

SELF-BUILD DIRECT LENDING CRITERIA (NOVEMBER 2018)

Minimum Advance:	£30,000*	
Maximum Advance:	£500,000*	
	* Restrictions may be applied to individual products, please check the product sheet.	
Minimum Term:	1 year. Certain products may have restrictions on early repayment.	
Maximum Term:	40 years	
Self-Build/Demolition & Re-build	Acceptable	
Renovation/Conversion	Acceptable where the property is currently uninhabitable including barn conversions	
Loan Basis:	<p>Interest Only – Acceptable for a maximum of 2 years. The account will be transferred to a repayment basis 2 years after inception or 6 months following release of the final stage payment whichever occurs first</p> <p>Repayment (Capital & Interest) Works must commence within 6 months of mortgage completion. All works must be completed and a final completion sign off received from the Warranty provider within 2 years from the date of mortgage completion.</p>	
Loan to Value: Restrictions may be applied to individual products, please check the product sheet.	<p>Advance basis</p> <p>Maximum 85% of build costs during construction. Maximum 80% at final value upon completion. A valuation will be required at every stage.</p>	<p>Arrears basis</p> <p>Maximum 80% of valuation during construction. Maximum 80% at final value upon completion. A valuation will be required at every stage.</p>
Deposit:	We accept non-repayable gifted deposits from family members only	
The Applicant:	<p>All applications are for owner occupier only, as an individual project and not part of a group development. Investment properties are excluded.</p> <p>Age: Minimum 18, Maximum 80 at the end of the loan.</p> <p>Evidence of pension income is required to enable the underwriter to take into account the likely impact of retirement on affordability when the borrower/s age is greater than 70 at the end of the mortgage term. The applicant will be required to sign a declaration stating the age at which they intend to retire. The applicant's plans should be discussed in view of their occupation and reasonability of working beyond state pension age and should be documented.</p>	
	<p>Nationality & Residency A minimum of 3 years residential history is required and applicants should be on the electoral role for this period.</p> <p>Applicants must have a minimum of 3 years residency in the UK and have permanent rights to reside and work in the UK. Documentary evidence will be required.</p>	
Employment & acceptable income:	<p>The applicant must be paid in sterling (GBP) and hold a UK bank account.</p> <p>Employed - The applicant must have been continually employed for at least 12 months on a permanent contract. Applicants who are in a probationary period are acceptable subject to 12 months continuous employment, and remaining in a similar role. Pending pay rise is acceptable subject to written confirmation from the employer that this has taken place prior to completion.-</p> <p>100% of the following can be taken into consideration for an applicant's income:</p> <ul style="list-style-type: none"> • Basic pay and guaranteed contractual shift allowance. • Mortgage subsidy and large town allowance. • Guaranteed car allowance. Corresponding car loan will also be taken into account as a 	

	<p>commitment. If no car loan is evident on the credit search, bank statements or application form, the applicant should clarify whether any such loan exists.</p> <ul style="list-style-type: none"> Income from a second job may be considered, provided this has been held concurrently with the main job for a minimum period of 12 months, can be proven as per normal proof of income requirements and total contractual hours for both jobs does not exceed 50 hours per week. Overtime income will not be taken into account for either job if income from a second job is assessed for mortgage purposes. <p>Regular overtime payments as verified by the applicant's latest P60 for the previous 1 year may be used at a maximum of 50%.</p> <p>Regular commission/bonus - A maximum of 50% of commission/bonus earnings may be used providing these can be verified on the applicants P60 for the previous 1 year. Total commission/bonus earnings cannot exceed the annual basic salary.</p> <p>Fixed Term Contract – Current contract for a minimum of 12 months and this is the second contract with the same employer. Contracts acceptable directly from the company for which the employee is providing services and not via a third party.</p>
	<p>Self-employed (the applicant must have been self-employed for a minimum of 2 years).</p> <p>We will use the following for the purposes of calculating income:</p> <ul style="list-style-type: none"> Average of the latest 2 years net profit which cannot be greater than the latest years figure. <p>OR First years full accounts with a satisfactory projection (at least 6 months into year 2) from a qualified accountant for the current financial year. The projection must cover a full years trading and the accountant must confirm that this is based on actual trading to date. Assessment of income – we will use the net profit figure from the most recent finalised accounts provided, subject to a minimum of £30k</p> <p>OR</p> <ul style="list-style-type: none"> Average of the latest 2 years salary and dividends. <p>Declining profits are not normally acceptable and cases should be referred prior to submission.</p> <p>The following documentation will be required:</p> <ul style="list-style-type: none"> Latest 2 years Audited / Certified Accounts or Accountants reference or latest 2 years tax calculations and 2 years tax overviews. <p>We accept accountants' certificates from accountants with the following qualifications: CPFA, AAPA, ACCA, FCCA, FCA, ACA.</p> <p>We reserve the right to ask for additional accounting information at the discretion of our underwriters.</p> <p>Directors Where the applicant has a shareholding of 25% or more, the criteria for Self-Employed will apply.</p> <p>Maternity Leave Applicants on maternity leave will be considered, written confirmation from their current employer stating their return to work date and salary will be required</p> <p>Other acceptable income:</p> <ul style="list-style-type: none"> Maintenance Payments - A maximum of 25% in respect of payments made to the applicant under a Court Order but not payments awarded in respect of children by the Child Support Agency. <p>Retirement Income – 100% of state and private pension</p>

<p>Affordability:</p>	<p>The amount we will lend is based upon your income and expenditure. A fully completed Individual Affordability Assessment (IAA) form is required with all applications.</p> <p>The income on the IAA will be cross referenced to bank statements, committed expenditure to the credit file and non-committed outgoings will be sense checked against statistical data.</p> <p>The mortgage payment will be calculated by applying a stressed rate of interest and must be on a repayment (capital and interest) basis.</p> <p>Income multiples are used as a guide only. We will take the gross annual income and deduct any financial commitments before applying a multiple as set out as follows.</p>		
<p>Basic Income Multiples: (for guidance purposes)</p>		<p>Loan to Value up to 80%</p>	<p>Loan to value up to 50%</p>
	<p>Single Applicant</p>	<p>Income x 4.25</p>	<p>Income x 4.5</p>
	<p>Joint Applicants</p>	<p>Higher Income x 4.25 Plus Lower Income x 1.25 Or Joint Income x 3.75</p>	<p>Higher Income x 4.5 Plus Lower Income x 1.50 Or Joint Income x 4</p>
	<p>Multiple Applicants</p>	<p>Higher income x 4 plus each other income x 1 (up to a maximum of 4) 4 Applicants maximum with a maximum of 2 incomes considered. Referral will be required to insurer for any needing more than 2.</p>	
<p>Financial Commitments:</p>	<p>The monthly commitments and balances outstanding in respect of the following should be declared on the application form and IAA form:</p> <p>Bank Loans, Hire Purchase, Car Loans, Student Loans Second Mortgages, Buy to Let mortgages, Child Maintenance, car lease agreements, CSA payments, nursery education, education fees or any other financial commitment.</p> <p>For credit cards, store cards and mail order accounts 3% of the current balance, will used as the monthly commitment.</p> <p>Commitments can be ignored in the affordability calculation if there is less than 3 months to run.</p>		
<p>Buy To Let Properties:</p>	<p>Must have no more than 3 BTL Properties IAA will record:</p> <ul style="list-style-type: none"> • Full Rental Income • Mortgage Payment calculated at 145% of the stress rate at 5.5%. <p>NB the full rental income used on the IAA cannot exceed the calculated stressed mortgage payment</p> <p>Income Multiples will record:</p> <ul style="list-style-type: none"> • If a shortfall between the rent received and the stressed BTL mortgage payment occurs, the shortfall amount is used as a commitment, annualised (x12) and taken off the income before multiples are applied. <p>NB Any surplus rental income cannot be used in the Income Multiple calculation</p> <p>Existing BTLs need to have been let out for at least 3 months and the AST (min 6mth) and 3 months bank statements will need to be provided to evidence the rent received.</p>		
<p>Retaining the Existing Property/Renting during the Build:</p>	<p>Monthly rental payments and Mortgage payments must be declared on the application form and on the IAA forms.</p> <p>Alternatively, the society will not take into account rent as an expenditure on the IAA where 12 months' rent is paid in advance (with evidence) subject to below:</p> <ul style="list-style-type: none"> • Self-build projects where the construction period is less than 12 months, • documentary evidence in the form of a letter from the manufacturer or main contractor stipulating the construction time • (Excludes renovation and brick and block construction). 		

Credit History	CCJs	A maximum of 1 for no more than £500 showing on the credit report. Must not have occurred in the last 12 months and must be satisfied prior to application. A Certificate of Satisfaction will be required.
	Defaults	A maximum of 1 for no more than £500 showing on the credit report. Must not have occurred in the last 12 months and must be satisfied prior to application. Evidence that it has been cleared will be required.
	Mortgage/Rent/Loan/Secured/Unsecured Arrears	A maximum of 3 missed payments in the last 24 months, reaching no more than a status 2 at any one time, applicants will need to be clear of any arrears for the previous 12 months. Referral required if more than 3 status ones evident on credit report in the last 12 months (N.B. credit record should also indicate that this was subsequently brought up to date - status 0 – and has been for the past 6 months). Mortgage/rental payments. There must not be any arrears on a mortgage or rental payments in the past 24 months and all mortgage or rental payments must be up to date at mortgage application.
	Missed Payments – revolving credit. E.g. mail order/ overdrafts/ credit cards/ mobile phones	Maximum of 3 missed payments in the last 12 months totalling no more than £500. No missed payments in the last 6 months. Referral required if more than 3 status ones evident on credit report in the last 12 months (N.B. credit record should also indicate that this was subsequently brought up to date - status 0 – and has been for the past 6 months).
	Pay day loans/debt management arrangements	Applicants who have entered into a pay day loan agreement within the last 24 months are unacceptable. Applicants who have had a previous debt management plan must have redeemed it in full more than 24 months ago.
	Bankruptcy / IVA	Applications will be considered from discharged bankrupts/IVAs subject to the applicant being discharged for a minimum of 6 years.
	Undisclosed Credit	Not acceptable.
	Repossession	Not acceptable.
Valuations	Valuations will only be valid for 6 months. The borrower will be responsible for the cost of all further valuations. Valuations will be instructed by the Society through the Panel Manager.	
Sub Letting (any part)	Not acceptable.	
Guarantors	Not acceptable.	
Gifted Deposits	Acceptable.	
First Time Buyer	Acceptable.	

The Society will require the borrower to use specialist advisors/project managers with experience and who will help to keep control of costs.

WHERE WILL THE HANLEY LEND?

The Hanley **will lend** in England and Wales.

The Hanley **will not lend** in Scotland, Northern Ireland, *Jersey, *Guernsey, *Isle of Man, Isle of Wight * Non UK Jurisdiction.

ACCEPTABLE WARRANTY CERTIFICATION

1. Premier's "Guarantee for New Homes" (minimum warranty term 10 Years)
2. NHBC 'Buildmark' (minimum warranty term 10 years)
3. Self-Build Zone (minimum warranty term 10 years)
4. LABC Warranty (minimum warranty term 10 years)
5. Architects Certificate (minimum warranty term 6 years)
6. Building Lifepans Ltd (BLP Allianz Guarantee)
7. Castle 10 (Checkmate)
8. Protek

SITE INSURANCE MINIMUM REQUIREMENTS

A copy of the insurance schedule is required to include the following:-

1. £5 million public liability
2. £10 million employers' liability
3. Contract works (for the re-instatement value)
4. Hanley Economic Building Society to be noted as mortgagee

PLANNING PERMISSION

Outline only is required to enable the purchase of the plot.

Outline planning permission should have at least 12 months to run from receipt of the application.

Detailed planning permission should have at least 12 months to run from receipt of the application.

BUILDING REGULATION

Copies of Building Regulations are required for all self-build, conversion and renovation projects. The society does not accept a Builders Notice as suitable approval for the works carried out.

VALUATION

Valuation for mortgage purposes will be required. Valuations will only be valid for 6 months after which the borrower will be responsible for all further valuations.

Valuations will be instructed by the Society

INTERIM VALUATIONS

The Society reserves the right to carry out interim valuations during any stage of the build/renovation.

Valuations will be carried out at each stage release.

STAGE RELEASES ARE MADE IN ARREARS DURING THE CONSTRUCTION OF THE PROPERTY AGAINST A VALUATION AT EVERY STAGE.

ACCEPTABLE CERTIFYING PROFESSIONALS

PROFESSIONAL QUALIFICATIONS.

All Architects supervising the build must have Professional Indemnity cover of no less than £1m and one of the qualifications below.	
ARB UK	Architects Registration Board UK (previously known as ARC)
*RIBA / ARIBA / FRIBA	Chartered Member/Associate/Fellow of the Royal Institute of British Architects
MCIAT	Corporate Member of the Chartered Institute of Architectural Technicians
MASI/FASI	Corporate Member/Fellow Member of the Architects and Surveyors Institute (excludes AMSI)
C. Build E MCABE/ C. Build E FCABE	Chartered Member/Chartered Fellow of the Chartered Association of Building Engineers (excludes A B Eng)
MICE/ FICE	Member/Fellow of the Chartered Institute of Civil Engineers (Excludes AMICE)
FCIOB/MCIOB	Fellow or Member of the Chartered Institute of Building
MRICS / FRICS	Member or Fellow of the Royal Institution of Chartered Surveyors (RICS)
MI Struct Eng/ FI Struct Eng	Chartered Member or Fellow of Institute of Structural Engineers
* only acceptable if also registered with the Architect's Registration Board (ARB)	