

## Residential Investment Lending Criteria

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Loan	
<b>Loan Size</b>	Minimum loan size - £250k Maximum loan size - £6m (£3m for a single asset up to 65% LTV, £2m for a single asset over 65% LTV).
<b>Loan Term</b>	A minimum 2 years and a maximum 30 years.
<b>Maximum LTV</b>	2% Fee Product - 75% LTV (but cannot exceed 76.5% including fee) 5% Fee Product – 75% LTV (but cannot exceed 75% including fee)
<b>Repayment Methods</b>	Interest Only. Capital and Interest.

Customer	
<b>Age</b>	Applicants must be a minimum of 21 years of age at the start of the mortgage.  The youngest applicant must be no older than 85 years of age at the end of the mortgage term.  Applicants who breach either limit will be accepted if jointly borrowing with another applicant who falls within the policy age limits.
<b>Acceptable Customer type</b>	Redwood accepts the following customer types: <ul style="list-style-type: none"> <li>• Individuals</li> <li>• UK Registered Sole traders</li> <li>• UK Registered Partnerships</li> <li>• UK Registered Private Limited Companies</li> <li>• UK registered Limited Liability Partnerships</li> <li>• Trusts</li> </ul>
<b>Acceptable residency status</b>	The Bank will lend to the following: <ul style="list-style-type: none"> <li>• UK passport holders.</li> <li>• Non-UK passport holders with the permanent right to reside in the UK.</li> </ul>
<b>UK passport holder domiciled overseas</b>	Where lending is directly to a UK passport holder domiciled overseas, the maximum LTV is limited to 60%.
<b>Unacceptable customer types</b>	The Bank will not lend to: <ul style="list-style-type: none"> <li>• Non-UK passport holders domiciled overseas.</li> <li>• Non-UK passport holders without a permanent right to reside in the UK.</li> <li>• Non-UK registered self-employed.</li> <li>• Non-UK registered Limited or non-limited companies.</li> <li>• Limited Partnerships.</li> <li>• Housing Associations</li> </ul>
<b>Proof of ID and Address</b>	The Bank uses an automated system for identity and address verification. If this fails or the applicant resides abroad acceptable evidence will be required.
<b>ILA</b>	All customers will require independent legal advice.

<b>Credit status</b>	<b>The Bank's acceptable credit criteria is as follows:</b>	
	CCJ	Not more than 2 in the last 24 months (CCJs lower than £250 accepted), need to be satisfied by approval.
	Defaults	Not more than 1 in the last 24 months (Defaults lower than £250 accepted), need to be satisfied by approval.
	Secured Arrears	Not more than 1 missed payments in the last 12 months. No unpaid historic arrears.
	Unsecured Arrears	Not more than 2 instances of arrears or arrangement to pay in the last 12 months.
	Bankruptcy/CVA/IVA	Discharged for at least 12 months.
	CIFAS	No adverse fraud data.
	Business Credit Profile	None registered or outstanding in the last 24 months: <ul style="list-style-type: none"> <li>• Receivership</li> <li>• Administration Order</li> <li>• Winding up Petition</li> <li>• Disqualified Directors</li> <li>• Compulsory Liquidation</li> </ul>
<b>Personal Guarantees</b>	A 25% guarantee will be required from the ultimate director(s) of the borrowing entity except where: <ul style="list-style-type: none"> <li>• The guarantee cannot be provided (e.g. SIPP/ SSAS / Trust).</li> <li>• A Corporate Guarantee is more appropriate.</li> <li>• It is appropriate to take a higher guarantee amount in mitigation of other risk factors (subject to underwriter discretion).</li> </ul>	
<b>Debentures</b>	Debentures are sought where available.	

Landlord Type		
Non-Portfolio Landlord (1-3 properties)	A non-portfolio landlord is defined as one who owns 3 or less ‘mortgaged’ investment properties (they can own more than 4 in total) Nb. This excludes unencumbered assets and private residential houses.	
Portfolio Landlord (4+ properties)	<p>A portfolio landlord is defined as one who owns 4 or more ‘mortgaged’ investment properties including the subject of the loan. Nb. This excludes unencumbered assets and private residential houses.</p> <p>The portfolio will be reviewed to assess affordability, where the rent covers a minimum of 125% ICR at a rate of 5.5%.</p> <p>Additional documents are required when the customer is a portfolio landlord, these are outlined in the required documents table.</p>	
Required Documents		
Customer Type	Portfolio Landlord	Non Portfolio Landlord

Portfolio Schedule	✓	✓
3 months Bank statements	✓	✓
Latest financial accounts	✓ If the loan is over £1m	✓ If the loan is over £1m
Business Strategy, Cashflow, Asset and Liability form	✓	
Unique Applicants	Where the applicant is a SIPP, SSAS or TRUST they will be required to provide additional documents. Please contact your BDM for this information.	

## Experience

The Bank's lending products are available to experienced customers only, where the experience is deemed relevant and proportional to the lending proposal. The borrowers are expected to meet the below minimum criteria and suitable evidence to support this should be made readily available.

The Bank may provide flexibility to borrowers who do not meet this criteria, and will consider wider and longstanding experience of a borrower at application. Consideration will be given to borrower's history of property investment, ownership history and experience in the real estate sector.

	No. of Asset(s)		
Years Experience	0	1	2
Up to 1 year	No	No	No
Up to 2 years	No	No	Yes
Over 2 years	No	Yes	Yes
Refurbishment	Evidence of a minimum of 2 previously completed refurbishment projects. The refurbishment experience must be accompanied by the appropriate investment experience to support the term-out option.		

## Refinance

Capital raise or Equity release	This can be considered for any legal reason.
Repaying a bridge	If the asset has been recently purchased or light works are to be undertaken on the asset a satisfactory explanation will be required.

Purchase	
<b>Purchase Price</b>	Residential Investment - The maximum loan is calculated against the Market Value. Semi-Commercial - The maximum loan is calculated against the Vacant Possession Value. (see valuation methodology for clarity on what value is to be used).
<b>Deposit</b>	The source of funds will need to be declared and proof may be required.

## Affordability

For residential investment mortgages: The properties rental income must meet the minimum applicable coverage ratio to confirm the affordability of the loan.

The affordability of loans on an interest only repayment type will be assessed using the Interest Coverage Ratio (ICR).

Those on a capital and interest repayment type will be assessed using the Debt Service Coverage ratio (DSC).

	Company Type		Stress Rate	
Property Type	Ltd Company	Personal	5 Year Fixed Rate	Less than 5 years fixed and variable rates
BTL and Small HMO / MUFB	125%	140%	Pay Rate	The higher of Pay Rate +2% OR 5.50%
Large HMO / MUFB	145%	175%		
Semi-Commercial (Over 50% and up to 80% residential income from BTL and Small HMO/MUFB)	130%	145%		

Information used to assess affordability		
Security	What we accept	What we use
<b>BTL</b>	Valuer confirmed market rent or passing rent	Whichever is lower
<b>HMO</b>	Valuer confirmed market rent or passing rent	Whichever is lower
<b>MUFB</b>	Valuer Confirmed market rent or passing rent	Whichever is lower
<b>Semi-Commercial</b>	Valuer Confirmed market rent or passing rent	Whichever is lower
Vacant Units and Tenancy voids	For Residential Assets, where income is not evident at the point of drawdown, discretion is permitted to use Market Rent, with suitable evidence of letting income to be satisfied as a Condition Subsequent within 3 months of completion. This is subject to evidence of how borrowing costs will be funded in the interim period.	

Security	
<b>Legal charge</b>	<p>The Bank requires a first legal charge over the property.</p> <p>No further charges may be created over the Bank's security without express consent from the Bank.</p>
<b>Location</b>	England, Wales and Scotland.
<b>Value</b>	The Bank will not lend on any single asset that has a Market Value (MV) below £75k.
<b>Tenure</b>	Redwood will lend to a leasehold if there is a minimum of 75 years remaining at the end of the mortgage term.
<b>Regulation</b>	Redwood is unable to consider any lending application that is deemed to be regulated.
<b>EPCs</b>	Properties with an EPC rating below E will not be accepted unless there is a valid exemption.

Property Demand
<p>The Bank will not lend on a security if the demand for letting is over 6 months.</p> <p>The Bank will not lend on a security if the demand for sale is over 12 months.</p>

House of Multiple Occupants (HMO)	
<b>Classification</b>	<p>A small HMO is defined as those which have up to 6 rooms.</p> <p>A large HMO is defined as those which have 7 or more rooms.</p>
<b>Commercial weighted HMO</b>	<p>The Bank reserves the right to classify a large HMO/MUFB as a commercial property dependant on the structure and tenancy arrangements. This falls under the discretion of the underwriter.</p> <p>Applicable properties will be limited to a maximum of 5 years interest only as part of a capital and interest repayment term mortgage and a maximum loan term of 25 years, although large HMO DSC will still be applicable.</p>
<b>Licences</b>	<p>Where the valuer confirms a HMO licence is required, evidence of a valid licence will be required.</p> <p>In the event that the issuing of the HMO licence has been delayed the valuation report must confirm that the property is a viable HMO, and evidence must be shown confirming a HMO licence has been applied for.</p>

Multi-Unit Freehold Block (MUFB)	
<b>Definition</b>	<p>The Bank defines a MUFB as a single freehold property that has been divided into multiple self-contained units. Each unit must be:</p> <ul style="list-style-type: none"> <li>• Self-contained.</li> <li>• Able to be sold separately.</li> </ul>
<b>Classification</b>	<p>A small MUFB is defined as having up to 6 single self-contained units.</p> <p>A large MUFB is defined as having 7 or more self-contained units.</p>

Unacceptable Residential Securities	
<ul style="list-style-type: none"> <li>Log cabins</li> <li>Mobile homes / caravan sites</li> <li>Houseboats</li> <li>Non-standard construction.</li> <li>Properties F&amp;G EPC rating (or no rating) without acceptable exemption.</li> <li>Development sites.</li> <li>Holiday lets &amp; properties listed on Air BnB (or similar) websites.</li> <li>MUFB, or units within, with cladding and an ESW1 requirement not met.</li> </ul>	<ul style="list-style-type: none"> <li>Properties with Japanese Knotweed present.</li> <li>Long-leaseholds with excessive ground rents, ground rents that have steep step-ups or an unexpired leasehold title of &lt;75yrs at the end of the loan term.</li> <li>Land &amp; contaminated land that is linked to buildings.</li> <li>Grade 1 / Grade A listed buildings.</li> <li>Freehold flats</li> <li>New builds without PCC or 10yr warranty.</li> </ul>

Unacceptable Residential Tenancies
<ul style="list-style-type: none"> <li>Government Asylum Accommodation leases</li> <li>Unregistered Social Housing providers</li> </ul>

Valuations	
<b>Overview</b>	Prior to taking a First Legal Charge, the Bank will obtain an independent professional RICS valuation survey. The Bank will not lend on an asset deemed as an unsuitable security by the independent body.
<b>Validity</b>	Valuations are valid for 6 months.
<b>Qualifications</b>	The Bank will not lend on any single asset that has a Market Value less than £75k.

Valuation Methodology	
Security Type	Methodology
<b>Single residential flat/house</b>	A comparable valuation method against similar properties in the area will be used.
<b>Small HMO (up to 6 tenants)</b>	<p>If the property is currently being used as a HMO but requires minimal work to convert it back to a single-dwelling family home, a comparable method will be used.</p> <p>If the property has undergone significant adaptations to comply with HMO legislation, a yield-based method will be used.</p>

<b>Small HMO (up to 6 tenants) in an Article 4 area</b>	<p>If the property is in an Article 4 area, a yield-based investment valuation will be used, considering comparable yields in the area. Since the Article 4 Direction is in effect, the property must have C4 planning permission.</p>
<b>Large HMO (7 or more tenants)</b>	<p>Will be valued on a yield-based method, with the valuer considering comparable yields of similar properties in the area.</p> <p>Planning approval must be in place for the property to be used as large HMO (Sui Generis).</p>
<b>Small MUFB (up to 6 units)</b>	<p>Can be valued using the aggregate value of the units provided each unit is:</p> <ul style="list-style-type: none"> <li>• Self-contained</li> <li>• Can be sold separately</li> </ul> <p>If the property does not meet any of the above requirements it will be valued on a block value basis.</p>
<b>Large MUFB (7 or more units)</b>	<p>The primary method will be based on the block value basis.</p> <p>However, consideration for the use of aggregate value will be given on a case-by-case basis dependent on:</p> <ul style="list-style-type: none"> <li>• Rental demand</li> <li>• Asset location/quality</li> <li>• Prudent allotment of communal areas</li> <li>• Units able to be sold on individual or long leasehold titles.</li> </ul>
<b>Semi-Commercial</b>	<p>Defined as properties where the residential income makes up more than 50% and up to 80% of the total income.</p> <p>Calculated against the combined Vacant Possession value (VP).</p> <p>Where 50% or more of the income is from the commercial aspect, the property will be classed as commercial (see commercial criteria).</p> <p>Where the residential aspect of the property is formed of a large HMO/MUFB the property will be assessed using large HMO/MUFB ICR/DSC.</p> <p>Where the residential aspect of the property is formed of a commercially weighted large HMO/MUFB the property will be assessed using large HMO/MUFB DSC with a maximum of 5 years interest only as part of a capital and interest repayment term mortgage and a maximum loan term of 25 years.</p>