

FREEHOLD/LEASEHOLD GUIDE

There are a number of situations under which Foundation Home Loans is prepared to lend on a leasehold property. These are covered in the table below:

Property type	Freehold owned by Borrower/Applicant or a connected* party	Freehold independently owned by an unconnected party	Freehold shared by Leaseholders in a suitable management structure or arrangement
Flat	1st charge required over both the freehold & leasehold.	1st charge over the leasehold.	1st charge over the leasehold.
MUFB	1st charge required over the freehold. NB: if one of the units is held on a leasehold basis, the application cannot be considered.	N/A.	N/A.
Tyneside	N/A.	N/A.	1st charge over the leasehold and 1st charge over the freehold of the other property.
Leasehold House	Where the borrower/ applicant is purchasing: <ul style="list-style-type: none"> Both the freehold and leasehold interests, Foundation will require a 1st charge over both the freehold and leasehold interests. The outstanding term of lease can be disregarded. Just the leasehold interest, a 1st charge over the leasehold is required, but <ul style="list-style-type: none"> The remaining term of lease at term end, must meet our minimum requirements (50 years remaining at end of the mortgage term). If the term of lease does not meet the minimum requirement, the lease must be extended on or before completion. Where the freehold is owned by a connected party*, a charge over both freehold and leasehold interests is required. 		

*If the freehold is owned by an entity (e.g. limited company or limited liability partnership) or a connected person, the borrower/ applicant must have no interest or influence (other than where the leaseholder owns/ will own a share in (or be member of) the management company that owns the freehold) over that entity or person.

**Where the freehold consists of any commercial units, Foundation may consider proceeding without a charge over the freehold.

Other important information

- There is no distinction between residential or buy to let lending.
- Lending on freehold flats or freehold maisonettes is unacceptable.
- Where a property consists of a small number of flats (i.e. typically a house converted into no more than four individual units) and there is no formal management structure in place, Foundation can proceed on the basis of a 1st charge over the lease, provided the borrower/ applicant or a person connected to them does not own all the other units and the freehold. The solicitor will check the arrangements regards repairs and inform Foundation of any concerns. Refer to section 5.8.1 UK Finance Lenders' Handbook.

To discuss your case call today **0344 770 8032** www.foundationlending.co.uk