

offa

Buy-to-let

Criteria Guide

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1. Criteria guide

Finance requirements:

- Minimum Finance amount - £60,000
- Maximum Finance amount - £1,000,000
- Aggregate Finance - £2,500,000

Max Finance	HMO	MUFB	Individuals	Limited Co/LLP	First Time Landlord	New Build
£1,000,000	75% (FTV)	75% (FTV)	80% (FTV)	80% (FTV)	80% (FTV)	80% (FTV)

(Product restrictions may apply) *FTV = Finance to value

Acquisition

- The finance amount will be based upon the lower of purchase price or current valuation, whichever is lower.

Refinance

- Refinance applications will be considered where an existing bridge/ any other finance agreement has been in place with another provider for less than 6 months. We will allow capital raising up to the maximum normal range of the products.
- Offa will accept refinance or purchase applications including day one refinance where the ownership is less than 3 months. In these cases, we will consider the original purchase price plus cost of improvement for the purpose of FTV or the current open market value as given by the valuer, whichever is lower.

Finance Purpose

- Capital Raising acceptable – Excludes tax and gambling.

Applicant

Background Exposure

- Unlimited – whether number or value of property - Underlying background portfolios will be required to meet minimum RCR rate 125% for SPV and individuals both at the average of current 5-year Fixed rate products (currently 6.6%). Introducers will need to provide the following information required for portfolio landlords:
 - Property schedule.
 - Business plan and cash flow documentation. (Found under the document tab on BTL hub)
 - Maximum FTV is 75% for Up to 10 financed BTL properties at completion
 - Maximum FTV is 70% for 11 or more financed BTL properties at completion

Minimum Term

- 7 years

Maximum Term

- Single household dwellings – 40 years, subject to maximum age restrictions.
- Maximum term (HMO & MUFB) – 25 years.

Minimum Property Value

Type	Minimum Value
Residential dwelling for single household.	£80,000
Ex-local authority flats/maisonettes.	£100,000
HMO properties.	£200K in London and £100k elsewhere.
Multi-unit residential properties in rental use or houses in multiple occupation – up to 10 units/rooms, £100,000.	£100,000; more than 10 units/rooms the greater of £100,000 or £50,000 per unit.

Properties valued in excess of £5,000,000 will not be considered as suitable security

Payment Type

- A viable repayment strategy has been proposed
- Acquisition.

Deposits

- Evidence of source will be required.

Family Gifted Deposits

- Gifted deposits will be considered in purchase transactions only where the deposit is, wholly or in part, being provided as a non-repayable gift from a related person or extended family member.

- Undervalue family gift:

Applications to fund the purchase of a property from a related person or extended family member at less than open market value will be considered, with the FTV being based on the lower of the contracted purchase price or the open market value. The vendor must not reside in the security property. No applicant deposit contribution required.

2. Affordability

Rental Amount > (Finance Amount x Applicable Rate)/12 *Coverage Ratio.

Product initial benefit period <5 Years	Product initial benefit period 5 Years or more
Pay rate plus 1%	Pay Rate

Pay Rate is the initial rate applicable on a finance agreement.

- Individual Applicants who are Additional Rate taxpayers will be required to meet a rental income coverage ratio of 140% at the applicable stress rate.
- Individual Applicants who are Higher Rate taxpayers will be required to meet a rental income coverage ratio of 140% at the applicable stress rate.
- Individual Applicants who are Basic Rate taxpayers will be required to meet a rental income coverage ratio of 125% at the applicable stress rate.
- Limited Company & LLP see section 7
- Expat see section 8

3. Applicant

Number of Applicants

- Maximum 2 applicants on an individual application.
 - SPV application maximum 4 applicants.
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First-time Landlord

- First-time landlords who have not previously owned a property are now allowed, including HMO/MUFB applications.
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First-time Buyers

- First-time buyers are allowed and can apply independently.
 - Top slicing is available to first-time buyers.
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Minimum Age

- 18 years at application.
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Maximum Age

- None, provided finance proposition is self-sufficient and retirement income is sufficient to meet minimum income requirements.
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Applicant Exclusions

- Non-UK Diplomats.
 - PEPs.
 - Accredited embassy staff of foreign nations.
 - Convictions (spent or unspent) following which insurers may impose special terms.
 - US citizens.
-

Residency

- We will consider UK citizens and non-UK citizens who have been a continuous resident in the UK for at least 2 years prior to application.
- A visa must have a minimum 12-month validity remaining at the time the proof is received in support of the application.

Visa Requirements for Non-UK Citizens

Applicants must have indefinite leave to enter or remain in the UK, or have an acceptable visa type:

- A. EU Settlement Scheme (EUSS) – Pre-Settled Status.
- B. EU Settlement Scheme (EUSS) – Settled Status.
- C. EU Settlement Scheme (EUSS) – Family Permit.
- D. EU Settlement Scheme (EUSS) – Applied and awaiting decision.
- E. Family Visa.
- F. Skilled Worker Visa.
- G. UK Ancestry Visa.
- H. Health and Care Worker Visa.
- I. British National (Overseas) Visa.
- J. Intra-company Transfer Visa.

Consumer Buy-to-Let

- Offa will not consider applications for regulated CBTL financing.

Credit Status

- Offa uses Equifax as its primary credit search provider.

Tolerances for CCJs or Defaulted Finance:

- Any CCJ or Defaulted account has been satisfied before a binding Offer can be issued.
 - Total Default value of less than £500.
 - Maximum of 1 default within the last 36 months.
 - No other evidence of adverse credit conduct, and a satisfactory explanation of the default event being provided by the customer.
-

Tolerances for Missed Payments on Unsecured Finance:

- A 'worst status' of no more than 0 in the last 36 months
 - A 'worst status' of no more than 3 in the last 72 months
 - The conduct of telecoms accounts are disregarded from the tolerances.
-

4. Income

At least one customer per application must have a minimum of **£18,000** gross annual income.

Employment status -

Verification of declared income to be completed by a mandated underwriter, supported by one of the following forms of evidence: SA302/ tax calculations and Tax Year overviews.

Employment Details	Self-employed	Employed/retired
Minimum duration	Latest 2 years SA302's supported with latest 2 years Tax overviews	3 months (non-probationary)

Exclusions:

- Income where applicant is employed by 'family business' for less than 12 months.
- Expenses / Subsistence payments.
- Mileage / Fuel allowance.
- First Aider at work allowance.
- Broadband / telephone allowance.
- Shadow Pay.
- Educational Grants / Bursaries.
- Teaching and Learning Responsibility 3 (TLR) payments.
- Housing Benefit.
- Jobseeker's Allowance.
- Income Support.
- Income from lodgers.
- Third jobs.
- Bereavement Allowance.
- Guardians Allowance / Kinship Allowance.
- Pension Credit.
- Flexible pension income / Income drawdown.
- Fixed Term Annuities.

Note: Rental income can be included in combination or isolation.

5. Property

England and Wales

Tenure

- Leasehold properties should have a minimum unexpired lease of 45 years after the end of the Finance term.
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Freehold

- Flying freeholds will be considered if not exceeding 10% of the total area.
 - Freehold flats cannot be considered.
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Acceptable Properties

All properties must be suitable for let upon completion

- Houses and apartments, including newly constructed buildings and renovated properties.
- Ex-local authority properties. Flat in a block where there are 4 or more stories without a lift.
- HMOs with up to 12 rooms.
- MUFBs with up to 10 units or rooms.
- All flats must have a floor area greater than 30 square metres.
- If the property is not classified as a house in multiple occupation (HMO) or a multi-unit freehold block (MUFB), it should have no more than two kitchens.
- Standard construction.
- Flats only accessible via deck access are acceptable in London Zone 1 and block is in 70% private ownership and/or the deck is controlled and secure.

(Continue on next page)

(Acceptable properties continued)

- If the property valuation report shows that the building has external cladding and requires an EWS1 form, a valid EWS1 form must be provided.
 - The property must have an Energy Performance Certificate (EPC) rating of E or higher.
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Houses in Multiple Occupation (HMO)

HMOs are acceptable subject to meeting all the following:

- Multiple Lets – acceptable.
 - Maximum Number of 12 Bedrooms.
 - HMO Licence (if applicable) – prior to completion the conveyancer to confirm that an application of the licence has been made.
 - Tenants – Tenants who have the benefit of diplomatic immunity are not acceptable.
 - HMO & MUFB Application will be required to meet a rental income coverage ratio of 145% at the applicable stress rate.
 - Limited Company application – acceptable.
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Student Lets

- Student lets are acceptable. exception to this is where properties exhibit characteristics similar to a Halls of Residence.
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6. Valuations

- Where the valuer confirms that specialist reports are required Offa will require the applicant to arrange the reports which will be sent to the valuer for comment.
- Valuations are usually valid for 6 months.

7. Limited Company and LLP

- Limited Companies must be registered in England or Wales.
- SPV Companies must have been established for property rental only and will only be accepted with the following SIC codes: 68100, 68209, 68320.
- Max 4 Directors/Members.
- All directors with shares must be listed on the application. At least 75% of shareholders must apply for the Buy-to-Let.
- Limited Company & LLP Application will be required to meet a rental income coverage ratio of 125% at the applicable stress rate.
- Expat Directors:
 - nomination of a UK Solicitor firm to act as Process Agent or
 - nomination of family member and Letting agent

8. Expat

- Expatriates (Ex-Pats), defined as UK citizens who have been resident in the UK and who are now living and working abroad. BTL financing application (either as individuals, or as directors of a body corporate) will be considered.
- Applications from USA citizens (including dual citizenship) will not be considered regardless of their UK residency status, and no exceptions will be granted.

(Continue on next page)

(Expat continued)

- For non-taxable counties: Applicants must meet a rental income coverage ratio of 125%.
- Customers must have a UK bank account held in their name, from which the contracted payments will be made.
- Expats from the following countries are eligible:
 - Bahrain
 - Kuwait
 - Oman
 - Qatar
 - Saudi Arabia
 - United Arab Emirates
 - Australia
 - New Zealand
 - Singapore
 - Brunei
 - Canada
 - EEA Countries
 - Malaysia
 - Hong Kong

9. Exclusions

- Portability.
- Further Advances.
- 2nd Charges.
- Part and part payments.

10. Legals

- Offa will take a charge over the lease.
- Offa operate a 'closed and qualified' panel of conveyancers.
- Offer expires 90 days.
- Extensions beyond this must be agreed by Offa.
- We reserve the right to decline any Finance application.

11. Insurance

It will be a condition of Offa financing contracts that every property taken as security must be insured by the customer for the full reinstatement value.

12. Top Slicing

Rental Income Coverage

- The security property will be required to meet a minimum rental income coverage ratio of 110% at the applicable stress rate, regardless of the applicable taxpayer status if the customer wishes to benefit from 'top slicing'.
- $(\text{Gross Annual Income} / 12) * \text{Affordability Factor}$ - Credit Commitments.
- Gross Annual Income' is the value captured in the Application Data and validated in underwriting.
- Credit Commitments' is the higher of the value of declared monthly expenditure on existing credit commitments, and the value of monthly expenditure found in the applicant's credit bureau report.

ONS Expenditure Avg	35%
ONS Tax Take Avg	25%
Resilience Buffer	5%

Top Slicing Exclusions

- Top slicing will not be available to body corporate as applicant. (LTD/ SPV)
- Top slicing will be available to first time landlords as applicant.
- Surplus personal income will not be permitted where the term of the agreement extends beyond the customer's stated retirement age.
- If a customer has multiple active BTL financing accounts with Offa – either in sole or jointly named applications – they may only benefit from top slicing' in a single active account.

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