

Interest-only repayment strategies

HSBC for Intermediaries

This information is correct as of 18 January 2016.

Interest-only repayment strategies

To ensure affordability, interest-only applications are first assessed on a capital repayment basis where the repayment strategy may be partially funded – that is, intended contributions plus any current value. Where an application is not affordable on a capital repayment basis, we will assess on an interest-only basis, provided the customer can evidence that their repayment strategy is fully funded – this means their calculated repayment strategy value must be equal to or greater than the mortgage balance at the point of application.

Repayment plan	Evidence required	Action required	Sense check
<p>Sale of a mortgaged property in the UK</p> <p>This can be a second home or a Buy to Let property. It cannot be customer's planned main residence at the end of term.</p>	<p>For the sale of the mortgaged property, the online application process will outline all the details that are required, such as the information provided by the valuation of the property (less any outstanding mortgage balance) and the land registry checks to be completed the legal representative.</p>	<p>Please document and provide supporting notes for the following:</p> <ul style="list-style-type: none"> the repayment strategy is the sale of mortgaged property which is not the customer's primary residence details of when the property is to be sold details of the customer(s) estimated valuation or purchase price of the property why the chosen term has been recommended 	<p>The sense check must be based on 75% of the professional valuation of the property, less any outstanding mortgage balance.</p> <p>This is the maximum amount that you can recommend on interest only terms.</p>
<p>Sale of an owned-outright property in the UK</p> <p>This can be a second home or a Buy to Let. Commercial property is not allowed. The customer must own the property at the time of the Application.</p>	<p>For the sale of an additional property, the customer must provide the following:</p> <ul style="list-style-type: none"> the latest mortgage statement or mortgage offer document dated within the last 12 months (if applicable for any outstanding borrowing) a solicitor's letter confirming ownership of the 2nd property a current professional valuation or suitable automated valuation of the additional property (less any outstanding mortgage balance), which must be dated within the last 12 months. <p>Please note, the valuer must be instructed by the customer and be independent to HSBC. Professional valuations issued by an RICS surveyor will be acceptable.</p>	<p>Please document and provide supporting notes for the following:</p> <ul style="list-style-type: none"> details of the information provided on the second property details of the value of the property and the current mortgage balance evidence as to why the chosen term has been recommended confirmation that the required documentary evidence has been requested from the customer 	<p>The sense check must be based on 75% of the professional valuation of the property, less any outstanding mortgage balance.</p> <p>This is the maximum amount that you can recommend on interest only terms.</p>

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Repayment plan	Evidence required	Action required	Sense check
<p>Endowment policy</p>	<p>The customer must provide you with the latest endowment policy statement including the endowment projection, dated within the last 12 months.</p> <p>They must confirm the end of the endowment term is in line with the end of the mortgage term (or within 6 months of the mortgage term ending) and that the policy is owned by the same party/parties as mortgage.</p> <p>For affordability assessments on an interest-only basis, the customer must also provide the latest surrender value which must be dated within the last 12 months.</p> <p>Please note, your customer may have to pay to receive their surrender value. Feel free to call the helpdesk if you wish to discuss the affordability of this application with us.</p>	<p>Please document and provide supporting notes for the following:</p> <ul style="list-style-type: none"> • the endowment term • projected maturity value • details of ownership and maturity date • evidence as to why the chosen term has been recommended • surrender value, where applicable 	<p>The sense check must be based on the lowest estimated projection as quoted on the latest endowment policy statement. We cannot accept a customer request to use a higher figure.</p> <p>If we assess affordability on an interest-only basis, the customer will need to provide a surrender value that covers 100% of the mortgage balance as quoted on the latest endowment policy statement, dated within the last 12 months.</p>
<p>Premium bonds</p>	<p>Certificate of ownership</p>	<p>Please document and provide supporting notes for the following:</p> <ul style="list-style-type: none"> • the current value of the premium bonds • evidence as to why the chosen term has been recommended 	<p>The sense check must be based on the current value of the cash ISA, savings and/or investments plus the intended contributions (this should represent at least 100% of the mortgage loan).</p> <p>Any monies being used as deposit for purchase of the mortgaged property must be excluded.</p> <p>If we assess affordability on an interest-only basis, the current value of the savings must be equal to or greater than the borrowing amount requested.</p>

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Repayment plan	Evidence required	Action required	Sense check
<p>Cash ISA savings and/or investments – regular or intended monthly contributions</p>	<p>For regular and/or intended monthly contributions, the customer will need to provide an account statement dated in the last 12 months to show the latest value and their monthly contributions (i.e. standing order/direct debit).</p>	<p>Please document and provide supporting notes for the following:</p> <ul style="list-style-type: none"> • the current value of the cash ISA, savings or investments • any regular contributions that are being made • any intended regular monthly contributions • evidence as to why the chosen term has been recommended <p>Any monthly contribution must be included within income affordability.</p>	<p>The sense check must be based on the current value of the cash ISA, savings and/or investments plus the intended contributions (this should represent at least 100% of the mortgage loan).</p> <p>Any monies being used as deposit for purchase of the mortgaged property must be excluded.</p> <p>If we assess affordability on an interest-only basis, the current value of the savings must be equal to or greater than the borrowing amount requested.</p>
<p>Cash savings, investments or sharesave contributions – existing</p> <p>Equity from sale of property is not acceptable. Exceptionally, 50% of savings held with HSBC in other currencies/countries may be considered.</p>	<p>For existing cash savings and/or investments, the customer will need to evidence previous payments for the last 3 years (either lump sums or balances built up using regular monthly contributions).</p> <p>They must also confirm their regular monthly and on-going contributions (ie standing order/direct debit via a bank statement or passbook).</p>	<p>Please document and provide supporting notes for the following:</p> <ul style="list-style-type: none"> • the current value of the cash ISA, savings or investments • any regular contributions that are being made • any intended regular monthly contributions • evidence as to why the chosen term has been recommended <p>Any monthly contribution must be included within income affordability.</p>	<p>The sense check must be based on the current value of the cash ISA, savings and/or investments plus the intended contributions (this should represent at least 100% of the mortgage loan).</p> <p>Any monies being used as deposit for purchase of the mortgaged property must be excluded.</p> <p>If we assess affordability on an interest-only basis, the current value of the savings must be equal to or greater than the borrowing amount requested.</p>

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<p>UK-based stocks and shares ISA – regular or intended monthly contributions</p>	<p>The customer must provide their latest stocks and shares ISA account statement (where appropriate), dated within the last 12 months.</p> <p>They must also provide evidence of their regular and on-going contributions (ie standing order/direct debit via a bank statement or passbook).</p>	<p>Please document and provide supporting notes for the following:</p> <ul style="list-style-type: none"> • current value of the investment/ISA • any regular contributions that are being made/intended regular monthly contributions • evidence as to why the chosen term has been recommended <p>Any monthly contribution must be included within income affordability.</p>	<p>The sense check must be based on the current value of the stocks and shares ISA, plus the intended contributions based on 80% of calculated value.</p> <p>If we assess affordability on an interest-only basis, we'll use the current value of the stocks and shares ISAs. The current value is based on 80% of the calculated value and must be equal to or greater than the borrowing amount requested.</p>
<p>Unit trusts, OEIC and investment bonds</p> <p>Single-premium investment bonds and those with regular, on-going contributions are both acceptable.</p>	<p>The customer must provide a copy of latest statement (where appropriate) dated within the last 12 months.</p> <p>They must also provide evidence regular and on-going contributions (i.e. standing order/direct debit via a bank statement or passbook).</p>	<p>Please document and provide supporting notes for the following:</p> <ul style="list-style-type: none"> • current value of the investment/ISA • any regular contributions that are being made/intended regular monthly contributions <p>evidence as to why the chosen term has been recommended</p>	<p>The sense check must be based on the current value of the unit trust, OEIC or investment bond, plus the intended monthly contributions based on 80% of calculated value on the projected amount at the current value.</p> <p>If we assess affordability on an interest-only basis, we'll use the current value of the unit trusts, OEIC and/or investment bonds. The current value is based on 80% of the calculated value and must be equal to or greater than the borrowing amount requested.</p> <p>Portfolios of less than 3 shares and international shares will be based on 50% of current value due to additional risk.</p>

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<p>UK-based share/gilts portfolios</p> <p>Other investments such as foreign shares or property may be considered by exception</p>	<p>The customer must provide a copy of latest statement (where appropriate), dated within the last 12 months.</p> <p>Shares must be listed on the FTST 100 or FTSE 250.</p> <p>Major international companies may be considered but will have additional deduction to allow for currency risk.</p>	<p>Please document and provide supporting notes for the following:</p> <ul style="list-style-type: none"> • current value of the investment/ISA • any regular contributions that are being made/intended regular monthly contributions • evidence as to why the chosen term has been recommended 	<p>The sense check must be based on 80% of the current value of the share portfolio.</p> <p>If we assess affordability on an interest-only basis, we'll use the current value of the unit trusts, OEIC and/or investment bonds. The current value is based on 80% of the calculated value and must be equal to or greater than the borrowing amount requested.</p> <p>Portfolios of less than 3 shares and international shares will be based on 50% of current value due to additional risk.</p>
<p>Variable income</p> <p>Contractual and non-discretionary bonuses can be considered as guaranteed income where evidenced from P60s (in addition to rules for evidencing basic income).</p>	<p>The customer must provide proof of bonuses received in the last 3 years, e.g. compensation statements and/or P60s.</p> <p>For bonus payments, only cash and non-restrictive share awards are acceptable. Shares with a restrictive clause or share options are not acceptable.</p>	<p>Details of the information provided must be included in the income section.</p> <p>Please also document and provide supporting notes for the amounts of bonuses received and why the chosen term has been recommended.</p>	<p>The sense check must be based on a maximum of 25% (50% less tax due) of the average of the last 3 years' bonuses.</p> <p>Please note, we assess all variable income repayment strategies on a capital-repayment affordability basis only. Interest-only affordability assessments are not suitable for this type of repayment strategy.</p>

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- Call our helpdesk on 0345 600 5847
Lines are open Monday-Friday, 9am-5pm