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- 4 or more mortgaged properties (portfolio landlords): Where the customer is looking to buy or refinance their 4<sup>th</sup> mortgaged investment property, they will now be classed as a portfolio landlord.
- Lenders must now ensure they have a full picture of the customer and a complete understanding of their position with regard to the investment portfolio.

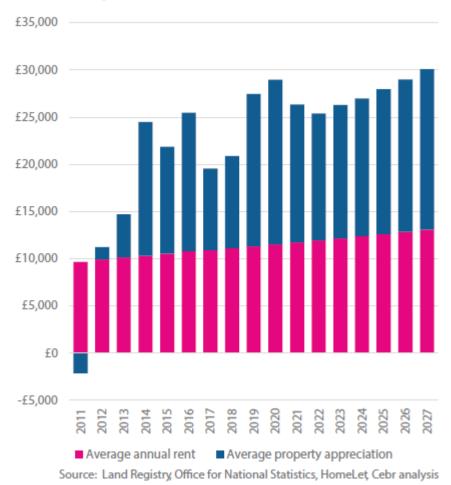
## Shawbrook Bank Buy-to-let: market update

KAREN BENNETT MANAGING DIRECTOR Commercial Mortgages, Shawbrook Bank



### SENTIMENT & OUTLOOK - BTL

- Despite there being some negativity around buy-to-let – with regulatory change potentially pushing smaller landlords out of the market and continuing political uncertainty – this remains a wellcapitalised investment that rewards thoughtful investors who seek specialist advice
- We will go on to discuss the challenges facing investors but data from the Land Registry, Office for National Statistics and HomeLet indicates that BTL landlords should benefit from strong house price appreciation for the next decade; please see graph to the right



### Average annual rent and house price appreciation, Great Britain, £



### **REGIONAL VARIATIONS IN RENTAL INCOME**

- Average rents vary greatly across the country. In 2016 renters in London were paying far more than those in other parts of the country
- This is in line with higher property prices ٠ in the capital, but also a reflection of its demographics. According to ONS Census data from the English Housing Survey, London's population is the youngest in the country
- On the opposite end of the spectrum is • the North East, where an average renter in 2016 paid £527 per month – less than in any other region. This is partially explained by the general economic slowdown which has hit the region's oil and steel industries
- In the coming decade, we expect the ٠ southern regions (London, South East and South West) to witness the greatest rent increases in the country



Westmidlands

NorthWest

and the Humber

#### Average monthly rent, 2016, by region, £

£200

£0

NorthEast

East Midlands

Source: Office for National Statistics, HomeLet, Cebr analysis

Southwes



SouthEast

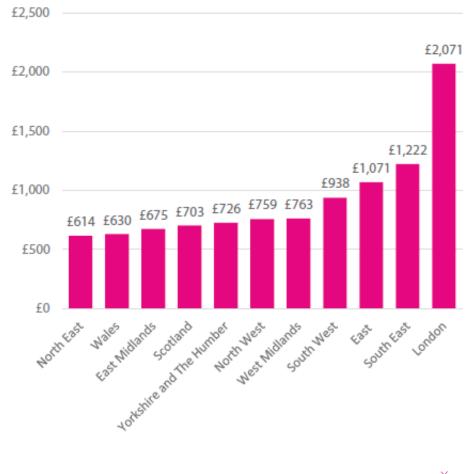
London

### PROJECTED RENTAL GROWTH – BY REGION



Average monthly rent, 2005, by region, £

Average monthly rent, 2027, by region, £



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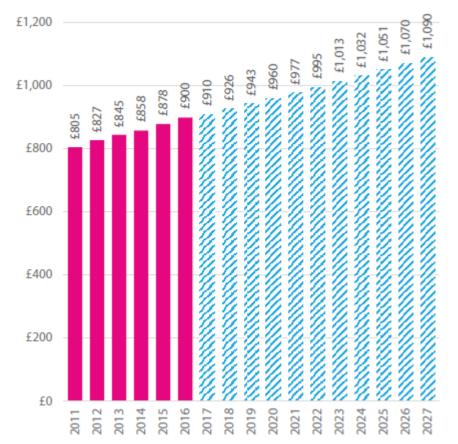
PROJECTED RENTAL GROWTH – ENGLAND AND UK

#### Average monthly rent in England, £

m £1,200 936 £1,000 £918 £896 £866 £852 £818 £833 5 £800 £600 £400 £200 £0 2005 2007 2008 2008 2010 2011 2011 2011 2013 2015 2015 2015 2015 2015 2015 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027

Source: Office for National Statistics, HomeLet, Cebr analysis

Average monthly rent in Great Britain, £



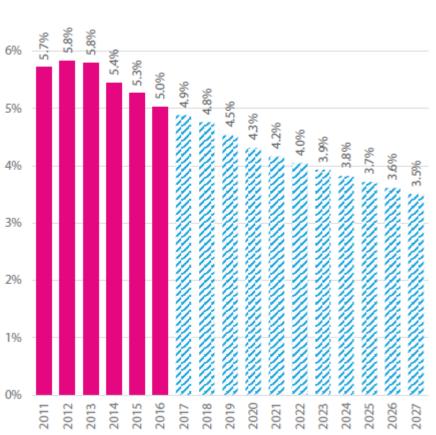
Source: Office for National Statistics, HomeLet, Cebr analysis



### RENTAL YIELDS DECLINING OVER TIME

- Rising rents, growing demand for rental property, favourable mortgage conditions and tax incentives (which are now being phased out) have made BTL investment a popular choice in recent years
- As is shown in the graph to the right, using average property values and rents we estimate that in 2016 the average rental yield obtained was 5.0%, this compares to 5.7% in 2011
- By 2027 we expect this to decline further to 3.5% as house price growth outstrips rental growth. While the rise in the share of the population that is privately renting will support rental price growth, other factors such as the government's commitment to promote three year tenancy agreements will limit rent inflation. Lower yields will reduce the level of financing relative to property value that is available to landlords



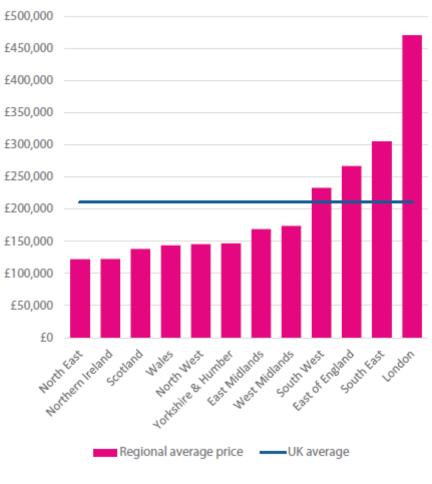


Source: Land Registry, Office for National Statistics, HomeLet, Cebr analysis



### **REGIONAL VARIATIONS IN HOUSE PRICES**

- London property prices have been inflated by investors that regard London property as a safe haven investment. While Brexit jitters temporarily jeopardised this status, in the longer term we expect investment into London property to continue thereby supporting prices
- In the shorter term another way in which Brexit will potentially impact the residential market is by driving up rental demand. The uncertainty caused by the decision to leave the EU has made some prospective buyers postpone their purchase decisions. This means some current renters will continue renting for longer
- In the 2016-2027 period we expect London and the surrounding regions to see strongest house price growth while Wales and Northern Ireland see the weakest house price inflation



#### Average house price, mix-adjusted, 2016, by region, £

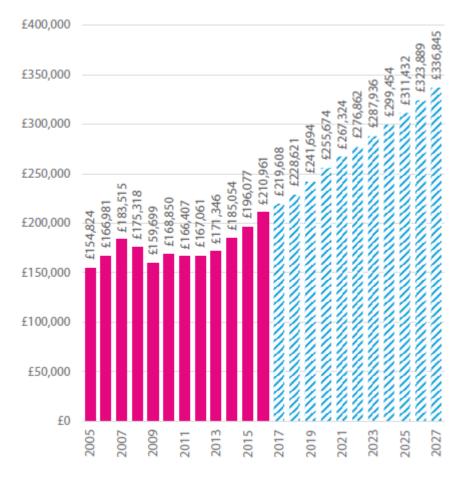
Source: Land Registry, Cebr analysis



### UK HOUSE PRICES TO CONTINUE RISING

- We expect strong house price growth to continue for the next decade. This will be driven by the fundamentals of supply and demand – more specifically the lack of supply and abundance of demand
- While the number of UK households continues to rise rapidly, supply has failed to keep up. Despite numerous initiatives to incentivise the private sector to build more (including those outlined in the February 2017 housing white paper), the level of housebuilding is unlikely to reach pre-1990s levels without the direct involvement of Local Authorities
- Hence, by 2027 we expect the average UK home to cost £336,845, 59.7% more than in 2016

#### Average UK house price, mix-adjusted, £



\* Source: CITB - Skills and Training Source: Land Registry, Cebr analysis in the Construction Industry 2016

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### TAX CODE CHANGES – INDIVIDUALS

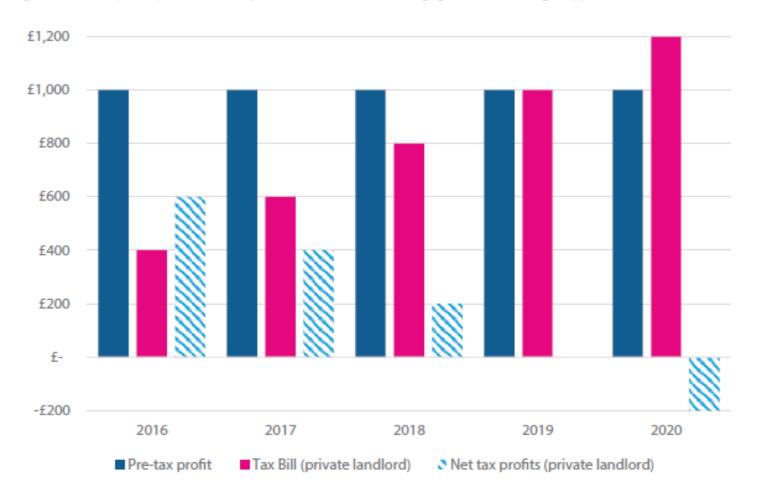


Figure 5: Pre-tax profits, taxes and net profits under the new mortgage interest tax regime, private landlords



### TAX CODE CHANGES – LIMITED COMPANIES

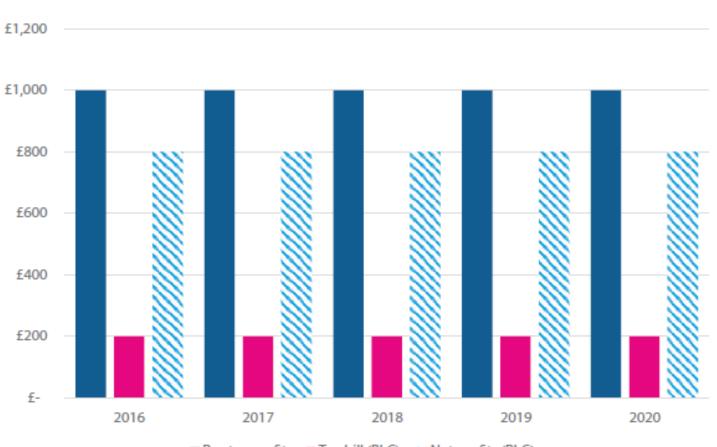


Figure 6: Pre-tax profits, taxes and net profits under the new mortgage interest tax regime, limited companies

Pre-tax profit Tax bill (PLC) Net profits (PLC)



### MARKET UPDATE: CONCLUSION

- **Buy-to-let is vital for the private rental market**, itself a housing tenure filling an important gap left open by declining home ownership rates and the decrease in social housing
- **Demand from households is set to remain strong** as the continued shortfall in the supply of housing will support house price growth in the years to come
- The BTL market is undergoing some transformative changes. After the general overhaul of the stamp duty system in 2014, the government added a 3 percentage point surcharge on second homes in April 2016. From April 2017, BTL landlords can no longer reclaim the full amount of mortgage interest paid on their tax return
- Until 2020, the amount of mortgage interest that can be deducted will be gradually reduced to zero and replaced with a 20% flat rate rebate
- Whilst recent developments in the sector certainly pose challenges for private landlords, strong demand for rental units and capital appreciation still work in favour for those carefully selecting a buy-to-let property as an investment for the future



### THANK YOU FOR LISTENING – QUESTIONS?

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### Shawbrook Bank PRA Underwriting Changes II: what this means for your portfolio

### DARYL NORKETT REGIONAL DEVELOPMENT MANAGER Commercial Mortgages, Shawbrook Bank

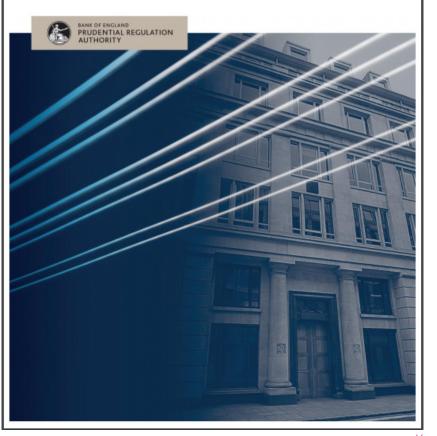




### INTRODUCTION

- The PRA is implementing the final tranche of their changes to underwriting standards for buy-tolet mortgages (SS13/16) from 30th September 2017
- Updates to the way lenders are required to underwrite mortgage applications for portfolio landlords are at the forefront of these regulatory changes
- In the subsequent slides, we will explore what the changes mean from a general perspective and then from a Shawbrook specific perspective

Supervisory Statement | SS13/16 Underwriting standards for buy-tolet mortgage contracts September 2016





### WHAT THE CHANGES MEAN IN GENERAL

The next evolution to the underwriting standards due to land by the 30th September asks lenders to ensure they have a full picture of the customer, and a complete understanding of their position with regard to their investment portfolio:

"The PRA expects firms undertaking buy-to-let lending to have regard to its potential business characteristics. The PRA considers that borrowers with four or more distinct mortgaged buy-to-let properties, either together or separately, in aggregate, should be treated as 'portfolio landlords'."

Prudential Regulation Authority (PRA)

Investors falling into this portfolio category will be subject to a more stringent affordability assessment, and a full understanding of the new structure and its impact is vital for investors operating in this space.



### INVESTORS WILL BE CLASSIFIED INTO TWO BUCKETS...

### **1-3 MORTGAGED PROPERTIES**



This relates to **any** property/properties owned and mortgaged for **all** customers, and also includes the property intended for purchase/refinance at that time. Please note that if an investor is buying via a limited company but owns 3 properties in their personal name, they will cascade into the next bucket categorised as "Portfolio landlords" (please see below).

Please also note that the level of shareholding within that property is irrelevant – if they are a shareholder and the property is mortgaged, that property will count as one of the 3 allowed in this category.

Usually, cases that sit within this classification are considered relatively straightforward and can be submitted online, often obtaining an instant decision. The system will check personal credit position and that the property generates the necessary income to support the loan. These online systems are highly efficient and provide a quick service. This keeps lenders' costs down and may ultimately be passed through to the cost of the mortgage.



### INVESTORS WILL BE CLASSIFIED INTO TWO BUCKETS...

### 4 OR MORE MORTGAGED PROPERTIES (PORTFOLIO LANDLORDS)



Where the customer is looking to buy or refinance their 4th mortgaged investment property, they will now be classed as a portfolio landlord. This means that the underwriting process required by the lender will look considerably different in terms of its complexity.

As with all regulation, the regulator does not dictate exactly what needs to be assessed and merely provides guidelines that lending institutions must interpret to ensure they demonstrate best practice and deliver a good outcome for the customer.



# ELEMENTS THAT LENDERS WILL NOW CONSIDER ARE AS FOLLOWS:

- A review of the customer's full portfolio; does the customer have any geographical concentration risks within their portfolio? Lenders will need to ensure that they understand any risks and what the customer has in place to balance these risks
- What spread of products does the customer have? For instance, is there a significant portion of the overall debt on fixed rates that are due to expire, and do these deals still work bearing in mind today's mortgage prices?
- Lenders will look at rental income for these properties versus the debt outstanding
- How highly geared is the portfolio? How much are the properties worth and what debt has been secured against them? Lenders must look at the customer's ability to refinance this debt in the future and whether the numbers work on today's affordability requirements





# ELEMENTS THAT LENDERS WILL NOW CONSIDER ARE AS FOLLOWS:

- What is the customer's personal income position? Do they live off this rental income alone and is this sustainable with rising investment costs? The lender will also consider how that customer manages any rental voids within the total income figure, and how this is balanced against the income needed to maintain their desired lifestyle
- Can the customer's returns model cope with the rising tax costs across their portfolio? The lender may also choose to sense check that the customer's tax code correctly reflects the affordability calculation
- Is there an effective long term plan or strategy in place for the customer's property business?
- The lender will also wish to review a picture of the customer's assets and liabilities to ensure that refinancing a property or adding another property to their portfolio will not cause any future issues
- Lenders must also evidence that they have reviewed the customer's overall cash flow to prove that the customer can administer the management and maintenance of all costs across the portfolio



### POTENTIAL MARKET IMPACT

- More underwriters to cope with the increased scrutiny across a higher case load may result in greater costs built into the pricing structure for investors
- The time to assess an application is likely to increase considerably compared to the automated online processes most mortgage brokers and customers would be familiar with
- Where the portfolio is geared in excess of 75%, lenders are likely to have some sensitivity around refinance risk which may result in less funding being made available to reduce exposure across the overall portfolio
- If the property is due to be refinanced within the next 12 months the lender is likely to check that this is possible. If the income or LTV is tight, there may well be a requirement to deleverage
- There will be the assumption that portfolio landlords are higher rate tax payers and therefore any cases that move forward within a lower tax band are likely to require confirmation of the investor's tax position
- The customer will need to provide evidence to demonstrate that they have sufficient income to support their personal living expenses, as well as proof of all rental payments made over the last 12 months



### SHAWBROOK PORTFOLIO LANDLORD STRESS TESTS

- Since January 2017, Shawbrook has adopted an 'outside' portfolio stress test. For properties owned personally, we look for the rent to cover 8% of the mortgage balances by 100%. For properties owned in a company, we look for the rent to cover 7% of the mortgage balances by 100%. This is in addition to overall gearing being no greater than 75% LTV
- To meet this stress, Limited Companies need a 5.25% yield (or £10,500 rent on a £200k property) and Individuals need a 6% yield (or £12,000 rent on a £200k property)

Other Points to Consider:

- **Portfolio Loans on 5 Year Fixed Rates** potential to achieve 75% lending at yields as low as 3.4% though care around the refinance
- Portfolio 'Mix' addition of higher yielding properties such as HMOs, Multi-Unit blocks, Commercial
- Limited Company ownership different tax treatment allows for more lending



### WHAT THE CHANGES MEAN FOR SHAWBROOK

- Shawbrook is proud to have the right balance between technology and people, recognising the value to our customers in each of these areas
- Shawbrook has always taken a manual, case-by-case approach to underwriting; we
  provide an assessment based on the merit of that case rather than on a credit scorecard,
  "computer says yes/no" approach. Alongside this we utilise technology to streamline
  processes in order to deliver the strongest service we can
- A huge benefit of this approach is that the changes outlined here do not have the same level of impact on us as they might for other lenders. If anything, the changes actually mean the Shawbrook underwrite in the 1-3 property range will be less complex which we have reflected across the product range in terms of process
- However, it is important to note that we may see some institutions pulling out of the portfolio landlord market altogether and focusing purely on the "simpler" customers with 1-3 mortgaged properties. This highlights the need to build strong relationships with specialist commercial lenders like Shawbrook. We will continue to support the professional landlord and investor community with our experienced teams underwriting each case on its own merits



### THANK YOU FOR LISTENING – QUESTIONS?

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# **Opportunities in the Private Rental**



Jason Wilde Regional Sales Manager 07794 030210

# Agenda

- What changes have we seen recently?
  - Minimum affordability standards
  - Specialist underwriting for portfolio landlords
- Landlord strategies
  - o Rent increases
  - Maximising attractiveness of your property
  - Limited company
- Let to buy
- Summary of private rental sector
- Questions

# What changes have we seen recently?

# PRA January 2017

- Affordability standards focused on the Interest Coverage Ratio or ICR
- ICR defined as the ratio of expected monthly rental income from the BTL property to the monthly interest payments taking into account likely future interest rate increases
- Lenders must set their minimum ICR so that rental income should be at least 125% of the mortgage interest payments at an assumed interest rate of 5.5%
- Lenders required to take the impact of new tax rules into account when assessing affordability
- Fixed rates of 5 years of more can be excluded

# Paragon's approach

		Minimum affordability standards			
		ICR		Reference interest rate	
		Single self- contained properties	Houses in multiple occupation and multi-unit properties	Fixed rate mortgage – initial term of five years or more	All other mortgage products
Customer tax status	Landlord operating in a limited company structure	125%	130%	Currently <b>4%</b> , may vary with product charging rate	<b>5.5%</b> or product charging rate plus <b>2%</b> if higher
	Individual landlord – basic rate taxpayer	125%	130%	Currently <b>4%</b> , may vary with product charging rate	5.5% or product charging rate plus 2% if higher
	Individual landlord – higher or additional rate taxpayer	140%	145%	Currently <b>4%</b> , may vary with product charging rate	5.5% or product charging rate plus 2% if higher

- Tailored approach takes each landlord's individual circumstances into account to reflect
  - o landlord tax status
  - o property type
  - o mortgage term

# Changes in Taxation

From April 2017 landlords will only be able to claim relief on their mortgage finance costs at the basic rate of 20% and these new changes will be phased in over a four year period. Changes in the way tax is calculated and relief is given, however, means that some landlords will see a much more significant increase in their tax bill than they might have been expecting.

### Timescale

- 2017/18 75% of finance costs will be deductible with remaining 25% restricted to basic tax reduction
- 2018/19 50% at current levels, 50% at basis rate
- 2019/20 25% at current levels, 75% at basic rate
- 2020/21 all financing costs will be deductible at basic rate only

### How do changes to tax relief impact landlords?

#### Intended resul



**Victoria** Higher rate tax payer Tax relief almost halved

Victoria earns £55,000 income from other sources.

Victoria has two buy-to-let properties, generating rent - net of costs before interest - of £15,000.

Victoria bought her buy-to-let properties for  $\pounds 275,000$ , using cash and buy-to-let loans of  $\pounds 200,000$ . The interest rate on her loans is 4.5% resulting in annual interest of  $\pounds 9,000$ .

#### Tax on property income

Current - £2,400 Proposed - £4,200

#### Unexpected result



Sarah Basic rate tax payer Moved into higher rate tax band Child benefit clawed back

Sarah earns £40,000 income from other sources. She has two children and receives child benefit of £1,823.

Sarah has two buy-to-let properties, generating rent - net of costs before interest - of £20,000.

Sarah bought her buy-to-let properties for  $\pounds360,000$ , using cash and buy-to-let loans of  $\pounds310,000$ . The interest rate on her loans is 4.5%, resulting in annual interest of  $\pounds14,000$ .

#### Tax on property income

Current - £1,923 Proposed - £6,546

#### **Unexpected result**





Higher rate tax payer Moved into additional rate tax band

Personal allowance withdrawn

lan earns £45,000 income from other sources.

He has a large property portfolio, generating rent - net of costs before interest - of £200,000.

lan's buy-to-let properties are worth  $\pounds4.2$  million and are financed by  $\pounds3.8$  million of buy-to-let loans at an interest rate of 4.00%, resulting in an annual interest bill of £180,000.

#### Tax on property income

Current - £8,000 Proposed - £52,990

# PRA second phase

Under the new PRA regulation, a portfolio landlord is a landlord with more than three mortgaged buy-to-let properties in either personal name or corporate entity, including the proposed application.

# Specialist underwriting for portfolio landlords

- Second stage of PRA changes to be applied from **30 September 2017**
- Lenders are expected to apply a specialist underwriting process in these cases, including requests for:
  - Accounts or tax returns / tax overviews / SA302's.
  - o Business plan
  - Cash flow forecast
  - o Bank statements
- We will continue to see a polarisation in the market mainstream lenders against specialist lenders

# **HMRC Let Property Campaign**

"The Let Property Campaign is an opportunity for landlords who owe tax through letting out residential property, in the UK or abroad, to get up to date with their tax affairs in a simple, straightforward way and take advantage of the best possible terms. If you're a landlord and you've undisclosed income you must tell HMRC about any unpaid tax now. You'll then have 90 days to calculate and pay what you owe"

### If you have undisclosed liabilities and choose not to disclose

"HMRC is currently increasing its targeted compliance activity across all landlord types and will start to identify and write to landlords who they consider may not have declared all their rental income. This will involve HMRC carrying out compliance checks or enquiries to resolve matters. The customers involved will not then be able to make use of the opportunity offered as part of this campaign"

Source; HMRC



- Large increase in five year business
- Less 'vanilla lending', significantly more specialist lending
- Landlords unable to obtain finance due to non disclosure of rental income

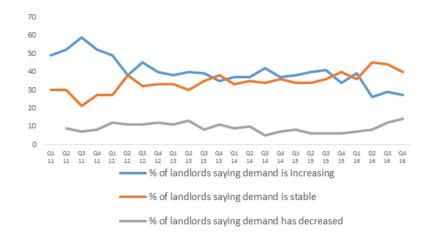
Have you seen an increase in five year fixed rates?

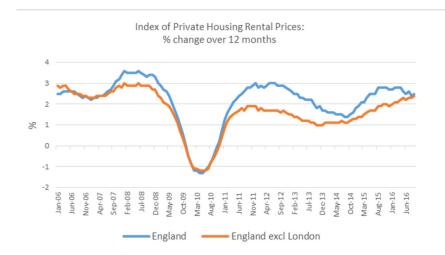
# Landlord strategies

## Rent increases

#### **Tenant demand**

- Landlords continue to report strong tenant demand for PRS property
- Market underpinned by population growth, limited house building and mortgage affordability constraints

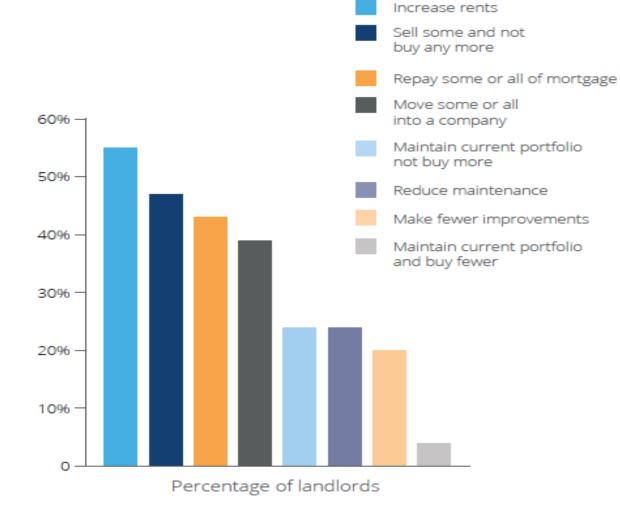




#### **Rental growth**

- Rent increases usually follow inflation
- Required increase over the next four years to mitigate policy changes outstrips inflation
- Opportunity for sustained above inflation increases untested

# Landlord Strategies



- 55% expect to increase rents
- 47% planning to sell some of their portfolio and not purchase anymore
- 39% move some or all of properties into a Ltd Company
- Just 2% planning to sell up completely.

## Rent increases – worked example

#### Scenario:

- Higher rate tax payer
- £600pcm rent, loan amount £150,000
- Interest 3.5% (with an assumption that mortgage interest will not increase)

	Current	2017 / 2018	2018 / 2019	2019 / 2020	2020 / 2021
Rent	£600	£600	£600	£600	£600
Net Profit	£1,170	£908	£645	£383	£120

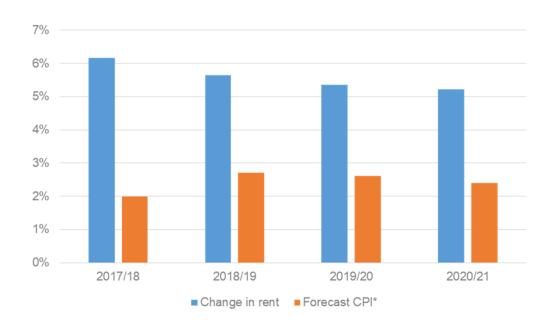
#### What would you have to increase your rent to in order to maintain your net profit?

Rent	£600	£637	£673	£709	£746
Net Profit	£1,170	£1,170	£1,171	£1,167	£1,171

# Rent increase vs forecast CPI\*

- Worked example shows an increase in rent of more than 24% over four years
- This would imply an annual rent increase significantly ahead of forecast CPI\*
- As this may be difficult to achieve, it is important for landlords to consider complementary strategies

#### Worked example - rent increase vs forecast CPI\*



\* Bank of England, Inflation Report, February 2017

# Houses in multiple occupation

#### **Configuration 1:**

3 bedroom terrace Rented to one family at £600pcm Higher rate tax payer Loan amount £150,000, interest 3.5% Full occupancy

	Rent (£600)
Net Profit	£1,170
2017 / 2018	£908
2018 / 2019	£645
2019 / 2020	£383
2020 / 2021	£120

### **Configuration 2:**

3 bedroom terrace Rented to four sharers (3 Bedrooms & one Reception room) at £75prpw / Avg £1,125pcm Higher rate tax payer Loan amount £150,000, interest 4% 45 weeks occupancy

	Rent (£1,125)
Net Profit	£4,500
2017 / 2018	£4,200
2018 / 2019	£3,900
2019 / 2020	£3,600
2020 / 2021	£3,300

# Incorporation

- Lots of people are talking about it but not as many are taking the plunge
- Advisers provide information about all of the options available and encourage the Client to seek the right professional accountancy advice



# Tax Benefits of holding property through a limited company

#### **OPERATING THROUGH A LIMITED COMPANY GIVES RISE TO THE FOLLOWING BENEFITS:**

Companies are not subject to the interest restriction rules

Profits are liable to corporation tax (currently 20% but falling to 17%)

Profits can be reinvested without additional tax at that point

Inheritance tax planning between parents and children

#### Need to consider however

Additional tax is potentially payable when cash is extracted from the company for personal use

The importance of getting the right advice from professionally qualified specialists

# Let to buy

### **Does it still work?**

- Many potential and current landlords are still keen to look at let to buys, but will they really keep them for more than three years?
- If they do want to retain them for more than three years, are there any alternatives to how this is structured?



This approach doesn't fit every client's needs. The right advice is key.

# Summary of PRS

### LSE REPORT OVERVIEW

Earlier this year Paragon commissioned research from the London School of Economics and Political Science (LSE), looking at the impact of recent policy measures on the Private Rented Sector (PRS) and buy-to-let.

This in-depth, independent publication examines the role buy-to-let has played in the development of the PRS and suggests how housing tenure might develop in the UK over the coming years.

Here are some key findings from the research and you can download a full copy of the report from <a href="http://www.lse.ac.uk/geographyAndEnvironment/">http://www.lse.ac.uk/geographyAndEnvironment/</a> research/london/docs/GRP12392---LSE-report-design-WEB2.pdf

### 10 KEY POINTS FROM THE REPORT:

- 1. The PRS accounts for almost one-fifth of households in the UK today
- 2. Since 2000, demand for rented property has grown rapidly, reflecting an increase in student numbers and inward migration, as well as demand from professionals and younger people more generally
- Reduced access to owner-occupation (mainly for affordability and deposit reasons) and worsening access to social renting for households not in priority need, are further important factors influencing demand
- 4. Given the projected increase in the UK population – a rise of nine million people by 2039 - it is almost certain that demand for privately rented accommodation will continue to grow over the coming decades
- 5. The bulk of landlords are private individuals, many owning just one unit. A significant minority however have substantial holdings

- 6. To meet growing demand for privately rented accommodation there needs to be further investment in the sector
- 7. The continuing flow of regulatory and taxation changes being targeted at buy-to-let will slow the expansion of the PRS at a time when there are limited alternatives
- 8. Any slowdown in the expansion in supply of privately rented housing will put pressure on rents and household budgets
- 9. Even if institutional investors enthusiastically enter the market, individual landlords will remain dominant – as they are across Europe
- 10. Shrinking the sector does not seem a sensible way forward given what we know about unmet tenant demand and housing need

## Questions....

### paragon mortgages







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- 4 or more mortgaged properties (portfolio landlords): Where the customer is looking to buy or refinance their 4<sup>th</sup> mortgaged investment property, they will now be classed as a portfolio landlord.
- Lenders must now ensure they have a full picture of the customer and a complete understanding of their position with regard to the investment portfolio.



### Key Criteria changes for portfolio landlords:

- No more than 10 BTL mortgaged properties including the new application to BM Solutions.
- Minimum earned income of £30,000 Income defined as; earned income from employment or self-employment (including taxable profit from the property portfolio); pension income; investment income.

### **Unencumbered Let Property:**

- Not included in the count of mortgaged BTL property.
- Must be declared on the Customer Profile Form and will be included within the assessment of aggregate LTV and Rental Cover Ratio.



- There should be a maximum LTV of 65% across the whole portfolio.
   This calculation will include properties that are unencumbered and the property they're applying for.
- There may be instances where we're unable to validate all the information electronically. If this is the case, we may ask you for further information, for example:
- Bank statements.
- Mortgage statements.
- Rental agreements.
- Redemption statements.



- Skipton will affordability stress test 'portfolio' landlords with an income coverage ratio of 150% and a minimum income requirement of £45,000.
- Landlords with 4 BTL properties will be stress tested against an income coverage ratio of 150% at 5.5%, or at 5% for 5-year fixed rates.
- Much of Skipton's existing criteria will remain the same, such as landlords having up to 10 properties in total and 5 properties mortgaged with Skipton.

### Aldermere

- **Portfolio Landlord Standard Assessment** (Up to 10 mortgaged BTL properties with Aldermore). Documents required:
- Portfolio schedule.
- Business Plan.
- **Portfolio Landlord Enhanced Assessment** (11 or more mortgaged BTL properties with Aldermore). Documents required:
- Portfolio schedule.
- Business plan.
- 12 month Cash flow Forecast Statement.
- Statement of Assets and Liabilities.
- Aldermore will provide templates for these documents.

### Aldermere

- Face to face interviews with Aldermore will be required for buy-tolet cases where:
- The applicant is a portfolio landlord with 11 or more mortgaged BTL properties with Aldermore.
- Total borrowing with Aldermore is £1m or more.

# InterBay

- In line with the new rules, we will require the following documents from portfolio landlords for all mortgage applications:
- Business plan.
- Assets and liabilities statement.
- Cash flow statement.
- It's also important to know that any portfolio that is not currently with InterBay commercial will be subject to an interest rate stress test of 5%, and will need to meet or exceed an ICR of 125%.

# KentReliance

- "New PRA underwriting standards for buy-to-let to see a quarter of applicants struggle to secure finance in 2017."
- "The second round of PRA recommendations from October will overhaul the way portfolio landlords' mortgages are assessed, boosting role of brokers and specialist lenders."



# What these changes mean for you?





Name of Own	er (Company or l	ndividual)											
	Property Type (	Key) - Resic	dential (BTL), I	House of Multip	ole Occup	ancy (HM	<b>O)</b> , Semi-C	ommercial	( SC ), Co	mmercial ( C	:)		
Full Postal Address	Ownership as at Land Registry	Property Type	Mortgage Balance	INT Only / Repayment	Interest Rate	Type Fix/Cap/ Var	End Date fix/cap	Monthly Payment	Lender	Rent Received Monthly	Number Of Tenants	Net Rent (Gross less management costs)	Type Of Tenand AST/Lease/ Licence
					•	Rectangula	ir Snip						
										· · · · · ·			
Totals:			£ 0.00					£ 0.00		£ 0.00		£ 0.00	

Name:



#### Home Address:

#### **INCOME & EXPENDITURE**

Income (monthly)

Wages / Salary	£
Wages / Salary (partner)	£
Dividends	£
Drawings	£
PAYE	£
Rent	£
Pension	£
Other	£
Total Income	£0.00

#### Outgoings (monthly)

Mortgage / Rent	£
Second mortgage / secured loan	£
Ground rent / service charges	£
Unsecured Loans	£
Credit Cards	£
Buildings / Content Insurance	£
Life Insurance / Endowment	£
Council Tax	£
Gas	£
Electricity	£
Water	£
Food / Housekeeping	£
Travel	£
Telephone / Internet	£
TV Licence / Rental	£
Clothing / Emergencies	£
Gym / Health care	£
Other	£
Total Outgoings	£0.00

Business Plan	
CPC FINANCE	01923 655441 Email: processing@cpcfinance.co.uk Fax: 01923 655 442
Personal details	
Full name of company Applicants 1 Directors 1 Shareholders Applicant 1 Applicant 2	Applicant 3 Applicant 4
Investment strategy	
Sole source of income Additional income stream Capital appreciation Backgreund - include summary of applicants' / directors' exp	Retirement planning     Other (please specify)      pertence in residential investment property
Please provide details of operating model Tenant Profiles	
Supporting business infrastructure Incluing professional service providers, biting agents, solicitors, accourt	nfant, property management, ekc]
Void periods gleane provide details of any voids/how this situation was managed,	together with what plans you have in place to manage these in the future)

CONTINUED OVERLEAF >>>

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#### CONTINUED >>>

Please provide details of future stategy
Future funding requirements for the next 12 months
Proposed future purchases, improvements and disposals (please include property type, tenant type, sources of funding and funding voids during improvements)
Please provide any additional information in support of the application
•

CPC FINANCE





#### All BTL portfolio properties

	Previous 12 months	Current 12 months	Notes
Income			
Initial Cash Investment*			
Mortgage*			
Rental Income			
Government Grants			
Other			
Total Income (A)	£0.00	£0.00	

Exponditure		
Initial Purchase Cost*	£0.00	
Mortgage Interest		
Tax Liability		
Letting Agents Fees		
Legal & Professional Fees		
Insurance		
Maintenance & Repairs		
Improvements		
Ground Rent & Service		
Charge		
Council Tax		
Utility Bills		
Advertising & Marketing		
Cleaning		
Gardening		
Office Costs		
Travel		
Other		
Total Income (B)	£0.00	£0.00

\* Only include if the property was purchased within the last 12 months



#### **Valuation Confirmation**



01923 65544 Email: processing@cpcfinance.co.uk Fax: 01923 655 442

Postcode:

#### CONTINUED >>>

lf Remortgage:	
Price paid: £	
Frice paid: £	
Purchase Date:	
Existing borrowing: Yes* No	
*if 'Yes' please state mortgagee:	Amount: £
· · · · · · · · · · · · · · · · · · ·	
If Purchase:	
Agreed purchase price: £	
Reason for difference to valuation figure (if applicable):	ls this an undervalue purchase: 📃 Yes 📃 N
If 'Yes' please explain:	

Purpose: Owner occupy Investment Are there any existing tenancies / lease on the property? Yes\* No Estimated overall rental per year £ \*if 'Yes' please give details:

Any other information that may assist the valuation, i.e. local comparisons / other properties for sale / improvements since purchase

Once you have completed this form please email to processing@cpcfinance.co.uk

Date:

Signod:

Print Name:



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#### Expected valuation figure (Bricks and Mortar only): £

To help us ensure the valuer is able to reach and confirm this figure, please complete the following sections as comprehensively as possible. Any additional information or documentation will help, i.e. Tenancy Agreements, Leases invoices of work carried out etc.

N	a	m	e	¢

Valuation Address:

Contact name for access: Phone number:

Description of property (e.g. office with flat above and car parking.):

Existing use:

Proposed use on completion (e.g. property was purchased as a Retail Unit to be converted into a Cafe/Bistro):

Planning application or change of use: Yes No if 'Yes' please give details:				
Existing leases / AST on property to be valued:	Yes No if 'Yes' please supply copies			
ls it a: Remortgage Purchase	Transfer			
Has a previous valuation been carried out?	Yes No if Yes' what did it value at: £			
Who by?	and when?			
Is there copy of the report available?:	Yes No if 'Yes' please provide a copy			

CONTINUED OVERLEAF >>>



Contact the CPC team, we are here to help. 01923 655 441.

processing@cpcfinance.co.uk





# SHAWBROOK \* paragon mortgages

### Ronald Fletcher Baker LLP