

Case submission

Effective from January 2020

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1. Introduction

At InterBay Commercial, we're as committed as you are to providing mortgage applicants with the best possible service.

In order to achieve this, we need to work closely with you so that you know what our requirements are for an application to be accepted, so that it can be dealt with as quickly as possible when received.

To ensure that your time isn't wasted, we want to reduce the chances of us having to reject an application. As part of this, these guidance notes, together with our lending criteria, have been created to help you prepare to submit your applications.

We hope they'll assist you in understanding our requirements for the submission of applications, but should you need any help, please call our broker sales support team on **0345 878 7000**.

2. Receipt of an application

On receiving an application, please carry out the following checks:

The application is our main and most vital source of information. It must be fully completed with all questions answered. Please make sure that questions aren't left blank as this can be misinterpreted.

1. You've obtained any additional documentation required

This includes originals of P60s and payslips (where the applicant(s) are employed), bank statements, lender's statements (including second charges), tax assessments/SA302s or other documents as appropriate. Please check all documents to make sure they contain the information and support details given in the application form. Copy all documents and certify documents provided for proof of identity and proof of address. Upload them to the relevant checklist item in the portal, ensuring they're correctly labelled.

2. You've checked all required documents have been received

Sometimes additional information will be requested by an underwriter, therefore it's important that the checklist is expanded to show all required items, and that all of these items are uploaded when the application is submitted.

3. The application complies with current lending criteria

It's important that you check the application fits lending criteria and product guidelines.

4. The application makes sense

Please read through the application and supporting documentation, paying special attention to areas that may require further explanation or appear to present anomalies. It's helpful to add a note to the system explaining the application and drawing our attention to any inconsistencies (or where you feel an explanation will assist the underwriter interpreting the information).

3. Application forms

When:

An application form isn't required as submission is via the online portal.

Check the following:

The portal application form is the primary source of information about the applicant: who they are, their financial status, their credit history and what they want from us. It's therefore important that the correct form has been used and is fully completed.

National Insurance numbers and dates of birth are vital pieces of information and care should be taken to ensure both are correct. Incorrect or 'dummy' information can create 'alerts' against the applicants.

Ensure that all parties to the application have signed and dated the declaration form.

4. Submitting an application

In order to progress an application from AIP to full application we require ALL documents to be uploaded. If the documents haven't been uploaded the application cannot be progressed. Please note that if blank documents are uploaded the application won't be underwritten.

When completing an application, please ensure you have uploaded all required documents against the conditions on the system. Check that the selected product is correct and all fees have been paid.

Our aim is to deal with your applications quickly. When an offer of advance is issued, a copy will be sent to you via email.

If we're unable to issue an offer of advance, we'll contact you with the reasons or further requirements.

5. Addresses

All addresses in the last three years must be declared on the application form.

6. Age

Check minimum and maximum age criteria as these can vary dependent on the type of loan.

7. Bank statements

When:

We don't generally require bank statements; however, we retain the right to request the information to support an application.

Documents to be obtained:

The last three calendar months' complete personal bank statements for all applicants. For self-employed applicants, the last three months' business bank statements will also be required.

Check the following:

- The last three months' mortgage payments or rent are shown plus the applicant's 'main' banking activity. This should include day-to-day living expenditure and utilities
- Salary credits are shown and agree to the payslips provided
- Regular income is being received if the applicant is self-employed. If it's not, is there another bank account the applicant is using showing this activity?
- Any overdraft is within the authorised limits. If there are any 'adverse' entries, an explanation needs to be provided
- Any address shown corresponds with the information given in the application form
- Any apparent loan payments have been declared on the application form and included in income calculations

Alternatives:

None.

8. Discharged bankrupt

A person can be discharged from bankruptcy after 12 months, unless they have been:

- Previously declared bankrupt or criminally bankrupt
- Uncooperative with their trustees whereby they can apply to the courts after five years to have the bankruptcy discharged

Discharge releases the bankrupt from all previous obligations except:

- Secured debts
- Court fines
- Damages for negligence, personal injury claims and maintenance payments
- Debts through fraud
- Drug trafficking offence obligations
- Student loans
- Social Security benefit overpayments

Therefore, someone who has been declared a discharged bankrupt can apply for a new mortgage providing they've been discharged for more than 12 months and didn't receive a conviction.

However, these applications are considered by exception only and you should put a note on the system, giving full details of the circumstances behind the bankruptcy and list the address of the property where the applicant was living at the time.

9. Expat

InterBay can consider buy to let loans and commercial investment for British nationals living and working outside of the UK.

An applicant must already own a property in England or Wales.

Mortgage payments are to be made from a UK-based bank account.

Refer to the product guide for specific loan requirements and jurisdictions that are excluded.

10. Financial details

If the applicants have answered yes to any of the questions on the financial details screen when submitting the application, full details must be supplied.

11. Income**Employer's reference**

Check the following:

- The information on the reference agrees with the information on the application form
- The reference or covering letter is on the company's letterhead and is an original, signed and dated
- Is the applicant permanent, temporary, on a contract or under notice of redundancy?
- Does the applicant have a shareholding in the company? If so, to what extent? If the shareholding is 25% or more then we would require income proof in line with self-employment
- Is the applicant related to any of the directors, partners or other principals of the business? If so, the reference must be supplied by the company's external auditor/accountant

Family business

If an applicant works for a family company and their shareholding (if any) in that company is less than 25%, we require the employment reference to be completed by the company's external auditor.

PAYE contract

If an applicant is on a PAYE contract then the contract must have been renewed at least once and have six months left to run. A copy of the contract should be uploaded.

Contractors

If an applicant is a contractor but not on a PAYE basis.

Documents to be obtained:

Copy of the previous and current contract and latest three months' personal and business bank statements.

Check the following:

- Minimum income £275 per day (equating to £66,000 per annum)
- Current contract must have at least three months remaining at application
- Applications must be able to evidence at least one renewal with a minimum 12 months' sector
- Three months' personal and business bank statements must be provided, showing income and expenditure

12. Further income details

Gross income on the supplied proof must match the income keyed on the application.

For portfolio buy to let applications, no income validation is required.

Employed

Documents to be obtained:

For buy to let mortgages of less than 80% gross LTV, and commercial investment loans up to 75% LTV the minimum requirements for employed applicants is the latest payslip.

For buy to let mortgages of 80% gross LTV and higher, the latest P60 and last three months' payslips are required. The March payslip can be accepted in lieu of the P60.

Check the following:

- The nature of the income shown, e.g., how much is basic salary, overtime, allowances? And does the income match the application form and system?
- The income shown is sufficient for the advance requested, bearing in mind the makeup as above
- The employer's details agree with the information given in the application form
- The applicant's name and address, if given, agree with the information provided on the application form
- The documents are computer generated and not hand written or typed
- Dates the salaries are paid correspond with entry on bank statements
- Is the applicant a permanent employee, temporary, on a contract or under notice of redundancy?
- National Insurance number
- Tax and National Insurance is paid

Self-employed

If the applicant is self-employed or holds more than 25% share in a business.

Documents to be obtained:

For buy to let mortgages of less than 80% gross LTV, and commercial investment loans up to 75% LTV the minimum requirement for self-employed applicants is the latest accounts or SA302/tax calculations.

For buy to let mortgages of 80% gross LTV and higher, the following documentation is required:

- Latest two years' finalised accounts
or
- Latest two years' SA302s or online tax calculation summary printout clearly evidencing that it has been submitted to HMRC
or
- Accountant's reference

If obtaining an accountant's reference, please check the following:

- The reference has been fully completed by the accountant detailed in the application form
- The person signing the reference has an acceptable qualification (check with the appropriate institute)
- Profits/income are shown to be rising, taxes are paid up to date and the business has a reasonable level of assets
- The projected income for the current year has been completed
- The year end for the last confirmed figures isn't more than 14 months ago

If obtaining SA302/tax calculations, please check the following:

- They relate to the applicant or the business as appropriate
- They're sufficiently up to date
- The income shown is sufficient for the advance requested or supports the information provided by the accountant
- There's evidence that they've been accepted by HMRC, i.e., not just copies of the applicant's tax return with the tax year overviews also included
- If the applicant is a landlord, and no income from land and property is shown, this should be confirmed via a note to the system

13. Lender's statement

For owner occupied commercial loans we will require the latest two years' finalised accounts and three months' business and personal bank statements.

If the applicant has a mortgage or a secured loan and we're unable to identify the loan on the Equifax credit search.

Documents to be obtained:

The last itemised lender's statement for the residential home or buy to let property if residential not owned.

Check the following:

- The statement shows full 12 months' payments with none missed
- The closing balance is not higher than the opening balance unless due to the addition of further advances, administration fees or items such as insurance premiums
- There are no other indications of arrears, e.g., arrears fees, returned direct debits, or unpaid cheques
- The statement has been issued within the last 12 months
- The details on the statement agree with the details on the application form in respect to applicant's name and address, lender, balance and any arrears

If an obtained statement isn't detailed and doesn't show a monthly payment history, a reference on a current mortgage may still be required.

Alternatives:

1. A written lender's reference covering the last 12 months.

Check the following:

- The details on the reference agree with the information on the application form – carry out the same checks as lender's statement
- The loan was conducted satisfactorily
- The reference is on the lender's headed paper and signed
- The reference covers the last 12 months
- All questions are answered

2. The last 12 months' bank statements showing mortgage payments.

Check the following:

- The details on the statements agree with the details on the application form in respect of the lender's name and amount
- The statements show the mortgage payment being made on a regular monthly basis by direct debit or standing order
- None of the payments have been returned and recredited to the account
- The payment amounts don't vary inordinately from month to month

Actions

Obtain a written reference where a statement isn't sufficiently detailed or you're unsure of the conduct of the account.

Request written references from previous lenders where appropriate e.g., where the current mortgage hasn't been in force for 12 months.

Request any additional information required including:

- Explanations from the applicant on any anomalies, or late or missed payments
- Further explanations from the lender if any problems are apparently due to their administration errors
- Additional bank statements (if appropriate)
- Previous lender's statements (if appropriate)

14. Let to buy

InterBay won't consider a buy to let application where an applicant's current residence is to be let out, as this would be classed as a consumer buy to let, which would be regulated.

15. PRA Buy to Let Underwriting Standards (portfolio landlords)

From 1 October 2017, the PRA's new Buy to Let Underwriting Standards came into force. This means that landlords with four or more residential buy to let mortgaged properties, either as an individual or as part of a group/ltd company, became defined as 'portfolio landlords'.

The following criteria will apply when submitting cases for Portfolio Landlords (this includes those that are applying for a fourth mortgaged property, or those looking to remortgage one of their existing four properties):

We'll require a completed business plan, assets and liabilities statement and cashflow statement. In addition, we'll require the details of the existing portfolio to be submitted via the eTech Portfolio Submission Platform – the BTL Hub. The forms and instructions for the BTL Hub are available on the InterBay website.

The submission requirements are as follows:

1. If the applicant's entire residential BTL portfolio is with OSB an eTech submission isn't required. The additional documents (business plan/A&L/cashflow will still be required).
2. Where the applicant will only hold one other mortgaged residential BTL property in the background, and is submitting three or more simultaneous applications for BTL purchases, an eTech submission isn't required. As above, the additional documents will still be required.
3. When an eTech portfolio submission is required, the broker should submit the details of all existing mortgaged residential BTL properties, including those which are currently mortgaged with OSB, in addition to all mortgage free residential BTL properties. The proposed security property should NOT be included.
4. When completing a submission on the BTL Hub, the broker should NOT include any residential owner occupier properties or any commercial properties.
5. The submission shouldn't be actioned until the full application has been submitted, with the admin/valuation fees having been paid.

16. References

InterBay Commercial's objective is to avoid the need for external references in support of a mortgage application, as far as it's reasonably practical and prudent to do so. Applicants are asked to provide documents to confirm the information that would be obtained in a reference. If applicants don't have the relevant documents, a reference in the company's standard form is required.

17. Second/further charges

We can consider second charges simultaneous to our first charge only if they're taken with Castle Trust and the interest agreement isn't serviced monthly.

18. Selling agents/vendors

Full details of any selling agent and vendor should be supplied on the application form.

If this is a private sale, full details must be provided of how the applicant knew the property was for sale and if there's any relationship between the vendor and the applicant.

19. Solicitors

Our panel of solicitors who can act for InterBay Commercial include:

- Paris Smith
- Walker Morris
- Birketts

If the applicant wishes to use their own solicitor to act on their behalf the firm must have at least two partners and the individual acting must be registered on the Law Society.

20. Sub-sales

A sub-sale can occur where a property is sold 'twice' e.g., another sale takes place on the back of the original or previous sale, which is normally at an increased price to the original/previous sale price. These are also known as 'back to back' sales and aren't acceptable to us.

21. Tenants

We must have vacant possession of the property. Any tenant in the property at completion will have rights of occupation and will be very difficult to evict, should the property be subsequently taken into possession. We would, therefore, request that the solicitors confirm vacant possession prior to completion or that the leases/licences/tenancy in place are acceptable to us.

22. Valuations

Agricultural/property restrictions

If the property has agricultural restrictions then the designated land has to be used for agricultural purposes. This would impact on the purely residential status of the property because of the intended commercial usage. It would also affect the future saleability of the property. As well as agricultural restrictions, some local authorities restrict the use of certain properties to other occupations or livelihoods. Consequently, such properties are outside the Lending Policy, as the restrictions affect saleability.

Flats above retail premises

Flats over or adjacent to retail premises will normally be considered subject to a satisfactory valuation report, unless they're situated over retail premises that could have a detrimental effect on the saleability of the property, such as takeaways, dry cleaners or shops that are noisy and/or odorous. The loan to value may be capped.

Japanese knotweed

Japanese knotweed is becoming an increasing problem in various areas of the country. It's an extremely invasive plant, which is very difficult and costly to eradicate. Properties affected by this plant should be assessed in accordance with the RICS Information Paper Japanese Knotweed and Residential Property.

Only Category 1 is considered acceptable to OSB.

Mundic concrete

In Cornwall and a small part of Devon some of the properties are of concrete block construction, of which some of these comprise Mundic concrete. Mundic concrete can perform satisfactorily for years until it gets damp, then a complex reaction causes the concrete to expand and disintegrate and this can seriously affect the structural stability of the property. As such, these properties are unacceptable to us.

New properties

For properties under 10 years old, we'll require one of the following:

- NHBC guarantee
- Premier Guarantee Scheme
- Building Life Plan
- Zurich Municipal insurance
- LABC New Home Warranty
- Checkmate Castle 10 New Home Warranty
- Build Assure (New Home structural defect insurance)
- Build Zone structural warranty
- UK Finance Compliant Professional Consultants Certificate with proof of PI
- BOPAS (Build Offsite Property Assurance Scheme): Modern Method of Construction only.
- ICW
- Advantage
- Aedis Warranties
- Global Home Warranties
- Protek

Pre-cast concrete

Houses built of pre-cast concrete blocks can be structurally unstable and were not built to last. These are therefore unacceptable to us unless the property and properties either side have been repaired.

Rental

For single family-let applications the loan amount is calculated using the unfurnished rental.

For multi-let applications it's possible for the loan to be calculated against the furnished rental. The valuer will need to confirm the demand for multi-let properties within the area.

For commercial property the valuer will confirm the market rent, which we will use to confirm the loan calculations.

Reports

If a valuer has requested sight of a report, for example a timber and damp report, these must be forwarded by you to them. The response from the valuer should be attached with the original valuation.

Structural movement

This affects the structural integrity of the property. If the valuer confirms that the movement appears to be longstanding and non-progressive, no further action need be taken. If the valuer cannot confirm this, the application will either be declined or we'll request a structural engineer's report (dependent upon the valuers comments on the property).

Properties affected by severe structural movement need to be underpinned. We do not lend on these types of property, as saleability of the property will be affected and the structural movement could reappear.

Trees

Most subsidence damage is caused by the roots of trees. The cracks caused by this type of structural movement are diagonal, slanting upwards towards the edge of the house, narrower at the base, wider at the top. If the valuation report confirms the presence of a tree within influencing distance of the property, an arboreal (tree) report must be obtained from a specialist tree surgeon.

All their recommendations should be carried out and a copy of the valuation report and arboreal report forwarded to the property's insurers to confirm the property will remain covered on an 'all-risks' basis. The recommendations in the report may include pruning/lopping the trees (on an annual basis) or building a mass concrete root barrier.

23. Tenure

Freehold

Accepted on houses only.

Also accepted on blocks that have been converted into flats as long as there are no leasehold titles and all units remain under the one freehold title.

Flying freehold

This is when part of the property is situated over an area not owned by the property owner, e.g., the bedroom of a terraced house may be situated above the communal passageway between that of itself and its neighbour.

If the valuer has identified an element of flying freehold to the property, we'll ask the valuer to confirm whether or not the property value is affected by the flying freehold and ask them to supply a plan of the layout of the property showing the dimensions of the flying freehold.

The area of the flying freehold shouldn't exceed 10% of the overall property area. If the above is acceptable to us, then we'll add a condition to the offer to ask the solicitor to confirm whether there are any provisions in the deeds for the support, repair and maintenance of the element of the property that is 'flying'.

If the valuer or the solicitors consider the property unsuitable security due to the element of the flying freehold, then the application will be declined and, if applicable, the offer will be withdrawn.

Leasehold

A lease must have 50 years left remaining at the end of the mortgage term.

Any property that has a current lease of less than 85 years remaining will be restricted to 75% loan to value.

**This guide does not constitute a guarantee to lend.
All loans are individually underwritten and we reserve the right to ask
for additional information where deemed necessary by the underwriters.**