

Residential Mortgage Criteria & Affordability Guide



Your clients home may be at risk if they do not keep up repayments on their mortgages.

Loan Criteria

| Criteria | 50+ Mortgage | RIO Mortgage | Holiday Let Mortgage |
|-----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|
| Type of mortgage | Residential Mortgage | | |
| Loan amount | Min: £20,000 Max: £1.5million | | Min: £50,000 Max: £1.5 million |
| Term | Min: 5 years Max: 45 years | Lasts the lifetime of the customer – no end date | Min: 5 years Max: 40 years |
| Repayment type | Repayment or Interest-only (Repayment vehicle required for interest-only, see below) | Interest-only No repayment vehicle required (repaid on sale of property or on death or move into care) | Property to be sold or loan redeemed by the end of the agreed term |
| LTV | Max: 85% for repayments or 75% for interest only | | Max: 75% |
| Minimum remaining equity | London – £250k Scotland (excl Edinburgh & Dundee) and North East – £100k North West, Yorkshire & Humber and Wales – £120k Rest of UK – £150k (minimum property value £100,000) | No minimum equity requirement (minimum property value £100,000) | No minimum equity requirement (minimum property value £100,000) |
| Permitted loan purposes | Purchase of main residence or re mortgage Raising capital (e.g. home improvements) Debt consolidation | | Purchase or re mortgage of property to rent out to people holidaying in the UK |
| Loan purposes not permitted | Business injection Payment of taxes Clearing gambling debts Purchase of timeshare Right to buy Shared equity or shared ownership | | |

Borrower Criteria

| Criteria | 50+ Mortgage | RIO Mortgage | Holiday Let Mortgage |
|--------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|----------------------|
| Borrower age at application | Min: 50 Max: 88 | | Min: 21 Max: 88 |
| Number of borrowers | Max: 2 | | |
| Residency | Must be UK resident for at least three years with indefinite leave to remain in the UK (Ex-pats returning to the UK with at least 6 months residence will be considered) | | |
| CCJs | No more than one satisfied CCJ < £250 in the last two years No more than two satisfied CCJs < £500 in the last six years We are unable to accept unsatisfied CCJs | | |
| Previous secured loan or mortgage arrears | No arrears in the past six months Maximum one month arrears in the last year Maximum two month arrears in the last three years | | |
| Unsecured loan arrears | Maximum three months arrears in the last year | | |
| Defaults | No more than one satisfied default < £250 in the last two years No more than two satisfied default < £500 in the last six years | | |
| Previous repossession | Not acceptable | | |
| Bankruptcy, IVA or debt management program | Acceptable if discharged for at least six years | | |
| Guarantors | Not permitted | | |

Key Property Criteria

| Criteria | 50+ Mortgage | RIO Mortgage | Holiday Let Mortgage |
|----------------|--------------------------------------|-----------------------------------|---------------------------------------------------|
| Property value | Min: £100,000 Max: £10 million | Min: £100,000 Max: £10 million | Min: £100,000 Max: £10 million |
| Occupancy | Main residence only | | Holiday Let with up to 90 days personal occupancy |
| Location | England, Wales and mainland Scotland | | |

Please see the relevant Property Eligibility Factsheet for detailed property criteria
We will consider properties above the maximum valuation stated subject to referral to our Property team

Other Criteria

| Criteria | Requirement |
|----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Proof of deposit | <ul style="list-style-type: none"> Required on all purchase applications unless funded wholly from sale of current property |
| Purchased properties | <ul style="list-style-type: none"> Vendor must have been the registered owner for at least six months prior to purchase date Loan to value based on lower of purchase price or valuation |
| Re-mortgaged properties | <ul style="list-style-type: none"> Applicant must have owned the property for at least six months prior to re-mortgage application date (application of less than six months considered) |
| Overseas income and assets | <ul style="list-style-type: none"> Not eligible |
| Loan repayments | <ul style="list-style-type: none"> Direct Debit only, drawn on single or joint bank account in borrower's name(s) |
| Bank statements | <ul style="list-style-type: none"> Latest 2 months bank statements required for all applications over £250,000 or upon request (not applicable to Holiday Let) |
| Online bank statements | Acceptable, provided that: <ul style="list-style-type: none"> They are full statements The name, account number and bank branding are clearly visible |
| Copy documents | <ul style="list-style-type: none"> Copy documents are acceptable <p>Please note, for ID verification documents we require certified copies</p> |

Affordability Tests

Our affordability tests are applied as follows:

| Criteria | 50+ Mortgage | RIO Mortgage | Holiday Let Mortgage |
|-------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Basic assessment Borrower's income must exceed their outgoings over the term of the mortgage | Applied over the specified mortgage term | Applied over the borrower's lifetime (assumed to be age 95) | No personal income requirements for Holiday Let mortgages but the client will need to show the property can yield a minimum rental income of 145% of interest payments at 5.5% We take an average of 30 weeks rental income using an average of the weekly high, medium and low season rental income figures provided. |
| Interest rate stress test | Stressed rate: 7.7% (Can vary dependent on whether the fixed term rate period is 5 or more years or fixed for life) | | |
| First death stress The loan must remain affordable based on the income of a survivor in the event of death of their spouse or partner | Not applied if the loan term ends before the oldest borrower's 82nd birthday. Otherwise mortgage must be affordable for the remainder of the term. | Applied to applicants from age 82 onwards. | |

Acceptable Repayment Strategies

| | 50+ Mortgage | RIO Mortgage | Holiday Let Mortgage |
|-----------------------------------------|--------------|------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|
| Acceptable repayment strategy required? | Yes | No The mortgage will be repaid with the proceeds of the sale of the mortgaged property on the customer's death or entry into long-term care | Property to be sold or loan redeemed by the end of agreed term |

The below section applies to the 50+ Mortgage only

| Repayment strategy | Valuation | Evidence |
|-----------------------------------------|------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Sale of mortgaged property (downsizing) | Current property value minus this mortgage | <ul style="list-style-type: none"> Borrower must provide an outline of what their downsizing plan may be See application form for further details |
| Sale of other property | Current equity | <ul style="list-style-type: none"> Full address and postcode of each property Statements of outstanding mortgages |
| Realisation of investments | Current portfolio valuation | <ul style="list-style-type: none"> Statements of investment holdings and valuations. Income from the nominated portfolio cannot be taken into account for affordability purposes. |
| Existing endowment policy | Projected maturity value based on 'mid- growth' assumption | <ul style="list-style-type: none"> Statement dated within the last 12 months. |

Borrowers may use more than one repayment strategy.
The total value of the repayment strategies must exceed the loan balance at inception.

Sources of Acceptable Income

| Income type | Criteria | Eligible Amount |
|-------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| Employment Income | <ul style="list-style-type: none"> Income included in affordability assessment up to expected retirement date Acceptance of employment income beyond age 70 is subject to underwriter discretion, and subject to a maximum age 80. <p>Evidence: Two months payslips and the most recent P60. Additional P60's may be requested if we need to verify additional regular and guaranteed income.</p> | 100% and 50% for bonuses and regular overtime |
| Self-employment income | <ul style="list-style-type: none"> Lower of the last years net profits/dividends, or the average of the last two years for a sole trader Lower of the last years dividends & salary paid or the average of the last two years for Directors of Limited Companies Lower of the last years drawings or the average of the last two years for Partnerships <p>Evidence: Accountant's Certificate. Last 2 years SA302 supported by tax year overviews or last 2 years accounts</p> | 100% |
| State pensions and certain state benefits | <ul style="list-style-type: none"> Can be based on amounts in payment or expected future entitlement State benefits are eligible if payable indefinitely <p>Evidence: DWP statement/letter confirming eligibility/evidence shown on two consecutive months bank statements</p> | 100% |
| Pensions in payment | <ul style="list-style-type: none"> Can include annuities, personal pensions or company pensions <p>Evidence: Annual statement confirming amount of income, plus evidence of index-linking and spouse's entitlements if relevant</p> | 100% |
| Drawdowns and unvested pensions | <ul style="list-style-type: none"> Eligible, based on a level of sustainable income that can be unvested pensions withdrawn from these funds. For drawdown and unvested defined contribution schemes, sustainable income calculated as 3% of fund value. Income assumed to pass 100% to spouse on death. For unvested defined benefit schemes, eligible income is based on future entitlement. <p>Evidence: DB: Statement of income payable at retirement; Drawdown and DC: Statement of fund value.</p> | 100% |

Sources of Acceptable Income (continued)

| Income type | Criteria | Eligible Amount |
|----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| Collective investments | <ul style="list-style-type: none"> Eligible, based on a level of sustainable income that can be withdrawn from these funds Sustainable income calculated as 5% of the fund value Income assumed to pass 100% to spouse on death credit score <p>Evidence: Statement of fund values</p> | 75% |
| Rental income | <ul style="list-style-type: none"> Eligible, based on the net income earned from residential property income, commercial rental income, Ltd company residential income and holiday rental income Income assumed to pass 100% to spouse on death Income assumed to be index-linked <p>Evidence: Portfolio details, last years SA302 and tax year overview or via an Accountants Certificate.</p> | 75% – 90% |
| Spousal/maintenance income | <ul style="list-style-type: none"> Income can be included up to age of 75 Must have a history of foster income <p>Evidence: Annual income derived from six months remittance and three months bank statements</p> | 100% |
| Pensions in payment | <ul style="list-style-type: none"> Must be enforced by a court order or legal agreement and have been in place for 12 months. Not acceptable if this is the only form of income. <p>Evidence: Court order or legal agreement with evidence of payments</p> | 90% |
| Sub-contractor income | <ul style="list-style-type: none"> Income must be derived from a current contract which must be at least a 6-month contract. Customers must have at least a 12-month history of contracting <p>Evidence: Contract (daily rate x 5 x 40 weeks) used to calculate the acceptable amount.</p> | 100% |

This table does not reflect our full criteria in respect of eligible sources of income, and we reserve the right to decline or reduce the contribution from an income source.

Our Holiday Let requires no minimum income and each application will be assessed at our underwriter's discretion.

Useful Links

[Affordability Guide](#)

[Product Summary](#)

[DIP Application Form](#)

[Application Form](#)

[Property Eligibility Factsheet](#)



hodgebank.co.uk/intermediaries/documents

[Affordability Calculator](#)



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