

Our approach to buy-to-let underwriting

The buy-to-let market has seen a lot of changes recently and we remain committed to supporting you and your landlord clients.

Personal income

To help more of your clients get the loan amount they need, we allow clients to include personal income in the affordability test. The rental income must cover 100% of the mortgage interest payment, calculated at the product rate +2% or a notional rate of 5.50%, whichever is higher, with personal income being considered to cover the difference up to 145%. Personal income is defined as the customer's net monthly income less any outgoings. Where personal income is used for affordability, a minimum combined gross income of £50,000 is required.

Our simple affordability calculator

To keep things simple, there's one affordability calculator so you can check the loan amount we'd offer your client. Continue to declare all of your client's credit commitments, and our calculator will automatically take personal income into consideration during the affordability assessment, where the rental income does not meet 145% of the mortgage interest payment.

A reminder of our rental cover stress test

For affordability, we use the following rental tests:

Standard affordability		Notional stressed rate	
Application type	Rental income	5+ year fixed products	2 and 3 year fixed products
Purchase	145%	4.50% or product rate +1%, whichever is higher	5.50% or product rate +2%, whichever is higher
Remortgage with additional borrowing	145%	4.50% or product rate +1%, whichever is higher	5.50% or product rate +2%, whichever is higher
Remortgage straight balance swap	125%	5.00% or product rate +1%, whichever is higher	5.00% or product rate +1%, whichever is higher

Personal income affordability*	Rental cover		Notional stressed rate
	Minimum rental income	Personal income between	All products
All buy-to-let applications and products	100%	100% - 145%	5.50% or product rate +2%, whichever is higher

*We will not take personal income into account to meet rental shortfalls on portfolio landlord applications, LTVs greater than 75%, or where the term extends beyond 75 years of age.

Extra rules supporting personal income

We have additional lending policy rules to make sure we only allow personal income where it is responsible to do so. Here are a few examples:

- > Income will be assessed in line with our residential policy and exclude other buy-to-let income.
- > Other residential mortgages will be assessed and stressed at Virgin Money's SVR plus 3%.
- > Any shortfall from other buy-to-let properties will be taken into account as an outgoing.

Personal income assessments

Here are some examples showing when personal income will and won't be accepted.

Example 1

Client would qualify for a personal income assessment

Property value	£100,000
Loan amount requested	£59,000
Product	2 year fixed rate
Declared rental income	£344
Required rental income (145% at 5.50%)	£392
Pass standard affordability	No
Required rental income to qualify for personal income (100% at 5.50%)	£270
Qualify for personal income assessment?	Yes

Example 2

Client would qualify for a personal income assessment

Property value	£200,000
Loan amount requested	£140,000
Product	5 year fixed rate
Declared rental income	£700
Required rental income (145% at 4.50%)	£761
Pass standard affordability	No
Required rental income to qualify for personal income (100% at 5.50%)	£642
Qualify for personal income assessment?	Yes

Example 3

Client would not qualify for a personal income assessment

Property value	£200,000
Loan amount requested	£150,000
Product	2 year fixed rate
Declared rental income	£600
Required rental income (145% at 5.50%)	£997
Pass standard affordability	No
Required rental income to qualify for personal income (100% at 5.50%)	£688
Qualify for personal income assessment?	No

Find out more

We'd love to help you and your landlords. Talk to your dedicated Business Development Manager or Regional Service Team.



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