and a further strong proof will also be required.

Legal & Documentation Fee

Business term loans and mortgages - minimum £500, maximum £2,500. Not interest bearing and only payable on redemption.

Total Advance + Broker Fees	Fee
>£0 - £50,000	£500
£50,001 +	1%

Maximum Age

The loan should end on or before the client's 85th birthday (maximum term may be restricted for applicants of state pensionable age). If the term of the loan exceeds the client's retirement age we will require a letter from the client detailing their future plans and then a full assessment of affordability into retirement income is required as the client must be able to afford the payments.

Maximum Loan Amount

Includes loan amount, all insurances and all fees.

Personal Guarantees/Debentures

These will be required in cases where the case is for a corporate entity (eg. Limited company, LLP, Pension Fund, etc) and not an individual.

Purpose

Any legal purpose is accepted. This must be clearly detailed on the Application/Enquiry form.

Renewal

At the end of the term, the loan may be renewed by approval with a 5% renewal fee being incurred.

Solicitors

The client will need to arrange and pay for their own independent legal representation, as well as the lender's legal costs, if:

- The transaction is a purchase
- There is a transfer of equity
- The property is not in England or Wales
- The case is for a corporate entity (e.g. limited company, LLP, Pension Fund, etc) and not an individual
- The loan amount is >£150,000

Client Solicitors All solicitors acting for clients must have 3 or more partners within the practice, with a Law Society membership of 5 years or more. If the client's solicitor does not fulfil these requirements please refer to underwriter.

Solicitor's Costs

Charged on all cases and include VAT where applicable. Please refer to Quick Quote Calculator. Independent legal advice will be required if the loan is for business purposes and for a married couple and the business only relates to one of them. On difficult, unusual cases and multiple securities solicitor's costs will be charged dependent on the merits of the case.

Amount of Advance	Fee
>£0 - £100,000	£588.00
£100,001 - £500,000	0.58750%
£500,000+	0.29375%

Telegraphic Transfer

£30 Fee.

Title Insurance

Paid by client and added to the advance.

Loan Amount	Fee
>£0 - £100,000	£250
£100,001 - £200,000	£350
£200,001 - £300,000	£450
£300,001 - £400,000	£550
£400,001 - £500,000	£650
£500,001 - £600,000	£750
£600,001 - £700,000	£850
£700,001 - £800,000	£950
£800,001 - £900,000	£1,050
£900,000 +	by referral

Underwriter Referral

Required if valuation is <£75,000 or is a 'C' type property, bridging finance, or the loan >£200,000. Required for properties valued >£500,000.

Valuations

Must be dated within the last 2 months.

Commercial Valuation Panel is available from your Business Development Executive. All property valuations of £1 million or more are strictly subject to underwriter approval. For all cases >£500,000 or property value >£500,000, two valuations may be required. We require original valuations with no amendments. If amendments have been made we require all previous versions and the case will be referred and is strictly subject to Credit Committee approval. The surveyor must be within 15 miles of the property (unless by prior agreement with your underwriter). Please ask your Business Development Executive for a copy of the current valuation panel before instructing a valuation. We will contact any valuers or other appropriate sources regarding the valuations of a property. Should any further information be discovered which is not reflected in the valuation or may have a detrimental effect on the value of the property, we reserve the right to reduce the loan amount or decline the case.

For Sale Details: If the property is currently for sale with an estate agent, please supply a copy of the sales particulars.

ADDITIONAL FEATURES

UNREGULATED TERM LOANS AND MORTGAGES > £25,000

Early Payment Plan (EPP)

For the first 3 months of the loan 50% of the payment is required. The other 50% rolls up onto the loan balance. At the end of the initial period the balance plus the extra 50% of payments is then recalculated over the term of the loan. LTV reduced by 5%. To benefit from an Early Payment Plan there is a rate loading of 0.25%.

EPP periods are added to the term
e.g. 3 months + 120 months term = 123 months.

Discounted Rate

(only available for business purposes)
The discounted rate period commences for a full 12 months from inception of the account.

Interest Only & Capital Repayment

You can offer Interest Only or Capital Repayment with a Discounted Rate or an Early Payment Plan.

PLEASE REFER TO GENERAL UNDERWRITING & PROCESSING GUIDE FOR FURTHER DETAILS.

All fees include VAT where applicable.

Please note: Cases will be reviewed by the Fraud Committee for the purpose of identifying potential fraud. This will include income and valuation fraud. Should in our opinion any case you present be deemed to be fraudulent the case will be rejected and action taken by the Fraud Committee, which will ultimately result in your Accreditation being revoked.

Help us to help you

To ensure you contact the department you need we have devised this list of 'useful numbers'. Please refer to it before contacting us so that you will access the department to suit your requirements. Many thanks!

New Enquiries & In Principle Decisions Team

Call: 0844 873 4150
Fax: 0844 873 4151
Email: applications@lancashiremortgage.co.uk

Processing Team

Call: 0844 873 4153
Fax: 0844 873 4154
Email: processingteam@lancashiremortgage.co.uk

Visit our websites at www.brokervenue.co.uk
or www.lancashiremortgage.co.uk