



Residential Mortgage Lending Guide

Ireland



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Section 1 - Introduction

Originating Source

Mortgage Applications are originated via relationships established with a panel of Mortgage Brokers in Ireland.

Quality of Business

The quality of business from originating sources is monitored by reference to the quarterly Arrears Characteristics Reports. This is reviewed by the Head of Internal Audit and any concerns reported to the Executive Directors.

Outside criteria lending is separately monitored by the General Manager - Mortgage Services and feedback is provided to the Underwriters and to originating sources, where necessary.

Interviews

Mortgage interviews are conducted by the Mortgage Broker.

Mortgage Regulation

The Society complies with the FSA Mortgage Regulation Regime and adopts this as best practice in Ireland, where this is appropriate.

The level of advice given by the Mortgage Broker is stipulated on the mortgage offer.

Processing of New Applications, Underwriting & Post Completion Administration

All administration is undertaken by the UK Head Office.

Target Borrowers

The principal market will be Irish and EU nationals. Purchase/ownership of property is in the name of the individual and not through a Company vehicle.

Currency

This Policy Guide relates to lending in Euro currency.

Section 2 - Employed Status

Acceptable Types Of Employment

- Permanent full or part-time employment.
- Fixed Term Contract (refer to 'Fixed Term' section below).
- More than 1 job - each job is acceptable under its' own merit.
- Have been in employment continuously for the last 6 months, irrespective of the nature of this employment.
- Have had no more than 2 different employers in the last 6 months.
- Provided applicant in full time employment, probationary period does not need to have been completed.

Income Verification

Income will be confirmed by receipt of the following documents:

- Last P60/C2 Tax Certificate or equivalent (optional requirement subject to underwriter's decision).
- Last 3 months' wage slips.
- Latest 3 bank statements showing salary credits.

Guidance Note: Where an applicant is paid weekly underwriters may use their discretion (dependent on the quality of the case) to waive the requirement for all payslips, providing that a minimum of 3 payslips are produced from the previous 3 months and show consistency between the payslips. (eg. check of average weekly in line with the YTD earnings figure shown on the latest payslip and evidence that credits from the employer are shown on the bank statements.) Should there be any doubt over the any aspect of income verification the underwriter must always obtain additional confirmation e.g. 6 months bank statements and all payslips.

Providing that:

- Originals or copies certified by the Mortgage Broker are obtained.
- The payslips must show a clear amount of income, which must tie up with the cumulative amount on the most recent pay slip.
- Any additional earnings (e.g. overtime) will only be used if they are clearly differentiated and supported by the cumulative figure.
- An employer's reference will be requested if there is any doubt over any aspect of the employment. Particular care should be taken in cases where the applicants are related to their employer. Always obtain an additional confirmation of receipt in these cases, e.g. 6 months' bank statements and confirmation from the company accountant.

Employers' References

Where an employer's reference is obtained, replies must be:

- In response to the Society's written request.
- Validated by the employer's company stamp.
- Addressed to the Society, confirming the following details:
 - Job title.
 - Length of service.
 - Basic annual income.
 - Overtime, bonus commission.
 - Permanency of employment.
 - Whether applicant is under notice of termination or redundancy.
 - Any adverse features affecting employment.
 - Address held for applicant.

Section 2 - Employed Status, continued

Fixed Term Contracts

Applicants who are employed on short term contracts can be considered under the following criteria:

- A satisfactory employer’s reference is received; confirming there is no reason to suspect the contract will not be renewed.
- A satisfactory previous employer’s reference is required, where the applicant has changed employment within the last 12 months.
- As an alternative to an employment reference, last 3 months payslips and most recent bank statement are acceptable.
- Historical evidence of continuity of employment contracts over last 3 years.
- Temporary (‘non–fixed’) contracts are not acceptable.

New references/income confirmation will be required after 6 months from the date of evidence if the advance has not been completed.

Section 3 - Self Employed Status

Important Note

The requirements in this section apply to the self-employed, sub-contractors and company directors with more than 33% shareholding.

Applicants must have been self-employed for a minimum period of 2 years at the date of application and be Irish or EU nationals with business based in Ireland. Accounts or tax assessments to be available.

Take particular care when considering applications where future earnings are difficult to assess (e.g.: entertainers, musicians, professional sportsmen etc).

The following evidence is not an exhaustive list and where it is not available, the underwriter may accept other evidence.

If considered necessary by the Underwriter, proof of the continuing existence of the business may be required from the Accountant.

All accounts must be prepared and certified by a professionally qualified Accountant.

Type of Self Employment	Evidence of Income Required	What is Acceptable As Income
Sole Traders (Solely owned business of sole trader with or without a trading name)	Last 3 years full & consecutive accounts or Last 2 years accounts plus projected accounts for current year Last 6 months personal bank statements	Net Profit

Continued...

Section 3 - Self Employed Status, continued

Type of Self Employment	Evidence of Income Required	What is Acceptable As Income
Individuals (Non-trading business)	As above or last 2 years Tax Assessments and Last six month's bank statements Assessment	Net Profit/Income or as per Tax
Individuals (Sub-contractors)	As above or last 2 years Tax Assessments and Last 6 months bank statements Assessment	Gross income less expenses or income as per Tax
Individuals (Income from investments in a non-quoted company and applicant is not an employee of company)	As above or last 2 years Tax Assessments and Last 6 months bank statements	Gross income or income as per tax Assessment
Individuals (Income from investments - Quoted Investments on any Recognised Exchange for shares)	As above or last 2 years Tax Assessments and Last 6 months bank statements	Gross income or income as per tax Assessment
Partner in Professional Partnership	In partnership of 8 or more reference from attributable Managing partner As above or last 2 years Tax Assessments Last 6 months personal bank statements	Net profit to the applicant
Incorporated Bodies less than 33% interest (or controlling share) An employee of the company	Treat applicant under Income from Employment	
Incorporated Bodies 33% to less Dividends & than 50% interest or controlling share	3 years most recent & consecutive accounts or Last 2 years accounts plus projected accounts for current year Last 6 months personal Bank statements	Salary
Incorporated Bodies 50% or greater interest (or controlling share)	3 years full & consecutive accounts	Salary, dividend & share of undrawn profits whether retained or withdrawn from business

Section 4 - Income From Other Sources

Accepted Income Types

Pensions - Acceptable Evidence

Where applicants request a mortgage term which takes them beyond normal retirement age, proof of pension income will be required to substantiate the loan.

Given the inherent difficulty to verify available income in retirement, only pension income within 5 years of retirement is to be verified. Additional checks will be carried out and recorded checking the plausibility and sustainability of the type of employment where the borrower is working past retirement age. (E.g. It is less likely for an applicant to continue to work beyond retirement in a manual role than it would be in a clerical role.)

Exception:

Proof of pension income will not be required where the applicant has more than 5 years to work until normal retirement age.

Example:

- Applicant is aged 50 and has 15 years to work until normal retirement age.
- A term of 25 years has been requested.
- Proof of pension will not be required.

Verification of income should be in one of the following forms of evidence:

- State Pension – Pension Warrant Book
- Company Pension – statement from Administrators
- Personal Pension – statement from Insurance Company

In addition to the above 6 month's personal bank statements will be required.

Where the above evidence is not available, the underwriter may use his/her discretion to obtain other suitable forms of pension income verification.

Rental (Investment) – Rules

The use of rental income can be added to those income types that are used for assessing the applicant's ability to support the loan.

We can use 100% of rental income, providing that one of the following evidence is used:

- Last 3 consecutive year's accounts
Or
 - Last 3 year's tax assessments
Or
 - Last 12 month's bank statements
-

Section 5 - Definition of Income

Primary Income

Primary income is defined as basic salary, plus the following:

- Large town allowance.
- Rent allowance.
- Mortgage subsidy (100%).

Other Income

Other income is defined as:

- Commission.
- Bonus. *
- Overtime. *
- Shift Allowances.
- Working Family Tax Credit
- Rental Income**.
- Car Allowance.
- Maintenance Payments.

When income is largely made up of bonus/commission or has a high overtime content, the maximum amount of other income to consider is no more than 100% of basic salary. Other income is also taken into account as follows:

Income Type	Amount	Condition
Overtime/Bonus/Shift Allowance	100%	If guaranteed.
	50% *	If regular.
Commission	50%	If regular/guaranteed.
Working Family Tax Credit	50%	
Mortgage Subsidy/Rent Allowance	100%	If guaranteed.
London/Large Town Allowance	100% (up to)	
Car Allowance	100% (up to)	
Maintenance Payments	50%	

* Senior Mandate Holders have discretion to utilise up to 100% of bonus and overtime payments where there is evidence that these payments are clearly sustainable. In utilising this discretion, consideration will be given to the LTV, loan type and occupation of the applicant.

** The use of Rental Income or income derived from investments can be added to those income types that are used for assessing the applicant's ability to support the loan.

We can use up to 100% of rental or investment income, providing we can obtain proof of payment for a 12 month period. The proof of payment can be obtained from a qualified accountant, Property Management Company or through Bank statements.

*** Benefits in respect of childcare costs are not to be included within allowable income.

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Section 5 - Definition of Income, continued

Borrowing Capacity

- Single Applicant: 4.5 x Income
- Joint Applicants: 4.5 x Income

Applicant Has 2nd Job

If the applicant(s) has a second job, income from that source can only be considered if:

- The job has been held for at least 6 months.
- Employment can be established as permanent.

To establish the risk, full details of both jobs must be submitted as follows:

- Income.
- Length of employment.
- Nature of employment.
- Number of hours worked per week.

Number of Applicants

Single or joint applications are considered to be the norm and multiple applicants are not usually acceptable. However, where a close family relationship exists which is likely to stand the test of time, 4 applicants can be considered.

Section 6 - Credit & Other Commitments

Introduction

When calculating the amount which the applicant can afford to borrow, existing financial commitments (eg: other loans, HP agreements, maintenance payments, liability for leasehold payments) will be taken into account. This includes any existing mortgage that will remain outstanding.

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Section 6 - Credit & Other Commitments, continued

The annual payments due on such commitments must be deducted from gross income before the multiplier is applied, as in the 'Example' below.

Example

Mr Smith earns a basic salary of €29,000 but has a personal loan of €8,700 requiring monthly payments of €72.50 and pays maintenance of €108.75 a month. The assessable income is as follows:

Basic Salary	€29,000
Less	
12 x €72.50	€ 870
12 x €108.75	€ 1,305
Assessable Income	€26,825

Therefore, the amount which can be borrowed is based on a disposable income of €26,825.

Credit Card Agreements

If the outstanding balance of the credit card held by an applicant exceeds €1,450, the outstanding liability must be taken into account by calculating 3% of the outstanding balance x 12. For example:

Outstanding balance of credit card	€2,900
x 3%	€87
x 12	€1,044

Total amount to be deducted from gross income before the multiplier is applied is therefore €1,044.

Commitment Due To Expire

Where a commitment is due to expire within 12 months from the date of the application, it will not usually be deducted from gross income, **unless** it is significant in terms of overall income.

The test of significance will normally be an annual commitment representing more than 10% of the annual gross salary.

Credit Reference Agency

The Society uses a credit reference agency to conduct a credit search, which covers all addresses for a minimum of a 3 year period (where appropriate).

Voter's Roll

If the applicant is not registered on the voter's roll, an explanation will be required and satisfactory evidence must be produced showing the applicant actually resided at the stated address (**eg**: provision of utility bills or council tax correspondence).

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Section 6 - Credit & Other Commitments, continued

Credit History

Any adverse credit information will usually mean the application will be declined (**eg**: Court Judgements, bankruptcy, adverse lenders/tenancy reference, etc.) unless the adverse feature is allowable within lending criteria.

For example, consideration can be given to applications where the following circumstances apply:

- One CCJ registered more than 2 years ago, where the amount is less than €725 and the debt was satisfied within 12 months of being registered.
- Where the applicant is an existing borrower with the Society with a good payment record, the limit for consideration is 2 CCJs for not more than €725 in total, registered more than 2 years ago, where the debt was satisfied within 12 months.

Section 7 - Proof of Payment

Satisfactory Conduct

Confirmation must be obtained from existing and previous lenders that loans have been conducted satisfactorily over a 1 year period (including loans redeemed within previous 3 years).

Satisfactory evidence of payment history, showing the previous 12 months' payments, is also acceptable in the form of bank or lender's statements.

The last annual mortgage statement will be accepted as proof of mortgage payment together with bank statements since showing mortgage payments.

This is subject to a clean credit history over the last 3 years, otherwise 24 months' proof of mortgage or rental payment will be required.

Proof of Rental

Type	Proof
Private Rental	No verification is required
Company Rental	Last 12 months' proof of payment or reference from rental company/agency confirming satisfactory rental.

If the reference is adverse, proof of payment for a 24 month period is required.

Other Financial Commitments

In certain cases, proof of payment may also be requested, (**eg**: where other financial commitments appear to compromise the ability to repay the proposed mortgage).

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Section 7 - Proof of Payment, continued

First Time Buyers

Unless available on credit bureau search, first time buyers will be required to provide actual proof of payment for a 6 month period for existing personal loans, where the monthly payment exceeds €145.

Section 8 - Guarantors

All cases where a Guarantor is proposed should be referred to Head Office for consideration and approval.

Section 9 - Loan to Value

Overview

The Society will consider loans up to 90% of the valuation of the property as provided by our panel of professional valuers. However, from October 2008, a restriction to allow loans up to a maximum of 70% has been put in place.

These arrangements apply to both purchases and remortgages.

Already Owned Properties

Properties which are already owned, but where there is no existing charge on the property, can be remortgaged, provided the loan exceeds €36,250.

Capital Raising (*non business purposes only*)

Applications which include a capital raising element may be considered.
Applications for capital raising are only considered where the property is first class.

Applicants must have been in their current employment for a minimum of 2 years or if self-employed, be able to provide a minimum of 3 years' fully audited and certified accounts.

Capital Raising Approval

All cases where capital raising is over €36,250 **must** be approved as 'Out of Criteria'.

Section 10 - Society Maximums

Maximum Loan	The maximum loan the Society will permit is €2,000,000.
Maximum/Minimum Valuation	The minimum valuation is €100,000.
Maximum Term	The maximum term the Society will permit is 40 years. This will usually be limited in accordance with the Valuer's recommendations or applicant's circumstances.
Minimum Term	5 years.
Maximum/Minimum Age	The minimum age for a mortgage applicant is 18. The maximum age is 75 but the applicant should provide satisfactory evidence showing ability to service the loan after the normal retirement age.

Commercial Lending

Where a request for borrowing on a larger portfolio is made, a referral to the Commercial Lending Department is made to allow them to consider the application.

Related Tenants

Where the tenant of the property will be a family member (defined as spouse, parent, grandparent, sibling, child or grandchild) the mortgage will be processed as a second property for a dependant relative to comply with FSA regulation.

Section 11 - Early Repayment & Arrangement Fees

Arrangement Fees

Arrangement fees vary according to the product and can be added to the advance.

Early Repayment Terms

A standard early redemption administration charge applies to all cases with the exception of loans reaching maturity. The fee is quoted on the Tariff of Charges which is reviewed annually.

Early Repayment Charges (ERC's)

The Society's Treasury Team in conjunction with Marketing Department calculates Early repayment charges.

ERC's must represent a genuine pre-estimate of the Society's loss if a customer elects to redeem early.

The level of any ERC will depend upon the particular product concerned.

Section 12 - Solicitor

Society's Panel

The Society operates a panel of Solicitors. Provided the Solicitor chosen to act on behalf of the applicant is on the Society's panel, the Society will also instruct the Solicitor to act on its behalf.

Maintenance of Panel's Details

The Panel is maintained centrally and each Solicitor has been allocated a specific code.

Unacceptable Solicitor

If the applicant(s) use a Solicitor not on the Society's panel, then the Society's own Solicitors will be instructed to act for the Society.

Section 13 - Property

Location

The property must be situated in Ireland.

Criteria

The criteria for property is as follows:

- Properties must be of good quality with ready saleability. They must have a life expectancy well beyond the term of the mortgage and if there is any doubt, the property is declined.
- Older properties must be modernised to provide basic standards, including provision of a shower or bath and inside W/C.
- Properties must be used for domestic, residential owner occupation, or residential investment purposes.
- Funds not released against land alone, unless self build application with intention to build.

When considering the acceptability of a property offered as security, the Society will follow the recommendations of the Surveyor acting on behalf of the Society.

Release of Retention Policy

Following an inspection by a qualified valuer, a recommendation may be for works to be undertaken. Prior to the receipt of specialist reports or confirmation that works have been done, a retention may be recommended. Where the retention is less than €5,800 and the LTV is less than 65%, we will agree to waive a retention.

New Properties

Appropriate certification is required prior to release of funds.

Acceptable Property Types

- House/Bungalow
- Purpose Built/Converted Flats
- Derelict Properties or Properties without basic amenities - subject to renovation (see Stage Payments - section 16).

Not Acceptable

- Timeshare
 - Commercial Property/Semi-Residential Property
 - Studio Flats with floor area less than 60 sq metres.
-

Section 14 - Tenure

Overview

Freehold and leasehold properties are normally acceptable.

Leasehold

Leasehold properties are acceptable if they comply with the following criteria:

- At least 50 years unexpired lease remains at the end of the mortgage term.
 - Variable ground rent increases are fixed by the lease at the outset and reviews (which must be reasonable) are at intervals of 21 years or more.
 - Ground rent increases are tied to the market value of the property and the terms of the lease are acceptable.
 - Ground rent reviews tied to the retail price index are **unacceptable**.
-

Section 15 - Repayment Types

Overview

The 3 repayment types are as follows:

- Capital and Interest.
- Endowment.
- Interest Only.

The mortgage statement will advise the customer on an annual basis of the type of mortgage repayment they have selected.

A combination of methods can be arranged to suit the applicant's specific requirements, as follows.

Capital & Interest

Monthly payments consist of capital and interest and repay the amount advanced with interest charged over the term of the mortgage.

Applicants are recommended to ensure appropriate life assurance cover is taken out (eg: mortgage protection insurance).

Endowment

A life assurance policy is arranged independently.

When the life assurance policy matures, the proceeds are designed to repay the loan and surplus is paid to the policyholder.

Interest Only

Monthly payments consist entirely of interest. Unless a repayment vehicle is put in place the loan will only be repaid on the sale of the property or on death of the borrower.

Applicants are advised to take out life assurance (ie: level term assurance to ensure the mortgage is repaid in the event of death). Such policies are not assigned to the Society.

Applicants are made aware in the offer of advance and on their annual statement that it is their responsibility to ensure that an adequate repayment method is in place. Applicants are free to select their own repayment vehicle, which is not assigned or deposited with the Society.

Section 18 - Dishonesty, Undue Influence & Convictions

Joint Mortgages

Caution must be exercised in relation to certain joint mortgage transactions where the purpose of the loan would seem to be significantly more beneficial to one party than to the other (**eg**: a remortgage raising capital to repay a partner's debts). In such cases, both applicants should be interviewed to ensure:

- Each party is fully aware of the liabilities resulting from the loan.
- Either applicant has not been unduly influenced or made misrepresentations to the other, to obtain the advance.

If there are any doubts about the application in this respect, each applicant must be advised to seek **independent legal advice**.

Convictions

Cases will not be considered where the applicant has disclosed any convictions other than those which are spent under the Rehabilitation of Offenders Act 1974 (or equivalent), or any pending prosecutions:

- Relating to any aspect of dishonesty, such as theft, robbery, fraud or arson.
- Which may have a bearing on the borrower's future employment or the likely conduct of the mortgage account.

Residency

Applicants must:

- Be EU tax payers.
- Reside in the EU, unless:
 - They have been in service abroad with HM Forces.
OR
 - They have been employed by a UK based or internationally known employer and are still with the same company.
AND
 - Their family will be resident in the property or a UK property.