

# Packaging Guide

## 2nd Charge Residential and Buy to Let

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**For Intermediaries Only**

**3 Theobald Court, Theobald Street, Borehamwood WD6 4RN**

Spring Finance is a trading name of Spring Finance Group Ltd (14088677), Spring Finance Ltd (03709012), SF11 Ltd (07731478), SF13 Ltd (08273729), and Spring Finance M1 Ltd (14111987) all of which are registered in England and whose registered office is 3 Theobald Court, Theobald Street, Borehamwood WD6 4RN.

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## 2nd Charge Residential and Buy to Let

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### Introduction

This Packaging Guide has been designed to provide you with guidance on our requirements for submitting residential and buy to let 2nd charges. The document should be reviewed in conjunction with our Product Guide and Submission checklist.

Please note, the requirements apply to all lending except for the variations set out for BTL applications.

We reserve the right to request additional information or decline an application following our review.

## 2nd Charge Residential and Buy to Let

The Loan	
Loan Amount	Refer to product guide for product limits.
Loan to Value (LTV)	Refer to product guide for product limits.
Loan Term	3 to 30 years.
Loan Repayment	Capital repayment (interest only available on buy to let only).
Loan Purpose	<p>Loans for any legal purpose, including but not limited to:</p> <ul style="list-style-type: none"> <li>• Car purchase</li> <li>• Debt consolidation - note debts will be settled directly on completion</li> <li>• Home Improvements</li> <li>• Property purchase - investment or holiday</li> <li>• Purchase or transfer of equity</li> <li>• Settling a bankruptcy/debt management plan/IVA</li> </ul> <p>Loan purpose to be declared during the application process.</p>
Cash Out	<p>Where the cash out to the applicant on completion is less than £50,000, we require a breakdown of the loan purpose - this can be detailed on the broker portal.</p> <p>Where the cash out to the applicant exceeds £50,000 on completion, further evidence of the loan purpose will be required such as builders quotes for home improvements.</p>
Repayment	<p>Repayments must be made from a UK Bank account in the name of one or both applicants.</p> <p>We cannot accept payments from business accounts or 3rd parties.</p>
Loan Disbursements	We will release loan funds by telegraphic transfer (note a fee of £42.00 is deducted from the loan advance), or BACS - we will confirm with the applicant(s) when we complete our final checks.
Further Advances	We may consider lending further monies once the existing loan has been running for a minimum of 6 months, providing payments have been maintained. Subject to referral.

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The Applicant	
Minimum Age	21
Maximum Age	80 at the end of term (subject to affordability into retirement).
Maximum Applicants	2 - applicants must reside at the property.
ID	<p>We require a copy of one of the following forms of photographic ID from all applicants:</p> <ul style="list-style-type: none"> <li>• Current Passport - permanent rights to reside/leave to remain if non-UK passport holder</li> <li>• UK Driving Licence - photocard</li> <li>• EEA National Identity Card - supported by permanent rights to reside/leave to remain</li> </ul> <p>We will also carry out an electronic identity (e-ID) check on Equifax where we require a minimum score of 2-1-0 (2 proofs of address, 1 identity and 0 high risk alerts).</p> <p>If the applicant(s) fails the e-ID check, we require the photographic ID to be certified by an FCA approved broker or a solicitor registered with the Law Society. In addition, we require a certified copy of one of the following proofs of address:</p> <ul style="list-style-type: none"> <li>• Latest Council Tax bill</li> <li>• Latest Mortgage Statement</li> <li>• Utility bill - dated within the last 3 months (excluding communications accounts)</li> <li>• Bank statement or credit card statement - dated within the last 3 months</li> </ul> <p>Refer to an underwriter in the applicant(s) is unable to supply the above.</p>
EU/Worldwide Citizens	We require proof of ID, address and permanent leave to remain in the UK - regardless of whether the applicant passes e-ID.
Applicant(s) Name	<p>Documents should be issued in the applicant(s) full legal name as per their ID and entries on HM/ Scottish Land Registry. If the applicant(s) require the Land Registry to be updated, we require evidence of the name change, i.e., marriage certificate, ID in the proposed name and a letter to HM Land Registry authorising them to update their name from and to.</p> <p>Refer to an underwriter for further instructions.</p>
Proof of Residency	<p>One of the following items are required to prove residency for the current year only:</p> <ul style="list-style-type: none"> <li>• Entry on the voters role on Equifax - at the applicant(s) declared address</li> <li>• Latest council tax bill</li> <li>• Latest mortgage statement</li> <li>• Utility bill - dated within the last 3 months (excluding communications accounts)</li> <li>• Bank statement or credit card statement - dated within the last 3 months</li> </ul>

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<p><b>Speak Withs</b></p>	<p>Prior to the offer being issued, we will confirm the final details with the applicant(s).</p> <p>We will contact the applicant(s) directly, and must be able to speak to all applicants independently.</p>
<p><b>Independent Legal Advice (ILA)</b></p>	<p>We may require the applicant(s) to obtain ILA from a solicitor registered with the Law Society, a legal executive registered with CILEx or a licenced conveyancer registered with the Specialist Property Law Regulator.</p> <p>ILA may be required in the following circumstances:</p> <ul style="list-style-type: none"> <li>• Applicant is aged 70 or over at the start of the loan</li> <li>• Applicant does not speak/understand English to a sufficient level to be able to understand the loan terms. ILA must be provided in the applicant's first language, and checks will be made to ensure the solicitor speaks the relevant language by reference to the Law Society or firms website</li> <li>• Applicant does not appear to understand the terms of the loan</li> <li>• One of the applicants is not benefiting financially from the loan</li> <li>• The loan is for the benefit of an applicant that does not own the security</li> <li>• The applicant has been deemed vulnerable</li> </ul> <p>This list is not exhaustive. We reserve the right to request ILA on a case-by-case basis.</p>

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Affordability	
Affordability Assessment	<p>Affordability is assessed using an income and expenditure assessment, whereby the applicant(s) declare their monthly household expenditure.</p> <p>These values are compared against expected expenditure produced by the Office of National Statistics (ONS). Where the values are lower than expected, we require a plausible explanation and, in some cases, may request evidence i.e., bank statements or bills. If we cannot satisfy ourselves that the lower value is plausible, we may enforce the higher ONS expected value.</p> <p>Surplus income must be sufficient to service the applicant's 1st mortgage, the Spring loan and any unsecured credit that is not being settled from the loan advance.</p>
Stress Test - Existing Mortgage	<p>We will apply a 3% stress test to the existing 1st mortgage payment - this is automated in our portal.</p> <p>We need to know if the mortgage is repayment or interest only as this will impact the stress test - this information will be validated by the underwriter.</p>
Stress Test - Spring Proposed Loan	<p>We will apply a 3% stress test to the proposed Spring repayment unless the interest rate on the Spring loan is fixed for 5 years.</p>
Unsecured Credit	<p>We will apply the following calculations to unsecured balances that will remain in place following the completion of the loan, whereby the payment is factored into the income and affordability assessment.</p> <p>3% of the balances stated on Equifax:</p> <ul style="list-style-type: none"> <li>• Credit cards</li> <li>• Mail order accounts</li> <li>• Communications accounts (unless a monthly payment is stated)</li> <li>• Current accounts</li> </ul> <p>1% of balances stated on Equifax:</p> <ul style="list-style-type: none"> <li>• CCJ/Default balances (unless a monthly payment is stated)</li> </ul> <p>Monthly payment as stated on Equifax:</p> <ul style="list-style-type: none"> <li>• Unsecured loans</li> <li>• Hire purchase agreements</li> </ul> <p>Evidence of a lower payment may be considered on referral.</p> <p>Where unsecured debt is being consolidated from the proceeds of our loan, payments will be made by BACS to the creditors on completion of the loan. We require up to date statements evidencing:</p> <ul style="list-style-type: none"> <li>• Full account number</li> <li>• BACS details to make the payment</li> </ul> <p>A satisfactory explanation is required for defaults, CCJ's and missed payments.</p>

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Income	
Minimum Income	Minimum gross household income of £18,000 - £15,000 must be earned from employment and/or private pension.
Employed Income	
Minimum Time in Employment	1 month in current role, 3 months consecutive history in total. Must be evidenced by at least 1 months' payslip from current role, and 2 months' payslips from previous role. Subject to a maximum 6 week break in between roles.
Probation Period	Accepted subject to the applicant evidencing previous income if in role for less than 3 months along with a copy of their current contract. Subject to a maximum 6 week break in between roles.
Evidence	3 payslips if monthly paid, 4 payslips if weekly - payslips must be dated within the last 45 days prior to offer.
Bonus/Commission/Overtime	Acceptable providing the additional pay is evidenced on the latest 3 months payslips. Annual bonuses considered on referral subject to 2 consecutive years evidence. We may require the most recent P60 to support/evidence bonus payments.
Car/Location/Shift Allowance	Acceptable providing the allowance is evidenced on the latest 3 months payslips
Company Maternity Pay	Acceptable subject to evidence of the terms of payment. We require a plausible explanation as to how the applicant(s) will afford the loan when the payment ceases. We reserve the right to request further evidence.
Employment Contract	We may require a copy of the applicant's contract if we are unable to calculate the applicants regular pay, or the applicant is in probation.
Self-Employed Income	
Minimum Time Trading	1 year - evidence will be required for all active businesses.
Sole Trader	Minimum 1 year's tax calculation and supporting tax year overview.
	Note – if the applicant has been trading for longer than 2 years, we require the latest 2 years tax calculations/supporting tax year overview.
Limited Company/ Partnerships	Minimum 1 year's tax calculation and supporting tax year overview supported by:
	Signed accounts
	OR
	Accountants Reference (using Spring's template)
	Note – if the applicant has been trading for longer than 2 years, we require the latest 2 years tax calculation/supporting tax year overview.
	Note the accounts/accountant's reference will be reviewed to ensure any dividends are supported by the profit made by the business.

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<b>Business Bank Statements</b>	<p>We require latest 3 months business bank statements to evidence the business is still trading for all self-employed applicants.</p> <p>Personal bank statements will be accepted if the applicant is a sole trader and uses this account for business purposes.</p>
<b>Accountants Reference</b>	<p>Must be completed by the applicant(s) accountant, who must hold one of the following qualifications:</p> <ul style="list-style-type: none"> <li>• ICAEW</li> <li>• ICAS</li> <li>• ACCA/FCCA</li> <li>• CIMA</li> <li>• CIPFA</li> <li>• AIA</li> <li>• AAPA/FAPA</li> <li>• ACMA</li> <li>• IFA</li> <li>• CTA</li> <li>• AAT</li> </ul> <p>Refer to an underwriter if the applicant's accountant does not hold one of the listed qualifications.</p>
<b>Contractor Income</b>	
<b>Income Calculation</b>	Day rate x 5 (days) x 46 (weeks).
<b>Minimum Time Contracting</b>	3 months.
<b>Evidence</b>	Current contract and 3 most recent payslips, invoices, or bank statements.
<b>Minimum Contract Remaining</b>	3 months or evidence of renewal.
<b>Gaps Allowed</b>	4 weeks in the last 12 months.
<b>Umbrella Companies</b>	Considered on referral.
<b>Pension Income</b>	
<b>Acceptable Pensions</b>	State and private.
<b>Evidence</b>	3 most recent remittance slips or bank statements.



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Benefit Income	
Child Benefit	<p>Accepted subject to the child(children) being under the age of 16 at the start of the loan. If received for several children, we will only take the award for children within the qualifying age.</p> <p>We require a plausible explanation as to how the applicant(s) will afford the loan post the benefit ceasing.</p> <p>Income must be evidenced by 3 most recent bank statements.</p>
Child Tax Credit	<p>Accepted subject to the child(children) being under the age of 16 at the start of the loan. If received for several children, we will only take the award for children within the qualifying age.</p> <p>We require a plausible explanation as to how the applicant(s) will afford the loan post the benefit ceasing.</p> <p>Income must be evidenced by 3 most recent bank statements and the most recent award letter.</p>
Child Maintenance - court and non-court ordered	<p>Accepted subject to the child(children) being under the age of 16 at the start of the loan.</p> <p>For court ordered maintenance: Income must be evidenced by 3 most recent bank statements and the court order.</p> <p>For non-court ordered maintenance: Income must be evidenced by 3 most recent bank statements, and a bank statement dated 12 months ago.</p> <p>Refer to an underwriter if there are any payment arrears.</p>
Statutory Maternity Pay	<p>Acceptable subject to evidence of the terms of payment. We require a plausible explanation as to how the applicant(s) will afford the loan when the payment ceases. We reserve the right to request further evidence.</p>
Other Benefits	<p>We will consider all state benefits providing the benefit has been awarded for the benefit of the applicant(s).</p> <p>Income must be evidenced by 3 most recent bank statements and 2 most recent years award letters.</p>
Other Income	
Agency Workers	<p>Accepted subject to the applicant(s) being with the same agency for a minimum of 12 months.</p> <p>Evidence in line with employed applicants.</p>
Zero Hour Contracts/Bank Nurse	<p>Accepted subject to the income being evidenced for a minimum of 12 months.</p> <p>Evidence in line with employed applicants.</p>
2nd Jobs	<p>Accepted subject to total hours worked by the applicant being plausible and sustainable.</p> <p>Evidence in line with employed applicants.</p>
Other Income	<p>We may consider other incomes on referral subject to source and sustainability. Refer to an underwriter.</p>

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### Lending into Retirement

#### Retirement Age

All applicant(s) must confirm their intended retirement age.

We consider it reasonable that the applicant(s) could continue to work up to the age of 68 if in a manual role, and 72 if in a non-manual role.

If the loan extends beyond the lower of the applicant(s) intended retirement age or the above maximum ages, the applicant must evidence how the loan will be maintained post-retirement.

We accept the following repayment options into retirement:

- Pension - private or state. If the applicant is due to retire within the next 10 years and the loan will still be in place, the latest private pension statement or state pension entitlement must be provided to confirm expected income. The income must be sufficient to support the applicant's current income.

If the applicant is due to retire in more than 10 years, suitable evidence of contribution to a pension must be supplied, i.e., deductions on payslips, illustration from pension supplier.

If the applicant cannot evidence affordability into retirement, then the loan term must be reduced to end by the lower of the applicants declared retirement age or 68/72 depending on their occupation.

### The Property

#### Location

We lend on residential property located in England, Wales, and mainland Scotland.

#### Official Copy Report

Required for all applications where security is in England or Wales.

#### Scottish Report

Required for all applications where security is in Mainland Scotland - request via Wilson McKendrick.

#### Valuation

We require a valuation against the security to confirm the value of the property. A minimum property value of £100,000 is required.

#### Automated Valuations (AVM)

A Hometrack AVM may be accepted subject to the following:

- The valuation being carried out using Spring Finance's template
- A maximum gross loan of £100,000
- A maximum property valuation of £1,000,000
- A maximum LTV of 70%
- A minimum confidence level of 4 on LTV's up to 60%, or 5 if the LTV is between 60 and 70%
- Dated within the last 3 months

We are unable to accept AVM's on ex-local authority flats or maisonettes.

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<p><b>Driveby Valuations</b></p>	<p>A driveby valuation may be accepted subject to the following:</p> <ul style="list-style-type: none"> <li>• A maximum gross loan of £100,000</li> <li>• A maximum property value of £1,000,000</li> <li>• Dated within the last 3 months</li> </ul> <p>We are unable to accept driveby valuations on flats or maisonettes.</p> <p>The valuation must be carried out by an approved valuer, using Spring's template, and supported by photos of the front elevation and street scene.</p> <p>We may accept confirmation from the valuer that the report can be relied on for a further period if the valuation expires before the offer is issued.</p>
<p><b>Full Internal Valuation</b></p>	<p>An internal valuation will be required where an application fails Hometrack or driveby criteria.</p> <p>The valuation must be carried out by an approved valuer, dated within the last 3 months, using Spring's template, and supported by photos of the bathroom, kitchen, front and rear elevations and street scene.</p> <p>We may accept confirmation from the valuer that the report can be relied on for a further period if the valuation expires before the offer is issued.</p>
<p><b>Valuation Panel</b></p>	<p>We will accept valuations from the following:</p> <ul style="list-style-type: none"> <li>• AV Surveyors</li> <li>• E surv</li> <li>• Fast Surveyors</li> <li>• Metropolis Surveyors</li> <li>• Ord Karmel &amp; Kritzler</li> <li>• Pure</li> <li>• Sonas/Gateway</li> <li>• Taylor Wilkinson</li> </ul>
<p><b>Retentions/Specialist Reports</b></p>	<p>Refer to an underwriter to confirm our requirements if the valuer recommends a retention or a specialist report.</p>
<p><b>Tenure</b></p>	<p>The following tenures are acceptable:</p> <ul style="list-style-type: none"> <li>• Freehold houses/bungalows</li> <li>• Freehold Flat/maisonettes - Scotland only</li> <li>• Leasehold houses/bungalows/flats/maisonettes - subject to a minimum of 75 years remaining on the lease at the start of the loan with a minimum of 50 years remaining at the end of the term. We will lend to extend the leasehold, subject to the new lease term meeting our minimum requirements</li> </ul> <p>Overdue ground rent and service charges must be brought up to date prior to or with the proceeds of our loan.</p>

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<b>Unacceptable Property Types</b>	<p>We are unable to lend on the following property types:</p> <ul style="list-style-type: none"> <li>• Commercial or semi-commercial properties including holiday homes</li> <li>• HMO's</li> <li>• Flats above commercial properties if above a restaurant or takeaway</li> <li>• Freehold flats - excluding Scotland</li> <li>• Ex-local authority flats where the security property is on the 5th floor or above</li> <li>• Flats where the total number of storeys exceeds 6 - refer to an underwriter</li> <li>• Properties listed as defective, uninhabitable or unmortgagable or where the valuer has stated there is poor demand for the property</li> <li>• Shared ownership properties - unless the loan is being used to purchase the final share of the property</li> </ul> <p>This list is not exhaustive. We reserve the right to decline an application if we deem the property to be unsuitable security.</p>
<b>Other Occupiers</b>	<p>We require an original Occupiers Consent Form for any person residing in the property aged 17 or over (excluding Scotland).</p>
<b>Property for Sale</b>	<p>We are unable to lend if the property is currently on the market to sell. We require confirmation from the estate agent that the property has been removed from the market.</p>
<b>Pre-emption/Ex-Local Authority Properties</b>	<p>If the property was purchased from the local authority and the property is still subject to pre-emption, we will consider lending subject to:</p> <ul style="list-style-type: none"> <li>• Remaining discount to be factored into the LTV assessment whereby the discount reduces by 20% each year. The final year can be ignored</li> <li>• Discount to be evidenced in writing from the local authority</li> </ul>

### Existing Mortgages

<b>1st Mortgage Company</b>	<p>We will lend behind all UK Banks and Building Societies, as well as most privately owned lenders. We may ask for a copy of the mortgage offer to confirm terms and conditions if we are unfamiliar with the lender. Refer to an underwriter if you are unfamiliar with the mortgage company.</p>
<b>1st Mortgage Redemption Figure</b>	<p>We will lend behind the balance outstanding if the LTV is below 75%.</p> <p>Where the LTV is above 75%, we require a redemption figure on headed paper and will use this to calculate the LTV.</p>
<b>1st Mortgage Reference</b>	<p>If the mortgage account shows on Equifax and there is no arrangement or a succession of 6's in period being assessed, we will rely on this information to evidence the conduct of the mortgage account.</p> <p>If the mortgage is currently in 2 or more months arrears, we require written confirmation of the arrears balance.</p> <p>If the mortgage is not on Equifax, or shows an arrangement or succession of 6's during the period being assessed, we will require a BSQ covering all accounts confirming:</p> <ul style="list-style-type: none"> <li>• Current balance outstanding</li> <li>• Monthly repayment</li> <li>• Arrears balance</li> <li>• 12-month payment profile</li> </ul>

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<b>Mortgage Arrears</b>	<p>Mortgage arrears must be brought up to date prior to offer or cleared from the proceeds of the loan. We require BACS details from the 1st mortgagee if we are clearing the arrears.</p>
<b>Consent</b>	<p>IF required, consent must be granted in favour of Spring Finance Ltd on headed paper. If the loan amount is stated on the consent, the amount must be equal to or higher than the gross loan being advanced.</p> <p>We will only accept conditional consent if this is granted subject to mortgage arrears being settled from the loan.</p> <p>We may consider lending by way of equitable charge if consent has been declined. Refer to an underwriter.</p>
<b>Open Plan/Offset Mortgages</b>	<p>If the mortgagee has an obligation to make further advances or holds an all-monies charge, we will require:</p> <ul style="list-style-type: none"> <li>• A deed of postponement or crystallisation of debt, or;</li> <li>• Confirmation of the maximum liability and that no further lending will be granted without our consent</li> </ul>
<b>Third Charges</b>	<p>We may consider taking a 3rd charge providing:</p> <ul style="list-style-type: none"> <li>• The existing charges are registered to the same lender</li> <li>• We are lending behind a council housing act discount</li> </ul>
<b>Other Mortgages</b>	<p>Existing secured loans, equitable charges, restrictions and cautions must be re-paid prior to or from the proceeds of our loan.</p> <p>We require a redemption figure and undertaking to remove the charge upon receipt of funds. The redemption figure must be on headed paper and in date on the day of offer and completion.</p> <p>We may consider non-interest-bearing charges remaining on the property providing their charge is postponed behind ours (except for bankruptcy charges which must be settled on completion).</p> <p>Where the applicant has buy to let properties in the background, we require the following:</p> <ul style="list-style-type: none"> <li>• Credit search covering all applicants at the additional address(es)</li> <li>• Copy of any tenancy agreements to evidence the property is self-funding</li> </ul>
<b>Priority Notices/Pending Applications</b>	<p>We will register a priority notice at HM Land Registry upon receipt of an application. If a priority notice has been registered in favour of another party, we require a letter of no further interest or for the notice to be removed before we can issue the offer.</p> <p>If an application has been made in favour of another party, we require the application to be completed or withdrawn before we can issue the offer.</p>

## 2nd Charge Residential and Buy to Let

BTL Applications - the following variations apply to Residential requirements	
Loan Repayment	Capital Repayment or Interest Only - subject to satisfactory repayment vehicle.
Minimum Age	21.
Maximum Age	85 by the end of term.
Minimum Income	Minimum gross income of £18,000 for the highest earning applicant - £15,000 must be earned from employment and/or private pension.
Income Evidence	Latest income proof required, i.e., most recent payslips, tax return or pension remittance.
Affordability	<p>Affordability is assessed using a debt service cover ratio (DSCR) assessment, whereby the applicant(s) monthly mortgage servicing costs are assessed against the monthly rent being received.</p> <p>The following thresholds must be met:</p> <ul style="list-style-type: none"> <li>• 125% DSCR - basic rate tax payer</li> <li>• 145% DSCR - higher rate tax payer</li> <li>• 155% DSCR - additional rate tax payer</li> </ul> <p>Unsecured credit and other mortgage commitments are ignored unless we are using the applicant's personal income to support the application - refer to Personal Income Top Up section.</p>
Loan Purpose	If the loan is being used for debt consolidation, we will send loan funds directly to the applicant(s) to settle the accounts, providing the debt is evidenced on the credit search
Assured Shorthold Tenancy Agreement	<p>A copy of the current assured shorthold tenancy agreement (AST) confirming rent and term is required. The AST must have commenced prior to offer and must be signed by all parties.</p> <p>If the AST has expired, and the AST has become a rolling agreement we will require a copy of the letter issued to the tenant to confirm current terms.</p> <p>We reserve the right to request a bank statement confirming receipt of the rental payment.</p>
Rental Assessment	We require a rental assessment from the valuer confirming the monthly rent. The DSCR will be calculated on the lower of the valuer's rental assessment and the AST rental.
Energy Performance Certificate (EPC)	We require a valid EPC with a minimum rating of E or above (unless the property is exempt).
Other Occupiers	Waivers are not required on buy to let properties.
Personal Income Top Up/ Top Slicing	<p>We can consider using the applicant(s) personal income to achieve the required DSCR for higher/ additional rate tax payers subject to the following:</p> <ul style="list-style-type: none"> <li>• Full income and expenditure assessment on the applicant's residential property</li> <li>• Evidence of personal income to support</li> <li>• DSCR must be at least 130% before personal income is added to the assessment.</li> </ul>
1st Mortgage Stress	<p>We will apply a 3% stress test to the existing 1st mortgage payment - this is automated in our portal.</p> <p>We need to know if the mortgage is repayment or interest only as this will impact the stress test - this information will be validated by the underwriter.</p>
Consumer Buy to Let	No variations for loans on Consumer Buy to Let (CBTL) properties.