

Freestyle[®] Buy to Let Mortgages Affordability Boost facility



Increase the amount your clients can borrow – with Affordability Boost

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As with all buy to let providers, we need to ensure that your clients will be able to pay all the costs associated with maintaining and insuring the rental property in addition to servicing the mortgage secured on it. As a result we require your customer to have a minimum rental income of at least 110% of the monthly interest payment (this is based on the initial fixed rate for fixed rate mortgages).

However, this often restricts the amount people can borrow – which can be especially frustrating for those clients who have a sizeable income from other sources. That's where our flexible underwriting – in the form of our Affordability Boost facility – can help your clients borrow more!

Here's how Affordability Boost works:

1. We calculate the amount of surplus income a customer has using this formula:
$$\text{Affordability Boost} = (\text{Clients Gross Annual Income} \times 3) - \text{Outstanding Residential Mortgage}$$
2. We then subtract this figure from the amount that the client wants to borrow before calculating the rental yield income.
3. Up to a maximum £50,000 Affordability Boost per applicant may be available.

An example of how this could benefit your clients

Lets consider a customer who has the following details:

| House Value | Loan Size | Salary | Outstanding residential mortgage balance |
|-------------|-----------|---------|--|
| £200,000 | £150,000 | £50,000 | £120,000 |

In this case there is a Affordability Boost = $(£50,000 \times 3) - £120,000 = £30,000$

| | We calculate rental yield required on | Annual rental income yield required | Approximate monthly rental income required |
|-----------------------------|--|-------------------------------------|--|
| Without Affordability boost | £150,000 (the amount the client wants to borrow) | For 3 year fixed rate – £12,524 | £1,044 per calendar month |
| With Affordability boost | $£150,000 - £30,000 = £120,000$ (the amount the client wants to borrow less the Affordability Boost) | For 3 year fixed rate – £10,019 | £835 per calendar month |

The above is based on a 3 year fixed rate of 7.59% with a revert to rate of 5.97% (rates correct as at 09/06/2009). The overall cost for comparison is 6.6% APR.

As you can see the Affordability Boost facility could substantially reduce the amount of monthly rental income that is required – and increase the amount that your clients could potentially borrow.

For more information visit www.standardlifebank.com/adviser or call 0845 606 6710

If you have hearing or speech difficulties – please call our Textphone facility direct on 0845 601 2346.
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