

# Housing Schemes Lender Handbook

## Housing Scheme conditions under part 2 UK Finance Mortgage Lender's Handbook for England and Wales.

These instructions and guidance are in addition to our normal conveyancing instructions for a particular scheme to be accepted.

- Where the nature of any scheme differs from that detailed in our mortgage offer, you must notify us as this may affect the terms under which we are prepared to lend.
- References to “we, “us” and “our” mean UK Mortgage Lending Limited trading as Pepper Money.
- Any reference to Property is the Property defined in our mortgage offer.
- Any restriction applied to a sale by a mortgagee in possession must be no more onerous than that affecting an owner and/or can be overreached by adhering to a procedure that has been set out in a separate binding contract by the party with the benefit of the restriction which the mortgagee in possession can rely upon.
- Housing Schemes include, Shared Ownership, Equity Share (this may relate to a second charge the debt based on a share of the open market value), Right to Buy, First Homes and other schemes which support the individual/s ability to purchase a home with a mortgage.

### Shared Ownership Lease Requirements

**You must check the suitability of the lease for our purposes and, in particular, the protection it affords to us as mortgagee. You must advise us immediately where the lease is not suitable. Without prejudice to the foregoing, we have the following additional requirements:**

- The lease must comply in all material respects with the model leases of Homes England (or other statutory governing body in force at the time) presently in effect.
- Stair casing provisions must enable the borrower to purchase further shares and eventually, 100% of the freehold, if required.
- Mutually enforceable covenants (if the property is a flat or maisonette).
- The Mortgage offer and the percentage being purchased must be identical. If there are any differences, you must inform us and await further instructions before contracts are exchanged.
- The applicant must only be paying the purchase price to acquire a specific percentage and must not be paying any additional sums for the purchase.
- The solicitor must confirm that the lease provides for an independent valuation being carried out for the purposes of staircasing or, failing that can be referred to an independent valuer in the event of disagreement.
- The Landlord's consent to our mortgage and/or assignment of the lease must be obtained prior to completion and accompany your certificate of title and must be in such form or provided in such manner that it may be relied upon in the context of any provision of the lease.
- The Lease must be granted to the Purchaser(s) solely.
- The Landlord must provide an undertaking prior to completion, providing us with at least 28 days' notice of any proceedings to obtain possession and allow us reasonable time to remedy any such breaches in the form attached with the offer and forward to us as soon as possible following completion.

# Housing Schemes Lender Handbook

## Shared Ownership Lease Requirements (continued)

- The Lease should not include any provisions requiring the Leaseholder to purchase additional shared within a specific period/s of time, unless they are in breach of nomination provisions.
- If the Lease contains nomination rights or restrictions on marketing the property the Leaseholder must have the ability to assign the Lease on the open market free of the nomination or marketing process without any conditions as to who can purchase or occupy the property if the Landlord fails to nominate or the nominee fails to exchange contracts or the marketing restriction has not resulted in exchange of contracts within 6 months from the date the Leaseholder provided notice to the Landlord of their wish to sell the property.

## Mortgage Protection Clause

**You must ensure that the lease is suitable for our security purposes and complies in all material respects with model leases of Homes England (or other statutory governing body in force at the time) presently in effect subject to you ensuring that the mortgagee protection clause includes:**

- (1) a minimum of 18 months' interest from the date of enforcement;
- (2) the Loan;
- (3) any amounts advanced by Pepper Money and applied in discharging any arrears of rent and/or other sums payable under the lease; and
- (4) the minimum requirement for costs and fees in enforcing the security is 3% of the Market Value at time of enforcement.

If the lease does not meet all of the Pepper Money's requirements but does contain a mortgagee protection clause which meets our requirements, we will be happy to proceed provided that you are able to advise that, in your professional opinion, the lease will be a good and sufficient security for our mortgage debt and that you are able to submit an unqualified Certificate of Title.

**If you believe that the security would be adversely affected, you must advise us of the risks and of any action that could be taken to mitigate these and, if so, to what extent.**

## Stair Casing Provisions

Pepper Money must be able to exercise the stair casing rights and acquire the long lease or freehold without having to become the tenant.

## Surrendering the Lease

**If the lease is to be surrendered back to the social landlord in lieu of assignment, the surrender must be for the current market value of the share and:**

- a. The consideration for the surrender /assignment must be payable on completion.
- b. The Lease must not allow the Landlord to deduct any sums due from the Leaseholder other than those due under the Lease only.
- c. If the Lease contains a mortgage protection clause, the guarantee must apply on surrender/assignment.

# Housing Schemes Lender Handbook

## First Homes

- The full Market Valuation and Discounted Purchase Price information provided by us and the Governments First Home Scheme providers must be identical.
- You must check that our mortgage offer refers to the First Homes Scheme and all details referred to are correct and in accordance with our criteria and the Governments First homes scheme rules.
- You must ensure that the Government's First Home scheme rules, procedures and processes are met fully. This includes (but is not limited to) any resale price requirements and covenants.
- You must review the Section 106 agreement and ensure that our security is not adversely affected by any covenants in the agreement.
- The section 106 agreement must be completed by the parties subject to the agreement prior to submitting your Certificate of Title.
- The section 106 agreement must contain provisions to permit us to enforce our charge as mortgagee in possession without being bound by any restriction/s registered against the Property.

## Right To Buy

- You must check that that Open Market Valuation and Discounted Purchase Price information provided by us and the Housing Association (or other governing statutory body)/Landlord are identical.
- You must ensure that our loan for the purchase/remortgage of the property will rank in priority of any discount.
- We must hold a first ranking all monies Legal Charge registered against the Property.
- As applicable you must on or before completion enter into a Deed of Postponement, and lodge with the Land Registry (within 28 days of completion) to ensure our loan for the purchase/remortgage of the property will rank as a first legal charge in priority to any other party.
- In the event of our first legal charge being registered incorrectly, you must rectify this at your expense.

A restriction registered against the Property in relation to the Right to Buy scheme must state the date after which the restriction ceases to apply to an owner and us as a registered charge holder.

## Shared Equity

- You must ensure that our loan for the purchase of the property will rank in priority of any shared equity loan..
- The total of the loan and the equity share must not be greater than 100% of the purchase price.

# Housing Schemes Lender Handbook

## Shared Equity (continued)

- There must be no other schemes or borrowings applicable to the Property.
- There must be no clause preventing the borrower from fully redeeming the loan.
- The loan agreement must not inhibit us in exercising our rights under our mortgage terms and conditions.
- Any restriction to be registered on the title in respect of the Property must not affect our ability to take possession of the Property in the event that it is required under our mortgage terms and conditions and to sell it.
- The Property must be wholly owned by the Purchaser/s alone and not held on trust for others.
- Where required by the subsequent charge lender you can confirm to them on our behalf that, while they still have the subsequent charge against the Property, we will not proceed with any offer to lend additional monies without agreement to postponing their charge to the additional lending.
- You must ensure that we hold a first ranking all monies Legal Charge registered against the Property. You must on or before completion lodge the Deed of Postponement provided by Pepper Money at offer, with HMLR. In the event of our charge being registered incorrectly, you must rectify this at your expense.
- You must confirm that the amount being lent by any Shared Equity Lender (inclusive of fees) is the same amount as stated in our Mortgage Offer.
- The equity share must be for the term of our first charge or have a clause allowing the borrower the right, on request during the term of the loan to seek an extension so the term is extended to end on, or after, the redemption date of our first charge.

UK Mortgage Lending Ltd (UKMLL) t/a Pepper Money is authorised and regulated by the Financial Conduct Authority (FCA) under registration number 710410 as a provider of regulated mortgages. The FCA does not regulate our Buy to Let mortgages. UKMLL is a member of the Finance and Leasing Association and follows its Lending Code as a provider of second charge regulated mortgages.

Registered Office: 4 Capital Quarter, Tyndall Street, Cardiff, CF10 4BZ. Registered in England and Wales under Company Number 08698121.  
Calls may be monitored or recorded for training, compliance and evidential purposes.