

# Buy-to-Let Definitions

This document provides you with a definitive guide to our Buy-to-Let terminology, so when you're filling in our forms with your clients, submitting information to our portal, or using our Buy-to-Let affordability calculator, you know exactly what we mean.

Term	Our definition
<b>Individuals</b>	Applicants applying for a Buy-to-Let mortgage in their personal name, or those who own mortgaged Buy-to-Let properties in their own name. This includes individuals in partnerships and Limited Liability Partnerships (LLPs), as they are self-employed individuals who will be taxed on their share of any profits.
<b>Companies</b>	Applicants applying for a Buy-to-Let mortgage in a company name, or those who own mortgaged Buy-to-Let properties in a company name (if they have a 25% or greater shareholding in the company). This includes private limited companies (Ltd.) and Public Limited Companies (PLC) as they are subject to corporation tax.
<b>Portfolio Landlords</b>	<p>Applicants who have an interest in 4 or more mortgaged Buy-to-let properties.</p> <p><b>A mortgaged Buy-to-Let property must be counted if it is:</b></p> <ul style="list-style-type: none"><li>Owned solely or jointly by the applicant</li><li>Owned by a company in which the applicant has at least a 25% share</li></ul> <p><b>Important information:</b></p> <ul style="list-style-type: none"><li>The application property must be included if it will increase the total number of mortgaged properties (i.e. if it's a new purchase or a remortgage on an unencumbered property)</li><li>Multi-unit freeholds are counted as one property as they are on the same title and would be sold in a single transaction</li><li>Individual Buy-to-Let properties must be counted separately, even if they are on the same loan (excluding multi-unit freeholds)</li><li>Portfolio landlords are classified individually, for example if 2 applicants both own 2 properties separately they won't be classed as portfolio landlords</li><li>Holiday letting and commercial investment properties are not included in the definition of Buy-to-Let properties and should be excluded</li></ul>

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<p><b>Standard Assessment for Portfolio Landlords</b></p>	<p>Portfolio landlords with up to 10 mortgaged Buy-to-Let properties with us will need to provide:</p> <ul style="list-style-type: none"> <li>• <b>A Portfolio Schedule</b> (one per application)</li> <li>• <b>A Business Plan</b> (one per applicant will be required as appropriate e.g. if applicants have differing business strategies)</li> </ul> <p><i>To make the application process as smooth as possible, we recommend using our template documents (linked above) to provide this information – just download and save them to complete. We will also accept other versions of these documents if they provide all the details we need.</i></p>
<p><b>Enhanced Assessment for Portfolio Landlords</b></p>	<p>Portfolio landlords with 11 or more mortgaged Buy-to-Let properties with us will need to provide:</p> <ul style="list-style-type: none"> <li>• <b>A Portfolio Schedule</b> (one per application)</li> <li>• <b>A Business Plan</b> (one per applicant will be required as appropriate e.g. if applicants have differing business strategies)</li> <li>• <b>A 12 Month Cashflow Forecast Statement</b></li> <li>• <b>A Statement of Assets and Liabilities</b></li> </ul> <p><i>To make the application process as smooth as possible, we recommend using our template documents (linked above) to provide this information – just download and save them to complete. We will also accept other versions of these documents if they provide all the details we need.</i></p>
<p><b>Face to face interviews</b></p>	<p>Face to face interviews with us will be required for buy-to-let applications where:</p> <ul style="list-style-type: none"> <li>• The applicant is a portfolio landlord with 11 or more mortgaged Buy-to-Let properties with us; or</li> <li>• Total borrowing with us is £1m or more</li> </ul> <p><i>Face to face interviews will only be required in a small number of cases. When face to face interviews are required for your client, our team will let you know in advance. The interview will be carried out by one of our specialists and this may include a visit to the application property or an existing property in your client's portfolio.</i></p>
<p><b>Single residential investment properties</b></p>	<p>Also sometimes referred to as 'single residential units' this type of property includes:</p> <ul style="list-style-type: none"> <li>• Freehold houses</li> <li>• Leasehold houses</li> <li>• Leasehold flats</li> </ul> <p><i>Please note, for student/professional let applications where the property is classed as a HMO (see below), but does not require a licence, we will treat this as a single residential investment property application if all occupants (maximum of 4) are on a single AST agreement and are jointly and severally liable for the rent.</i></p>

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<b>Multi-unit freeholds</b>	Multiple properties on a single title, where the properties are self-contained and a charge will be placed on the freehold. In the classification of portfolio landlords and when using our Buy-to-Let affordability calculator, multi-unit freeholds are treated the same as single residential investment properties.
<b>House in Multiple Occupation (HMO) in England/Wales</b>	A property occupied by 3 or more tenants, forming more than 1 household who share the property's facilities (this includes shared use of kitchens, bathrooms and toilets).
<b>HMO Licence in England/Wales</b>	A HMO licence is automatically required if the property is: <ul style="list-style-type: none"> <li>• At least 3 storeys high; and</li> <li>• Rented to 5 or more people who form more than 1 household; and</li> <li>• Tenants share toilet, bathroom, or kitchen facilities</li> </ul> <p><i>Please note, landlords should check whether selective licensing applies to their property, as some local authorities have the power to require any privately rented properties to be licenced (regardless of whether they are classed as a HMO). Where this is the case, a license for the property must be obtained from the local authority.</i></p>
<b>House in Multiple Occupation (HMO) in Scotland</b>	A property occupied by 3 or more people from 3 or more families, which is occupied by them as their only or main residence and basic amenities are shared.
<b>HMO Licence in Scotland</b>	Licenses are required for all HMOs in Scotland.
<b>Interest Cover Ratio (ICR)</b>	The percentage of rental income required to meet the payments on an interest only mortgage. We have set interest hurdles dependent on the applicant type, property type and whether the applicant uses personal income to support their application.  <i>You can find our ICRs in our <b>Buy-to-Let Product Guide</b>.</i>
<b>Debt Service Cover Ratio (DSCR)</b>	The percentage of rental income required to meet to meet the payments on a capital repayment basis over the mortgage term.  Loans on capital repayment will need to meet the ICR based on the interest only cost. In addition, the DSCR must be at least 100%.
<b>Portfolio weighted ICR</b>	This is used to calculate the affordability of the applicants' portfolio (including the application property). The ICR is weighted proportionally for each application in line with the make-up of the entire portfolio (based on types of ownership and property types).
<b>Minimum rental coverage</b>	The minimum monthly rent which is required to meet the Interest Coverage Ratio (ICR), this is based on rent currently received or market rent (whichever is lower).

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Affordability calculation	<p>This uses the gross loan amount, the current or expected rent, stressed interest rate and the relevant Interest Coverage Ratio. Our Buy-to-Let affordability calculator will also tell you whether surplus personal income can be used.</p> <p>Access our calculator at <a href="https://intermediaries.aldermore.co.uk/calculators">intermediaries.aldermore.co.uk/calculators</a></p>
Affordability stress rate/stressed interest rate	<p>This is the rate at which the monthly mortgage payment will be assessed at for Interest Cover Ratio (for an interest only mortgage) or Debt Service Cover Ratio (for a capital repayment mortgage).</p> <p><b>For the application property our stress rates vary by product type and are the higher of the following:</b></p> <ul style="list-style-type: none"> <li>● Term Variable Rates = pay rate + 2% OR 5.5%</li> <li>● Fixed Rate (less than 5 years) = pay rate + 2% OR 5.5%</li> <li>● Fixed Rate (5 years or more) = pay rate OR reversion rate + 0.75%</li> </ul> <p>You'll need to select a product from our <b>current range</b> to get the required pay rate or reversion rate.</p> <p>Please note, a separate affordability test will be applied to the whole portfolio and the stress rate used in this assessment will be 5.5%.</p>
Total outstanding mortgage balances (in portfolio)	<p>This figure is required for portfolio landlords so portfolio affordability can be assessed. It should be the sum of all outstanding balances including the proposed loan on the application property. Even if applicants only have a partial share in a mortgaged Buy-to-Let property they must include 100% of the outstanding balance. Joint applicants should make sure any jointly owned properties are only included once.</p>
Total rental income (from portfolio)	<p>This figure is required for portfolio landlords so portfolio affordability can be assessed. It should be the sum of all rental income including the current/expected rent on the application property. Even if applicants only have a partial share in a mortgaged Buy-to-Let property they should include 100% of the rental income. Joint applicants should make sure rent from any jointly owned properties is only included once.</p>
Personal income	<p>Any annual income (e.g. employed, self-employed, private pension) excluding rental income which is verified and used to support the affordability calculation. Please note, supporting information will be required to verify annual income.</p>
Income from land and property	<p>Net profit from portfolio as shown on HMRC SA100 tax return and verified via HMRC SA302 tax calculation with corresponding Tax Year Overviews.</p>

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<p><b>Credit commitments</b></p>	<p>Any personal financial commitments which will remain at completion will need to be declared on our Buy-to-Let affordability calculator and the application.</p> <p>Credit commitments include:</p> <ul style="list-style-type: none"> <li>• Credit cards</li> <li>• Store cards/Mail order</li> <li>• Unsecured loans</li> <li>• Secured loans</li> <li>• Vehicle finance</li> </ul>
<p><b>Other household commitments</b></p>	<p>Examples of other household commitments, which will need to be declared, are maintenance payments and school fees.</p> <p>Shelter costs (mortgage or rent payments) will be taken into account separately. If an applicant is currently living with family/friends we will take a future assumed shelter cost into account.</p>