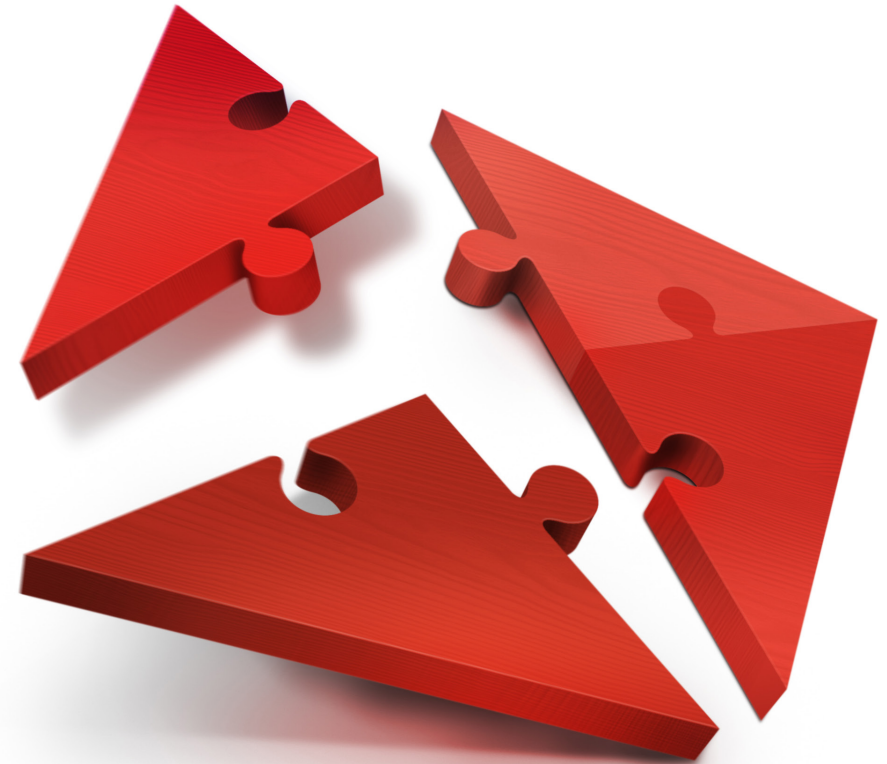




For intermediary use only



# Buy-to-Let Criteria Guide

11th April 2022

[chlmortgages.co.uk/intermediaries](http://chlmortgages.co.uk/intermediaries)

- ✓ Individuals
- ✓ HMO/MUFB
- ✓ Ltd Companies / LLPs
- ✓ Short Term Lets

# Buy-to-Let Criteria Guide

## Highlights

### The Applicant

- Individual BTL
- Limited Companies & LLPs
- Portfolio Landlords

### The Rental Calculation

- Basic Rate & Ltd Co. from 125%
- Higher Rate tax payer from 140%
- All 5 & 7 year fixes @ Pay rate

### The Property

- MUFB minimum value £100k (65% LTV, outside M25)
- Ex-local Authority (including deck access)
- Studio Flats minimum floor area 30m<sup>2</sup>

### The Loan

- Up to £1m to 75% LTV
- Up to £2m for MUFB properties
- Up to £500k to 80% LTV

## Plus...

### New Additions

- Short Term Lets
- Large/Complex HMO & MUFB
- Limited Liability Partnerships (LLP)

### HMO / MUFB

- Large HMO up to 10 bedrooms
- Large MUFB up to 10 units

### Limited Companies / LLP

- New Company incorporations accepted
- Trading Companies considered
- Deposits from Inter-company/Director/Shareholder/Partner loans accepted

This guide is intended for guidance only and is supported by the full lending criteria.

For detailed criteria or to discuss a case contact us on **01252 365 888** or email [sales@chlmortgages.co.uk](mailto:sales@chlmortgages.co.uk)

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## The Applicant

|                          | Individuals  | Limited Companies / LLP   | HMO / MUFB (Small & Large)  |
|--------------------------|--|---|---|
| Applicant/<br>Experience | At least one applicant must have a minimum of 12 months as a current property owner  | <b>68100 • 68209 • 68320 • 68201</b><br>Properties related SPV accepted.<br>LLPs accepted • Trading companies considered<br><hr/> New company incorporations accepted<br><hr/> A personal guarantee must be provided by Limited Company Directors and/or Shareholders with ≥20% shareholding, and all designated members and members with management rights of an LLP.<br><hr/> Deposits from Inter-company/Director/Shareholder/Partner loans accepted | At least one applicant must prove they have owned a minimum of 1 BTL property for 2 years<br><hr/> Available to both Individual and Limited Companies / LLP applicants. |
| Applicants               | <b>Up to 4</b> individual applicants <u>or</u> Limited Company Directors and/or Shareholders <u>or</u> LLP Members.<br><b>Up to 4</b> Limited Company Guarantors. Guarantors must include all Directors. Guarantors must together hold a <b>minimum of 75%</b> or more of the controlling share capital.<br><b>Up to 4</b> LLP Guarantors which must include all designated members and those members with management rights as detailed in the LLP agreement. |   |   |
| Minimum Age              | Primary applicant: <b>21</b> • Secondary applicants: <b>18</b>   |   |   |
| Maximum Age              | <b>85</b> at end of term   |   |   |
| Minimum Income           | <b>£20,000</b> combined income per application • Rental Income Accepted as per SA302   |   |   |
| Portfolio Landlords      | Min. landlord experience of 12 mths • Max. Portfolio lending held within CHL Group is £2.5m (Up to £5m considered after 12 months)<br>• No limit on number of properties/mortgages in BTL portfolio  |   |   |
| Residency                | UK resident for at least the last 3 years with permanent right to reside   |   |   |

## Adverse

| Arrears   | Default  | CCJs   | IVA/Bankruptcy                                     | Debt Mgmt. Plan | Repossessions |
|---|--|--|--|-----------------|---------------|
| <b>Unsecured Arrears:</b><br>0 in 6 months • Status 1 in 12 months (Max. 1 instance) • Status 2 in 24 months<br><hr/> <b>Secured Arrears:</b><br>0 in 6 months • Status 1 in 24 months (Max. 1 instance)<br><hr/> <small>NOTES:<br/>           Secured Arrears over 24 months can be considered at underwriter discretion.<br/>           Utility, mail order, communications &amp; insurance arrears considered at underwriter discretion.</small> | Defaults considered at underwriter discretion<br><hr/> Communications defaults will be ignored | <b>Unsatisfied:</b><br>Max. £250 in 36 months<br><hr/> <b>Satisfied:</b><br>Max. £500 in 36 months | Satisfactorily completed / Discharged over 6 years | 0 in 36 months  | Not accepted  |

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# The Property

## Criteria which apply to all types of property including HMO / MUFB

|                                      |   |
|--------------------------------------|---|
| <b>Location</b>                      | Mainland England, Isle of Wight and Wales   |
| <b>Tenancy</b>                       | Single or Multiple AST from 6 to 36 months • Student lets • Corporate lets considered • Housing Association / Local authority lets considered • Minimum EPC rating: E<br><br>Short term lets defined as Holiday Lettings or Serviced Apartments:<br>Acceptable where the Valuer confirms: the security property is suitable for occupation under an assured shorthold tenancy including any restrictive lease covenants (AST will not be required); the ICR calculation fits on the market rent based on an AST; and there is demand for the property from both owner occupier and investor buyers.<br>Considered on a case by case referral basis for HMO/MUFB property. |
| <b>Acceptable Construction Types</b> | Standard brick and breeze block construction • Modern timber framed construction post 1960 (including space4) with masonry outer skin<br>Stone built or brick and mortar built walls • Modern steel framed property with brick or block and rendered walls • Modern methods of construction.  |
| <b>Acceptable Roof Types</b>         | Standard roof construction from slate or tile   |
| <b>Acceptable Exposure</b>           | Blocks of up to 6 units: Maximum 6 units per block • Blocks of 7 to 20 units: Maximum 10 units per block • Blocks of more than 20 units: Highest of 10 units <u>or</u> 20% per block  |

|                               | Standard Property  | Studio Flat  | New Build  | Above/Adjacent to Commercial                                     | Former Local Authority  |
|-------------------------------|--|--|--|--|---|
| <b>Definition</b>             | Single family dwelling<br>or<br>existing shared accommodation where no HMO licence required  | A small flat with one room for living and sleeping in, a kitchen, and a bathroom | A property built or converted within the last 12 months              | A property above or adjacent to a commercial property considered | Previously owned by the local authority/housing association   |
| <b>Rooms / Units</b>          | Max. 5 Bedrooms<br>Shared accommodation acceptable   | Max. 1 main room   | Max. 5 Bedrooms  | Max. 5 Bedrooms  | Max. 5 Bedrooms   |
| <b>Minimum Property Value</b> | £75,000*   | £100,000   | £75,000  | Min. value £250,00 within M25 (£150,000 elsewhere)               | £100,000  |
| <b>Property Notes</b>         | Shared Houses considered with rental assessment on a single family unit basis  | Minimum floor area for each individual unit 30m <sup>2</sup>                     | All properties less than 10 years old must hold an adequate warranty | Positive valuer comments required                                | Max. 10 storeys in a block inside M25 (5 elsewhere)<br><br>Areas with medium / high levels of private ownership |
| <b>Maximum LTV</b>            | 80% <sup>†</sup>   | 75%  | Houses: 75% • Flats: 70%   | 75%  | Houses: 75% • Flats: 70%  |
| <b>Tenure &amp; Leasehold</b> | Freehold and Leasehold<br>Leasehold terms of less than 75 years remaining at application considered at underwriter discretion and are subject to a maximum LTV of 60%. Minimum 30 years remaining at maturity. |  |  |  |   |

\* All flats above 10 storeys require a minimum property value of £250,000    † Max. 75% LTV for properties highlighted by our valuer as 'non-standard construction'

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# The Property

|                                | HMO   |  | MUFB   |   |
|--------------------------------|---|--|--|---|
|                                | Small   | Large  | Small  | Large   |
| <b>Definition</b>              | At least 3 tenants live there forming more than 1 household<br>Tenants share a lavatory, bathroom or kitchen facilities with other tenants<br><u>and a HMO licence is required</u>  | At least 5 tenants live there forming more than 1 household, and<br>tenants share a lavatory, bathroom or kitchen facilities with other tenants.<br><u>and a HMO licence is required</u>                             | A block of up to 6 self-contained units on a single freehold title   | A block of up to 10 self-contained units on a single freehold title |
| <b>Minimum Property Value</b>  | Inside M25: £150,000 • Elsewhere: £75,000 (up to 65% LTV) <u>or</u> £100,000 (if >65% LTV)  |  | Inside M25: £150,000 • Elsewhere: £100,000 (up to 65% LTV) <u>or</u> £150,000 (if >65% LTV)  |   |
| <b>Acceptable Classes</b>      | C3 • C4   | C3 • C4 • Sui Generis  |  |   |
| <b>Rooms / Units / Storeys</b> | Max. 6 bedrooms<br>Max. 8 lettable rooms<br>Max. 2 kitchens*<br>Max. 4 habitable storeys  | Max. 10 bedrooms<br>No maximum number of lettable rooms<br>Max. 2 kitchens*<br>No maximum number of habitable storeys  | Max. 6 self-contained units in the block   | Max. 10 self-contained units in the block                           |
| <b>Property Notes</b>          | Shared Houses considered with rental assessment on a room-by-room basis<br><u>Must need minimal adaption to sell as a family home.</u><br>The Solicitor will be required to ensure all relevant Planning/Change of Use requirements for its proposed use are in place on Completion | Shared Houses considered with rental assessment on a room-by-room basis<br>The Solicitor will be required to ensure all relevant Planning/Change of Use requirements for its proposed use are in place on Completion | Each unit must have separate services<br>If any element within a MUFB property would be defined as a HMO, then the property will be defined as a 'Hybrid Multi-Unit' property. In this instance the HMO element must adhere to our HMO criteria. |   |
| <b>Maximum LTV</b>             | 75%   |  |  |   |
| <b>Tenure &amp; Leasehold</b>  | Freehold and Leasehold<br>Leasehold terms of less than 75 years remaining at application considered at underwriter discretion and are subject to a maximum LTV of 60%. Minimum 30 years remaining at maturity.  |  | Freehold Only  |   |

\* Unless valuer comments confirm no negative impact on saleability

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## The Rental Calculation

| Tax band            | ICR  |
|---------------------|------|
| Basic Rate          | 125% |
| Ltd Companies / LLP | 125% |
| Higher Rate         | 140% |

|  | Assessment Rate  |
|--|--|
| Less than 5 year fixed   | Highest of..<br>5.50%; <u>or</u> the initial pay rate +2.00%; <u>or</u> the reversionary rate. |
| Less than 5 year fixed*<br>where a historic borrower is looking<br>to remortgage without capital raising | Highest of..<br>5.00%; <u>or</u> the initial pay rate.   |
| 5 year fixed or more   | The initial pay rate   |
| Lifetime Tracker.  | The initial pay rate +2.00%  |

\* **Historic Borrower:** A borrower who owned their BTL property before 6th April 2017

NOTE: Should a borrower choose a Capital & Interest repayment mortgage then, in addition to the Interest Cover Ratio test above, the gross monthly rental income must be equal to or greater than the monthly payment.

| Security Type                               | Basis of rental income      | Basis of Valuation   |
|---|-----------------------------|----------------------|
| Single self-contained unit                  | Single tenancy              | Comparable basis     |
| Shared House                                | Single tenancy              | Comparable basis     |
| Short-term lets/Serviced Apartments         | Single tenancy              | Comparable basis     |
| Holiday Let                                 | Single tenancy              | Comparable basis     |
| Small HMO (≤6 bedroom)                      | Tenancy per room            | Comparable basis     |
| Large HMO (>6 bedroom)                      | Tenancy per room            | Investment valuation |
| Small MUFB (≤6 units)                       | Tenancy per unit            | Comparable basis     |
| Large / Hybrid <sup>†</sup> MUFB (>6 units) | Tenancy per unit / per room | Investment valuation |

<sup>†</sup> For definition of Hybrid MUFB see MUFB Property Notes, Page 5

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## The Loan

|  |   |
|--|---|
| <b>Minimum loan</b>                        | <b>£25,001</b>  |
| <b>Maximum loan</b>                        | <b>£1m (up to 75% LTV)<br/>£500k (up to 80% LTV)<br/>£2m (MUFB)</b>   |
| <b>Minimum Loan Term</b>                   | <b>5 years</b>  |
| <b>Maximum Loan Term</b>                   | <b>30 years</b>   |
| <b>Portfolio Exposure within CHL group</b> | <b>&gt;£1m to £2.5m (Max. aggregate LTV 75%).<br/>≤£1m (Max. aggregate LTV 80%).<br/>Up to £5m considered by exception.</b>   |
| <b>Remortgage within 6 months</b>          | <b>Lending based on market value where uplift explained by works/changes to the property/title, otherwise value limited to original Purchase Price/pre-works value.</b> |
| <b>Porting</b>                             | <b>Not portable</b>   |
| <b>Offer Validity</b>                      | <b>3 months</b>   |

## Capital Raising

**Capital raising is permitted for any legal purpose except for:**

- Tax liabilities (excluding Capital Gains and Inheritance tax)
- Gambling debts
- Consumer buy-to-let
- Any business purpose that is not property investment.

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# Competitive rates. Flexible criteria. Common sense.

At CHL Mortgages we take a common sense approach to buy-to-let. That means flexible criteria and experienced people who will consider each case on its own merit, working with you to provide specialist solutions for your landlord clients, at competitive prices.

To discuss a case or for further information  
get in touch with the CHL Mortgages team

 01252 365 888  [sales@chlmortgages.co.uk](mailto:sales@chlmortgages.co.uk)

[chlmortgages.co.uk/intermediaries](http://chlmortgages.co.uk/intermediaries)



Rubik's Cube used courtesy of Spin Master

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Here are just some areas we may be able to help you with\* ...



First Time Landlords



Portfolio Landlords



Limited Liability Partnerships



Short Term Lets



Minor Adverse



Up to 4 applicants



HMO up to 10 Bedrooms



MUFB up to 10 Units



Studio Flats from 30sqm



Intercompany Loan Deposits



Directors Loans



Trading Companies



Gifted Deposits



New Limited Companies



Local Authority Leases



New Builds



Shared Accommodation



Above/Adjacent to Commercial



Student Lets



Ex-local Authority

\* Subject to detailed criteria and underwriting

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