

# Our approach to buy-to-let underwriting

The buy-to-let market has seen a lot of changes recently and we remain committed to supporting you and your landlord clients.

## Personal income

To help more of your clients get the loan amount they need, we allow personal income to be included in the affordability test. The rental income must cover 100% of the mortgage interest payment, calculated at the higher of 5.5% or pay rate +2%. Where personal income is used for affordability, a minimum combined gross income of £50,000 is required.

## Our simple affordability calculator

To keep things simple, there's one affordability calculator so you can check the loan amount we'd offer your client. Continue to declare all of your client's credit commitments, and our calculator will automatically take personal income into consideration during the affordability assessment if it's needed.

## A reminder of our rental cover stress test

Rental income must cover the mortgage payment by a minimum ICR (Interest Cover Ratio) based on the relevant Stress Rate.

### ICR

ICR	Remortgage with no additional borrowing	Purchase or remortgage with additional borrowing
Basic rate taxpayers	125%	125%
Higher or additional rate taxpayers		145%

### Stress Rate

Stress Rate	Remortgage with no additional borrowing		Purchase or remortgage with additional borrowing
	Basic rate taxpayers	Higher or additional rate taxpayers	All tax bands
<5 year fixed or variable rate	The higher of 5% or pay rate +1%		The higher of 5.5% or pay rate +2%
5+ year fixed rate	The higher of 4.5% or pay rate +1%	The higher of 5% or pay rate +1%	The higher of 4.5% or pay rate +1%

### Extra rules supporting personal income

We have additional lending policy rules to make sure we only allow personal income where it is responsible to do so. Here are a few examples:

- > Income will be assessed in line with our residential policy and exclude other buy-to-let income.
- > Any shortfall from other buy-to-let properties will be taken into account as an outgoing.
- > We will not take personal income into account to meet rental shortfalls on portfolio landlord applications, LTVs greater than 75%, or where the term extends beyond 75 years of age.

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### Find out more

We'd love to help you and your landlords. Talk to your dedicated Business Development Manager or Service Team.



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