

Interest-only lending.

Local banking
for Britain



Interest-only criteria.

As a responsible lender, it is important for us to see evidence of the repayment strategy for interest-only mortgages. So the documents relating to the repayment strategy must be received before a new mortgage offer can be considered.

Repayment strategies

The table below shows the repayment strategies we accept and the evidence required in each case. It also shows the methods we use to assess whether a repayment strategy meets our lending criteria. **This information is only a guide.** A mortgage offer will only be issued once we have confirmed that the evidence supplied meets our criteria.

Repayment Vehicle	Evidence Required	Validation	Assessment Method
Endowments.	Copy of latest projection statement dated within last 12 months.	We will compare the projected values on the statement to the amount of interest-only lending required. If more than one value is given we will take the middle value.	Endowment companies will present three growth rates to a client, with the middle one being the most likely projected outcome. We allow up to 100% of projected amount using the middle % or the lower projection if there are 2 growth rates.
Sale of Second Home/Buy to Let (UK).	Property details, confirmation of ownership, amount of any mortgage debt (property valuation and Land Registry search carried out by us if needed).	We will verify the ownership of the second property and its value. We will compare the equity available in the property with the amount of interest-only lending required.	Current equity within the property must be over £50,000. We will use 80% of the current equity value of the property to support interest-only lending.
Sale of other Residential Property (includes second home and BTL not yet purchased) (UK).	Property details. Acting solicitor to confirm intended ownership of the second property, details of any loans to be secured against this property (property valuation and Land Registry search carried out by us if needed).	We will verify the intended ownership of the second property and its value. We will consider any loans to be secured against the property and the equity that will be available in the property with the amount of interest-only lending required. (See Second Home/Buy to Let Details)	We will confirm the ownership of the second property prior to offer on the new mortgage / further advance. Current equity within the property must be over £50,000. We will use 80% of the current equity value of the property to support interest-only lending.
Investment Backed Repayment Vehicle. Stocks & Shares ISA (only UK-based investments quoted within the FTSE index held in sterling will be permitted).	Copy of latest investment statement dated within last 12 months.	We will compare the value of the ISA with the amount of interest-only lending required, taking into account the remaining term of the mortgage and future market volatility.	We will compare the value of the ISA/Investment Bond/Unit Trust with the amount of interest-only lending required, taking into account the remaining term of the mortgage and future market volatility. We will only take 80% of the current value of the investment into account and the current value must be greater than £50,000.
Stocks & shares (only UK-based investments quoted within the FTSE index held in sterling will be permitted).	Share valuation/and or number of shares on date of assessment. Share statement or share certificate dated within the last 12 months.	We will compare the value of the shares with the amount of interest-only lending required, taking into account the remaining term of the mortgage and future market volatility.	See Investment Backed – Stocks & Shares ISA. Customers will be able to use a combination of the acceptable repayment strategies.
Unit trusts.	Copy of latest investment statement dated within last 12 months.	The current value will be compared to the amount of interest-only lending requested, taking into account the remaining term of the mortgage and future market volatility.	See Investment Backed – Stocks & Shares ISA. Customers will be able to use a combination of the acceptable repayment strategies.
Pensions.	Copy of latest statement dated within last 12 months.	Copy of latest projection statement dated within last 12 months.	For the purposes of backing an interest-only mortgage, a maximum of 25% of the current fund value with the current value to be greater than £1 million. Where customers are on a final salary pension scheme 100% of the current projected lump sum can be used, only if it is greater than £250,000. Pensions can be combined to reach the £250,000, and there is no need for confirmation of the full fund value.
Investment bonds.	Copy of investment statement dated within the last 12 months.	We will compare the value of the investment bonds with the amount of interest-only lending required, taking into account the remaining term of the mortgage and future market volatility.	We will only take 80% of the current value of the investment into account, and the current value must be greater than £50,000.

- All repayment strategies must be based in the UK and paid in sterling, and must be in the name(s) of the mortgage applicant(s)
- Only repayment strategies for those customers named on the mortgaged property may be used to support the loan
- Customers will be able to use a combination of the acceptable repayment strategies. The following repayment strategies can be combined together or can be mixed and matched to reach the minimum £50,000 acceptance criteria:
 - Stocks and Shares ISA
 - Unit Trusts
 - Investment Bonds
 - Stocks and Shares.

Important points on the assessment:

- We are not providing advice on your client's repayment strategy/strategies or making any guarantee that their strategy/strategies will be sufficient to repay the outstanding balance (capital) at the end of the mortgage term
- Your client should review their strategy/strategies regularly during the term of their mortgage to make sure it is/they are on track to repay the outstanding balance
- Periodically, we will ask your client to provide evidence of their repayment strategy/strategies. If your client is unable to satisfy us that their repayment strategy/strategies remains/remain on track to repay the outstanding balance on their mortgage, we may ask your client to transfer some or their entire mortgage onto a capital and interest repayment basis
- Please remember it is your client's responsibility to ensure they have sufficient funds to repay their outstanding balance at the end of the mortgage term. If they are unable to do so, their home may be repossessed to repay the outstanding balance
- Maturity dates will be requested for each applicable repayment strategy.

The following are NOT acceptable repayment strategies:

- Sale of main residence
- Sale of commercial property
- Sale of non property assets
- Inheritance
- Bonuses.



Is there anything else I need to know?

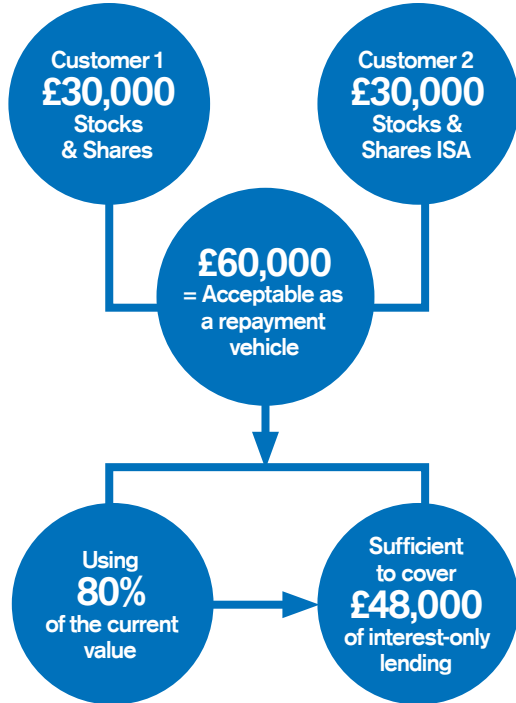
Yes, here are three points to remember:

1. All repayment strategies must be based in the UK and paid in sterling, and must be in the name(s) of the mortgage applicant(s).
2. Only repayment strategies for those customers named on the mortgaged property may be used to support the loan. For example, if a parent/guarantor is named on the mortgage to help with affordability then a property in the parent's name cannot be accepted as a repayment strategy.
3. Customers will be able to use a combination of the acceptable repayment strategies. The following repayment strategies can be combined together or can be mixed and matched to reach the minimum £50,000 acceptance criteria:
 - Stocks and Shares ISA
 - Unit Trusts
 - Investment Bonds
 - Stocks and Shares.

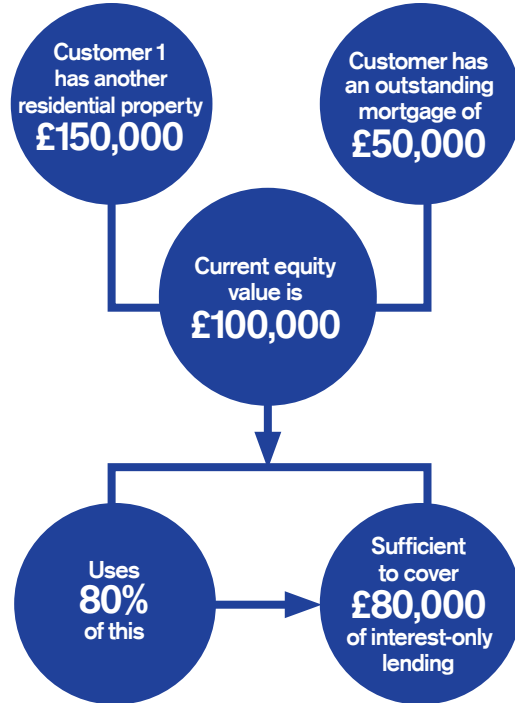
How does it work in practice?

It will vary from case to case, but here are two examples:

Example 1



Example 2



To find out more...

Contact your Business Development Manager
Call **0345 307 3355**
Click intermediary.tsb.co.uk

TSB Intermediary line is open Monday to Friday 9am to 5pm. Calls may be monitored or recorded.

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