

PRA packaging guide for intermediaries

When Aldermore adopt the new PRA underwriting standards (which will be applied by 30 September 2017) they will introduce further packaging requirements for some Buy-to-Let cases.


This guide is to let you know the details of what's coming and how the changes will affect you and your landlord clients.

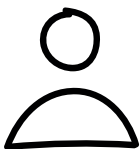
Classification of portfolio landlords

The new PRA standards define portfolio landlords as those with interest in 4 or more mortgaged Buy-to-Let properties. For Aldermore applications, a mortgage must be counted in this number if the Buy-to-Let property is owned solely or jointly by the applicant, or by a company in which the applicant has at least a 25% share.

4+
mortgage
properties

Aldermore will split portfolio landlords into two further categories to determine what further information needs to be provided to underwrite the case:

Portfolio Landlord – Standard Assessment (Up to 10 mortgaged Buy-to-Let properties with Aldermore)	Portfolio Landlord – Enhanced Assessment (11 or more mortgaged Buy-to-Let properties with Aldermore)
Documents required: <ul style="list-style-type: none">· Portfolio schedule· Business Plan	Documents required: <ul style="list-style-type: none">· Portfolio schedule· Business Plan· 12 month Cashflow Forecast Statement· Statement of Assets and Liabilities
 Aldermore will provide templates for these documents to make it easier to submit portfolio landlord applications (other versions providing the same level of information will be accepted).	



Face to face interviews with Aldermore will be required for buy-to-let cases where:

- The applicant is a portfolio landlord with 11 or more mortgaged Buy-to-Let properties with Aldermore; or
- Total borrowing with Aldermore is £1m or more

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Portfolio Affordability Assessment



- Aldermore will validate the size of the applicant's mortgaged portfolio with credit bureau checks (or requests for additional information)
- Each individual property on the application will be subject to an affordability assessment (on an interest only basis)
- If the applicant has a portfolio with mortgages in personal/Limited Company names or with mixed property types, an average weighted ICR will apply with a stress rate of 5%
- If required, personal income will be taken into account during the portfolio assessment, including any necessary adjustments due to future tax liability

Rental Income Validation by Postcode



When using rental income as part of personal income:

- Aldermore will perform further analysis of rental income and rental demand in the local area, for a sample of properties in the applicant's portfolio
- A sample of existing tenancy agreements or bank statements may also need to be provided to verify achievable rental income

Living Costs and Essential Expenditure



When assessing the applicant's affordability, where personal income is used:

- The make up of each applicant's household will be taken into account
- The applicant's residential mortgage payments will be stressed at a higher interest rate, than the current rate
- If the applicant is currently renting, a rental rise will be assumed over the next 5 years
- For applicants living with family or friends, a notional rent will be included to cover the possibility of a change in lifestyle

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