

PROPERTY AND VALUATION POLICY MANUAL

Property and Valuation Policy for State Bank of India's UK Operation.
This manual provides a detailed set of property requirements where
mortgage lending is being provided. This manual is for the use of
mortgage processing and underwriting staff within the retail distribution
network.

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Introduction

The Property and Valuation Policy Manual outlines the valuation requirements and acceptable property construction types for all mortgage loans within State Bank of India in the UK. The manual will assist in determining whether a property is considered suitable security for lending purposes.

All mortgage applications are subject to the security that is offered being suitable for mortgage purposes. This Property and Valuation Policy Manual should be used as the definitive point of reference for the Bank's Property and Valuation policy rules.

1 The Valuation

1.1 The Valuer

A valuation of all properties offered as security must be undertaken by a suitably qualified Chartered Surveyor with knowledge of the type of property and the area in which the property is located.

A valuer may only undertake a property inspection and valuation on behalf of State Bank of India if they are currently a member of the Bank's UK Valuer's Panel. The Bank's panel is managed by appointed panel managers who ensure that the valuation firms meet and comply with certain criteria. Only valuers holding an acceptable qualification will be appointed to the Bank's UK panel.

1.1.1 Acceptable Valuer's Qualifications

- FRICS Fellow of the Royal Institution of Chartered Surveyors.
- ARICS Associate of the Royal Institution of Chartered Surveyors.
- MRICS Member of the Royal Institution of Chartered Surveyors.

The valuer must also be a member of the Valuer Registration Scheme (VRS), which is mandatory for RICS members carrying out Red Book valuations in the UK. The scheme became mandatory in the UK on 30 April 2011.

1.2 Valuation Instruction

All valuations must be instructed by central processing following receipt of a completed mortgage application with all applicable fees. Instructions will proceed via the Bank's approved panel manager and valuations must be conducted in accordance with the Bank's standard Panel Valuer's Agreement. The report is produced solely for the use of State Bank of India.



1.3 Valuation Types

There are a number of different valuation types available:

1.3.1 Mortgage Valuation Report

A written report using the Bank's standard template (See Appendix B) completed by a suitably qualified valuer following their physical inspection of the interior and exterior of the property. The report is produced solely for the Bank's use. A reduced copy of this report is provided to the borrower/s.

1.3.2 Homebuyers Valuation and Survey Report

A written report completed by a suitably qualified surveyor following their physical inspection of the whole of the proposed security, commissioned by the borrower from a choice of approved panel firms. An intermediate condition report is produced for the borrower and a separate valuation report (as detailed in 1.3.1) for mortgage purposes is provided for the use of the Bank.

1.3.3 Building Survey Report

A written report completed by a suitably qualified surveyor following their physical inspection of the whole of the proposed security, including structure and services, commissioned by the borrower from a choice of approved panel firms. A comprehensive condition report is produced for the borrower and a separate valuation report (as detailed in 1.3.1) for mortgage purposes is provided for the use of the Bank.

1.3.4 High Value Securities

For high value properties (over £2,000,000) instructions are issued to a restricted panel of specialist valuation companies with specific expertise in the field. The approved panel manager acting on behalf of the Bank has been instructed to manage this requirement.

1.3.5 Re-inspection

The property is revisited by the valuer to ensure adequate completion of specific works. The valuer will not provide new valuation or rental figures. This type of report should only be used where the property was an unfinished new build at original inspection and required completion, or where the property required essential works which need to be undertaken prior to completion. The re-inspection must be instructed and returned to the Bank satisfactorily prior to the release of funds.

1.3.6 Revaluation

The property is revisited by the valuer for the purpose of re-evaluating the property and rental valuation figures. May be required in the event that the original valuation report expired but our loan has not completed, where a further advance has been requested or post-completion where a partial release of security has been requested.

1.3.7 Re-Types / Transcribes

A Re-Type/Transcribe is a pre-existing valuation report which has previously been carried out for another lender or for the purposes of the borrower and then transposed onto the Bank's standard template. At present the Bank does not accept re-types / transcribes under any circumstances.

1.3.8 External Inspection / Indexed Valuation (HPI) / Automated Valuation Models (AVMs)

At present the Bank does not use these valuation types for Buy to Let applications. However, these valuation types can be useful for monitoring LTVs on completed cases, checking disputed valuation figures or checking the Bank's security position in the event of arrears.



1.4 Valuation Controls and Validity

A physical survey will be undertaken on all properties offered as security to State Bank of India. The valuer will be instructed to undertake the valuation in accordance with the following:

- The valuation must be instructed for and on behalf of State Bank of India only, using the Bank's UK standard valuation instruction.
- The valuation must be conducted by one of the Bank's UK panel valuers in accordance with the most recently published guidelines of the RICS Valuation - Professional Standards (the 'Red Book'), for the valuation of residential properties for mortgage purposes.
- The valuation report must be addressed to State Bank of India and submitted directly to the Bank or its approved agents in the Bank's UK standard format.
- The valuation report must be signed by the valuer undertaking the survey (valuation reports submitted via the Quest/Xit2 system, which display a computerised version of the signature, are acceptable).
- Direct valuation instructions where the valuation report has been carried out prior to submission of the application to the Bank are unacceptable. All valuations must be instructed by a member of Bank staff or its appointed agents.

All valuation reports will be accepted for a period of six months or until the expiry of the mortgage offer, whichever is the later. If the loan has not completed within this time a revised valuation must be obtained from the original valuer, or a new valuation instructed.

1.4.1 Valuation Validity – Exceptions Policy

Where a mortgage offer is extended under the Bank's offer extension rules (within BTL Credit Policy Manual), a new valuation report is not required. A mortgage offer can only be extended once under the extension rules policy, therefore a new application and valuation report would be required if a borrower wanted to proceed following the expiry of the offer extension.

1.5 Buildings Insurance

Each property that State Bank of India holds as security must be insured by a comprehensive, index linked buildings insurance policy for a sum no less than the full reinstatement value recommended by the surveyor in the valuation report. The insurance must be effective from exchange of contracts in the instance of a house purchase, or from the completion date in the instance of a remortgage. The maximum allowable excess amount on any buildings insurance policy must be no more than £1,000.00.

Where the property that is being presented as security is a leasehold flat and the insurance is being arranged by the Freeholder, it is accepted that our borrower will not be responsible for arranging the policy. We are however required to ensure that the property we are lending against is insured at an accurate level. Where the freeholder has one overall insurance policy for the whole building, we will expect that the re-instatement figure provided by the Valuer is accurately covered under the one insurance policy. The total sum insured will need to be divided by the number of units within the freehold building, and the resultant figure will need to exceed the re-instatement value provided



by the Valuer. Where the cover is insufficient to cover the Valuers assessment we will be happy to proceed subject to the Solicitor obtaining written confirmation from the insurance company concerned, confirming that they have assessed the level of cover for the entire block and it is completely adequate. This confirmation must be provided to the Bank and held on the mortgage file.

1.6 The Valuation Report

The basis of each valuation is “market value” and “market rent”. Within their report the valuer will provide:

- Valuation in present condition (Open Market Value) assuming vacant possession.
- Valuation after necessary works are completed.
- Estimated rental income (Market Rent) – based on single family unit occupation (not a room by room, multi-let basis).
- A statement that the property is suitable for mortgage purposes.
- An indication of the level of rental demand based on local market conditions.
- A list of any necessary repairs or specialist reports.
- Re-instatement cost for insurance purposes.
- Where the security is outside the Bank’s criteria the valuer will certify the property as not suitable.

1.7 Specialist Reports

The content of the mortgage valuation is deliberately restrictive to protect valuers from complaints and litigation. To comply with the guidelines governing the content of these surveys, valuers cannot investigate or give a definitive opinion about potential problems; instead they must ‘flag’ these concerns and recommend further specialist investigation.

To this end specialist reports may occasionally be requested by the valuer. These reports provide additional information which can help to inform the Valuer’s mortgage valuation report.

It is not always necessary to obtain the reports prior to completion. The valuation report should make it clear whether the specialist report must be obtained and referred back to the valuer before the case can proceed (usually where there are structural concerns) or whether the requirement can be satisfied with a special condition on the mortgage offer. If there is uncertainty as to whether or not reports need to be obtained up front then guidance should be sought from mortgage underwriting.

1.7.1 Timber and Damp Report

Our valuer will often indicate that a report is required where their survey detects the potential presence of damp. This is particularly common in buildings over a certain age. However, unless the valuer has raised specific concerns, an undertaking to obtain the report and carry out works within 6 months of completion will generally be sufficient. The report and any works recommended therein must be carried out by a Property Care Association (PCA) registered firm.

1.7.2 Electrical Report

Comments on the valuation report will tend to highlight where old wiring may need to be replaced. However, unless the valuer has raised specific concerns, an undertaking to obtain the report prior to



exchange of contracts (prior to completion for remortgages) and to carry out the works within 1 month of completion and/or prior to letting, will generally be sufficient. The report and any works recommended therein must be carried out by a National Inspection Council for Electrical Installation Contracting (NICEIC) registered electrician.

1.7.3 Gas Report

May be requested where properties are of a certain age or where there is obvious evidence of problems. Reports on the gas fixtures and fittings can often be requested. Unless the valuer has raised specific concerns, an undertaking to obtain the report and carry out works within 1 month of completion and/or prior to letting (report conducted prior to completion for remortgages) will generally be sufficient. The report and any works recommended therein must be carried out by a Gas Safe registered firm.

1.7.4 Cavity Wall Ties Report

Buildings of a certain age were built with cavity walls; an outer leaf of brickwork and an inner leaf of block work tied together with steel wall ties. The metal wall ties can corrode over time, undermining the structural integrity of the building. Where buildings are of a certain age the valuer may request a cavity wall ties report. The valuer may have identified specific structural concerns in which case it may be necessary to obtain the report before the case can proceed. However, unless the valuer has raised specific concerns, an undertaking to obtain the report and carry out works within 6 months of completion will generally be sufficient.

1.7.5 Arboriculturalist Report (Tree Report)

Report may be required when the security is in close proximity to mature trees or invasive vegetation (such as Japanese Knotweed). Reports cover the potential risk to the property from trees/vegetation, related subsidence and tree failure. Unless the valuer has raised specific concerns an undertaking to obtain the report and carry out works within 6 months of completion will generally be sufficient.

Where Japanese Knotweed is in close proximity to the building the Bank will require evidence that the plant has been eradicated before proceeding with the application.

1.7.6 Concrete Screening Report (Sulphate Report)

Sulphates in the fill material below ground floor slabs can react with concrete causing expansion and resulting in structural damage to the main walls of a building. The problem is typically associated with local authority housing built in the 1950s and 1960s in mining areas where deleterious materials were used in the construction process. Due to the risk of structural damage in the event of a sulphate attack, where the valuer has requested a Concrete Screening Report it must be obtained and referred to the valuer prior to proceeding.

1.7.7 Drainage Report

Drainage problems can undermine the structural integrity of the building. If the valuer has identified structural concerns they may require sight of a CCTV Survey before being able to determine whether the property is suitable security. In most instances the valuer will have identified specific concerns and it will be necessary to obtain the report before the case can proceed. There may be some small instances where an undertaking to obtain the report and carry out works within 6 months of completion will be sufficient. The Valuer is expected to advise us in either instance.

1.7.8 Structural Engineers Report / Chartered Building Surveyors Report

Our valuer will occasionally indicate that a report is required where their survey detects the potential presence of structural movement to the property. In the event that the valuer requests



that a Structural Engineers Report / Chartered Building Surveyors Report is required this must be obtained by the borrower prior to mortgage offer and referred to the valuer for their comment. The report must be completed by one of the following:-

- A Fellow or Member of the Royal Institution of Chartered Surveyors (FRICS or MRICS).
- A Fellow or Member of the Institution of Structural Engineers (F.I.Struct.E or M.I.Struct.E).
- A Fellow or Member of the Institution of Civil Engineers (FICE or MICE).

Once the report has been reviewed by the Valuer we would expect them to confirm if a re-inspection of the property is required to confirm the adequacy of the repair work, or if a 'Certificate of Satisfaction' from the specifying/supervising engineer (or similar specialist) confirming repair work completed is adequate.

1.7.9 Mining Reports

Where no problems are noted by the valuer but the property is in a mining area the Bank does not require sight of a mining report from the relevant institution. Under the terms of the CML handbook, the Bank's conveyancer must carry out the requisite searches and, where there is a mine shaft entry within 20 metres of the property, they must advise the Bank accordingly. The presence of a mine shaft in such close proximity to the security is likely to have a material impact on the property valuation and the mortgagability of the property. In these circumstances, details must be referred back to the original valuer for their consideration and advice.

1.7.10 Other Specialist Reports

The above list of reports is not definitive; other specialist reports may on occasion be requested (for example asbestos reports or roof reports). In determining what action to take, consider the Valuer's comments and whether potential defects will materially affect the mortgagability of the property. Further guidance can be obtained from Mortgage Underwriting.

1.8 Environmental Searches and Contaminated Land

Environmental Searches may be obtained by the conveyancer where there are concerns over environmental issues such as subsidence, flooding or industrial contamination. The Bank does not require sight of these searches; the detail contained within the report is too limited to make an informed judgement about the risk and even where issues are identified they may not preclude lending. Where issues are identified on a search the Bank would expect to be made aware and, depending on the circumstances, may refer the information back to the original valuer for further guidance.

As part of the requirements laid out in the CML handbook the conveyancer must carry out a Local Authority search for contaminated land records. Where contaminated land entries are identified this must be brought to the Bank's attention. Whilst issues may not preclude lending full details should be referred back to the original valuer for their guidance.

1.9 Retentions

Retentions are not presently a facility that is offered by SBI UK.

All properties being offered as security to SBI UK must be in a readily 'lettable' condition. The valuer will be asked as part of his inspection whether there are any minor repairs that can be added to the mortgage offer as a condition of the advance. Where the valuer is happy that these repairs can be



undertaken within one month of completion, a condition to the mortgage offer must be added to ensure that these works are undertaken.

Where the works are more substantial, or in the event that the property is 'un-lettable', funds should be retained in full pending completion of works and either a re-inspection by our valuer or suitable certificates / guarantees to evidence completion of works (dependent on the nature of the required works). If these substantial works cannot be undertaken prior to completion then the case must be declined.

1.10 Valuation Fees

Valuation fees are determined by the Product Team. For further guidance please refer to the SBI UK tariff of charges.

1.11 Valuation Appeals

It is essential for all lending propositions that the proposed security fully satisfies the requirements of the Bank's Buy to Let Lending Policy. However, in the event that the Valuer's opinion of value or rent is lower than the borrowers' anticipated amount, the Bank will consider an appeal subject to the following conditions:-

- Formal appeals from the borrower or their broker must provide a clear rationale for their challenge and be accompanied by evidence of a minimum of three genuinely comparable properties that have been sold or let within the last 3 months.
- Appeals will only be considered where they are directed via the Bank's central mortgage processing department. Direct approaches to the valuer are unacceptable.
- The Bank will only consider one valuation appeal per application. Once the valuer has reviewed the comparable evidence and provided their response the decision is final.



2 The Property

2.1 General Information

The Bank must have first charge over the property.

State Bank of India will only consider property that is located in mainland England (including the Isle of Wight) and Wales. The Bank will not consider any property located in Scotland, Northern Ireland, the Isle of Man or the Channel Islands (Jersey, Guernsey, Alderney, Sark, and Herm).

The tenure must be either freehold or leasehold; the Bank does not consider properties on a commonhold basis (see section 2.4.5).

Freehold flats and maisonettes are unacceptable; these must be leasehold with a minimum term of 55 years at inception and 30 years remaining at loan maturity.

There must be full rights of access, including vehicular (if applicable), to the property.

If new, or built within 10 years of the date of application the property must benefit from an acceptable new build warranty (see section 2.3.1).

The Bank will only consider Buy to Let applications that are unregulated (see section 2.6.9).

Any property which is not recommended as suitable security by our valuer or where the valuer has indicated a poor rental demand or limited resale potential must be declined by the Bank.

2.2 Property/Construction Types

As part of the valuation process, the surveyor will need to confirm various details regarding the property type and construction. If precise details are not available at the time of inspection the valuer will be required to undertake additional enquiries and/or research prior to reporting to the Bank.

This section of the manual will provide details of the acceptable and unacceptable property types/constructions. Where necessary it will provide details of the discretion which is available to the Underwriter in the individual sub-sections.

2.2.1 Agricultural Restrictions/Ties

Any property which has an agricultural restriction formal or otherwise is not considered to be acceptable to the Bank. This includes any type of working farm, agricultural small holding or any property with equestrian use. No discretion is available.

2.2.2 Bedsits

A bedsit is a property which is occupied by sharers and would usually not have any shared communal area other than a kitchen and bathroom. In the instance that there is no shared communal reception room the property will be assumed by the Bank to be a bedsit and will not be acceptable security. In addition to this, if the property has internal door locks then this will also be assumed to be a bedsit type scenario and will be unacceptable to the Bank. No discretion is available.

2.2.3 British Iron and Steel Federation (BISF) Properties

This is a type of construction used in some post-war properties, built using steel reinforced concrete panels. Contaminates were present in the concrete and the steel used was of poor quality. This



type of construction is unacceptable to the Bank even if the property has been subject to upgrading. No discretion is available.

2.2.4 Colt Bungalows

This is a wooden framed property which has potential issues with dampness if the property is not adequately maintained. This type of construction is unacceptable to the Bank. No discretion is available.

2.2.5 Commercial Premises

Properties immediately adjacent to business premises with A3 commercial use or an onerous commercial use that may deter prospective purchasers or tenants are unacceptable to the Bank. Typical unacceptable uses include: restaurants and fast food outlets, licensed premises, laundrettes, dry cleaners, hairdressers, pet shops, funeral parlour, taxi / mini-cab office, amusement arcade, industrial premises, petrol station. Consideration must be given to whether the business may be particularly noisy, odorous or operate anti-social opening hours.

Ultimately we are relying on the Valuer's guidance in this area, and their assessment on desirability and saleability.

Where the commercial usage cannot be identified or in the instance that the property is located above vacant commercial premises, we will be unable to proceed with the application and it must be declined.

2.2.6 Commonhold

This type of tenure is presently unacceptable to the Bank (See section 2.4.5). No discretion is available.

2.2.7 Contaminated Land

Where searches indicate that the property is built on contaminated land and the valuer has confirmed that this will have a detrimental impact on future saleability, this will be unacceptable security to the Bank (see section 1.8). No discretion is available.

2.2.8 Cross Wall Construction

This is a modern method of concrete construction designed to be durable and have a low level of maintenance. This type of construction is acceptable subject to a supportive valuation.

2.2.9 Deck/Balcony Access

Properties that have deck or balcony access are unacceptable to the Bank. However discretion can be applied where the subject property is a low rise maisonette and the surveyor can recommend the property as suitable security.

2.2.10 Flat Roofs

Properties with flat roofs of up to and including 100% are acceptable to the Bank on the basis that valuer can confirm that there is a Good or Excellent resale demand for the property.

2.2.11 Flats/Maisonettes

Flats and Maisonettes generally will represent a suitable security to the Bank. There is however some scenarios and certain flat types which are not considered to be acceptable to the Bank and these issues are presented as follows:-



Freehold Flats/Maisonettes – Where the tenure of any flat or maisonette is freehold this will not represent suitable security to the Bank. This is because freehold flats have insurance implications and maintenance responsibility issues. All flats must be leasehold in tenure with a term which is suitable as per section 2.4.4 at the time of completion. No discretion is available.

High Rise Blocks – Flats which are located in blocks that are six stories or more are defined by the Bank as ‘High Rise’ and are generally not considered to be acceptable security for the Bank. Exceptions can be considered where the property is in a prime residential location and there is a lift service available OR if the flat is deemed to be in a super prime ‘prestigious’ development without a lift service.

Ex-Local Authority Flats/Maisonettes – These types of properties are generally not considered to be acceptable security for the Bank. Exceptions may be considered in super-prime residential areas and subject to a strong valuation (for example Brunswick Centre, WC1).

Studio Flats – Again these types of properties are generally not considered to be acceptable security for the Bank. Exceptions may be considered for studio flats in prime residential areas provided that the internal floor area is not less than 30 square metres, there is a separate bathroom and the kitchen facilities and sleeping area are in separate rooms.

Independent Access – Flats which do not have their own independent & unimpeded access, or that are not fully self-contained are unacceptable to the Bank. No discretion is available.

2.2.12 Flying Freehold

Properties which include no more than 15% on a ‘Flying Freehold’ basis are deemed to be acceptable to the Bank. If there is more than 15% which is subject to a ‘Flying Freehold’ arrangement then this is unacceptable (See section 2.4.3). No discretion is available.

2.2.13 High Alumina Cement Concrete (HACC)

This is a historic type of concrete construction which was mainly used post WWII. It has been subject to historic issues including the collapse of some buildings. This type of construction is unacceptable to the Bank. No discretion is available.

2.2.14 Holiday Lets

Properties which are let on a seasonal ‘holiday let’ basis are not acceptable to the Bank. Likewise any property which cannot be occupied continually over the course of a year is also not acceptable. No discretion is available.

2.2.15 Hoop Iron

Hoop Iron relates to long steel strips laid in the brickwork mortar joint. These metal strips are prone to corrosion and expansion causing cracking to properties, and leading to damp penetration. Properties incorporating this type of construction are unacceptable to the Bank. No discretion is available.

2.2.16 Houseboats

This type of property is unacceptable to the Bank. No discretion is available.



2.2.17 Houses in Multiple Occupation (HMO's)

A House in Multiple Occupation is a property which is rented out by at least 3 people who are not from the one 'household', e.g. a family, but share facilities like the bathroom and kitchen. A mandatory HMO licence is required if the subject property is let to or intended to be let to 5 or more people who form one or more households, and the property is at least 3 storeys high. In addition to this some local authorities also have some selective licencing which can be more restrictive than the mandatory licencing requirements. Any property which is a HMO subject to licencing is unacceptable security to the Bank and must be declined.

For Example: A property which is let to 3 unrelated persons, on one tenancy agreement, in a property which is two storeys high, and is not subject to any local authority selective licencing requirements would be acceptable security to the Bank.

If a property is let on multiple tenancy agreements this is unacceptable to the Bank. All tenants must be named on the one agreement and be jointly and severally liable for the rental payment. No discretion is available.

2.2.18 Laing Easi-Form

This is a form of concrete construction that dates back to about 1900. The method of construction post 1945 improved significantly. This type of construction is acceptable subject to a supportive valuation and a construction date post 1945.

2.2.19 Large Panel System (LPS)

This type of construction is a historic type used to produce large scale housing estates/blocks. The construction type has suffered a number of structural problems and is therefore considered unacceptable to the Bank. No discretion is available.

2.2.20 Listed Buildings

A property which is recorded as a listed building is acceptable security to the Bank. This is subject to there being no restrictions in place on alterations or use, which would significantly affect the property's marketability. Valuer must provide appropriate guidance to the Bank to assist in the Bank's decision.

2.2.21 Mining Area

Where searches indicate the presence of a mining shaft within 20 metres of the property this may have an impact on the mortgagability of the property (lending decision will be subject to the Valuer's advice – see section 1.7.9).

2.2.22 Mixed Use

A Mixed use property is where part of the property is used for commercial purposes (e.g. as a shop, office or surgery etc.). This includes where there is *any* element of commercial use and the property is not *wholly* for residential use. Scenarios include live/work units and propositions where the property is a fully self-contained residential unit but adjoining buildings or land which form part of the security has a commercial use. The Bank will not lend where the property is identified as being of 'mixed use'. No discretion is available.

2.2.23 Mobile Homes

This type of property is unacceptable to the Bank. No discretion is available.



2.2.24 Modern Methods of Construction (MMC)

Modern house building is seeing a shift back towards prefabrication. Whilst there are a number of drivers for this movement one of the most pertinent are the need to improve performance in order to meet tightened building regulation standards. Given the imperative to produce high quality housing stock, coupled with significant technical developments there is no reason to assume that the historic problems witnessed in manufactured housing (corrosion of steel frames, cracking of concrete, condensation etc.) should be repeated. The Bank is happy to consider lending on this type of construction, but the property must have been valued and detailed comments provided by the valuer supporting a decision to lend. The property must benefit from a new build warranty as detailed in section 2.3.1. Each property must be reviewed on its own merits and a recommendation by the valuer will not guarantee a favourable decision by the Bank.

2.2.25 Multiple Kitchens

Where the property has more than one kitchen this will be unacceptable to the Bank. Exceptions can be considered where the property has a second kitchen which is for verifiable religious reasons.

2.2.26 Multiple Units

A property which consists of more than one unit on a single title is defined by the Bank as a Multiple Unit Property i.e. a house which has been subdivided into two self-contained units, OR a pair of semi-detached houses both under one freehold title. Where it is identified that there are multiple units this will be unacceptable to the Bank. This also includes properties which include a granny annexe or granny flat. No discretion is available.

2.2.27 Mundic Block

Mundic Block construction is common in the county of Cornwall. It is a construction which consists of spoil from local tin mines. This type of construction is not acceptable if it has either not been tested or has received one of the following classifications: Class A/B; Class B; or Class C. If the property has been tested and this has resulted in it being awarded a Class A then this will be acceptable subject to valuers supporting comments. No discretion is available.

2.2.28 Poured Concrete

Poured Concrete construction is unacceptable to the Bank. They can however be considered on an individual merit basis. The surveyor must provide supportive comments for the property and a structural engineers report must be obtained to confirm that there are no structural issues with the property.

2.2.29 Power Cables/Pylons

Properties in direct proximity to overhead power cables / pylons especially where they are located over the house or garden area will be unacceptable to the bank. No discretion is available.

2.2.30 Pre-Cast Reinforced Concrete (PRC)

PRC properties are a type of construction which have over the course of their lifetime developed structural issues. This type of construction is not ordinarily acceptable security to the Bank. However, where a property has been designated as 'defective' under the Housing Defect Act and subsequently repaired under an approved scheme this may be acceptable. The property must have an external brick skin and suitable guarantees from a licensed scheme. In addition any adjoining properties will also have to have been repaired as above. The borrower must have documents (home owners' agreement and PRC Certificate of Inspection) to demonstrate that they have been registered under an approved scheme (See Appendix A for a list of known PRC types).



2.2.31 Registered Social Landlord Scheme

Properties that are being purchased through a Registered Social Landlord (RSL) scheme, OR where the property was originally purchased through a RSL scheme and is still in the pre-emption period are both unacceptable to the Bank. No discretion is available.

2.2.32 Rent to Buy Scheme

'Rent to Buy' or 'Try Before you Buy' schemes are where the borrower has previously rented the property from a Housing Association or builder with the intention of purchasing at a later date. These types of schemes are unacceptable to the Bank. No discretion is available.

2.2.33 Restrictive Covenants

Properties with restrictive covenants on the title that limit occupancy / sale of the property to certain groups; examples include: agricultural workers, those already living / working within a certain distance of the property, age restrictions or sheltered housing are unacceptable to the Bank. No discretion is available.

2.2.34 Right to Buy Scheme

Properties that are being purchased through a Right to Buy (RTB) scheme, OR where the property was originally purchased through a RTB scheme and is still in the pre-emption period are both unacceptable to the Bank. No discretion is available.

2.2.35 Self-Build Properties

A self-build property which is currently under construction is unacceptable to the Bank. If the construction of the property is complete and there is a suitable guarantee scheme in place (See section 2.3.1) then the property is considered acceptable subject to the surveyors' recommendation.

2.2.36 Shared Ownership Scheme

Properties being purchased through a shared ownership, HomeBuy, or shared equity scheme are unacceptable to the Bank. No discretion is available.

2.2.37 Sheet Roofing

Where the property consists of either Traditional Corrugated or an Asbestos Based Sheet Roofing, this will be unacceptable to the Bank. No discretion is available.

2.2.38 Single Skin Construction

Where there is single skin construction to the main building, including extensions, and this amounts to more than 25% of the external walling this will be unacceptable to the Bank. Where the single skin element of the property is under 25% this will be acceptable. The valuer must be relied upon in this instance to accurately calculate the correct level. No discretion is available.

2.2.39 Standard Construction

SBI UK deems a property to be of Standard Construction if it has been constructed of Brick, Block or Stone Walls and Tile or Slate Roof. All other forms of construction are deemed to be Non-Standard.

2.2.40 Steel Framed and Clad

This type of construction may be subject to maintenance and durability issues and is therefore considered to be unacceptable to the Bank. No discretion is available.



2.2.41 Thatched Roof

This type of roof covering is considered acceptable security to the Bank. This is subject to individual inspection and insurance considerations.

2.2.42 Timber Clad (e.g. Swedish Timber Properties)

This type of construction may be subject to maintenance and durability issues and is therefore considered to be unacceptable to the Bank. No discretion is available.

2.2.43 Timber Framed Properties

This type of construction is acceptable subject to the property having been constructed pre 1920 or post 1980, providing that they have brick / reconstituted stone or rendered brick / reconstituted stone / block outer walls.

2.2.44 Underpinning

Properties that have been subject to underpinning within the last 10 years must have the residue of a 10 year guarantee, evidence of full building regulation approval and subject to a supportive valuation to be acceptable security to the Bank.

2.2.45 Wimpey No-Fines

This was a construction method conducted by the George Wimpey Company used post WWII to provide a high volume of social housing. It is a concrete construction containing no fine aggregates (No-Fines). This type of construction is acceptable security to the Bank, subject to a supportive valuation.

2.3 New Build

Properties that have been built within the last 12 months or are being sold for the first time (including properties being bought off plan) may include a notional 'new build premium' (not to be confused with a new build incentive). A new build premium is the additional value in a brand new property that diminishes once the property has been occupied and falls into regular market conditions.

To protect the Bank's interest, lending on new build and newly converted properties (a property built/converted within the last 12 months or being sold/registered for the first time) will be subject to the following loan to value (LTV) restrictions:-

- New build and newly converted flats/apartments, LTV will be restricted to 50%.
- All other new build and newly converted properties, LTV will be restricted to 60%.

This reduction in LTV does not in any way take into account any Financial Incentives or otherwise that are being offered to the Borrower as part of the purchase. Any Financial Incentive must be discounted from the purchase price separately before the above LTV calculation is made (See Sales Incentive policy section located in BTL Credit Policy Manual).

2.3.1 Approved Building Standards Indemnity Scheme and Building Supervision

Properties built within the last 10 years, or newly converted property will only be accepted as security if they have been built under an approved building standards indemnity scheme or supervised by a suitably qualified professional consultant.



Acceptable Building Standards Indemnity Schemes are listed below:

The National House-Building Council (NHBC) Buildmark scheme.
The Zurich 10 (New Build or Conversion) scheme.
The Housing Association Property Mutual (HAPM) scheme.
The Premier Guarantee for Private Housing and Completed Housing schemes.
The Local Authority Building Control (LABC) Hallmark New Homes Warranty Scheme.
The Build-Zone 10 year warranty.
Building Lifepans Limited (BLP, Allianz Guarantee).

Where the property does not have the benefit of one of the above schemes the building work must have been monitored and supervised by a professional consultant. The Consultant must provide a Professional Consultants Certificate, and hold one or more of the following qualifications:

Fellow or Member of the Royal Institution of Chartered Surveyors (FRICS or MRICS).
Fellow or Member of the Institution of Structural Engineers (F.I.Struct.E or M.I.Struct.E).
Fellow or Member of the Chartered Institute of Building (FCIOB or MCIQB).
Fellow or Member of the Architecture and Surveying Institute (FASI or MASI).
Fellow or Member of the Association of Building Engineers (FB.Eng or MB.Eng).
Architect registered with the Architects Registration Board (ARB). An architect must be registered with the Architects Registration Board, even if also a member of another institution, for example the Royal Institute of British Architects (RIBA).
Fellow or member of the Institution of Civil Engineers (FICE or MICE).

The Consultant must have an appropriate level of Professional Indemnity Insurance in place.

It is accepted by the Bank that a Professional Consultants Certificate will only provide a 6 year guarantee as opposed to a 10 year guarantee under a New Build Scheme, in line with their Professional Indemnity Insurance.

2.3.2 New Build Retentions

Retentions are generally not required for newly built properties that were valued in the course of construction as the solicitor will obtain the relevant Building Standards Indemnity Scheme Certificate prior to completion of the loan. However, where the valuer has valued the property on the basis of plans alone and/or where the valuer has explicitly stated that a re-inspection of the property is required the Bank will retain a full retention pending satisfactory re-inspection (see section 1.9).

2.3.3 Newly Converted Flats

All newly converted leasehold flats are subject to planning consents and building regulations and must have been converted in accordance with these. A Professional Consultants Certificate will also need to be evidenced as detailed in section 2.3.1 above. The property must comply with all relevant policy criteria relating to flats. Where our borrower has carried out the conversion, checks must be undertaken to ensure that the lessee and freeholder are not one and the same and that proposal complies with property concentration limits. There must be clear agreements in place pertaining to the management and maintenance of communal parts and insurance (suitable block policy in place). The valuer must provide a strong, supportive valuation.



2.3.4 Newly Converted Houses

Quality conversions (e.g. barns and chapels) are generally acceptable to the Bank. This will be subject to a strong, supportive valuation confirming that the conversion is of high quality and the property has good resale potential. Confirmation that there are adequate independent access arrangements and a suitable Professional Consultants Certificate is in place as detailed in section 2.3.1 above.

2.4 Tenure

In England and Wales property can be owned in one of the following three ways:

- Freehold.
- Leasehold.
- Commonhold.

2.4.1 Freehold

A property is freehold when the owner has complete ownership of the land and all the buildings on the land. Freehold houses and bungalows are acceptable security for the Bank.

2.4.2 Freehold Flats / Maisonettes

Freehold flats and maisonettes are not considered to be suitable security for the Bank, and will not be accepted as security for Buy to Let loans.

The Bank does not accept freehold flats or maisonettes as security because there is no straightforward process for enforcing the maintenance or repair of common areas, or to recover costs from neighbouring flat owners. It therefore becomes very difficult to control the condition or the structure of the property, which could affect its marketability or reduce its value.

2.4.3 Flying Freehold

A flying freehold is where part of a freehold house extends over part of another property.

These arrangements expose the Bank to similar issues as freehold flats, and therefore we would not normally expect to accept a property with a flying freehold as security. However, there are some properties that have very small areas of flying freehold, and appropriate legal arrangements for repair that protect the property from these issues. Therefore, we may accept a flying freehold where the following conditions are satisfied:

- The flying freehold is less than 15% of the overall property.
- Satisfactory legal arrangements are in place, ensuring all necessary protection and entry for repair, with the adjoining owners exist.
- The valuer does not indicate that the existence of the flying freehold adversely affects either the value or future marketability of the property.

2.4.4 Leasehold

In a leasehold agreement the freeholder (the landlord) gives exclusive occupation of the property for an agreed period, upon payment of a ground rent and subject to any other agreements (e.g. payment of a service charge).

The lease may contain conditions or covenants, which may apply to either the landlord or the tenant, and may include conditions that are not acceptable to the Bank (e.g. restrictive sale



arrangements). Our solicitor will check the lease on behalf of the bank to ensure that it meets our requirements.

To be considered suitable as security a leasehold property must meet the following criteria:

- An unexpired lease term of at least 55 years at the start of the mortgage.
- At least 30 years remaining on the lease upon expiry of the mortgage term.
- Be free of any restrictive covenants that may affect the future value, marketability or sale of the property.

A Land Registry search will be undertaken as part of the case assessment by underwriting staff. If the valuation report confirms a lease term which varies to that shown on the Land Registry search, then this must be referred back to the valuer. If there is any doubt over the length of the lease term, or a Land Registry search is not available then the solicitor must be asked to confirm the lease term as part of the mortgage conditions. Again, if there is any variance to the lease term shown on the valuation report then this must be referred back to the valuer for their comment.

2.4.5 Commonhold

Commonhold involves freehold ownership of a single property within a multi-occupancy development, with shared responsibility for (and ownership of) the common parts and shared facilities. In a commonhold the owners of each unit are automatically members of a company - the Commonhold Association (CA) – which owns the freehold of these common parts and shared facilities. The CA is responsible for the management and maintenance of communal parts.

State Bank of India does not accept Commonhold properties as suitable security.

2.4.6 Share of Freehold

There are some circumstances where a property is owned on what is known as a ‘share of freehold’ basis. This is common in larger houses which have been converted to provide accommodation in the form of self-contained flats. Set out below are three scenarios where the Bank is happy to consider lending where this arrangement exists. In the instance where the security being offered is a freehold flat this is outside of policy and will not be considered. Lending on flats is restricted to leasehold units only.

1) Where the borrower is mortgaging a leasehold flat in a converted building, and they also own the freehold for the whole block, this will be acceptable to the Bank subject to the following criteria:-

- The converted building can consist of no more than 4 units
- The lease must meet the acceptable requirements under policy rules i.e. Remaining Term
- A first charge must be placed over the leasehold and freehold titles
- The valuer must be made fully aware of the arrangement in place as it may affect the valuation (if we are not aware at valuation instruction this must be referred back to the valuer prior to completion of the mortgage advance)
- Solicitor must advise us where the borrower is also the owner of any adjacent properties.

2) Where the borrower is mortgaging a leasehold flat in a converted building, and they also own a share in the freehold for the whole block with one or more of the other flat owners, this will be acceptable to the Bank subject to the following criteria:-

- The converted building can consist of no more than 4 units
- The lease must meet the acceptable requirements under policy rules i.e. Remaining Term
- A first charge must be placed over the leasehold title.



3) Where the borrower is mortgaging a leasehold flat in a converted building split into two units, and the borrower also owns the freehold reversion of the other flat and the other leaseholder owns the freehold reversion in the borrowers' flat, this will be acceptable to the Bank subject to the following criteria:-

- The converted building can consist of no more than 2 units
- The lease must meet the acceptable requirements under policy rules i.e. Remaining Term
- A first charge must be placed over the leasehold title and the borrowers' freehold interest in the other flat.

2.5 Roads and Access Arrangements

As part of the valuation report we expect the valuer to ensure that there are suitable arrangements in place for both vehicular (where appropriate) and pedestrian access to the subject property. This is a particular area of concern for new build properties where access may not have been formally agreed, or the roads may not have been fully adopted.

The valuer is expected to notify the Bank where they consider the property to have unsuitable access arrangements, and provide the Bank with specific details where the suitability may have an impact on the marketability or desirability. These comments must be reviewed in detail and consideration given by Underwriting as to whether the property represents suitable security to the Bank.

There may be instances where the valuer is unable to ascertain the full rights of way and access arrangements. In this instance it is accepted that the solicitor will need to review this as part of the conveyancing process and advise the Bank where suitable arrangements do not exist.

2.6 Tenancy Agreement and the Tenant

There are a number of different tenancy types that may be used when letting property, although not all of them provide adequate protection for a lender in possession. The terms and conditions of Buy to Let loans will include consent to tenancies. It is therefore important to ensure that an appropriate and acceptable tenancy agreement is in place in order to protect both the Bank and the tenant in the event of the Bank taking possession of the property.

A copy of the tenancy agreement will not ordinarily be requested by the Bank. The valuer will as part of their report seek clarification of any existing tenancy and confirm the details where they are available. If the valuer is unable to ascertain the current level of rental being paid for the property, then a copy of the tenancy agreement (to confirm rental amount) must be requested by Mortgage Underwriting staff as this forms part of the lending calculation.

2.6.1 The Tenant

The Bank will only consider propositions where the intended tenant(s) are single family units on one tenancy agreement.

The Bank will not consider student lets or any similar multiple tenancy proposal.



2.6.2 Assured Shorthold Tenancy (AST)

Most Buy to Let properties will be let under an Assured Shorthold Tenancy Agreement.

It is a condition of loan that the property is let under an Assured Shorthold Tenancy Agreement subject to a maximum length of 12 months to ensure that the Bank is provided with adequate protection and enforcement rights in the event of possession.

When the initial AST comes to an end and the tenant remains at the property, the tenancy will become a Statutory Periodic Tenancy. This situation will only occur when neither the tenant nor the landlord wish to change the terms of the agreement. The tenancy will roll on until either party decides to terminate the agreement or wish to vary the terms of the agreement. The notice period will remain at two months for the landlord and one month for the tenant as per the minimum required under an AST. A statutory periodic tenancy is acceptable to the Bank.

2.6.3 Non-Assured Shorthold Tenancies

Some types of tenancy cannot be Assured Shorthold Tenancies. These include:

- Business tenancies
- Tenancies where no rent is payable or where rent of less than £250 per annum is paid (less than £1,000 per annum in London)
- Tenancies where the current rent is more than £100,000 per annum (agreements must have commenced on or after 01/04/1990) – High Rent Tenancies
- Tenancies of agricultural land or holdings
- College accommodation
- Holiday lets

With the exception of business tenancies and high rent tenancies the Bank will not consider any of the above scenarios.

2.6.4 Acceptable Common Law Tenancies

Where the tenancy agreement cannot be an assured shorthold, the contract operates under the common law rules and has little statutory security of tenure; it is simply a contract between the landlord and tenant.

High Rent Tenancies - The Bank will accept a 'Common Law Tenancy' where annual rental income exceeds £100,000 per annum. The tenancy agreement will be acceptable subject to a maximum length of 12 months and a 6 month break clause.

Company Let Agreements - A tenancy agreement cannot be an assured shorthold where the tenant is a Limited Company. The Bank will consider Company Lets on a Common Law Tenancy Agreement only where the tenant is a recognisable blue chip company and subject to a maximum length of 12 months and a 6 month break clause.

Where the Bank has accepted an application on the basis of a common law agreement an offer condition will be applied indicating that the Bank is aware that the property is to be let on the basis of a Common Law Tenancy. A copy of the tenancy agreement is not required as the solicitor is instructed to ensure that any tenancy agreement is acceptable to the Bank and that the Bank's interest will not be prejudiced in the event of possession.



2.6.5 Assured Tenancies

An assured tenancy (as opposed to an assured shorthold tenancy or AST) is a category of legal tenancy to an individual that affords a higher degree of protection and security to the tenant. Under an assured tenancy the tenant may not be evicted without reasonable grounds under the Housing Act 1988. Periodic rent increases under assured tenancies are also potentially subject to a challenge before a rent assessment committee.

This contrasts with an AST which can usually be dissolved with a statutory notice period (usually one to two months) to be given by either party and at any time after the fixed period has expired. We do not allow security properties charged to the Bank to be subject to an assured tenancy.

2.6.6 Regulated Tenancies (Sitting Tenancies)

Most residential lettings by non-resident private landlords which began before 15 January 1989 will be regulated tenancies under the Rent Act 1977. A regulated tenant has certain important rights concerning the amount of rent he or she can be charged and security of tenure. The landlord cannot evict the tenant unless he or she gets a possession order from the courts.

We do not allow security properties charged to the Bank to be subject to a regulated (protected) tenancy.

2.6.7 Multi-lets

A multi let property is one that is let to multiple tenants on separate tenancy agreements. This type of letting basis is often found where students or young professionals are sharing a property.

The Bank does not have the protection of an AST where each tenant is jointly and severally liable for the whole rent.

We do not allow security properties charged to the Bank to be subject to multi let arrangements. Where the valuer highlights that this arrangement is in place the case must be declined. If the valuer is unable to evidence but suspects this arrangement then a copy of the tenancy/s must be requested. If there is more than one tenancy agreement in place then the case must be declined.

2.6.8 Tenants in receipt of benefits

Department for Work & Pensions (DWP) assisted tenants or tenants in receipt of housing benefit will not be considered. The Bank does not make a distinction in instances where the benefit is paid directly to the landlord. Corporate lets to councils where the subject property will be used as emergency accommodation will not be considered. The bank will not lend when the proposed tenant is an asylum seeker.

2.6.9 Regulated Buy to Lets

The Bank will consider Buy to Let mortgage applications only when the property will be let to an *unrelated* party. If the property is occupied by the borrower, or by any person related to the borrower, the loan would fall within the scope of current residential mortgage regulation.

The definition of a related person under current mortgage regulation, which can be found in the glossary definition of a Regulated Mortgage Contract, is:

- The borrower's spouse, or civil partner, or



- A person (whether or not of the opposite sex) whose relationship with that person has the characteristics of the relationship between husband and wife, or
- The borrower's parent, brother, sister, child, grandparent or grandchild.

Therefore all Buy to Let mortgage applications received must be checked to ensure that the borrower is not occupying the property nor letting (or intending to let) the property to a related person.

The State Bank of India does not allow the property to be occupied by the borrower or let to a related person, therefore **no** Buy to Let mortgage loans will fall within the scope of current mortgage regulation.

The mortgage offer will include a condition which advises the customer that they must notify us immediately if they intend to (or already) have the property occupied or let to a family member as defined above.

2.6.10 Sale and Rent Backs

Sale and rent back schemes enable homeowners facing financial difficulties to remain in their homes by becoming tenants. Formal schemes are regulated and must adhere to strict rules, however, it is possible that the Bank may encounter informal 'sale and rent back' scenarios. The Bank will not entertain any proposal where the prospective tenant is the current or a previous registered owner of the property.

2.6.11 Letting to Own Company

Where the mortgage application is in the name of a Special Purpose Vehicle (SPV) Company or a Limited Liability Partnership (LLP) it is unacceptable for the property to be let to a director / shareholder / member of the borrowing company, any associated company to the SPV or LLP, or any person related to the directors / shareholders / members. This scenario is considered by the Bank to be a conflict of interests and can essentially distort the level of lending that we may offer on the basis of a higher rental figure.

The mortgage offer will include a condition which advises the customer that they must notify us immediately if they intend to (or already) have the property occupied or let to a director / shareholder / member of the borrowing company, any associated company to the SPV or LLP, or any person related to the directors / shareholders / members.

2.6.12 Premium Leases

A premium lease is a type of tenancy where the tenant agrees to pay the total amount of rental at the beginning of the tenancy term. For example: Instead of making six monthly payments at £500.00pm; the tenant agrees to pay the total amount of £3,000.00 at the commencement date of the tenancy.

This type of arrangement is unacceptable to the Bank and where it is evidenced that this situation is in place or is intended to be in place the application must be declined.



2.7 Property Concentration

The Bank will allow customers to have multiple mortgages but it is important that we understand the additional risk involved if one borrower owns more than one property in the same block or road. The Bank could face potentially large losses if we permit large scale lending against properties in the same vicinity. If the individual borrower defaults on loans to the extent that we have to repossess properties, placing multiple properties in the same block/road on to the market simultaneously could lead to the sale prices achieved per property being reduced. We would open up a potential degree of competition within the same block/road leading to lower offers from purchasers. It is important that as the vendor, the Bank is able to achieve full market value if and when it has to dispose of properties via a mortgagee sale.

If multiple borrowers own property in the same location then the Bank runs the risk that a section of our lending portfolio is exposed to higher than usual risk should property prices in that area fall.

As a result, the Bank has decided to limit exposure to 20% in any given block or road. This will mean that if a block of flats contains 10 units, the Bank is only prepared to lend against 2 units either to the same individual or separate individuals. If a block contains 12 flats and 20% equates to 2.4 units, we will round down to the nearest whole number i.e. 2 units.

2.8 Demand

It is important for the Bank to ensure that any property to be used as security for lending is considered to have good resale and rental demand. A good resale demand will ensure that if the Bank is forced to take possession of a property we are able to sell quickly and realise a sale price which will cover the outstanding mortgage balance. By ensuring that the property has a good rental demand we are protecting the Bank from properties which may not be suited to the Buy to Let market and/or properties which are not in a suitable condition to be tenanted. This in turn will help our borrowers where they are looking to purchase/rent a property which may not represent a good proposition to them.

As a part of the Valuation report the Valuer will be asked to make an assessment of both the current rental and resale demands. The Valuer can score the property on four different levels. These are:-

- Excellent,
- Good,
- Limited,
- Poor.

If the Valuer scores the property as having 'Excellent' or 'Good' resale and rental demands then the property will be deemed acceptable to the Bank (subject to all other criteria).

If the property is considered to have a resale and/or rental demand which is 'Limited' or 'Poor' then the property will not be considered to represent suitable security and must be declined. If the valuer recommends that repair work can be undertaken which will result in a more favourable score, these repairs can be undertaken by the borrower subject to them being completed prior to offer and an updated valuation being undertaken (costs covered by the borrower).



2.9 Demolish and Re-Build

The customer may request that we grant permission to them to either demolish their current property and re-build, or to allow them to undertake conversion works. Under no circumstance will the Bank allow a customer permission to take this action to a property which is being used as security for the Bank.

If a customer advises us that they have already taken this action then this must be referred to the Retail Credit Department for appropriate advice.

2.10 Section 106 agreements

A Section 106 agreement or s106 agreement is a mechanism which is used by Local Planning Authority (LPA) to make a development proposal acceptable where without it, the planning may not otherwise be agreed. It is issued where the LPA believes that the agreement of a new development may have an impact on a local community and the negative impacts of the new development cannot be covered by the planning alone. Because of the financial implications that a Section 106 agreement can have on a property, the Bank will not consider any property which is subject to this type of agreement acceptable security. If we are made aware that a Section 106 agreement exists on a property being used as security, the application must be declined. No discretion is available.

2.11 Solar Panel Leases

As part of a recent government initiative, owners of small solar panel systems will receive a government incentive for energy that is generated by their system. A number of solar panel companies are offering to install solar panel systems on residential properties to homeowners. Instead of selling the system to the homeowner, they are being installed on a lease term (normally 25 to 30 years). This lease scheme benefits both the homeowner who will have access to free energy, and the leasing company who will receive the government incentive as well as additional funds from energy which it sells back to the national grid.

Presently the Bank will not provide permission or lend against a property which has been subject to the installation of solar panels under a lease scheme. The existence of this type of scheme will ideally be highlighted by the Valuer at inspection, but failing this the solicitor is duty bound to notify us and the case must be stopped accordingly.

2.12 The Green Deal

The Green Deal is a new government initiative designed to help householders increase the energy efficiency of their properties. The Deal is being offered through the private sector to enable homeowners and occupiers to make energy efficiency improvements (of various types). This deal is particularly attractive to the consumer as it allows them to pay for the improvements over a period of time. The scheme will work on the basis of an unsecured loan (including interest) and the payments due will be included in the electricity bill for the property.



The Green Deal Plan will work on the principle that the instalments payable under the Plan should not exceed the expected energy bill savings resulting from the improvements. On this basis there should be no detrimental impact on the affordability of the borrower.

Typical improvements that may be carried out under the plan are:-

- Loft Insulation
- Replacement Windows
- New Boiler
- External Wall Insulation.

Landlords will need to ensure that they meet their disclosure and acknowledgement obligations when letting a property with a Green Deal Plan, as the tenant will most likely be the person responsible for paying the electricity bill.

Points to consider as a lender:-

- Where the application is for a property purchase and we are made aware by the Valuer/Solicitor that there is a Green Deal in place, we must advise the borrower that they may want to take Independent Legal Advice (ILA) to understand the impact that it may have on them (it is however not compulsory that the borrower takes any ILA).
- The Solicitor has been requested to advise the Bank (under our CML Guidance) where a Green Deal is in existence and they must provide us with a copy of the full EPC (Energy Performance Certificate) including the disclosure page, prior to completion of the mortgage advance.
- Where there are concerns by Underwriting Staff that the level of the borrowing or the monthly repayment costs are significant enough to have a possible impact on the demand for letting and/or resale, the EPC and supporting comments should be provided to the Valuer for their comments (this is however considered an unlikely scenario on the basis of the principles of the scheme – Savings out-weigh Costs)
- A condition of all mortgage offers will be that borrowers are to advise the Bank before they enter into a Green Deal, disclosing the intended improvements to the property. The Bank will review the request to see if we consider that the intended works may have a detrimental impact on the demand for letting and/or resale, or any immediate impact in terms of a rental void.
- For properties already mortgaged to the Bank, where certain structural works are intended as part of a Green Deal, the borrower is required to obtain the Banks consent. Requests of this nature must be treated on a case by case basis and assessed on their own merits. We must consider; the level of works being undertaken, any possible rental void, the possibility that Bank may have to take ownership of Green Deal charges in instance of repossession, and the demand for letting and/or resale.

As a general rule, any property which has a Green Deal in place is considered to be suitable security. The Bank however must make considerations that there may be detrimental impacts to the security particularly in the instance of structural works.



2.13 Planning Consents & Building Regulation Approval

Where an existing property has had significant alterations made or been converted from one use i.e. commercial to another i.e. residential it will most likely require the local planning authority to give consent to the changes. In addition the changes may also need to be approved under the current Building Regulations standards.

Where it is identified that a property has been subject to works which will have required either Planning Consents and/or Building Regulation Approval, the solicitor will be asked to verify that these exist. Where it can be confirmed that the alterations took place in excess of 10 years ago, no further investigation is required by the solicitor/borrower unless the property is in a conservation area or listed building, in which case it must be fully investigated.

Where planning consents and/or building regulation approval has not been obtained for works carried out within the last 10 years, the solicitor is required to review the nature of the breach and ensure that where appropriate suitable indemnity insurance is arranged for the protection of the Bank. If the solicitor can confirm in writing that the breach does not require indemnity insurance and is outside of the statutory limits for enforcement actions, the case can proceed subject to the borrowers being aware of the issue and accepting the risk.

If the Valuer highlights that they have given a market valuation on the basis of appropriate planning consents and building regulation approval being in place and they subsequently do not exist, these findings must be referred back to the Valuer for their approval and comment.

2.14 Indemnity Insurance

Indemnity Insurance is a type of insurance which is now commonly used and widely accepted in the property industry. Indemnity Insurance is mainly used where an issue is identified with the title documents to the property and there is not an easy or quick solution to the problem for the solicitor and/or borrower. The Indemnity Insurance does not remedy the problem but instead provides the Bank and possibly the borrower with suitable financial cover if the policy was ever required to be enforced.

Typical examples of where we would allow Indemnity Insurance to be effected are where:-

- The terms of the lease are unsatisfactory
- The necessary easements cannot be established
- A restrictive covenant cannot be confirmed as unenforceable
- Necessary rights of support etc. cannot be established in respect of a property with an element of flying freehold
- There is an absent landlord (i.e. Freeholder/Leaseholder)

The Lenders Handbook confirms to the Acting Solicitor that they 'must effect an indemnity insurance policy whenever the Lenders Handbook identifies that this is an acceptable or required course to us to ensure that the property has a good and marketable title at completion'.



Where indemnity insurance is effected:-

- The Acting Solicitor must approve the terms of the policy on our behalf; and
- The limit of the indemnity must meet our requirements (**the level of cover must be equal or greater than the purchase price or valuation amount – whichever is higher**); and
- The policy must be effected without cost to the Bank; and
- The Acting Solicitor must disclose to the insurer all relevant information which they have obtained; and
- The policy must not contain any conditions which the Acting Solicitor knows would make it void or prejudice our interests; and
- The Acting Solicitor must provide a copy of the policy to the borrower and explain to the borrower why the policy was effected and that a further policy may be required if there is further lending against the security of the property; and
- The Acting Solicitor must explain to the borrower that the borrower will need to comply with any conditions of the policy and that the borrower should notify us of any notice or potential claim in respect of the policy; and
- The policy should always be for our benefit and, if possible, for the benefit of the borrower and any subsequent owner or mortgagee. If the borrower will not be covered by the policy, then the Acting Solicitor must advise the borrower of this.

2.15 Improvement/Repair Grants

Improvement & Repair Grants relate to Government and/or Local Authority funding that has been provided to someone to make essential repairs and/or improvements to a property. These may be energy efficiency works, electrical wiring or re-roofing as a few examples. The property may be subject to a charge at Land Registry securing the monies which have been provided to make the required improvements.

Any property which is subject to an Improvement or Repair Grant (which is not due to be discharged prior to completion of our advance) will need to have the Banks consent prior to completion. We will need to consider if it is appropriate for:-

- The Local Authority to provide a letter of waiver, confirming they are happy to waive their right to repayment of the grant
- The Local Authority to remove any relevant entries on the Register of Local Land Charges
- The lending to be reduced
- The charge at Land Registry not having priority over our charge.

The Acting Solicitor is expected to confirm all details to us prior to completion and each application will be assessed on a case-by-case basis.



3 Appendices

3.1 Appendix A

Schedule of Pre-Cast Reinforced Concrete (PRC) Construction Types (Note: This is not an exhaustive list):-

Airey;
Blackburn-Orlit;
Boot;
Boswell;
Butterley;
Cornish Unit;
Dorran;
Gregory;
Hawksley SGS;
Kingston (Myton);
Lindsay;
Myton/Myton-Clyde;
Orlit;
Parkinson;
Reema Hollow Panel;
Schindler;
Smith;
Stent;
Stonecrete;
Stour;
Tarran Dorran Clyde;
Tarran Newland;
Tarran/Tarran-Clyde;
Tee Beam;
Underdown;
Unitroy;
Unity;
Waller;
Wates;
Wessex;
Whitcon;
Whitson-Fairhurst;
Winget;
Woolaway;
Woolaway Bungalow.



3.2 Appendix B – Mortgage Valuation Report Template



State Bank of India

Mortgage Valuation Report (Buy to Let)

Lender Reference:

1 Applicant Name(s):			
2 Property Address:			
	Post Code:	Plot Number:	
Is the address provided at instruction correct (if no, please provide correct details in general remarks)			Y/N:

3 Property Type	Detached House	Semi-Detached House	Terraced House	End Terraced House
	Detached Bungalow	Semi-detached Bungalow	Terraced Bungalow	End Terraced Bungalow
	Purpose Built Flat/Maisonette	Converted Flat/Maisonette	Studio Flat	
	Other	Details if other:		
Was property built for public sector / housing association (please include ex-local authority / military / police / statutory authorities etc.)			Y/N:	Details:
Approximate Year of Construction/Conversion:		Current Occupation Status (O – Owner Occupied, T – Tenanted, V – Vacant):		
Flats Only:-	Number of floors in block:	Subject on which floor:	Lift service available:	Balcony access:

4 Construction (Please refer to Guidance Notes)		
Are the walls of standard construction? (i.e. conventional masonry - Brick/Block/Stone)	Y/N:	
If no, please provide full details:		
Is the roof of standard construction? (i.e. tile, slate)	Y/N:	
If no, please provide full details:		
Where applicable, please state name of non-standard construction system or type:		
Is property purpose built?	Y/N:	If No, Details:
Any indications of significant alterations to the property?	Y/N:	If Yes, Details:
Does the property comprise more than one self-contained unit?	Y/N:	If Yes, Details:

5 Accommodation Number of rooms in current use:					
Floors:	Reception rooms:	Bedrooms:	Bath / Shower room:	WC:	Kitchen:
Parking Provisions	Single Garage on site:		Double Garage on site:	Parking Space(s) on site:	
	Separate Garage / Space:	Details if outside curtilage:			
Outbuildings / Common Facilities: (Please refer to guidance notes)					
Is the plot likely to exceed 1 acre?	Y/N:	If Y, details:			

6 Services Based on visual inspection are following services connected to mains, Y/N?					
Water:	Drainage:	Electricity:	Gas:		
Where No, are arrangements adequate? Please provide details below:					
Central Heating:	Y/N:	Details:			
Are roads adopted?	Y/N:				

7 Tenure & Legal					
Freehold:	Leasehold:	Other:	Details:		
If Leasehold:	Remaining Term:	Ground Rent:	Service Charge:		
Should Conveyancer verify satisfactory access arrangements?		Y/N:			
If Yes, reason for concerns:					
Are you aware of any other legal matters (e.g. rights of way, building regulations, flying freeholds, restrictions, easements etc.)?		Y/N:	If yes, details:		
Please confirm builder's warranty type for New Builds and all properties built within the last 10 years:					
NHBC:	Zurich:	Premier Guarantee:	Build-Zone:		
BLP / Allianz Guarantee:	HAPM:	LABC:	None:		
Other (Please provide details):					

8 New Builds					
Is property in the course of construction?	Y/N:	If yes, what stage is construction at?			
Has the CML Disclosure of Incentives form been sighted and taken into account?	Drop down menu? / Standard text options?		Details on incentive form: *Free text*		
			Date of form: dd/mm/yyyy		



9 Buildings Insurance and Insurance Risks			
Gross External Floor Area:	sq. m	Gross Internal Floor Area:	sq. m
Are you aware of any structural movement, landslip or heave in the property or in the immediate vicinity?			Y/N:
If Yes, does it appear longstanding and unlikely to be progressive? (If No, please comment below).			Y/N:
Are you aware if the property has previously been underpinned?			Y/N:
Are you aware of any factors (such as vegetation / topography / coastal erosion etc.) that may create a significant risk of future structural movement? (If Yes, please comment below).			Y/N:
Is there any reason to believe that the property may be at risk of flooding? (If Yes, please comment below).			Y/N:
Details:			
<small>For insurance purposes it should be noted that this report is based on a limited inspection and is for mortgage purposes only. It must not be relied upon by the borrowers, their advisors or other third parties.</small>			
10 Other matters considered essential for mortgage purposes			
Situation	Is the property above, adjacent to or influenced by commercial premises or void property?		Y/N:
If Yes, details:			
Use	The lender understands that the property is to be used as a residential buy-to-let; is there any non-residential / business element to the property itself?		Y/N:
If Yes, details and approximate %:			
Occupation Restriction	Is the property subject to an occupation restriction (e.g. sheltered housing or agricultural employment)?		Y/N:
If Yes, details:			
Marketability	Are there any factors that may adversely affect the marketability of the property (e.g. remote location, planned development, engineering project)?		Y/N:
If Yes, details:			
Are there further matters considered essential for mortgage purposes?			Y/N:
If Yes, details:			

11 Works to be carried out				
Does the valuer require sight of any specialist reports prior to proceeding?				Y/N:
Structural:	Timber & Damp:	Electrical:	Gas:	Cavity Wall Ties:
Drainage:	Concrete Screening:	Arboricultural:	Roof Report:	Other:
Details / Other (Please also specify where a report is required but does not require referral back to the valuer):				
Are there any additional works / reports considered by the valuer to be essential for mortgage purposes to be completed prior to release of funds?				Y/N:
If Yes, details:				Estimated cost of works: £ _____
Are there any desirable works that do not immediately affect mortgagability but ought to be implemented as a condition of the offer to ensure sustained rental and resale demand?				Y/N:
If Yes, details:				Estimated cost of works: £ _____
Please provide any further comments or details pertaining to the condition of the property.				
Where essential repairs have been identified it should be noted that this is not a quotation for works. Figures have been provided as a guide for mortgage purposes only. Borrowers should obtain independent quotations for any works deemed necessary.				

12 General Remarks / Continuation Section

13 Valuation for Mortgage Purposes – (assuming vacant possession unless otherwise stated)	
Is the property suitable security for mortgage purposes?	Y/N:
If No, brief details:	
Where the property falls outside of lending policy are there any mitigating circumstances that merit referral to underwriter?	Y/N:



If Yes, details:		
Market Valuation for Mortgage Purposes		
	Insurance Reinstatement	£
	Present Condition	£
	After Completion of Essential Works	£
	Is re-inspection required?	Y/N:
Controls		
	Date of Inspection	dd/mm/yyyy
	Date of report	dd/mm/yyyy
	Quest Sign Off Number	

Information for Borrowers		
<p>This report was prepared solely for the use of State Bank of India to enable consideration of granting a mortgage advance on the property. State Bank of India gives no warranty, representation or assurance whatsoever to the borrower that the statements, conclusions or opinions expressed or implied in this document are accurate or valid.</p> <p>The valuer has prepared this report without any acceptance or responsibility to the borrower. The valuation does not warrant that any purchase price agreed on the property is reasonable.</p> <p>You are strongly advised to obtain a more comprehensive report for your own purposes, such as a building survey or a RICS Home Buyers Report and Valuation. If you do not and you find something wrong with the property after you have bought it you will have no remedy against the valuer.</p> <p>This report has been completed in accordance with the prevailing RICS Appraisal and Mortgage Valuation Standards at the time of the valuation. It has been prepared for the Banks mortgage purposes, and electronically signed by a suitably qualified Valuer.</p>		

14 Buy to Let – Additional Information (Non-Disclosed)		
Is rental demand for a property of this type in this location if let to a single family unit on a standard AST:		<i>Excellent / Good / Limited / Poor</i>
If 'Limited' or 'Poor' please provide comment:		
In its present condition is the property reasonably lettable (consider fixtures and fittings, standard of decoration, etc.)		Y/N:
If No, what works are required and approximately how long would it take to make property good for letting purposes?		
Is the resale demand for a property of this type and in this location (in normal market conditions):		<i>Excellent / Good / Limited / Poor</i>
If 'Limited' or 'Poor' please provide comment:		
Is there any indication that the property is in multiple occupation either as licensed HMO, multiple tenancy let, more than one self-contained unit etc.? (e.g. locks on internal doors, bedsit rooms, multiple kitchens etc.)		Y/N:
If Yes, details:		
Is there any indication that the property is currently let (or, if purchase, intended to be let) to a family member, the vendor or a previous owner of the property?		Y/N:
If Yes, details:		
Are you aware of a current tenancy?	Y/N:	If Yes, current rent (PCM):
Valuer's assessment of current unfurnished rental value if let on standard AST (PCM):		£

15 Property Comparable Information (Non-Disclosed)			
	Property 1	Property 2	Property 3
Address			
Distance from subject property			
Property type			
Number of bedrooms			
Date sold			
Sale price			
Selling agent / data base source			
Other information			
Please provide details of minimum 2 rental comparables:			
Rental Comparable 1:		Rental Comparable 2:	

16 Declaration (Non-Disclosed)	
1.	I certify that I have been provided with State Bank of India's instructions to Valuer and that this valuation report has been carried out in accordance with those instructions and the RICS guidelines.
2.	I certify that I have sufficient Professional Indemnity Insurance Cover as specified in your Standing Instructions to Valuers and the premiums are paid to date.
3.	I certify, understand and accept that this valuation report will be used and relied upon by State Bank of India and their respective successors and



assignees and persons deriving title from them, whether in equity or in law for the purposes of determining that this property forms suitable security for a proposed loan to the borrowers.

4. I certify that I conducted the valuation and that I have brought to the attention of State Bank of India all material information concerning the property, in construction and condition and with a duty of care to State Bank of India.
5. I certify that the property described in this report has been inspected by me, that I have sufficient experience and expertise to undertake that task and that I have no personal, financial or any other conflict of interest whatsoever in this property.

Name of Valuer		Qualifications	
RICS No.		Signature or Security Code	
Firm Name		Telephone	
Address			
Date of Inspection	dd/mm/yyyy	Date of Report	dd/mm/yyyy