THE FAMILY BUILDING SOCIETY

A GUIDE TO OUR OWNER OCCUPIER MORTGAGE LENDING CRITERIA

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A GUIDE TO OUR OWNER OCCUPIER MORTGAGE LENDING CRITERIA

INTRODUCTION

This document outlines a summary of the current lending terms which apply to our Owner Occupier Mortgage product. Please note that this is not our full policy and any specific queries should be referred to a member of our team.

Please note these lending terms should be read in conjunction with the relevant mortgage product summary which will outline any requirements specific to individual mortgage products.

SUMMARY

Subject to confirmation of status and no adverse credit history, borrowing secured on wholly residential property is available up to 80% of the property value or purchase price, whichever is lower. This may be higher or lower for some mortgage products - please refer to the relevant mortgage product summary for details.

PURPOSE OF BORROWING

For **remortgage and further advance applications,** details of the purpose of the remortgage and the use of any additional funds being raised must be provided.

Remortgage and further advance applications will be considered for:

- Purchase of residential property, including the provision of a deposit for family members to purchase property (remortgage only)
- Purchase of land
- Purchase of buy to let property
- Repayment of existing loans originally used to purchase land or property, or for property improvements
- Transfer of Equity
- Business loans
- Alteration, extension, repair or improvement to the mortgaged property
- Purchase of business premises
- Other business purposes
- Car purchase.

Remortgage and further advance applications will **NOT** be considered for:

- Repayment of tax or gambling debts
- Borrowers who have impaired credit
- Borrowers who have utilised 'payday' lenders
- Borrowers seeking to consolidate over five credit cards
- Borrowers seeking to consolidate debts accumulated with sub-prime or non-mainstream mortgage lenders or non-mainstream credit card providers
- Borrowers seeking to raise capital for debt consolidation for more than 20% of the property value, or where the main purpose of the loan is debt consolidation i.e. where more than 49% of the monies being raised are to consolidate existing debts.

A complete breakdown of the use of additional funds must be provided, to the total value of the advance requested. All cases, irrespective of loan purpose, will be required to pass the our income and affordability requirements.

STATUS

You will need to provide satisfactory proof of identity, residence and clear credit register enquiry. You may submit a personal credit report with their application. This must be printed in colour and will be accepted where produced via a recognised credit reference agency such as Equifax, Experian or Callcredit.

If you are **self-employed** and have more than a 33% financial stake in a business, their proportion of net profit for the most recent year is accepted. The most recent SA302 or online HMRC Self Assessment Return can be accepted showing:

- The tax calculation, showing the customer's self-reported income and the HMRC calculation of the tax due on that income, and
- The tax year overview, showing the total tax due and how much the customer has paid in tax.

Alternatively the latest accounts (prepared by a Certified or Chartered Accountant) may be accepted to determine whether the income to be used appears reliable.

An accountant's reference or other corroborative information may be required.

If you are retired, annual pension income is accepted. A copy of the latest original pension statement, latest original P60 or original bank statements will be required.

We do not penalise those who wish to work beyond State or normal retirement age, however, we do not consider earned income beyond the age of 70 years and would expect those borrowers whose mortgage term extends beyond this age to have sufficient pension provision to support the advance requested.

We do not consider lending where income is made up entirely of Benefits.

FOREIGN NATIONALS

In order to be considered for a loan, foreign nationals must have indefinite leave to remain in the UK.

We will require proof of nationality through sight of a certified copy of their passport. Certification is acceptable by a person within an organisation which is covered by Money Laundering Regulations such as a bank or building society, solicitor or financial advisor.

IMPAIRED CREDIT

If you have an impaired credit history we may still consider your application. However, we will not consider if any of the following circumstances have occurred:

- Arrears on any mortgage, a credit arrangement such as a credit card, secured or unsecured loan within the last two years, where the cumulative amount overdue at any point reached three or more monthly payments
- One or more County Court Judgements (CCJs), with a total value greater than £500, within the last three years
- An ongoing Individual Voluntary Arrangement (IVA) or bankruptcy order at any time within the last three years.
- Previous repossession/voluntary repossession.

Please contact a member of our team to discuss before proceeding.

INCOME

The following forms of income will be accepted:

- **Employed:** Confirmed annual salary plus guaranteed overtime/bonus elements up to 100% and non-guaranteed elements up to 50%
- **Self-employed:** Net profit for soletraders only. Director's salary and dividends for limited companies
- **Retired:** Annual pension income.

We may also accept investment income depending on circumstances. Income which is totally reliant on Benefits will not be considered. Any financial commitments, such as loans, credit cards, school fees etc., will be taken into account as a part of our affordability assessment.

If it is identified during the application process that your circumstances may change during the life of the mortgage, the affordability will be assessed taking into account those changed circumstances. Triggers for reassessment include:

- **Retirement:** the proposed advance must be affordable based on post retirement income.
- **Job change:** where we are made aware of a change in employment, affordability will be assessed based on the new circumstances. This can be where a new job has been obtained or where employment has ceased. In the latter case, unless there is sufficient income from other sources, the application will typically be unaffordable and we will not be able to proceed.
- **Change to household size:** where we become aware that children/dependants will be joining the household, the affordability must be assessed taking this into account. Please note that we do not discriminate against women on maternity leave.

This list is not exhaustive and our underwriters will apply a common sense approach. In these circumstances, details of your income, following the change, will be collected and assessed to ensure the proposed advance is affordable.

AGE

Minimum: 18 years old.

Maximum: 89 years old for Interest-Only. 90 years old for Repayment Mortgages.

MORTGAGE TERM

Minimum: 5 years.

Maximum: 40 years.

The mortgage term available may be limited depending on age at application. Our maximum mortgage term guidelines can be viewed on our website. Where the mortgage term extends beyond retirement age, you will be asked to provide evidence of how the loan will continue to be affordable in retirement.

MINIMUM LOAN

The minimum loan is £45,000. This may vary depending on the product terms selected.

MAXIMUM LOAN

New business and additional borrowing:

LOAN AMOUNT	MAXIMUM LOAN TO VALUE (LTV)
£45,000 - £750,000	80%
£750,001 - £1,000,000	75%
£1,000,001 - £1,500,000	70%
£1,500,001 - £2,000,000	65%
£2,000,001 - £3,000,000	50%
£3,000,001+	40%

This may vary depending on the product selected.

Please note, for loans over £500,000 you are recommended to obtain an 'decision in principle' which is an indication from us, your mortgage lender of how much we may be willing to lend you for your mortgage.

Discounted purchases (including 'Right to Buy' and 'Key Worker Schemes') are available at 100% of purchase price, subject to 75% maximum of valuation and the terms of the discount being acceptable to the Society.

PROPERTY TYPE

The main property must be:

- Residential properties of standard construction in England and Wales; either freehold or leasehold subject to a minimum of 50 years unexpired remaining on the lease at the end of the mortgage term.

We can accept up to two properties as the additional security for the mortgage. If the additional property is jointly owned then both owners must be party to the transaction.

We will not accept:

- Isolated properties, farms, small holdings, or properties where animals are grazed
- Shared ownership
- Properties with commercial use.

Where the property is a flat, we will require a suitable lease to be in place. We will not normally accept a flat when it is:

- Above a commercial premises (however see 'Properties above commercial premises' below)
- Ex-local authority / Housing Association
- Above ten storeys high, or where the property is in a block over four storeys without satisfactory lift access or, where required, a satisfactory EWS1 report
- Studio flats may also be considered on an exceptional basis, with a preferred minimum floor area of 30 sq m, subject to suitability, marketability, and approval by the valuer and underwriter
- Freehold.

Properties above commercial premises

These can be considered subject to the valuer's comments. Specific consideration will be given to the location of the property and adjacent businesses. The property must be located in a desirable area with good demand and should be readily saleable. The proximity of the commercial use must not affect the quiet enjoyment of the property.

The property must be self-contained, having separate access, and must be on a separate title to the commercial premise. Properties which are over, adjacent to or in very close proximity to a café/restaurant/take-away, pub, bar, club or any property where the use of the property is likely to cause a nuisance or which may involve hazardous materials will not be considered. The commercial premises must not be owned by the potential borrower as this would have legal implications in the event of repossession. This is not an exhaustive list and every case will be considered on its own merits.

If you have any further questions on standard or non-standard construction, or if you are unsure about whether we will consider the type of property in question, please contact a member of our team.

MINIMUM PROPERTY VALUE

The minimum acceptable property value or purchase price (whichever is the lower) is £75,000. This will apply to the property and any additional security provided.

INTEREST-ONLY MORTGAGES

All or part of the loan may be on an Interest-Only basis. As the monthly payments only go towards paying interest owed, you will need to make arrangements to repay the capital at the end of the mortgage term. Acceptable strategies for repayment of the capital include:

- Sale of other assets, e.g. second home, property, land, etc.
- Pension cash lump sum (personal or occupational)
- Stocks & shares ISA (new or existing)
- Cash ISA, NISA
- Unit trust (new or existing)
- Investment bond (new or existing)
- Endowment policy (new or existing)
- Stocks and shares
- Sale of mortgaged property, where this is a credible strategy because of downsizing and where it is deemed that the sale will provide sufficient funds to both repay the advance and allow the Borrower to purchase a cheaper property to reside in.

Retirement Interest-Only (RIO)

If you are aged 55 and over, we can offer Retirement Interest-Only (RIO) mortgages to a maximum of 50% Loan to Value.

In such cases there is no requirement to borrow over a fixed mortgage term and the only requirements are to make monthly Interest-Only payments and to have a Registered Contact in place. For more information on Registered Contacts, please visit: ***familybuildingsociety.co.uk/mortgages/later-life-mortgages/retirement-interest-only***

The capital is repaid upon entry into long-term care, the sale of the property or the passing of the last occupying borrower. No repayment strategy is required due to the loan repayment being based on the sale of the property. You will need to agree to exploring available options should you get into financial difficulty and if none meet your requirements, you will need to sell your property.

You will be required to demonstrate sufficient income to support the mortgage throughout its life. This includes, if applicable, after retirement or in the event that one applicant (in the case of joint borrowers, where the last occupying borrower) passes away. Cases will be assessed based on our normal income and affordability requirements.

SPECIALIST MORTGAGES

Joint Borrower Sole Proprietor (JBSP)

This section should be read in conjunction with our "Joint Borrower Sole Proprietor (JBSP)" customer leaflet, as this includes full details as well as some examples of who this arrangement may be suitable for. This can either be downloaded from our website at: ***familybuildingsociety.co.uk/JBSP*** or by contacting our New Business Team to request a copy by email or post.

Our JBSP arrangement is available subject to certain criteria conditions. The non-occupying borrower(s) must be family members of the occupying borrower(s) or for older borrowers, working adult children of the occupying borrower(s).

As a condition of the Mortgage Offer all non-occupying borrowers are required to seek separate independent legal advice and are responsible for the costs involved with this.

In most cases, affordability will be established by firstly calculating the non-occupying borrowers' net disposable monthly income. This figure will then be added to the occupying borrowers' income to confirm the total loan amount available.

Available for purchase and remortgage applications on a repayment or Interest-Only basis. We will not accept repayment strategies for Interest-Only applications which are held jointly with non-occupying borrowers' including the sale of property which is owned by the non-occupying borrowers'.

If any amount is on Interest-Only, the mortgage must finish before the anticipated retirement age of the eldest borrower or age 70, whichever is sooner.

Capital raising is only allowed when you aim to buy out the previous second owner or where essential home improvements are necessary.

Maximum loan amounts:

Capital & Interest Repayment	
Loan to value	Maximum loan amount
75%	£1,000,000
80%	£750,000
90%	£500,000

Interest-Only	
Loan to value	Maximum loan amount
80%	£500,000

All enquiries must be reviewed by us before an application is submitted, and our normal lending criteria will apply.

Second home

If your work requires you to live away from your main residence, a loan on a second home may be considered, subject to affordability. Interest-Only loans are accepted on this basis.

Armed forces

Loans are available subject to certain conditions; applications will be assessed on an individual basis depending on circumstances. We accept Forces Help to Buy (FHTB) as a source of funds for a deposit. For more information on FHTB, please visit the Forces Law website.

Flexibility to change occupancy status and subsequent product terms will be considered on request; this may be subject to standard fees and Early Repayment Charges.

Holiday homes

Mortgage applications on holiday homes are available, subject to affordability which must be calculated against your earned income without inclusion of any rental that may be received from the property. Interest-Only loans will be accepted on this basis. It is intended that these properties should be for your use but where the property may be occupied on a holiday let basis when it is not in occupation.

Applicants with portfolios of holiday homes will not be permitted.

Holiday homes will not be accepted where there is a formal AST or where they can only be used as a holiday home due to restrictive covenants within the deeds. Maximum Loan to Value (LTV) will be 70%.

Expat mortgages

We will lend to UK nationals working abroad with families remaining in the UK. Mortgages are available on an Interest-Only basis and will be on specific expat product terms. Applications for Purchase, Remortgage or further advance mortgages must be made via an intermediary/broker. These mortgages are also subject to the below conditions.

Non Sterling earnings

We will also lend to UK nationals and foreign nationals working in the UK but who are paid in a foreign currency. Mortgages are available on an Interest-Only basis and the repayment vehicle must be from a Sterling denominated UK asset. Foreign nationals must have indefinite leave to remain in the UK. These mortgages are also subject to the below conditions.

Specific conditions relating to the above two types of mortgage:

- The property must be used by the borrower and/or their family members
- You must intend to return to it at a future time. Should this decision change at a later date, no further lending or variations of our agreement are possible
- You must be employed (self-employed is not acceptable, but we will accept pension income)
- The mortgage is available as Interest-Only
- Repayment mortgages are not available
- Early Repayment Charges apply in line with the relevant product terms
- The mortgages are only available across our variable rate products
- Sterling income will be calculated using the lowest exchange rate over the past 10 years. For the exact calculations, the intermediary is encouraged to contact us.

Note that applications from expats are acceptable from a restricted list of countries, as follows:

Austria	Finland	Ireland	Luxembourg	Portugal	Spain
Belgium	France[1]	Israel	Malaysia	Qatar	Sweden
Canada	Germany	Italy	Malta	Romania	Switzerland
Cyprus	Gibraltar	Japan	Netherlands[2]	Singapore	United Kingdom[3]
Czech Republic	Greece	Latvia	New Zealand	Slovak Republic	United States of America
Denmark	Hungary	Liechtenstein	Norway	Slovenia	
Estonia	Iceland	Lithuania	Poland	South Korea	

[1] Mayotte, New Caledonia, French Polynesia, Saint Pierre and Miquelon, and Wallis and Futuna

[2] Aruba, Curacao, St Maarten, Bonair, Sint Eustatius and Saba

[3] UK Crown Dependencies and Falkland Islands

In addition, we have agreed a policy through our packager partners* for lending to expats in Andorra, Bahrain, Bermuda, Hong Kong, Mauritius, Oman, Saudi Arabia and the United Arab Emirates on an exceptional basis, but monthly mortgage payments to be made from a UK bank account from where any rental payments are received.

* If you would like to find out how you can access these products via our packager partners, please call our New Business Team on **03330 140144**.

We will also consider applications through our packager partners for lending to expats in Antigua, China and South Africa, subject to stricter requirements including:

- The monthly mortgage payments to be made from a UK bank account from which a direct debit to be set up to pay us
- Any deposit monies are paid from or evidenced as held within a UK bank account
- You must be working for a recognised large organisation that has a UK presence.

As part of our ID verification, your employers will be contacted to confirm the residential address details held for you. A UK named individual (a family member or solicitor) and their address for service of notices will also be required.

FOREIGN CURRENCY MORTGAGES

We will not consider foreign currency mortgages, as defined under the EU Mortgage Credit Directive.

APPLICATION FEE

For full details about our Application Fees please visit ***familybuildingsociety.co.uk/applicationfees***

LIFE COVER AND INCOME PROTECTION

There is no requirement to purchase life assurance or other protection products. However it is in your interest to review your financial planning when taking out a new mortgage to ensure that you have adequate protection against the impact of involuntary unemployment, accident or ill-health. For joint applications we may need to consider whether the proposed mortgage is affordable should one applicant predecease the other.

CAPITAL REPAYMENTS AND REDEMPTION

Early redemption of our Managed Mortgage Rate, in full or in part by capital repayment, is allowed at any time, without notice or Early Repayment Charge. Redemptions can be arranged within five working days of receipt of your request.

Other mortgage products will each have specific Early Repayment Charges. The conditions will be stated in the product summary sheet and in the mortgage offer or product switch illustration.

SOLICITORS

We may be prepared to use your nominated solicitor/licensed conveyancer to act for us. Please note, if your solicitor/licensed conveyancer is not on our panel of approved firms, managed by LMS, we'll need to appoint our own and you will need to pay the cost of this. In circumstances where we are separately represented, we will notify you of the fees.

All products are subject to change or withdrawal without prior notice.
Family Building Society reserves the right to refuse any application submitted.

THE MORTGAGE WILL BE SECURED ON YOUR HOME.
YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.

If you need this document in an alternative format please call us on **03330 140140**.

To find out more, please contact our New Business Team:

familybuildingsociety.co.uk

03330 140140

newbusiness@familybsoc.co.uk

EBBISHAM HOUSE
30 CHURCH STREET
EPSOM
SURREY
KT17 4NL

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