



House Crowd Finance Ltd

Mini-Bridging Loan Underwriting & Procedures Manual

V2.0 May 2018



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1. Background

This underwriting and procedures manual is to be used for assessing mini-bridging loan applications and enquiries with the view to the making of acceptable loans.

It is to be used in special circumstances where the borrower requires funds urgently and there is not sufficient time to undertake our standard due diligence procedures.

We may, at our discretion, decide to use the procedures contained herein rather than our standard procedures in circumstances where the loan does not exceed £200,000, it is made for a period not exceeding 6 months and is secured against traditional (simple to value) residential property.

The maximum LTV is 60%.

A reserve of 10% of the entire mini-bridging loan book will be held in reserve at all times and in the event of any borrower defaulting and the secured property not realising enough on sale to cover investor capital the reserve fund shall be used to compensate investors for 10% of any capital losses.

The manual is for guidance purposes and discretion can be used as the underwriter has to assess the quality of the information they have been provided with and, if necessary, request further information that will aid in the underwriting of the application.

Each case must be accompanied by a fully completed application form once the client has accepted the terms of the loan and decided to proceed.

The application form must follow the administration fee as well as appropriate money laundering documents, a completed identity verification form and any other requested documents (e.g. assets and liability statement).

Credit committee members:

-)] Frazer Fearnhead
-)] Suhail Nawaz
-)] Clarissa Fearnhead
-)] Gary Poulton
-)] Lewis Walters

2. Applicant Details

The application can be in individual name(s) or a company name, for companies; personal guarantees will be required from company directors.

The minimum age is 18 years old. The maximum age is 75 years old – this though is at the underwriter's discretion and would be subject to the exit strategy.

Excluded Applicants

Under 18 years of age at completion.

Convictions - HCF will not accept any application from an individual who, it is apparent, has committed financial irregularities or fraud

3. Loan sizes and LTV guidelines

Minimum loan size is £26,000.

Maximum loan size is £200,000.00 –anything over this amount by majority credit committee approval only.

Maximum loan amount outstanding to one borrower at any one time is; £200,000.00 – over this amount by credit committee majority approval only.

Maximum LTV is 60% of Open Market Value.

Security: A legal charge to be secured over the property/properties or the registration of a restriction over the property/properties.

Term

We will lend for a maximum period of 6 months.

4. Exit Strategy

Full analysis of the exit plan must be done prior to a decision in principle being provided. This will start by looking at the true value of the property; the client's current credit history and circumstances for requiring a mini-bridging loan.

There must be a full understanding of the exit strategy and an analysis of whether it is realistic and plausible.

5. Credit References

A credit report must be obtained from the borrower(s), it is preferable that this is from Experian or Credit Expert, however an equivalent credit agency search can be accepted. The following must be checked and deemed satisfactory;

The applicant's full name(s), including any middle names and previous names are the same as that provided on the application and match the ID provided.

Date of birth(s) and residential history are correct, with the electoral role entry matching the current residential address.

Any GAIN or CIFAS entries will need to be investigated and evidence provided.

Experian/Credit Expert will provide a risk score:

Score	Category	Risk Level
0-560	Very Poor	Very High Risk
561-720	Poor	High Risk
721-880	Fair	Moderate Risk
881-960	Good	Low Risk
961-999	Excellent	Very Low Risk

This will assist the underwriter in taking a wider view of the application, although more consideration is to be given to any patterns of missed payments, or the number of open lines of credit currently in use by the applicant.

6. Anti-Money Laundering

Proof of Identity

Proof of identity will be required in each case to comply with Money Laundering legislation; this must be provided for each applicant who is party to the application.

We or professional representatives will conduct a face-to-face meeting with all borrowers, at the security property before loan monies are advanced. This can also be executed and confirmed by legal representatives. This meeting will be filmed and saved as evidence of what was agreed between HCF and the borrower.

We must have acceptable KYC prior to offer on every case.

Smartsearch on each applicant to be conducted.

Certification must include a statement confirming it is a true copy of the original document, signature, name, company and date.

At least one form of personal identification is required for each applicant.

The following documents will be acceptable:

- Current valid full UK passport
- Current valid Non-UK Passport supported by 2nd item of personal ID
- Current UK Photocard Driving Licence
- Valid Firearms Certificate or Shotgun Licence
- UK residence card

If the borrower does not hold photographic ID, refer to credit committee; as an exception we may accept a state/Local Authority funded benefit statement or Inland Revenue Document along with a photo signed by a person in authority stating that the photo represents a true likeness to our borrower.

If the personal identification does not include a signature we will also require a bank card or credit card to verify the customer's signature.

Proof of Residency

At least one form of address identification for each applicant is required.

We must have a minimum of 3 years residency history to use.

The following documents will be acceptable:

Domestic utility bill (not mobile phone) - must not be more than 3 months' old

Current Council Tax bill

Bank/Building Society/ Credit card statement - must not be more than 3 months' old

State/Local Authority funded benefit statement

Inland Revenue Documentation dated within the last 12 months

Please note that separate documents for each applicant are required. The same document cannot be used for more than one applicant.

Foreign Nationals

A Foreign National must have a right to stay in the UK by the way of a permanent "Right to reside" OR "Indefinite leave to remain" stamp and a current valid passport.

7. Property

Minimum security value is £50,000.00.

Security can be residential property located in the UK.

Checks on [zoopla.co.uk](https://www.zoopla.co.uk) / [rightmove.co.uk](https://www.rightmove.co.uk) / net house prices and/ or 'Hometrack' report must be used to verify the estimates provided with at least five directly comparable properties evidencing the value

If the security address is let, we need to verify that none of the tenants in that property is a "Related Party" to the Borrower.

A related party is a spouse/partner/brother/sister/son/daughter/parent or grandparent of the Borrower. If one of the tenants is a "Related Party" then Exigent Capital cannot approve the Borrower.

If there is concern that the applicant, or a relative to the applicant, may reside at the security:

-) Applicant to confirm this is not the case.
-) Separate visit to the security property by either a credit committee member or a person approved by the committee (such as an NCI agent) to confirm that the borrower or a related person to the borrower is NOT resident at the security property and they do not intend to use the property as a dwelling.
-) Undertaking from the borrower and/or borrower's solicitor that they are not in occupation at the time of the loan or intend to occupy the property at the time of the loan.

When checking the value of the property ensure the LTVs – based on both net loan and gross loan divided by MV that the gross loan LTV - is within product parameters.

Leasehold properties must have a minimum of 75 years left on the lease at completion.

Unacceptable properties

Less than 10 years old without NHBC / Zurich Municipal guarantees or Architects certificate
Properties containing Mundic Block materials

New properties built within the last 10 years must be covered by one of the following

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NHBC

Foundation 15

Premier Guarantee

Qualified Architects Certificate. With relation to the appointed architect, evidence of up-to-date Professional Indemnity Insurance and evidence that the architect's practice is still in business.

Zurich New Building Certificate

Buildings Insurance

On or prior to completion of the Loan, the Borrower must ensure that there is adequate buildings insurance cover in respect of the Secured property/properties with the funding vehicle's interest as mortgagees noted thereon. The amount and level of such insurance cover must be in accordance with the recommendations of the surveyor.

HCF will check the expiry date of the buildings Insurance and if the date falls within the duration of the proposed loan, then Exigent Capital will contact the borrower at that time to ensure the policy has been renewed and gain a copy of the updated certificate.

8. Company Lending

The additional checks that need to be done when we have a company as a client: -

Obtain full name of the company

Check on Companies House what the current registered address is

Obtain KYC (identification and proof of residency) for all directors of the company.

Current list of the directors.

Copy of the Certificate of Incorporation.

Copy of the Memorandum and Articles of Association.

Company due diligence

Changes in the registered address of the company.

Personal guarantees need to be supplied by all parties to the loan.

9. Solicitors

Clients must have a solicitor's certificate signed by a solicitor of their choosing stating they have had the terms of the loan the risks explained to them.

The client's solicitor may also provide an undertaking to allow us to complete certain tasks to assist with the completion of a loan. If an undertaking is provided our solicitor will ensure the items have been actioned after completion and provide us with the evidence of this to be saved in the client file.

10. Product

Mini-Bridge Product

Criteria

Existing liabilities on security + net loan to equate to no more than 60% LTV.

1st charges on main place of residence will not be considered – as they are regulated.

If loan is to a limited company, all directors & shareholders who have 25% or more interest in the business, must form the application party and provide personal guarantees.

Inform client that any occupants of the security, over the age of 18, will need to consent to the loan.

Explain basic figures to client such as net to gross (redemption) loan amount. We do not want to waste anyone's time processing an application where approximate terms have not been disclosed & agreed.

AML

Research applicant/company names & associated addresses using internet searches, paying particular attention to any fraudulent activities.

Undertake a desktop valuation – Check sale prices & estimates for similar properties on same road (use Rightmove, Zoopla, etc.).

Does property exist?

- Is the property type saleable? Is it in an undesirable location?
- Is it near any risks (e.g. area recently flooded or near adverse constructions such as nuclear plants)?

Obtain title register from Land Registry – Is applicant sole owner? If not, those registered on title must be included on application (unless they are deceased, in which case we will accept an undertaking from a solicitor to remove them from the title).

Are there any restrictions on the property which would affect the ability to raise finance, repossess or sell?

Are there any other interested parties or charges registered on the title?

Obtain proof of ID, address (must be dated within 60 days and not be a mobile telephone bill) & credit report.

Undertake ‘Smartsearch’ on applicant/s & ‘Hometrack’ report on security.

Get redemption statements & confirmation charge/s will be removed upon receipt of funds from existing charge holder/s (must include bank details)– need to ensure none of these are tied into other accounts, business or personal.

Call contract review – Credit committee must review property, applicant & figures up to this stage to mitigate risk.

General Underwriting

Reconfirm terms with client based on information gathered up to this stage.
Complete application form & send to applicant/s for signing.

Upon receipt of the above, send offer to applicant/s – If there are any additional occupants ensure relevant waiver forms are obtained by this stage. Suggest client obtains independent legal advice at this stage.

Check offer is signed & witnessed correctly with no amendments made by

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Company number: 10564875

applicant/s. Witnesses must be independent (i.e. - cannot have any interest in the loan, security or be related in any way to the applicant/s).

Face-to-face meeting between NCI & applicant is arranged by telephone.

Telcon – Ensure client confirms reason for loan and is aware of process if loan is not repaid.

Client must make the following declarations:

- 1) I understand the importance of answering these questions accurately and confirm that no person has advised me to make declarations which I do not believe to be true to obtain this loan.
- 2) I acknowledge that I have taken independent legal advice on this loan and mortgage agreement and on its unregulated nature.
- 3) I am entering this agreement wholly or predominantly for the purposes of a business carried on by me or intended to be carried on by me.
- 4) (4) The loan will be used for the purpose of ____ .
- 5) I understand that the lender is not regulated by the Financial Conduct Authority, that this is an unregulated loan and mortgage, and that I will not receive the protections of the Financial Services and Markets Act 2000, The Mortgage Credit Directive Order 2015 or the Consumer Credit Act 1974 if this agreement were a regulated agreement under those Acts.
- 6) I understand that this loan is secured on properties owned by me and that they may be repossessed through the court or sold if I do not make all the payments due.
- 7) In the event that such security is to be protected by way of registration at the Land Registry, I have informed every person with a legal or beneficial interest in the property/properties to be charged by the lender of this loan and have their full consent to charge the property/properties as security for the loan, and will produce evidence of such consent to the lender.
- 8) In the event that the security is not registered as set out in point (7) above, I acknowledge that a restriction is to be registered against the title to the property/properties and I have informed (if necessary) every person with a legal or beneficial interest in the property/properties to be secured by the lender of this loan and have their full consent (if required) to register a restriction against the properties as security for the loan. I will produce evidence of such consent to the lender.
- 9) I understand that the entire loan, including all charges and interest, is repayable in full in a single lump sum payment at the end of the loan term.

Meeting

This is for a number of reasons:

Ensure client understands the terms & conditions of the loan.

Ensure applicants are genuine (match ID provided and are not being coerced by external sources).

Ensure security is accessible by applicant/s and in a saleable condition.

Obtain signed loan agreement.

If there are any doubts from either party at this stage, the application should not proceed

Legals

Solicitors to be instructed with an accompanying summary and all documents obtained.

Solicitors to confirm search on title and, if applicable, acquire title insurance.

Solicitors to send application for registering the restriction on title and/or charge and confirm when acknowledgement received from Land Registry.

Completion

Funds to be transferred to the solicitors for the lender who will then deal with payment to the individual or the individual's solicitors where they are separately represented.

11. Client loan file format

- Electronic file compiled on every case to act as an audit trail and give a brief outline of the case.
- ID
- POA
- Credit Report
- ALIE
- Bank Statements
- Pay slips
- Deposit monies confirmation
- Smartsearch
- Any google results
 - o Company Details
 - o Current list of directors
 - o Changes in registered address
 - o Copy of the certificate of incorporation
 - o Memorandum and articles of association
 - o Most recent accounts and last 6 months bank statements
 - o Company credit report
 - o Any google results
- Land register and plan
- Latest mortgage/redemption statement
- Insurance certificate and company check
- Loan Offers
- Indemnity policies

12. Redemption of loan - Procedure

Throughout the course of the loan, regular contact is kept with the client. We will call the client and send reminder letters/statements about the redemption date of the loan. This will be followed up by phone calls and emails where appropriate to track the progress of the matter.

Redemption statements and letters will be produced by the case manager and authenticated by at least 1 other credit committee member from checking the final loan documentation.

When the client repays the loan, funds will be sent to us via our solicitors.

If the client does not repay the loan in full, the loan will be called-in.

When calling-in a loan, the following procedure will apply: -

At 4pm on the day when redemption is expected, if funds are not received, a calling-in letter will be sent to the client via fax, hand or pre-paid first-class post.

The default rate stated on the loan agreement will apply and litigation will commence immediately to recover funds owed. However, if the borrower is being cooperative and we do not believe it will undermine our chances of recovery we may at our discretion allow a tolerance period of up to 60 days before commencing proceedings.