

# Buy to Let lending criteria

(Version 2.5, effective 1 April 2022)

## Loan



<b>Interest rates</b>	Fixed for the term of the loan, charged monthly.
<b>Repayment method</b>	<ul style="list-style-type: none"><li>• Interest only.</li><li>• Capital repayments of min of £50,000 permitted subject to ERCs.</li></ul>
<b>Monthly repayment</b>	Direct Debit only.
<b>Max LTV</b>	<ul style="list-style-type: none"><li>• Max 75% for <b>Wave 1-3</b> and only where no interest is deferred, otherwise max 70% and always subject to underwriting approval. Max 65% for <b>Wave 5</b> loans.</li><li>• For Wave 2 and 3 loans, 75% LTV is permitted where the borrower is from the UK and where the security is a house and not a new build flat and where the loan is less than £1m and where no interest is deferred. Flats will be restricted to 70% max.</li><li>• Foreign Nationals with no other UK property and first-time landlords will be capped at 70% LTV if not a new build flat and the loan is less than £1m otherwise LTV capped at 65% max.</li><li>• First-time landlords with less than £50k income will be capped at 65% LTV.</li><li>• First-time buyers accepted on Wave 3 - LTV will be capped at 65% LTV (increased to 70% if not a new build flat and loan less than £1m).</li><li>• Adverse valuation or title commentary may lead to an LTV reduction.</li></ul>
<b>Low LTV Product Shift</b>	<ul style="list-style-type: none"><li>• Where permitted, product reduced to lower 'Wave' where LTV is less than 50%.</li><li>• Where the product shift takes a loan from Wave 4 down to Wave 3, the term will need to be increased to the Wave 3 minimum of 5 years.</li></ul>
<b>Regulated loans</b>	<ul style="list-style-type: none"><li>• Non Regulated only.</li><li>• Owner occupier and Consumer Buy To Let are not acceptable.</li></ul>
<b>Deposit</b>	<ul style="list-style-type: none"><li>• Documentary evidence of the source of deposit will be required.</li><li>• Vendor deposit and second charges are not accepted.</li><li>• Builder incentives accepted but capped at 5%.</li></ul>
<b>Re-mortgage period</b>	<ul style="list-style-type: none"><li>• Acceptable to remortgage in under 6 months since purchase or remortgage but no back to back transactions or capital raising allowed.</li><li>• Capital raise permitted after 6 months of purchase or remortgage.</li></ul>
<b>Undervalue purchase</b>	Not accepted. Octane will lend against the lower of Valuation or Purchase price.
<b>Portability</b>	Loans are not portable.
<b>Fees</b>	All fees are deducted from the gross loan.
<b>Interest retention</b>	3 months interest will be deducted on purchases where the property is not let out.

## Affordability



<b>Interest Cover Ratio (ICR)</b>	Rental income from security property to cover at least 100% of Pay Rate.
<b>Income for ICR</b>	<ul style="list-style-type: none"><li>• The gross loan will be calculated using the Lower of Market and Current Passing Rent from security property only.</li><li>• Other income cannot be used in the calculation of the ICR for Wave 1, 2 and 3.</li><li>• If the Actual/Assumed Net rental income received does not cover 100% of the monthly payment, 3 months payments will be retained on account. The following Management fee deductions assumed:<ul style="list-style-type: none"><li>• 12% for residential.</li><li>• 15% for HMOs up to 6 bedrooms (Wave 1 and 2).</li><li>• 20% for HMOs 7+ bedrooms (Wave 3-5) and commercial.</li></ul></li><li>• For <b>Wave 1-3</b> loans above 70% LTV, the Net rental income must cover 100% of the interest payment.</li></ul>
<b>Pay rate</b>	Interest rate less any Deferred Interest. For example, a 5.99% interest rate with 1% deferred interest has a pay rate of 4.99% pa and 1% pa rolled to the end of the term.
<b>Deferred interest</b>	<ul style="list-style-type: none"><li>• 1% or 2% pa rolled to redemption subject to product.</li><li>• Interest deferral is optional.</li></ul>
<b>Min borrower income</b>	Only required for <b>Wave 1</b> . Min £30,000 pa from outside of the security property verified by one of: <ul style="list-style-type: none"><li>• 3 months' payslips.</li><li>• Latest signed Accountant certificate.</li><li>• Latest SA302.</li><li>• Pension statement.</li></ul> First Time Landlords will be considered for Wave 1 loans where they earn a minimum of £50,000 pa.
<b>Portfolio aggregate exposure limit</b>	<ul style="list-style-type: none"><li>• No max loan amount with other lenders.</li><li>• Portfolio will be checked to ensure that total rent covers mortgage payments by at least 125%.</li></ul>

## Affordability (continued)

Where ICR is lower than 100% (only available for Wave 3, 4 and 5)

### 1. Serviced shortfall through Top Slicing

**Wave 4 and 5 only** – Outside income can be used towards a max of 20% of the ICR, verified by the last 3 months bank statements showing surplus income which is sufficient to service the shortfall.

### 2. Retaining shortfall for the term of the loan

**Wave 3, 4 and 5 only** – Max 20% of the Pay Rate can be retained for the duration of the loan. Retained interest cannot exceed 6 full months interest.

## Property



<b>Location</b>	England only.
<b>Valuation</b>	Inspection date within last 3 months, instructed by and addressed to Octane Property Finance Ltd, Octane Property Finance 4 Ltd and PCO HoldCo II Sarl and Successes in Title.
<b>Valuation basis</b>	<ul style="list-style-type: none"> <li>Residential valued on 180 day Bricks &amp; Mortar (Red Book).</li> <li>MUFBS above 4 units valued on Block (Investment Basis).</li> <li>HMOs &lt;7 beds valued on a 180 day Bricks &amp; Mortar (Red Book).</li> <li>HMOs &gt;7 beds valued on an investment basis.</li> <li>Any commercial element will be valued on a Vacant Possession 180 day Bricks &amp; Mortar (Red Book).</li> </ul>
<b>Valuation basis - new build</b>	As above but with new build premium deducted on blocks of more than 20 units and on houses valued at >£500k.
<b>Size</b>	Min of 30m <sup>2</sup> per unit.
<b>Multi unit freehold block</b>	Multi unit with a single freehold and no separate leases. Max LTV dependant upon borrower experience within the UK. First time landlords not allowed.
<b>Leasehold properties</b>	<ul style="list-style-type: none"> <li>Min of 30 years remaining at the origination of the loan term within London, 40 years at the origination of the loan term outside of London.</li> <li>Freehold required as security if owned by the applicant or connected party – not required if more than 50% of units owned by independent leaseholders.</li> </ul>
<b>Ground rent and service charges</b>	Confirmation from freeholder that all payments are up to date. Onerous automatic ground rent increases are permitted where an insurance policy is obtained.
<b>Holiday lets and Airbnb</b>	<ul style="list-style-type: none"> <li>Only permitted for properties where the planning permission or lease is not restricted to Holiday let use only.</li> <li>Income for ICR calculation based on lower of market and current passing rent.</li> <li>Agent to confirm passing rent for previous 12 months and url link to property advertisement.</li> <li>Borrower must have min of £30,000 personal income (verified as above) excluding rent from security property.</li> <li>First time landlords not permitted. Airbnb not permitted inside London.</li> </ul>
<b>Agricultural and occupational restrictions</b>	Not allowed.
<b>HMO definition</b>	<ul style="list-style-type: none"> <li>3 or more tenants form more than one household with shared facilities (toilet, kitchen or bathroom).</li> <li>In all cases, the property will be considered an HMO if it is classified as such by our Valuer and considered to be a viable HMO.</li> </ul>
<b>HMO size</b>	Max number of bedrooms depending on product. Room sizes must be in accordance with HMO legislation.
<b>HMO license requirement</b>	On a purchase, the Valuer must confirm that the property is a viable HMO in current configuration. Where applicable, an application for any HMO License required by the Local Authority must have been made prior to completion. On a refinance, the HMO license should be in place where applicable.
<b>Small HMO (&lt;7 rooms) borrower requirement</b>	First time HMO landlord allowed but must own another BTL property.
<b>Large HMO (7 and over rooms) borrower requirement</b>	<ul style="list-style-type: none"> <li>First time HMO landlord not allowed. Existing HMO landlord – has held an HMO license for less than 2 years, max LTV will be restricted.</li> <li>Experienced HMO landlord – has held an HMO license for at least the past 2 years on &gt;6 room HMO, max LTV as per product.</li> </ul>
<b>Flats above commercial</b>	Permitted if valuer indicates strong demand. If commercial premises is a food outlet below or adjoining this may be considered at restricted LTV.
<b>High rise flats</b>	Flats in buildings with more than 5 storeys only permitted where valuer indicates good demand and there is a lift.

## Property (continued)

<b>New build</b>	<ul style="list-style-type: none"><li>• Flats and Houses acceptable.</li><li>• New build warranty (as per UK Finance Handbook) and building control certificate in place for properties built within the last 10 years.</li><li>• Max Octane exposure of 5 flats per block.</li><li>• LTV may be restricted depending on the number of units in the block.</li></ul>
<b>Tenancies</b>	<ul style="list-style-type: none"><li>• ASTs or Common Law Tenancies only, max 3 years.</li><li>• No sub-letting and no tenants with diplomatic immunity.</li></ul>
<b>Vacant units</b>	<ul style="list-style-type: none"><li>• Where vacant units exist at the time of loan completion these are acceptable.</li><li>• An initial interest deduction from the gross loan may be applied.</li></ul>
<b>Flying freehold</b>	Permitted but does not exceed 15% of unit floor area and valuer confirms liquidity is not affected.
<b>Construction</b>	Standard construction only (CML compliant).
<b>Planning irregularity permitted</b>	Considered on a case by case basis for <b>Wave 4</b> and <b>5</b> only.
<b>Works permitted</b>	Works up to 10% of current value permitted only if works are non-structural and do not require planning or building regulations approval. Evidence of funds for works needs to be provided. An interest retention will be made for the works period.
<b>Listed properties</b>	Grade II or locally listed acceptable. Not Grade I or II*.
<b>Flat roof</b>	Permitted subject to valuer comments.
<b>Japanese Knotweed</b>	Permitted subject to not being within 10m of security.

## Borrower



<b>Min age</b>	21 years.
<b>Age at beginning of term</b>	<70 years old.
<b>Max no of individual borrowers, shareholders &gt;20%, and directors</b>	Max 4 of each.
<b>Borrower lending limits</b>	Max £15m with Octane subject to assessment of property locations, no max with other lenders.
<b>Max number of BTL mortgages</b>	No max with Octane or other lenders.
<b>Portfolio landlords</b>	Accepted. Require the applicants Assets and Liabilities Statement for review showing current portfolio values, outstanding mortgages, rent and mortgage payments.
<b>Portfolio landlords – business plan and cashflow forecast</b>	Not required.
<b>Limited company</b>	Must be UK Special Purpose Vehicle with no employees. Jersey, Guernsey, Isle of Man, Gibraltar and BVI entities will be considered.
<b>Personal guarantees</b>	Required from shareholders owning >20% when LTV exceeds 50%.
<b>Ex-Pat</b>	Accepted excluding where the borrower resides in a country on a Sanctions list.
<b>Foreign national</b>	Accepted and UK residency history not required. Excluding citizens from countries on Sanctions lists. If borrower owns less than 2 properties in England then the LTV will be restricted to 70% or less.
<b>UK bank account</b>	All borrowers require a UK bank account.
<b>First time buyer</b>	Has not owned another property in the UK within the last 3 years – accepted but not for HMO or MUFB.
<b>First time landlord</b>	Has not owned another BTL property in the UK within the last 3 years – accepted but not for HMO or MUFB.