

CRITERIA GUIDE

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BUY TO LET

BORROWER TYPES

Magellan's Buy to Let range is designed for the purchase and remortgage of properties that are ready to let, already let or will be ready to be let within one month of completion.

First Time Buyer (FTB)

Defined as an applicant who has never been a homeowner or owned an investment property.

First Time Landlord (FTL)

Defined as an applicant who has never owned an investment property.

Experienced Landlord (ELL) General

Defined as an applicant who has owned a minimum of two (2) investment properties for at least a year.

Experienced Landlord (ELL) HMO

Defined as an applicant who has owned at least one HMO/Multi-unit property for at least 2 years.

Professional Landlord (PLL)

Defined as an applicant who earns at least 50% of their income from property investments and has owned a minimum of four (4) investment properties for at least the last 2 years.

Next-time Landlord (NTL)

Defined as an applicant who has owned investment property but does not meet the definition of an Experienced or Professional Landlord.

BTL Guarantor (BTLG)

Defined as an Experienced Landlord or Professional Landlord who is applying to act as Guarantor for a Buy-to-Let mortgage and will be jointly liable for the entire loan including any shortfall.

Consumer BTL

Any applicant defined as a Consumer BTL will not be acceptable.

PROPERTY TYPES

Single units

Single self-contained unit 80% LTV.

Flats:

- New Build flats 70% LTV
- Studio flats 75% LTV and minimum £100k (if less than 30sqm 65% LTV and minimum £200k)
- Ex-Local Authority flats 75% LTV.

Shared houses

Single and Multiple Assured Shorthold Tenancy (AST) acceptable. A Shared House is defined as a property that is let to multiple unrelated tenants that does not require either change of use or a mandatory or discretionary HMO licence, or properties that can be sold as a single unit without alteration (locks on doors acceptable). Maximum 75% LTV.

Houses of Multiple Occupancy (HMO)

Acceptable as defined by the Housing Act 2004.

Max. 75% LTV. Up to 6 letting rooms and 2 kitchens.

One applicant must be an Experienced or Professional Landlord.

Single and Multiple ASTs acceptable.

Any planning permissions and licencing must be in place on completion.

Multi-unit block (MUB)

Max 75% LTV. Up to 6 self-contained units.

One applicant must be an Experienced or Professional Landlord.

A property in a variety of configurations, such as purpose built blocks of flats or houses converted into multiple units and has the following characteristics:

- Each self-contained unit will have its own formal tenancy agreement;
- Private areas that are the personal space of each resident/household into which no one else has right of access;
- Separate/private entrances for each unit;
- If any utilities are shared then the LTV will be limited to 65%;
- Common areas that all residents/households have the right to use, such as a hallway or garden area.
- If one of the flats have been sold off on a long leasehold basis this is acceptable subject to our charge being over the freehold of the whole property with reversionary interest to the leasehold title. No rent for this unit can be used in any affordability assessment (personal and property rental coverage).

VALUATIONS

Minimum Property Values

Minimum £50k / £100k London and SE.
Less than £75k or Poor condition/Good demand - Maximum 65% LTV.
£100,000 for studio flats (£200,000 if internal gross floor area is less than 30sqm).
£200,000 for Ex Local authority flats

Valuation types

Single units: Market Value and Market Rent basis.
Shared houses: Market Value and Market Rent basis.
Multi units: Market Value and Market Rent basis based on the total sum of each individual unit (subject that each unit is capable of sale separately).
HMOs: Market Value and Market Rent on room-by-room basis.
Based on 12 months sustainable rent and comparable evidence.
Valid for 4 months from date of inspection.

Room sizes

To be used in the rent affordability test for HMOs/Shared houses bedrooms must be at least 6.51sqm.

Leasehold

Minimum term remaining 35 years at end of term
50+ years remaining at end of term acceptable on Interest Only.
<50 years remaining at end of term acceptable be on Capital and Interest Repayment or up to 70% LTV.

Energy Performance

The security property and any portfolio properties must be rated A-E for the rent to be included in the affordability tests.
A valid EPC must be showing on the Register before Completion can occur.

New-build exposure (Lender's total exposure)

1-5 properties in development –	20% – 1 property.
6-100 properties in development –	10% - Maximum of 10 properties.
100+ properties in development –	10% - Maximum of 50 properties.

LTV LIMITS

Loans less than or equal to £500,000	Maximum 80%	Student, state-supported and Housing Association tenants (ELL and PLL only)	Maximum 70%	
Loans >£500,000 up to £1,000,000	Maximum 65%		Transaction at undervalue	Maximum of 90% of purchase price subject to overall product LTV
Properties where demand for the type of security is rising but are currently assessed as poor quality	Maximum 75%			Debt consolidation/Capital Raising
Leasehold with less than 50 years remaining at end of term	Maximum 70%			
New-build flats	Maximum 70%			
Studio flats	Maximum 75% (65% where internal gross floor area is less than 30sqm)			
Multi-unit Block (ELL and PLL only)	Maximum 75% (65% where utilities are shared)			
Ex local authority flats	Maximum 75%			
HMOs (ELL and PLL only)	Maximum 75%			
Properties valued at less than £75,000	Maximum 65%			
Shared house	Maximum 75%			

ELL: Experienced landlords
PLL: Professional landlords

TENANCIES

Acceptable types

Assured Shorthold Tenancy (AST) or Common Law Tenancies (annual rent exceeds £100,000) subject to acting solicitor confirming they provide the protection we need as a lender.

Maximum 36m, corporate tenancies to education sector can increase to 72 months.

Tenant types

Private rental.

Corporate lets.

Students (maximum 70% LTV).

State-supported tenants (ELL/PLL only - maximum 70% LTV).

Housing association tenants (ELL/PLL only - maximum 70% LTV).

ELL: Experienced landlords

PLL: Professional landlords

GENERAL

Type	Buy to Let.	Minimum/ Maximum term	Minimum term 5 years, maximum term 35 years.
Purpose	Purchase/Remortgage.	Minimum Income	£25,000 increasing to £50,000 where aggregate lending / individual loan is greater than £1,000,000 (no minimum income for applications including Professional Landlords - subject to personal affordability tests)
Minimum/ Maximum loan	Minimum Loan - £25,001. Maximum Loan - £1m. Total maximum exposure £2m/20 properties per applicant. No maximum exposure for non-Magellan mortgages.	Capital raising	Any legal reason. Debt Consolidation maximum 80% LTV, 70% % for applications including any significant capital raising for personal use/personal debt consolidation. The significance of any amount of capital raising for personal use will differ between applicants, however it will be deemed significant if it exceeds 20% of their gross income. If funds being raised are to purchase a further property, the borrower's solicitor will be required to undertake simultaneous completion unless applicant is an Experience/Professional landlord.
Portfolios	No maximum exposure outside of Magellan (subject to affordability tests).	Refinance in 6m	Title must be registered. Valued at original Purchase Price (PP) + Evidenced works.
Borrower types	<ul style="list-style-type: none"> • Individuals (maximum of four applicants including any guarantors) • UK Special Purpose Vehicles (SPV) incorporated for the principal activity of buying and holding residential investment property (maximum of 4 directors) • Trading limited company borrowers (must have at least 2 years trading history, maximum of 4 directors) • Professional landlords (PLL) / Experienced landlords (ELL) • NextTime Landlords (NTL) • First Time Landlords/New landlords (FTL). Acceptable if they are not defined as a Consumer BTL, have confirmed the mortgage is wholly or predominantly for business purposes, and have either owned their residential home for at least 12 months or are applying with a BTL Guarantor • First-Time Buyers (FTB). Acceptable if they are not defined as a Consumer BTL, have confirmed the mortgage is wholly or predominantly for business purposes, and are either applying as an additional applicant or as Primary Applicant with a BTL Guarantor • BTL guarantors (BTLG) • No Ex-pats. 	Refinance bridging	Purchased in last 6m. Loan limited to current loan balance.
Minimum / Maximum age	Primary Applicant must be at least 21 (25 for MUB and HMO's), 85 at end of term (no limit if rental income proven as not required to support income in retirement).	Gifts	5% Builder: 90% Gifted equity. Any gifted deposit. (if non-refundable)
		Ltd Co/LLP - Personal Guarantees	Required for loans greater than 65% LTV and all Trading Company applications (or SPVs with Trading Company parent company).
		Floating Charges	Floating charges are required on Trading Company assets. Where there is a complex company structure, corporate guarantees will be required on holding/parent companies for all LTD company borrowers.

AFFORDABILITY

Security property ICR tests:

	Basic rate (20%)	High rate (40%)	Additional rate (45%)	Limited Company
Single unit	125%	140%	145%	125%
Multi-unit	130%	145%	150%	130%
Shared/HMO	130%	145%	150%	130%

INTEREST RATE STRESS:

- Libor trackers & <5 year fixed rates: Highest of the Payrate +2%, Reversionary rate, or 5.50%.
- 5+ year fixed rates:
 - <=60% LTV: Payrate.
 - >60%-70% LTV: Highest of the Payrate or 4.00%
 - >70% LTV: Highest of the Payrate or 4.50%

The minimum yield requirement tests are to be increased by 10% for loans where the term extends beyond the youngest applicants' 85th birthday (e.g. Self-contained unit, basic rate tax payer will require 135% yield rather than the standard 125%).

Background Portfolio validation

125% @ highest of current interest rate or 5.5%, on Interest Only basis

Personal affordability tests

Verification as per residential.
Stressed residential mortgage as per residential
Stressed rental deficit/surplus
Personal Debt to Income (DTI)

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