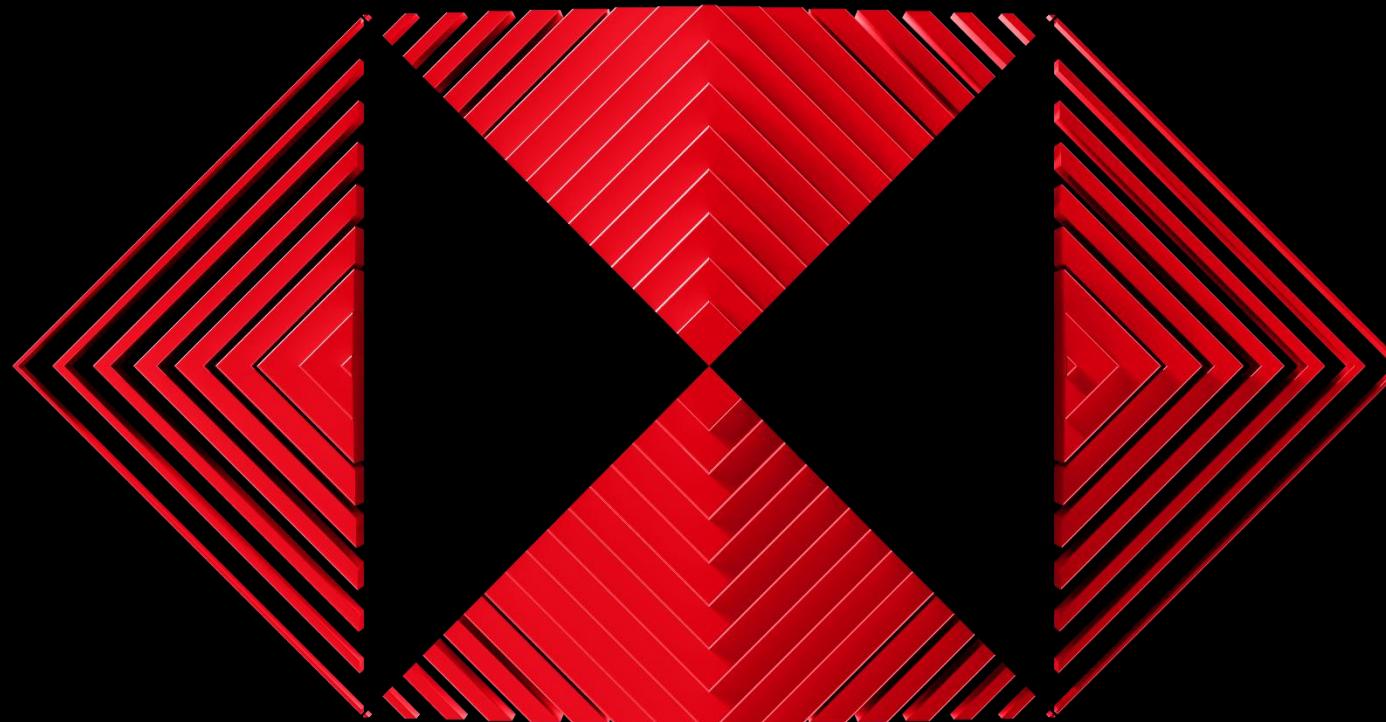
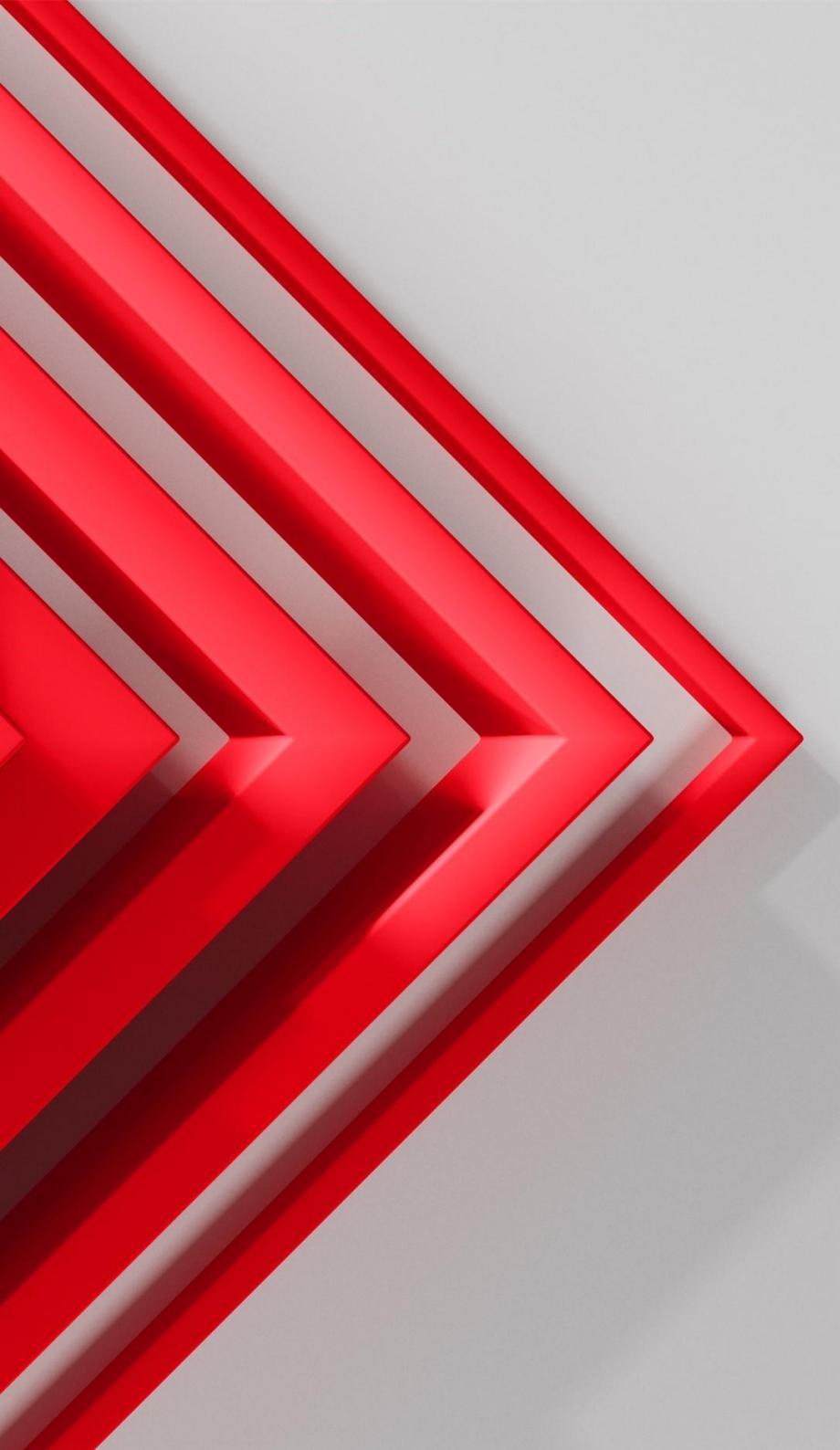


# HSBC UK Useful Guide



Buy to Let and Let to Buy

A large, stylized graphic on the left side of the page features a series of overlapping chevrons in red and grey, pointing diagonally upwards and to the right.

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- This guide covers Buy to let (BTL) and Let to buy (LTB), and both domestic and overseas policies
- HSBC UK BTL ICR proposition is available to UK nationals and foreign nationals, living in the UK or one of the approved countries
- The minimum income requirements, detailed below, can be received in a foreign currency. Please refer to the [foreign currency matrix](#) on our website for a list of acceptable currencies
- Purchases, Remortgages, Unencumbered capital raising applications (excluding LTB), Additional borrowing (minimum 6 months ownership required) and Product transfers are permitted.
- The property must only be let under one of the following types of tenancy:
  - Assured Shorthold Tenancy (AST) where the rental income is less than or equal to GBP £100,000 per annum for a maximum period of three years (England)
  - Standard Occupation Contract (Wales)
  - Non-rent controlled tenancy for a maximum period of three years or a non-rent controlled residential letting to a company which permits occupation of the property by an employee of the company tenant and has a maximum term of 12 months (Northern Ireland)
  - Company let agreement (England and Wales) for a maximum period of 12 months
  - Properties located in Scotland can be let under a private residential tenancy
- Company let agreements which permits occupation of the property by an employee of the company tenant and has a maximum term of 12 months are acceptable in England and Wales, but not acceptable for properties located in Scotland (regardless of where the company is incorporated)
- The property is not a House in Multiple Occupation (HMO).



## Buy to Let & Let to Buy Policy

- No more than three UK BTL mortgaged properties can be held at any one time
- We do not accept applications where we consider the applicant to be a Portfolio landlord
- ◆ We will cap overall HSBC UK BTL lending at £2M
- ◆ Minimum loan amount £25,000 (Additional borrowing £10,000)
- ◆ Minimum term 5 years and maximum term 40 years
- ◆ Lending can be on an Interest Only or Capital Repayment basis
- ◆ Maximum LTV amounts as follows:
  - ◆ 75% LTV for borrowing up to £1,000,000
  - ◆ 60% LTV borrowing from £1,000,001 to £2,000,000
  - ◆ 80% for lending up to £400,000 with an EPC rating of A, B or C (not available for international applicants.)
- ◆ Maximum 60% LTV for debt consolidation.

NB: Debt consolidation is capped at £50,000 and not available for overseas applications.

- ◆ For new borrowing, a procuration fee of 0.5% will be paid upon completion. For a Product switch, a procuration fee of 0.2% will be paid after the switch date.
- ◆ A valid and up-to-date Energy Performance Certificate (EPC) is required, with a minimal acceptable rating of E or above. A rating of F or G will deem the property unsuitable for mortgage lending.



## Buy to Let / Let to Buy - Interest Cover Ratio – Domestic

- ◆ Applications are assessed on a rental funded basis
- ◆ The annual rental income must be equal to or greater than 125% (basic rate tax payers) or 145% (higher rate taxpayers) of the interest only element of the annual BTL mortgage payment, calculated at the stressed rate or product rate whichever is higher. A further check will also be required to ensure that the rental payment is sufficient to cover the mortgage payment
- ◆ The customer must be resident in the UK
- ◆ 60% of variable income is now accepted towards minimum income requirements. If basic income is insufficient to meet affordability, please contact our Broker Support helpdesk who will add the variable income on to the application
- ◆ At least one applicant must have a minimum basic income of £25,000 per year (excluding all rental income)
- ◆ At least one applicant must be an owner occupier of a residential property (for a minimum of six months) either outright or subject to an existing residential mortgage
- ◆ If the property is unencumbered, clear notes should be added to the application to confirm the customer's owner occupier status.



## Stress rate

Product	All 5 year	2 year like-for-like remortgages	2 year with new money or tracker
New Domestic Stress Rate (All LTVs)	Higher of Pay rate + 0.5% or 4.75%	Higher of Pay rate + 0.5% or 4.75%	Higher of Pay rate + 2% or 5.5%

## Documentation requirements

### Proof of income

Employed:

- One month's payslip.

Self-employed:

- Latest tax calculation / tax year overview or finalised accounts, which must be dated within 18 months
- Additional evidence may be required depending on income.

### Additional

- ID and proof of address, if requested by underwriter.



## Buy to Let - Top Slicing

- ◆ Minimum income requirement of £50,000 p.a.
- ◆ Domestic customers only – not available for international applicants.
- ◆ Top Slicing applications can be submitted without completing an Income Cover Ratio (ICR) assessment, however we recommend our [Buy to let calculator](#) is used in the first instance to assess whether Top Slicing is required to meet affordability
- ◆ Top Slicing assessment (High Rate Tax payers only) – Buy to Let applications only (not available for Let to Buy)
- ◆ Annual rental income must be equal to or greater than 110% of the interest only element of the annual BTL mortgage payment, calculated at the stressed rate or product rate whichever is higher.
- ◆ A further check will be made to ensure that the rental payment is sufficient to cover the mortgage payment
- ◆ Personal disposable income can be used in addition to rental income to make up the shortfall to 145% of the stressed interest only element of the annual Buy to Let mortgage payments or product rate, whichever is higher (background rental income cannot be used in the disposable income calculation)
- ◆ For any background Buy to Let properties that are owned, the overall rental income (for the background properties) must be 145% of the stressed interest only element of the annual Buy to Let mortgage payments (using stress rate of 5.5%) or product rate, whichever is higher
- ◆ Where the applicant is less than 5 years from their anticipated retirement age or age 70 (whichever is sooner), the annual rental income must be equal to or greater than 140% of the interest only element of the annual BTL mortgage payment, calculated at the stressed rate or product rate whichever is higher.
- ◆ Where the applicant is less than 10 years from their anticipated retirement age or age 70 (whichever is sooner), the annual rental income must be equal to or greater than 125% of the interest only element of the annual BTL mortgage payment, calculated at the stressed rate or product rate whichever is higher.

- ◆ BTL affordability calculator illustrating top slicing eligibility.

Buy to let rental income section | Step 1 of 2

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## Mortgage Rental Income

Joint application?\*

Sole  Joint

Applicant type\* ⓘ

Domestic  International

Income tax rate\* ⓘ

▾

Application type\* ⓘ

▾

Property value\* ⓘ

Loan amount\* ⓘ

Fee amount to be capitalised\* ⓘ

Monthly rental income\* ⓘ

Product type\* ⓘ

▾

Product rate\* ⓘ

Result | Step 2 of 2

### Result

Loan to Value ⓘ

64%

Outcome ⓘ

- Rental income criteria not met
- Maximum loan amount (inclusive of fee) based on criteria selected is £ 255,000

Eligible for Top Slicing calculator

## Documentation Requirements - Proof of Income

### Employed

- ♦ One month's payslip

### Self-employed

- ♦ Latest 2 years' tax calculations / tax year overviews or 2 years' finalized accounts, must be dated within 18 months
- ♦ Additional evidence may be required depending on income

### Background Buy to Let

- ♦ Where background Buy to Let properties are owned, the overall rental income for the background properties must be 145 per cent of the stressed background mortgage payments. Where 2 or more background BTLs are held an SA100 (including an SA105) will be required to evidence this criteria is met.

Proof of ID & VA, if requested by underwriter.



## Eligibility

- Applications are assessed on a rental funded basis
- The annual rental income must be equal to or greater than 145% of the interest only element of the annual BTL mortgage payment, calculated at the stressed rate or product rate whichever is higher. A further check will also be required to ensure that the rental payment is sufficient to cover the mortgage payment
- The customer must be resident in an approved country
- At least one applicant must have a minimum basic income of £75,000 per year (excluding all variable and rental income)
- No requirement to be an owner occupier.



## Stress rate

Product	All 5 year	2 year like-for-like remortgages	2 year with new money	All applications on a Tracker rate
International Stress Rate (All LTVs)	Higher of Pay rate + 1.05% or 5.35%	Higher of Pay rate + 1.15% or 5.55%	Higher of Pay rate + 2% or 5.55%	Higher of Pay rate + 2% or 6.35%

## Documentation Requirements

### Proof of Income

Employed:

- Three months' payslips.

Self-employed:

- Latest tax calculation / tax year overview or finalised accounts, which must be dated within 18 months
  - Additional evidence may be required depending on income.

### Additional

- Three months' bank statements to evidence income credits
- International credit report (CRA) from current address (report from previous address is required if time in current property is less than six months)
- Proof of deposit from own funds (if applicable)
- ID and proof of address.



## Buy to Let Affordability Calculator

The HSBC UK Buy to let affordability calculator can be accessed [here](#).

- Please ensure the correct customer type is selected as completing the calculator incorrectly may impact the results given.

Customer Type ⓘ

Domestic

Customer Type ⓘ

International

- Once all fields have been completed on the affordability calculator, the results will be shown on the right-hand side and will indicate if the details entered have met our rental cover assessment.

Results

Loan to Value ⓘ

60.00 %

Outcome ⓘ

- Rental income criteria met

- The calculator will indicate the maximum potential loan amount (including fees) based on the information entered where the rental income criteria has not been satisfied. A maximum loan figure will not be provided if the rental income criteria is met.

### Results

Loan to Value ?

60.00 %

Outcome ?

- Rental income criteria not met
- Maximum loan amount (inclusive of fee) based on criteria selected is GBP 139,500



## Further information

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[Chat with us](#), call our Broker Support helpdesk on 0345 600 5847 (Monday to Friday 9am to 5pm) or contact your local [BDM](#).