

## Residential Interest Only Repayment Strategies

	<b>Definition</b>	<b>Evidence Required</b>	<b>Action required</b>
<b>Ad hoc Capital</b>	<p>The accrual of earnings (guaranteed or variable) to reduce the mortgage balance or to build savings over the mortgage term.</p> <p>Interest Only borrowing against an Ad hoc Capital Repayment Strategy is capped at 50% LTV. Any additional borrowing up to the relevant LTV limit must either be on a Capital Repayment basis or on an Interest Only basis with a separate repayment strategy/strategies other than Ad hoc capital.</p>	<p>For funds to be accrued from guaranteed or variable income, this should be verified in line with existing evidential documents requirements</p> <p>For bonus payments, only cash and non-restrictive share options are acceptable. Share options with clauses related to future employment, work performance or restrictions that may prevent/delay them being sold are not acceptable.</p> <p><b>CARE - Variable Income will only be acceptable if paid weekly, fortnightly, four weekly or monthly.</b></p> <p><b>Variable income paid quarterly, half yearly or annually is not currently acceptable as a repayment strategy.</b></p>	<p>The following will need to be documented;</p> <ul style="list-style-type: none"> <li>The source, nature (variable or guaranteed) and regularity of the income being used</li> <li>For variable income 25% of the average can be used (i.e. 50% less tax due). The calculation should be documented.</li> </ul> <p>The Ad hoc Capital to be accrued must be converted in to a monthly amount and input in the 'Payment to fund strategy for int only mortgage' field under Monthly Costs in Omega</p>
<b>Savings</b>	<p>Existing (not future accrual) cash savings held in:</p> <ul style="list-style-type: none"> <li>A UK savings account,</li> <li>Cash ISA,</li> <li>Premium bonds (100% can be used)</li> <li>A Foreign savings account (50% can be used).</li> </ul> <p>This must exclude any cash being used as a deposit.</p>	<p>The customer must provide a statement dated within the last 35 days.</p>	<p>The following will need to be documented;</p> <ul style="list-style-type: none"> <li>The value of the cash savings are at least 100% of the mortgage loan at the time of application (excluding future intended savings) unless other repayment strategies are to be used in conjunction.</li> </ul>

<b>Endowments</b>	An endowment policy taken out in the names of the mortgage borrowers using the lowest estimated projection quoted on the latest endowment policy statement	An endowment policy statement, including endowment projections and surrender value dated within the last 12 months.  They must confirm the end of the endowment policy is on or before the mortgage term end date.	The following will need to be documented; <ul style="list-style-type: none"> <li>• The endowment term</li> <li>• Projected maturity value</li> <li>• Confirmation of the names of the policy holders and the maturity date</li> <li>• Confirmation of lowest estimated projection which must be at least 100% of the mortgage being applied for (unless other repayment strategies are to be used in conjunction).</li> <li>• The surrender value (only if the applicant intends to redeem the policy immediately).</li> </ul> <p>The monthly endowment contributions must be input in the <i>'Payment to fund strategy for int only mortgage'</i> field under Monthly Costs in Omega</p>
<b>Stocks and Shares ISA</b>	UK Stocks and Shares ISA using a maximum of 50% of the most recent value.	The customer must provide a Stocks & Shares ISA statement dated within the last 35 days. An internet print is acceptable.	The following will need to be documented; <ul style="list-style-type: none"> <li>• The current value of the ISA(s) and the calculation of the existing value with the 50% deduction applied</li> </ul> <p>The value of any intended future contributions must be converted in to a monthly amount and input in the <i>'Payment to fund strategy for int only mortgage'</i> field under Monthly Costs in Omega</p>
<b>Investments</b>	UK Share/gilt portfolios, Unit trusts, OEIC and investment bonds using a maximum of 50% of the most recent value	The customer must provide their latest statement, dated within the last 35 days. An internet print is acceptable.	The following will need to be documented; <ul style="list-style-type: none"> <li>• The current value of the investment with the 20/50% deduction applied.</li> </ul> <p>The value of any intended future contributions must be converted in to a monthly amount and input in the <i>'Payment to fund strategy for int only mortgage'</i> field under Monthly Costs in Omega</p>

<p><b>Sale – Other prop</b></p>	<p>A second home or a Buy to Let already owned by the applicant(s), using a maximum of 75% of the valuation, minus any secured lending.</p> <p>It cannot be a commercial property, the customer's main residence (current or intended), or, for residential applications, the property this mortgage is for.</p>	<p>The latest mortgage statement (dated within the last 35 days) if any secured lending is held. An internet banking print is acceptable.</p> <p>A Solicitor's letter confirming ownership of the property <b>OR</b> a Register of Title from the Land Registry <b>OR</b> an automated District Land Registry search (DLR)</p> <p>A current physical valuation (PV), independent of HSBC <b>OR</b> for England &amp; Wales only, an AVM of the additional property dated within the last 12 months. Please note that a PV <b>WILL</b> be required where the AVM does not meet our criteria.</p>	<p>The following will need to be documented;</p> <ul style="list-style-type: none"> <li>• The calculation of 75% of the valuation minus any secured lending</li> <li>• The details of the other property (address and whether 2<sup>nd</sup> home or BTL)</li> </ul>
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**For joint mortgage applications a repayment strategy in the name of one or both of the applicant's names is acceptable, but where a party who is not on the mortgage application is a one of the holders of the repayment strategy, this cannot be used. For sole applications the Shares, Investments, property, savings balances, endowment policies or ISA's must be in the name of the applicant only.**

**Care:**  
The suitability of any repayment strategy will never be recommended by the bank

**\*Foreign currencies/investments**  
'Foreign/International' is defined as shares/investments which are denominated in a foreign currency e.g. USD or where the customer has directly invested in a foreign company. Shares/Investments in a foreign company that are held in GBP and were invested by a fund manager are not classed as foreign/international.

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