



# Enviro-let guidelines

## 1. Applicants

- First time buyers
- First time landlords
- Experienced landlords
- Expats
- Foreign nationals
- UK Ltd companies
- UK trusts

## 2. Adverse credit

We can consider applicants with County Court Judgments, defaults, missed unsecured and secured payments.

Please refer to the **criteria matrix** for more information.

## 3. Age

Age is set at a maximum of 80 at application stage and 85 at the end of the term. Age criteria is based on the youngest loan applicant. Minimum applicant age is 21 years of age on completion.

## 4. Experience

Octopus will accept first time buyers and first time landlords. Additional due diligence will be required for first time buyers to ensure we can obtain evidence that the property will be used solely for investment purposes.

An understanding of how the property will be managed may be requested.

As standard, first time buyers will have LTV restricted to 65% (plus 5% uplift for EPC works and payment holiday). A first time buyer will include anyone who has not owned a UK mortgaged property within the last 3 years.

## 5. Foreign nationals

We consider applicants who do not live in the UK or those without permanent rights to reside.

Nationals from medium and high-risk jurisdictions will be limited to 65% LTV (plus 5% uplift for EPC works and payment holiday), unless residing in the UK with indefinite leave to remain.

Applicants risk profile will be assessed on the source of wealth and country of residence.

## 6. Expats

Expats are acceptable and can be considered subject to a maximum LTV of 70% (plus a 5% uplift for the EPC works and payment holiday).

A risk assessment is conducted where the expat lives and where the income or source of wealth is derived. This may impact the maximum LTV as per foreign nationals.

## 7. The loan

Acceptable loan purposes are:

- Refinance of security
- Purchase of security
- Transfer of equity
- Purchasing additional investment properties
- Deleveraging other investment properties
- Carrying out works on properties within the applicant's portfolio
- Where >40% of funds raised are for personal use  
Octopus will treat as a regulated buy to let and decline the application

This list is not exhaustive.

In addition to the loan purpose, the Enviro-let product allows the client to draw extra funds in order to carry out works to the security property in order to increase the EPC rating of the security to a minimum rating of C.

Loans that meet the criteria can take a payment holiday and/or draw further funds for the works (up to 5% of the day 1 valuation, to a maximum LTV of 75%).

For a remortgage this is done by way of a further advance. These funds are drawdown in advance of the works upon receipt of a self-certified declaration.

For a purchase this is paid in arrears, after the works are completed, to reimburse the client of the costs of the works.

## 8. Personal guarantees

All lending to corporate borrowers will require personal guarantees.

## 9. Debentures

As standard Octopus do not require a debenture.

Where the borrower has a debenture to another finance provider Octopus may require a deed of priority, fixed or floating debenture.

## 10. Early repayment charges (ERCs)

3% ERCs are applicable throughout the fixed term of the loan except for the final month where no ERC is applicable. Please see the **criteria matrix** for details

## 11. ICR Stress testing

Please refer to the **criteria matrix** for specific ICR requirements.

The ICR is calculated on the gross loan amount, i.e. including the EPC works and payment holiday loan.

## 12. Outside portfolio checks

We're not required to undertake affordability checks on portfolios over which we're not providing debt. However, being a responsible lender, we do require an asset and liability (A&L) statement to understand the applicant's financial position with each loan application.

## 13. Property

### a. General

- England
- Wales
- Properties within CML guidelines
- Flats above food outlets, gambling and bars and clubs/entertainment refer to underwriters.

### b. Specific

#### i. Houses of multiple occupancy (HMOs)

The Enviro-let product allows HMOs, providing buildings have the relevant planning permission and appropriate licenses. We have valuers and solicitors in place to confirm correct planning usage and building regulations.

As standard, we expect valuers to adopt a bricks and mortar approach to valuing HMOs. However, in some circumstances, such as with loans for properties within an Article 4 area, or properties subject to Sui Generis, planning may be valued on an investment basis (we reserve the right to choose which approach to valuing we use).

#### ii. Zone 1 and 2 in London

Properties in zones 1 and 2 of London are subject to restricted LTVs. Zone 2 properties are limited to 65% and zone 1 properties are limited to 60% (both plus 5% uplift for EPC works and payment holiday).

#### iii. Flats above commercial

When the security comprises of only the residential part of a mixed use property, the LTV will be capped at a gross LTV of 65% (plus 5% uplift for EPC works and payment holiday).

#### iv. Holiday lets and properties let on a short-term basis

Holiday lets and properties let on a short-term let basis can be considered. Properties must have C3 planning and will be assessed on an AST basis for ICR calculations.

## 14. Acceptable works

The following works are allowed to the security on the Enviro-let product, in addition to minor cosmetic works:

- Cavity wall insulation (but not external or internal solid wall insulation)
- Floor insulation (suspended floors only)

- Loft insulation (but not foam loft insulation)
- Low energy lighting
- Hot water cylinder insulation
- Heating controls
- Replace boiler
- Replace single glazed windows with low-E double glazed windows
- Solar photovoltaic panels
- Air source heat pump

These works are expected to be completed within 1 month of the EPC Works Loan (if a refinance) or 1 month of the purchase completion.

Once completed Octopus are to be provided with a copy of the new EPC certificate, confirming a rating of C or above, within 6 months of the further advance drawdown or purchase completion.

## 15. Lease terms

A minimum lease of 70 years at the end of the term is required for all leasehold properties.

## 16. Servicing the loan

All our Enviro-let mortgages are issued on an interest only basis. Octopus will allow for a maximum of 3 months retained interest if the property is not tenanted.

## 17. Payment holiday

To aid with the works on the Enviro-let product, a payment holiday of up to 3 months is available, subject to criteria and the payments fitting within the 75% maximum loan to value.

If the client has taken the further advance option, then the payments are deducted from the gross facility.

If the client hasn't taken the further advance option, and is therefore at no more than 70% LTV, the payment holiday payments are rolled and added.

## 18. Overpayments

ERC free over payments of up to 20% per annum of the outstanding capital balance are permitted.

## 19. Admin fee

We charge an admin fee of £350 per property. This cost is for our asset managers who conduct additional due diligence on security being offered to us. Where additional security is in the same block, this is reduced to £100 per additional property. If the additional security is located in the same street, then this is reduced to £150. This cost is deducted from the mortgage advance.

## 20. Contract re-assignment

We can consider applications where there is a re-assignment of contracts. Valuation is based against the 180-day value. A maximum LTV of 85% of purchase price can be applied providing this does not exceed maximum product LTVs against market value.

## 21. Valuation

A panel of approved and independent valuers with relevant property type and geographical experience are selected by Octopus Capital's Real Estate team.

We base our lending decision against the 180-day valuation figure. All applications are subject to valuers reports at the client's expense. Octopus will expect valuations to confirm good demand for both sale and rental.

Valuations quoting poor demand will be subject to underwriter discretion which may result in the application being declined, restricted LTV, or additional security required. An AVM may also be acceptable in place of a full valuation, subject to qualifying criteria.

## 22. Solicitors

We'll always require separate legal representation.

Octopus will select from an approved panel of solicitors we have previous experience with.

## 23. Title insurance

Title insurance will be used where possible.

## 24. Flying freehold

Octopus can consider properties which have a maximum of 10% flying freehold subject to valuer and legal comments.

### Octopus Capital – real estate with a difference

Property finance can be improved and we think we know how. It needs to be fast, because you haven't got time to lose. It needs to be flexible, because every borrower's needs are different. And it needs to be reliable, because you can't afford to be let down.

Our commitment to brokers and clients is straightforward: to make quick decisions and stick by them. We offer loans at every stage of the property life cycle and provide unconventional solutions for unconventional needs.

We're award winning, but not complacent. An innovator in our field, with over £6bn lent to date. And we comprehensively cover the commercial, residential and property development sectors.

Our loans range from £50,000 to £50 million, and with access to multiple credit lines we can provide bespoke, customer focused finance to borrowers throughout the UK. Since 2008, our team has grown to over 90 professionals, who ensure your property finance experience is simple and easy.



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