

# Buy to Let lending criteria

(Version 2.4, effective 4 August 2021)



## Loan

|                              |  |
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| <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% with no deferred interest for Wave 1 only, otherwise Max 70% and always subject to underwriting approval. Max 65% for Wave 5 loans.</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>    | <ul style="list-style-type: none"> <li>We will deduct the first 3 months interest on refinances where the borrower has had a payment holiday. The 3 months interest retention will be used to service the first 3 months on the loan.</li> <li>There will be no deduction for refinances where: (1) No payment holiday has been taken, (2) The property is tenanted and has received full payment through lockdown and (3) The borrower owns another BTL.</li> </ul> |



## Affordability

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| <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 Wave 1 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 5.49% interest rate with 1% deferred interest has a pay rate of 4.49%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>   | <p>Only required for <b>Wave 1</b>. Min £30,000 pa from outside of the security property verified by one of:</p> <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>  |
| <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>  |
| <b>Where ICR is lower than 100% (only available for Wave 3, 4 and 5)</b> | <ol style="list-style-type: none"> <li><b>Serviced shortfall through Top Slicing Wave 4 and 5 only</b> – 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.</li> <li><b>Retaining shortfall for the term of the loan Wave 3, 4 and 5 only</b> – Max 20% of the Pay Rate can be retained for the duration of the loan.</li> </ol>  |

## Property



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| <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.   |
| <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 end of the loan term within London, 60 years outside of London.</li> <li>Freehold required as security if owned by the applicant or connected party.</li> <li>Not needed 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 not allowed.   |
| <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.  |
| <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>  |

## Property (continued)

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| <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.  |

## Borrower



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| <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 65% 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.   |