Bridging Lending Criteria

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Loan	
Loan Size	Minimum loan size - £100,000 Maximum loan size - £2,000,000
Original Loan Term	6, 9 or 12 months with a further 12 months in extensions subject to discretionary approval
Maximum LTV	**Standard bridging:** • 75% loan to value (LTV) inclusive of rolled interest and fees. This reduces to 65% if a Tier 3 customer. **Refurbishment bridging:** The lower of: • 80% of the Day 1 Loan to Value inclusive of rolled interest and fees or • 75% of the post works value inclusive of rolled interest and fees This reduces to 70% and 65% if a Tier 3 customer.
Repayment Methods	Rolled Interest/Interest Only.
Exit strategy	• Exit via Term Loan with Redwood Bank • Exit via refinance with an alternative lender

Customer	
Age	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.
Acceptable Customer type	Redwood accepts the following customer types: • Individuals • UK Registered Sole traders • UK Registered Partnerships • UK Registered Private Limited Companies • UK registered Limited Liability Partnerships
Acceptable residency status	The Bank will lend to the following: • UK passport holders. • Non-UK passport holders with the permanent right to reside in the UK.
UK passport holder domiciled overseas	Where lending is directly to a UK passport holder domiciled overseas, the maximum LTV is limited to 60%.

<table>
<tr><td>Unacceptable customer types</td><td colspan="4">The Bank will not lend to:
Where the Borrower would be classified as entering into a Regulated Transaction as defined by the FCA Perg 4.4.
Non-UK passport holders without a permanent right to reside in the UK.
Non-UK registered self-employed.
Non-UK registered Limited or non-limited companies.
Limited Partnerships.
Housing Associations
Trusts and Pension Arrangements.</td></tr>
<tr><td>Proof of ID and Address</td><td colspan="4">The Bank uses an automated system for identity and address verification. If this fails or the applicant resides abroad acceptable evidence will be required.</td></tr>
<tr><td>ILA</td><td colspan="4">All customers will require independent legal advice.</td></tr>
<tr><td rowspan="8">Credit status</td><td colspan="4">The Bank's acceptable credit criteria is as follows:</td></tr>
<tr><td></td><td>Tier 1</td><td>Tier 2</td><td>Tier 3
(note LTV limits are lower, see maximum LTV section for details)</td></tr>
<tr><td>CCJs</td><td>0 in 24 months.</td><td>0 in the last 24 months (CCJs lower than £250 accepted), need to be satisfied by approval.</td><td>Not more than 2 in the last 24 months (CCJs lower than £250 accepted), need to be satisfied by approval.</td></tr>
<tr><td>Defaults</td><td>0 in 24 months.</td><td>0 in the last 24 months (Defaults lower than £250 accepted), need to be satisfied by approval</td><td>Not more than 1 in the last 24 months (Defaults lower than £250 accepted), need to be satisfied by approval.</td></tr>
<tr><td>Secured Arrears</td><td>0 missed payments in the last 24 months.
No unpaid historic arrears.</td><td>0 missed payments in the last 12 months. No unpaid historic arrears.</td><td>Not more than 1 missed payments in the last 12 months. No unpaid historic arrears.</td></tr>
<tr><td>Unsecured Arrears</td><td>0 instances of arrears or arrangements to pay in the last 12 months.</td><td>Not more than 1 instance (over £250) of arrears or arrangement to pay in the last 12 months.</td><td>Not more than 2 instances (over £250) of arrears or arrangement to pay in the last 12 months.</td></tr>
<tr><td>Bankruptcy</td><td>Discharged for at least 36 months.</td><td>Discharged for at least 24 months</td><td>Discharged for at least 12 months</td></tr>
<tr><td>Business Credit Profile</td><td colspan="2">None registered or outstanding in the last 36 months:
Receivership
Administration order</td><td>None registered or outstanding in the last 24 months:
Receivership</td></tr>
</table>

		• Winding up petition • Disqualified directors • Compulsory liquidation • CVA/IVA		• Administration order • Winding up petition • Disqualified directors • Compulsory liquidation • CVA/IVA
	Credit Score	Commercial Delphi score is > 50 and personal scores is >800	Borrower is a dormant company. Commercial Delphi score ≤50 or personal score is ≤ 800	Borrower is a dormant company. Commercial Delphi score ≤25 or personal score is ≤ 800
Personal Guarantees	The Bank will require a personal guarantee equal to 25% of the loan size from the any shareholder with over 25% ownership, or controlling interest. It is acknowledged that there are scenarios where a higher personal guarantee may be required subject to risk factors.			

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)	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. The portfolio will be reviewed to assess affordability, where the rent covers a minimum of 125% ICR at a rate of 5.5%. Additional documents are required when the customer is a portfolio landlord, these are outlined in the required documents table.

Required Documents		
Customer Type	Portfolio Landlord	Non Portfolio Landlord
Portfolio Schedule	✓	✓
Last 3 years financial accounts	✓ If the loan is over £1m	✓ If the loan is over £1m
Schedule of Works (if refurbishment bridging loan)	✓	✓

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 nature of works and whether a contractor is being used plus the existing portfolio will be considered should the above not be met. 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	Redwood Bank does not accept bridge-to-bridge refinancing cases.
Purchase	
Purchase Price	• Residential Investment - The maximum loan is calculated against the Market Value. • Semi-Commercial - The maximum loan is calculated against the lower of Market Value or Vacant Possession Value. (see valuation methodology for clarity on what value is to be used).
Undervalue Purchases	These are acceptable and we can lend against the valuers assessed value instead of the Purchase Price subject to: • A satisfactory explanation why the asset is being acquired undervalue. • There is no evidence of a financially distressed position of the seller. • When there is evidence of an option to purchase agreement, we need to understand the reason for the purchase price being less than the Market value • The Bank will lend up to 90% of the purchase price • Indemnity polices will be required in all instances of undervalue For refinances, if there has been a substantial increase in value since purchase which has not been as a result of either RPI or CPI, or planning enhancements, we will require a satisfactory explanation. If applicable this will be referred to the valuer for commentary.

Deposit	The source of funds will need to be declared and proof may be required.
Funding for refurbishment works	Source of funds for self-funded refurbishment works is required. Lending for the cost of works can be included in the loan facility. Multi stage drawdowns are not available.

Affordability
The affordability of loans on an interest only and rolled interest repayment type will be assessed using the Interest Coverage Ratio (ICR). The properties' expected future rental income (market rent or passing rent, whichever is lower) must meet the minimum applicable coverage ratio to confirm the exit viability of the loan at a minimum of 125% ICR at a rate of 5.5%. If the exit strategy is refinance with a Redwood Bank term loan, the applicable minimum coverage ratios will apply. These can be found in the Product Guide.

Security	
Legal charge	The Bank requires a first legal charge over the property. No further charges may be created over the Bank's security without express consent from the Bank.
Location	England and Wales.
Value	The Bank will not lend on any single asset that has a Market Value (MV) below £75k.
Tenure	Redwood will lend to a leasehold if there is a minimum of 85 years remaining at the end of the mortgage term.
Regulation	Redwood is unable to consider any lending application that is deemed to be regulated.
EPCs	Properties with an EPC rating below E will not be accepted unless there is a valid exemption. This requirement is not applicable where refurbishment works are actively underway to bring the property up to the required standard.
Property Demand	
The Bank will not lend on a security if the demand for letting is over 6 months. The Bank will not lend on a security if the demand for sale is over 12 months.	

Permitted works	
	Light/Medium Refurbishment
A schedule of works form and costs is required alongside the application form and will be used by the Valuer to determine the Gross Development Value.	
Works being carried out	Cosmetic or non-structural works, including internal structural changes to non-load-bearing walls. Permitted works typically include: • Kitchen or bathroom replacement, • Painting, decorating, flooring, • Minor internal changes (doors, windows, plastering, joinery)

	• Minor rewiring or plumbing • Boiler/heating upgrades (like-for-like) • Removal of non-load-bearing internal wall • Simple floorplan reconfiguration (e.g., creating open-plan areas) • Staircase installation • Garage conversions within permitted development rights • Damp-proofing, soundproofing • Energy-efficiency upgrades (insulation, double/triple glazing, solar panels, LED systems) • Conversions that do not involve structural work (e.g., single dwelling into multiple units, certain commercial-to-residential reconfigurations, making un-mortgageable properties habitable)
Structural works	Projects involving structural change or any works that could reclassify the facility as a development loan are not permitted.
Planning consent	Planning for an Article 4 area for HMOs are permitted. This must be in place ahead of drawdown. Planning approval must be in place for the property to be used as large HMO (Sui Generis). Building Regulations approval and other uses of planning consent will be assessed by exception.
Change of Use	C3 to C4 is accepted works fall under the Light/Medium refurbishment criteria i.e. structural works or works considered as heavy refurbishment are not permitted.
Permitted Development	Permitted developed where works fall into the above categories.

House of Multiple Occupants (HMO)	
Classification	A small HMO is defined as those which have up to 6 rooms. A large HMO is defined as those which have 7 or more rooms.
Licences	Where the valuer confirms a HMO license is required, evidence of a valid licence will be required. 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.
Multi-Unit Freehold Block (MUFB)	
Definition	The Bank defines a MUFB as a single freehold property that has been divided into multiple self-contained units. Each unit must be: • Self-contained. • Able to be sold separately.
Classification	A small MUFB is defined as having up to 6 single self-contained units.

	A large MUFB is defined as having 7 or more self-contained units.

Holiday Lets
Securities restricted to be solely used as a holiday let/properties listed on Air BnB (or similar) websites are not permitted. Where the use is not restricted, the asset may be considered on a case by case basis.

Unacceptable Residential Securities	
• Log cabins • Mobile homes / caravan sites • Houseboats • Non-standard construction. • Properties F&G EPC rating (or no rating) without acceptable exemption or where there is no proposal to upgrade the EPC during any permitted refurbishment. • Development sites. • MUFB, or units within, with cladding and an ESW1 requirement not met.	• Properties with Japanese Knotweed present. • Long-leaseholds with excessive ground rents, ground rents that have steep step-ups or an unexpired leasehold title of <85yrs at the end of the loan term. • Land & contaminated land that is linked to buildings. • Grade 1 / Grade A listed buildings. • Freehold flats • New builds without Professional Consultants Certificate (PCC) or 10yr warranty.

Unacceptable Residential Tenancies
• Government Asylum Accommodation leases • Unregistered Social Housing providers

Valuations	
Overview	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.
Validity	Valuations are valid for 6 months.
Qualifications	The Bank will not lend on any single asset that has a Market Value less than £75k.
Valuation Methodology	
Security Type	**Methodology**
Single residential flat/house	A comparable valuation method against similar properties in the area will be used.
Small HMO (up to 6 tenants)	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. If the property has undergone significant adaptions to comply with HMO legislation, a yield-based method will be used.
Small HMO (up to 6 tenants) in an Article 4 area	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.

Large HMO (7 or more tenants)	Will be valued on a yield-based method, with the valuer considering comparable yields of similar properties in the area. Planning approval must be in place for the property to be used as large HMO (Sui Generis).
Small MUFB (up to 6 units)	Can be valued using the aggregate value of the units, provided each unit is: • Self-contained • Can be sold individually or simultaneously within 12 months. If the property does not meet any of the above requirements it will be valued on a block value basis.
Large MUFB (7 or more units)	If there are 10 or less units, the property will be valued using the aggregate value of the units, provided each unit is: • Self-contained • Can be sold individually or simultaneously within 12 months. If more than 10 units the primary method will be based on the block value. However, consideration for the use of aggregate value will be given on a case-by-case basis dependent on: • Rental/sale demand • Asset location/quality • Prudent allotment of communal areas • Units able to be sold individually or simultaneously within 12 months.
Semi–Commercial	Defined as properties where the residential income makes up more than 50% and up to 80% of the total income. Calculated against the combined Vacant Possession value (VP). Where 50% or more of the income is from the commercial aspect, the property will be classed as commercial.