

# Lending criteria



Before applying through AA Mortgages please read this document to ensure that all applicants and the property you'd like a mortgage on meet our requirements.

AA Mortgages are provided by Bank of Ireland (UK) plc. Any references in this document to “we”, “us” or “our” shall be read accordingly.

## Standard

(please read in conjunction with our General Lending criteria)

**Age:** Minimum: 18

**Term:** Maximum: 35 years or the number of years it will take (the eldest) applicant to reach 75 (whichever is lower).

**Minimum:** 5 years. If term goes beyond anticipated retirement age, the mortgage must be on a repayment basis and we may ask for evidence of means to repay until the end of term

**Loan size:** Minimum: £25,001, maximum: £1,500,000

**Loan tiers for purchases:** 95% up to £500,000, 85% up to £750,000, 80% up to £850,000, 75% up to £1,000,000, 70% up to £1,500,000.

Fees may be added. Conditions apply

**Loan tiers for remortgages:** 90% up to £500,000, 85% up to £750,000, 80% up to £850,000, 75% up to £1,000,000, 70% up to £1,500,000.

Fees may be added. Conditions apply

**95%:** Applicants borrowing on a 95% Loan to Value (LTV) basis cannot own any other property at the time of completion

**Loan Types:** Repayment, interest only or a combination of both. For interest only or a combination please see our interest only criteria below

**Property:** The following property types are not acceptable:

- Newly built houses where the LTV is greater than 85%
- Newly built flats or conversions (built or converted within the last 12 months) where the LTV is greater than 80%
- Properties less than 10 years old that are not covered by an approved new home warranty scheme or Professional Consultant's Certificate
- Properties outside Mainland UK. Please contact us if your property is located on any Scottish island except Skye, Bute, Lewis & Harris, Mainland Orkney, Mainland Shetland, Arran, Mull, Islay, Whalsay, Yell, South Ronaldsay, West Burra, Tiree and Unst which are acceptable
- Studio flats, freehold flats, flats with unacceptable access arrangements (e.g. rear external staircases) or flats within blocks where our valuer reports inadequate maintenance of communal areas
- Ex-local authority or ex-public sector flats that are greater than 4 storeys high or that have open decking access
- Flats converted from office buildings or refurbished ex-local authority blocks
- Properties that exceed 75% LTV within blocks that have mixed residential and commercial use, unless:
  - a) In a development over 6 storeys and built after the year 2000
  - b) Commercial use is confined to the ground floor and not detrimental to future saleability
- Properties being purchased under a Right to Buy, Shared Ownership, or Shared Equity arrangement
- Properties which include commercial usage within the title
- Properties with occupancy restrictions
- Remortgages where you have owned the property for less than 6 months
- Properties being acquired under an assignable contract
- Purchases where the vendor has owned the property for less than 6 months (except where we have given consent)
- Properties with communal heating, hot water or other services where the property is not individually metered

Please note: Properties with solar panels may be acceptable; please call for more details

A property will be considered to have onerous leasehold terms where one or all of the following is identified:

- The original lease term on a new build flat (or second hand flat built post 2000) is less than 125 years
- The original lease term on a new build house (or second hand house built post 2000) is less than 250 years
- The maximum ground rent at the start of the lease term exceeds 0.1% of the property value or £500 a year whichever is the higher
- The ground rent must remain reasonable at all times during the lease term, with unreasonable multipliers not allowed. For example, it is acceptable for ground rent escalation to be linked to RPI (Retail Price Index) or a similar index and where this is the case we do not need to be advised. However, unreasonable multipliers of ground rent will not be permitted, for example, doubling every 5, 10 or 15 years. These must be referred to us and we will advise if our mortgage offer remains valid. If you are unsure as to whether the terms of a lease are unreasonable, please refer the details to us.
- The lease must be amended to comply with the above. If not the case cannot proceed.
- Leasehold terms of less than 85 years at the start of application
- Leasehold terms of less than 45 years at the end of the term

**Refinance:** You can remortgage to raise additional capital as long as funds will not be used for business or speculative purposes. Debt consolidation loans will be considered subject to individual assessment by our underwriters

**Ability to pay:** We will review your application to ensure we are satisfied with your ability to pay. This will include a review of your overall circumstances including the amount of debt you have in relation to your income. For repayment mortgages, a minimum household income of £20,000 is required. Any income used to assess affordability must be contracted and paid in GBP

**Employment status:** Employed and self employed considered. If self employed, you must have been trading for 3 years but only the last 2 years' accounts are required

**Contractors:** We will consider applications from contractors, subject to the following criteria:

- A minimum of 12 months contracting in your current occupation
- A minimum gross contracting income of £50,000 per annum. We will base affordability assessment on 80% of the gross income
- A maximum of 90% LTV
- We will use the current contract for income assessment, but we will also review all contracts held in the last 12 months

**Interest only criteria:** You can borrow a maximum of 60% of the purchase price or valuation (whichever is lower) on an interest only basis, or a combination of repayment and interest only, subject to:

- A minimum equity of £200,000
- A minimum assessable individual income of £50,000 per annum or minimum assessable joint income of £75,000 per annum (where neither applicant fulfils the individual income requirement). Income for all applicants must be contracted and paid in GBP

We are unable to lend into any applicant's retirement on an interest only basis. If your loan exceeds the specified loan to value then the entire amount must be on a repayment basis

We only accept the sale of this mortgaged property as the repayment strategy. This will be verified by an underwriter to ensure that it's credible

# Lending criteria continued

## General

**Lending areas:** Properties in England, Scotland (including the Scottish islands of Skye, Bute, Lewis & Harris, Mainland Orkney, Mainland Shetland, Arran, Mull, Islay, Whalsay, Yell, South Ronaldsay, West Burra, Tiree and Unst - please contact us to discuss properties located on any other Scottish island), Wales and Northern Ireland (unless otherwise stated)

**Property owner:** We only accept transactions where the seller is the owner or registered proprietor of the property, and has been for at least 6 months. If you're remortgaging, you must have owned the property for a period of at least 6 months

**Nationality:** We normally require all applicants to be resident in the UK for the 3 years preceding the mortgage application. Foreign Nationals from within the European Economic Area (EEA) have automatic rights of residency and work so will be assessed for status in the same way as a British citizen. Non EEA citizens need to demonstrate rights to work and reside in the UK and can apply to borrow up to a maximum of 75% Loan to Value (LTV). These rights can be shown by passport stamps or Home Office papers. The right to remain in the UK must be for a sufficiently long period to justify the granting of a long-term loan

**Early Repayment Charge:** If you repay all or part of your loan before the end of the early repayment period, we may charge you an Early Repayment Charge to cover any losses we might otherwise incur. When you repay the whole of the loan you must pay us any mortgage release fee we charge at the time of repayment. If you have deferred payment of the lending fee you must also pay this. For part repayments, an additional administration fee applies

**Clean credit history:** We will not lend to you if you have ever:

- Been bankrupt
- Been subject to an Individual Voluntary Arrangement (IVA)
- Owned a property which has been taken into possession (including voluntary possession)

We will normally only lend to you, if in the last 3 years you have no:

- Arrears on mortgages, fixed loans or rent
- More than two consecutive missed payments on credit or store cards
- More than one CCJ to maximum of £250, and not within the last 12 months

Missed mail order or telecoms payments are normally disregarded

**Payday loans:** If you have had a payday loan within the last 12 months we won't normally lend. If you have taken out a payday loan over 12 months ago then your case will need to be looked at individually to assess affordability

**Portability:** All mortgages are portable when redeeming and completing on a new Bank of Ireland UK product. Conditions apply; please ask for details

### Standard legal fees paid by lender

**Remortgage Transaction:** If stated in the Offer of Loan, Bank of Ireland UK will pay for the legal fees and disbursements (excluding additional work, see below) providing the remortgage transaction is handled via Legal Marketing Services, and is completed. The firm of Solicitors is instructed to act for us only. If applicants wish to arrange their own legal representation they will be responsible for the legal costs and disbursements incurred. Please note: Bank of Ireland UK will not pay for charges relating to additional work outside the scope of a standard remortgage transaction. This includes further valuation reports, related legal services, transfer of equity, deed of postponement, deed of grant, deed of variation, merger of freehold or leasehold title, leasehold supplements, change of name, telegraphic transfer of surplus funds to borrower, local searches for loans over £1,000,000, or if an exceptional amount of work is required to correct a defective title.

**Purchase Transaction:** If stated in the Offer of Loan, Bank of Ireland UK will pay the basic fee for the legal work involved in a standard property purchase. This offer of fees assisted conveyancing does not include any payment for cost that the solicitor must pay to a third party such as a local authority or other search fees, Stamp Duty Land Tax, the cost of taking out defective title indemnity insurance or registration fees payable to the Land Registry. The offer also does not include the charge, plus VAT, payable to the solicitor to deal with the settlement of any Stamp Duty Land Tax and the submission of the Stamp Duty Land Tax form or the cost of any associated sale. The solicitor will provide you with full details of this charge and the third party costs you will have to pay. These fees, along with the legal fee for any additional legal work that the solicitor carries out for you, are payable by you. If the purchase does not go ahead, you will not have to pay for the standard conveyancing work carried out, but you will have to pay any third party costs already paid by the solicitor. For property purchases in Scotland please contact us for details of our nominated Solicitor when obtaining your Approval in Principle. If you choose not to use our nominated Solicitor you will be liable for the legal costs.

**Product fees:** Payments should not be made at application stage. Bank of Ireland UK will deduct the fee from the loan amount upon completion or add it to the loan amount

**Overpayments:** You can overpay at any time during your mortgage term. If in a promotional period, you can overpay a minimum of £500 and a maximum of 10% of the outstanding mortgage balance (as at 31st March the previous year) without incurring any early repayment or administration charges. After the promotional period the amount you can overpay is unlimited, however if you pay off your mortgage in full charges may apply.

# Valuation and Surveys



A mortgage valuation is a report on the condition of the property you're planning to buy or remortgage. There are three valuation types which are listed below - each one offering progressively more information about a property.

If you opt for a more detailed report, such as a HomeBuyer Report or a Building Survey, we'll still need a Standard Mortgage Valuation Report from one of our panel valuers for our purposes. Provided you tell us that you want a more detailed report at the time of your application we may be able to instruct a surveyor to carry out a standard mortgage valuation and your chosen report at the same time. This may be cheaper than having each report carried out separately.

**Important information:** We'll do our very best to instruct a HomeBuyer Report or contact you with the details for a Building Survey if you've asked for one. This depends on the availability of suitable surveyors which we're unable to guarantee. If we can't instruct a more detailed report, the valuer will only carry out a standard mortgage valuation. We'll let you know if this happens and refund any additional fee you've already paid. This normally takes up to five working days to show on your account.

## Standard Mortgage Valuation Report

A Standard Mortgage Valuation Report is not a survey. It's a limited check on the property that the mortgage lender carries out to ensure it's worth the money they're lending. A mortgage valuation is unlikely to cover items which would be picked up in a survey.

## HomeBuyer Report

A HomeBuyer Report is a survey completed to a standard format set out by RICS. It's most suitable for conventional properties built within the last 150 years which are in reasonable condition. It doesn't detail every aspect of the property and only focuses on urgent matters needing attention.

**Important information:** There are instances when the valuer we've instructed will tell us that a HomeBuyer report isn't suitable for the property being mortgaged to us. On these occasions we'll only instruct a standard mortgage valuation. We'll let you know if this happens and refund any additional fee you've already paid. This normally takes up to five working days to show on your account.

## Building Survey

A Building Survey is a comprehensive inspection of a property, reported in a style to suit the property and your specific requirements. It's suitable for all properties, especially listed buildings. It examines all accessible parts of the property and you can ask to have specific areas included, so it covers any particular concerns you may have about the building. It's a product which can be tailored to your needs, agreed between you and your surveyor.

In Scotland, it is a legal requirement that the seller provides potential purchasers with a **Single Survey** - this gives buyers information about the condition and value of a home, allowing them to make an informed decision before committing to the purchase. On some occasions, the seller may also commission a Standard Mortgage Valuation Report. If this has happened then we may be able to use that report for the purposes of assessing our security, meaning you won't have to pay for a separate valuation.

Purchase Price or Valuation	Standard Mortgage Valuation Report only	HomeBuyer Report (inc Standard Mortgage Valuation Report)
Up to £50,000	£240	£440
Up to £75,000	£240	£440
Up to £100,000	£240	£440
Up to £150,000	£240	£440
Up to £200,000	£310	£550
Up to £250,000	£310	£550
Up to £350,000	£360	£630
Up to £500,000	£470	£790
Up to £750,000	£610	£990
Up to £1m	£840	£1,255
Up to £1.5m	£940	£1,490
Up to £2m	£1,090	£1,940
Up to £2.5m	£1,290	£2,390
Up to £3m	£1,490	£2,690
Up to £3.5m	£1,690	£3,090
Up to £4m	£1,890	£3,390

Please note these valuation fees include an administration fee of £90. Re-inspections incur a minimum charge of £50 per visit (this includes an administration fee of £8.50)

**This document can be made available in Braille, large print or audio upon request.**

**YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.**

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