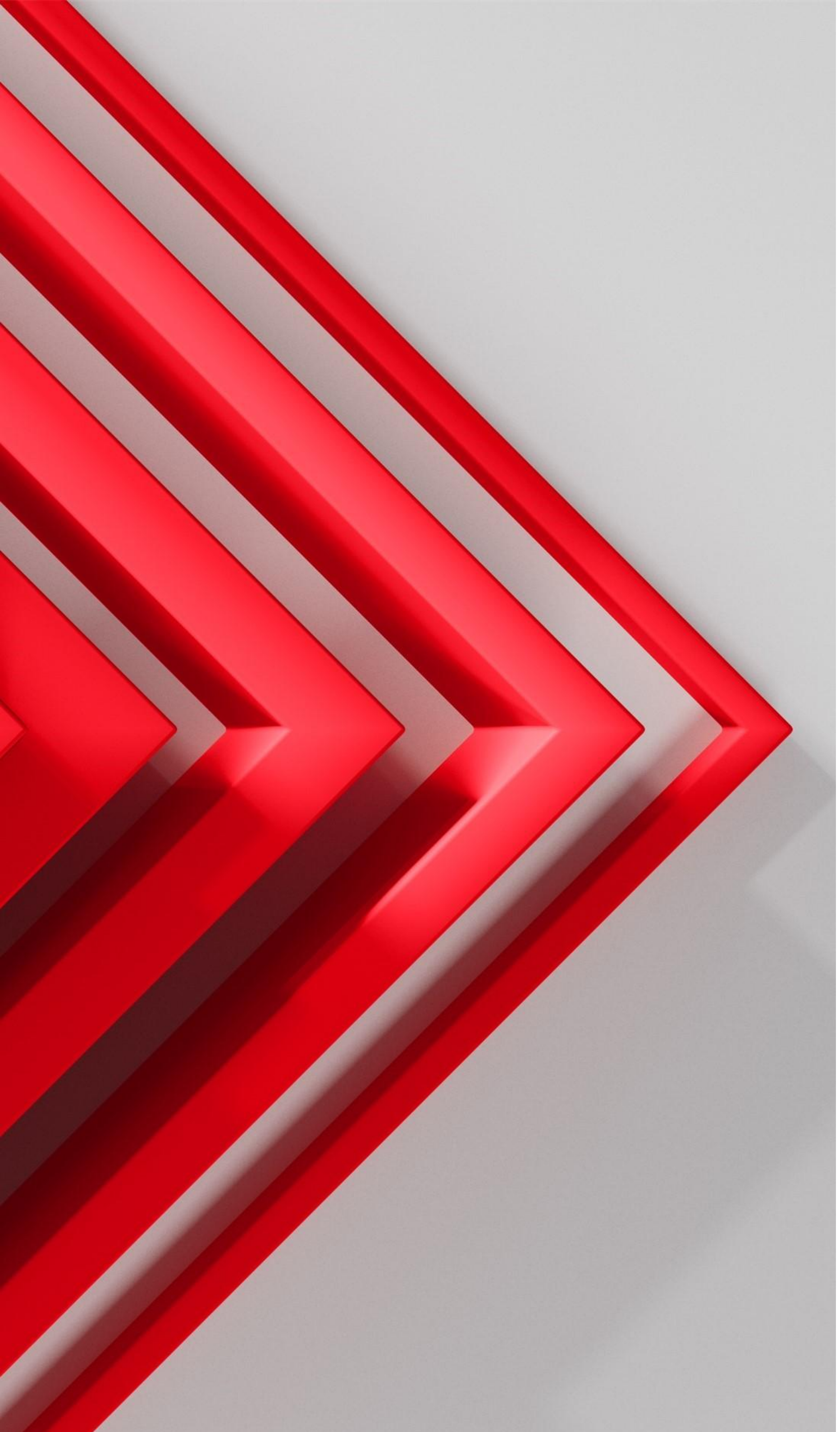
HSBC UK Useful Guide

Buy to Let and Let to Buy

HSBC | Opening up a world of opportunity



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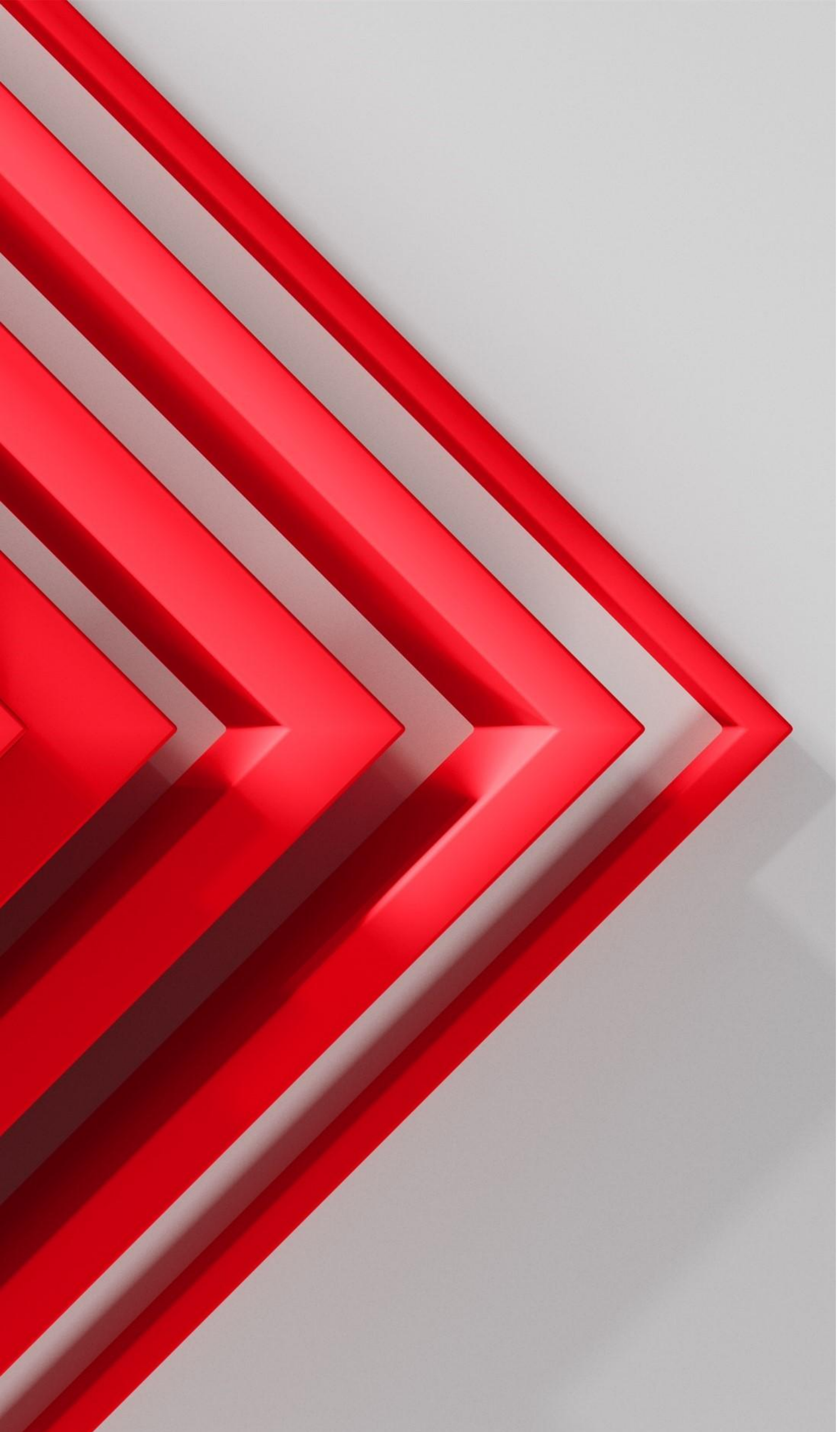
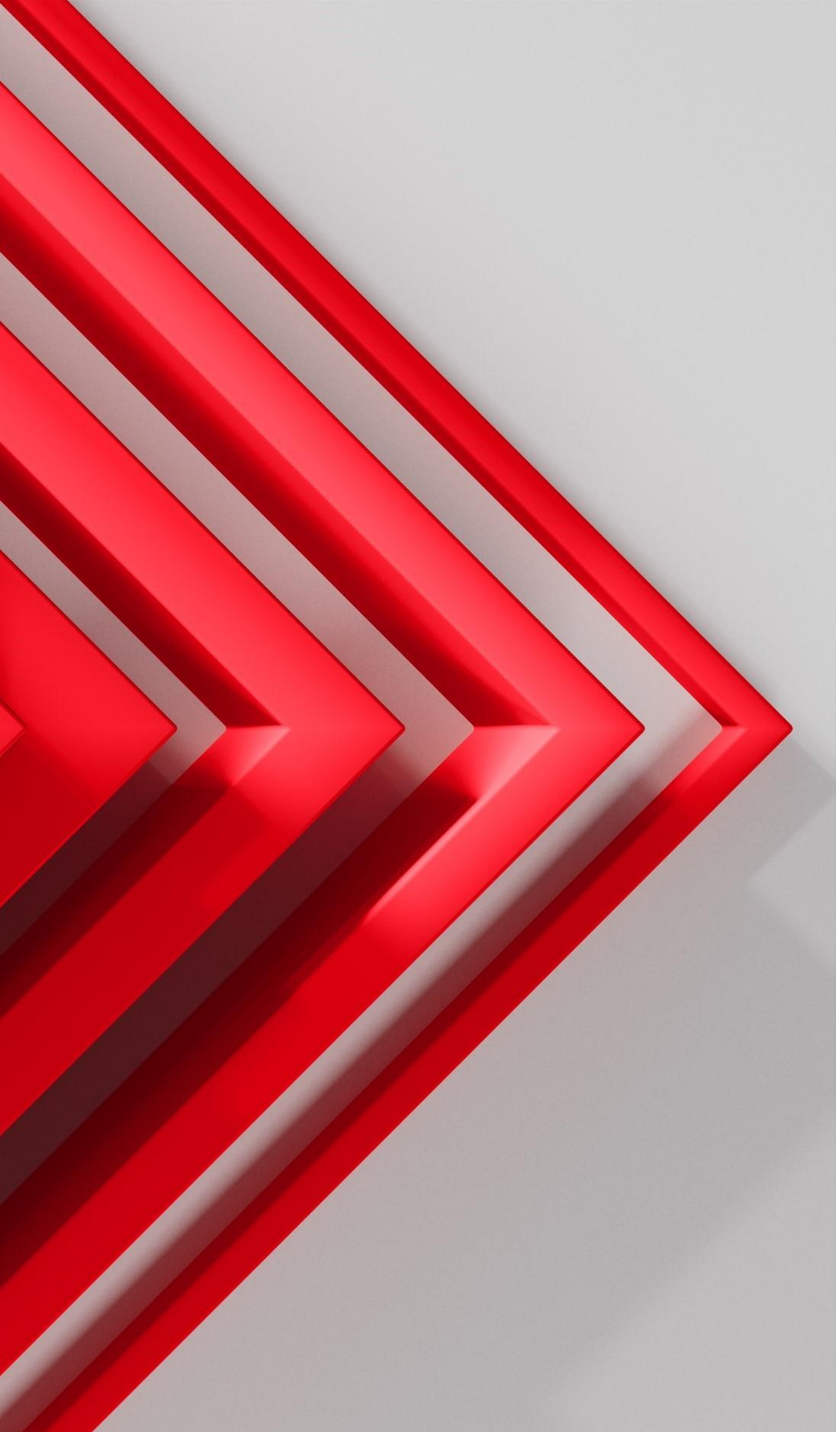


- This guide covers Buy to let (BTL) and Let to buy (LTB), and both domestic and overseas policies
- HSBC UK BTL ICR proposition is available to UK nationals and foreign nationals, living in the UK or one of the approved countries
- The minimum income requirements, detailed below, can be received in 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.

- Remortgage applications

For Buy to let Remortgage applications, the property can be either vacant or tenanted at the time of application. Where the property is already subject to an existing tenancy, which will remain in place following completion, we will lend where the tenancy is an Assured Tenancy (England) a Standard Occupation Contract (Wales) or on a non-rent controlled tenancy (Northern Ireland) or is a private residential tenancy for properties located in Scotland and the tenancy meets the following criteria:

    - The tenant must be an individual (by definition in the FCA handbook)
    - The property must be occupied as the tenant's principal home



- Purchase applications

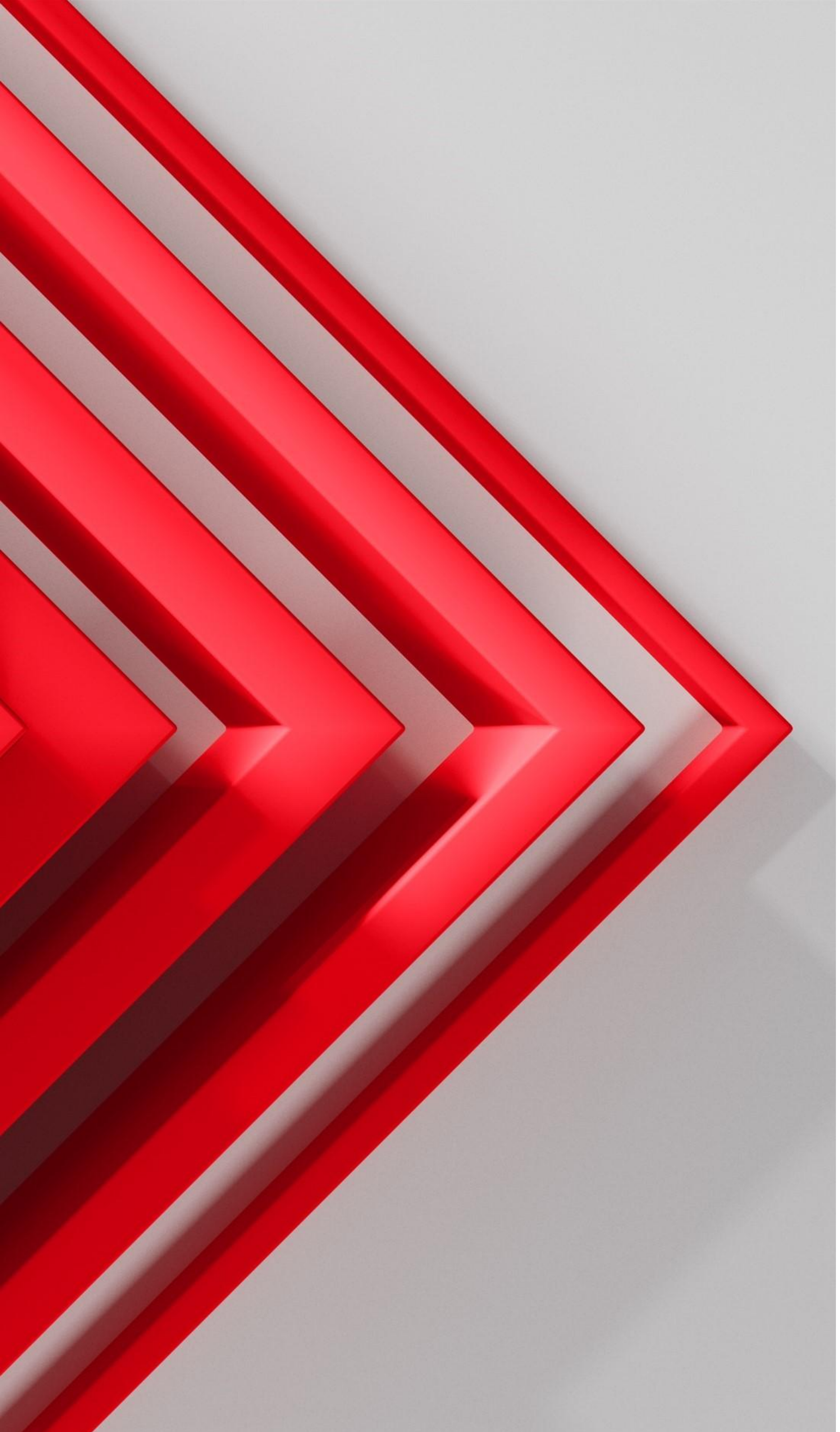
For Buy to let Purchase applications, vacant possession is required.

- Tenancy types

The property must only be let under an Assured Tenancy (England) where the rental income is less than or equal to GBP100,000 per annum, a Standard Occupation Contract (Wales) or on a non-rent controlled tenancy (Northern Ireland).

- 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 & Wales and Northern Ireland, but not acceptable for properties located in Scotland (regardless of where the company is incorporated)

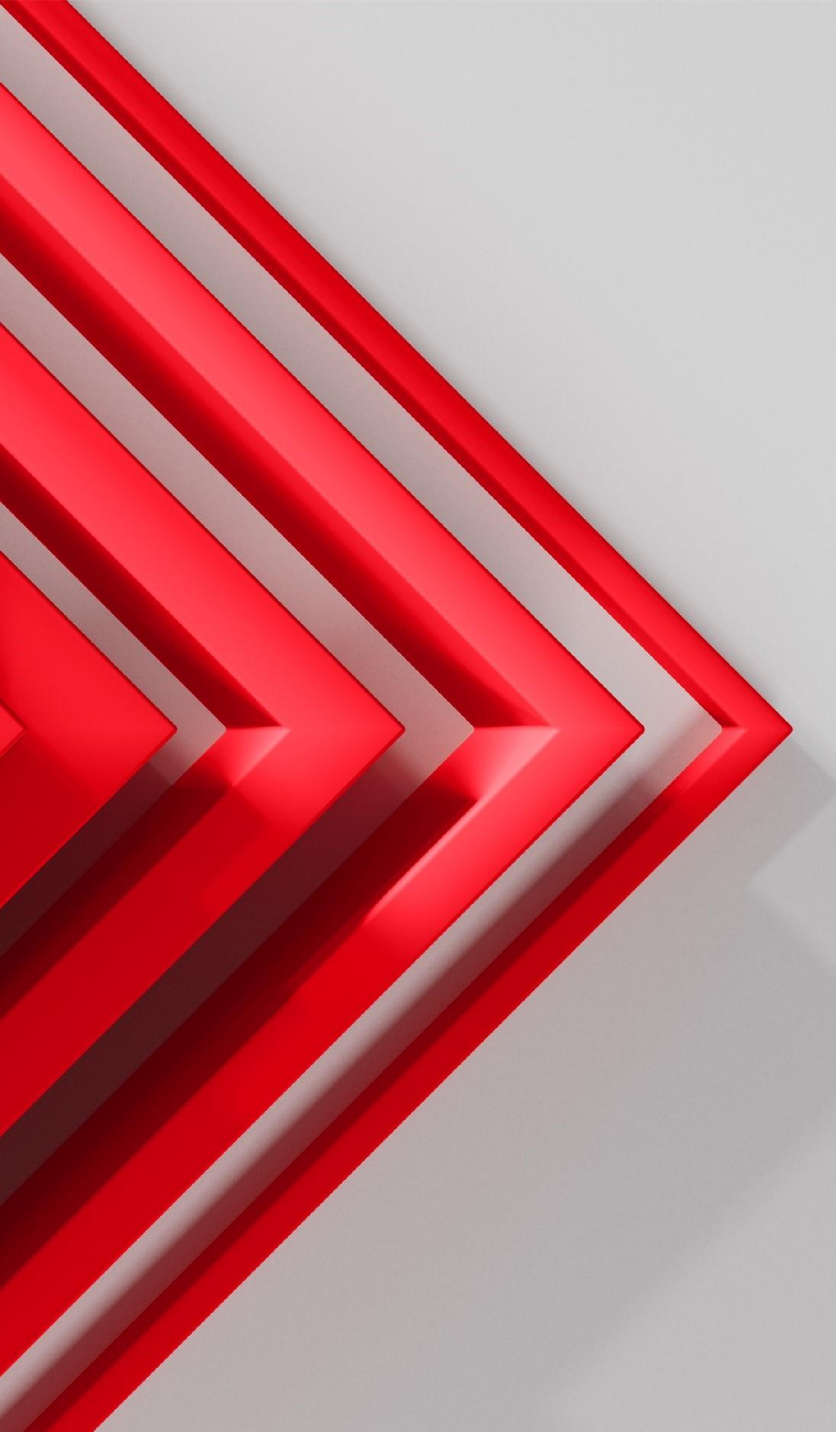
- Where the rental income is more than GBP100,000 per annum or is a Company letting, the tenancy agreement must allow the landlord to obtain vacant possession on terms no more onerous than those in the Housing Act 1988 (as amended by the Renters' Rights Act 2025) or on giving no less than 2 months' notice of the landlord's intention to take back possession on the expiry of the fixed term, and not give the tenant and the occupier in a company letting any statutory rights to continue to occupy the property at the end of the letting. The tenancy term must not exceed 12 months, and the tenancy agreement must not permit sub-letting. Properties located in Scotland can be let under a private residential tenancy.



- No more than three UK BTL mortgaged properties can be held at any one time
- The property is not a House in Multiple Occupation (HMO)
- 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.
- 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.
- We will request just one income document verification for the highest earning applicant. Please see the evidential document requests that are triggered at submission of your application. For more information around evidential documents please refer to Buy to Let lending criteria.

Product	All 5 year	2 year like-for-like remortgages	2 year with new money or tracker
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

ICR (Rental funded)

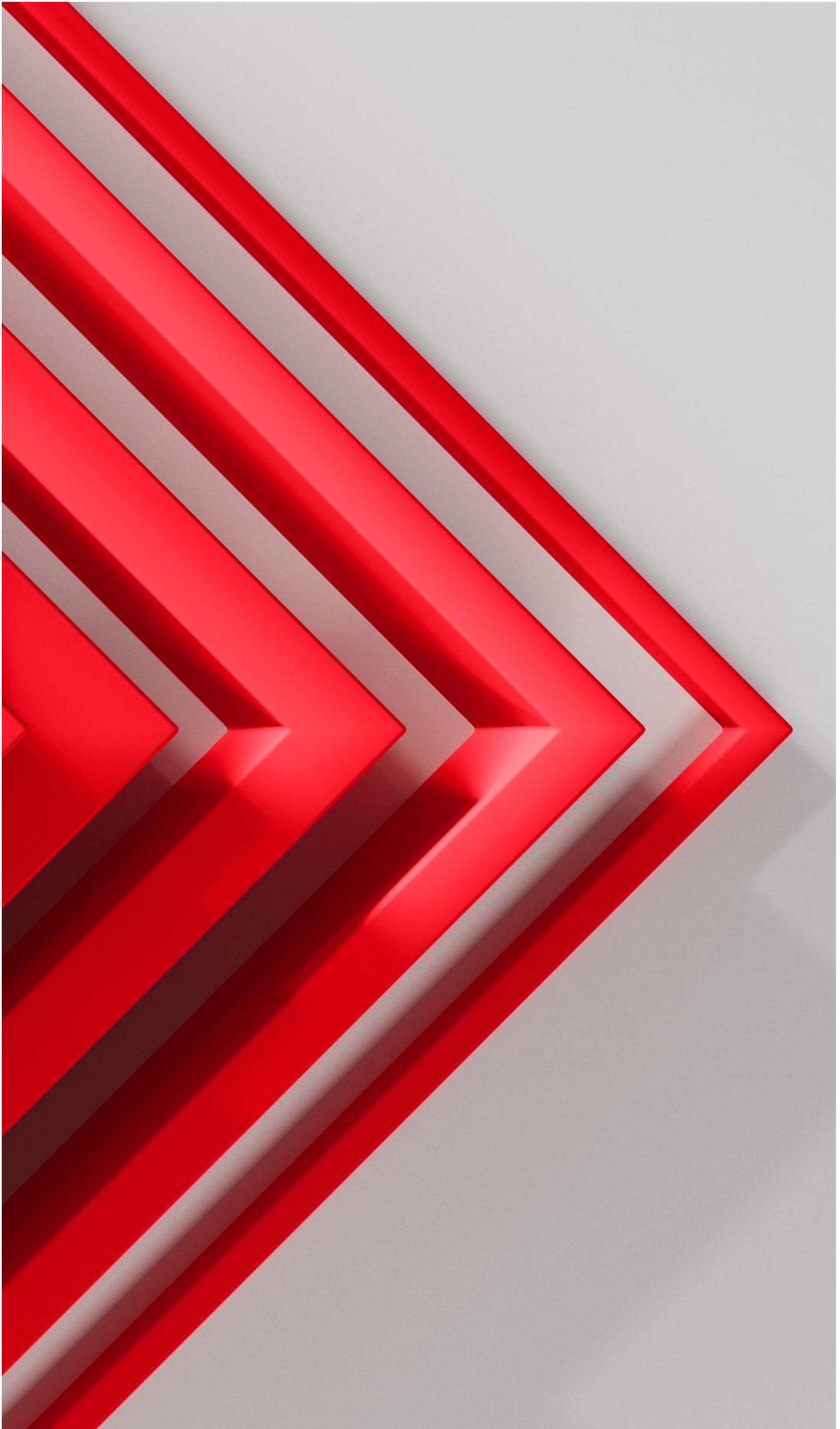
Minimum income criteria met AND existing BTL mortgage(s) and / or rental income received:

- The latest years Tax Calculation* and corresponding Tax Year Overview

Minimum income criteria met from a single income source AND no BTL mortgage held and / or no rental income received:

- **Sole Trader, Partnership, LLP with less than 50 partners:** The latest Tax calculation* and corresponding Tax Year Overview.
- **Limited Company Directors >25% shareholding:** The latest Tax calculation* and corresponding Tax Year Overview.
- **LLP with 50 or more partners:** A letter issued by either the company fiancé director or accountant or the manager of partner affairs or accounts. The letter must detail the customer's earnings over the last year, the date they joined the company, date made partner, authors job title and accountancy qualifications and must be dated within the last three months.
- **Employed / Pension / Disability / Benefits / Other Income:** One months' supporting documents for the highest earning applicant only from the Residential lending criteria

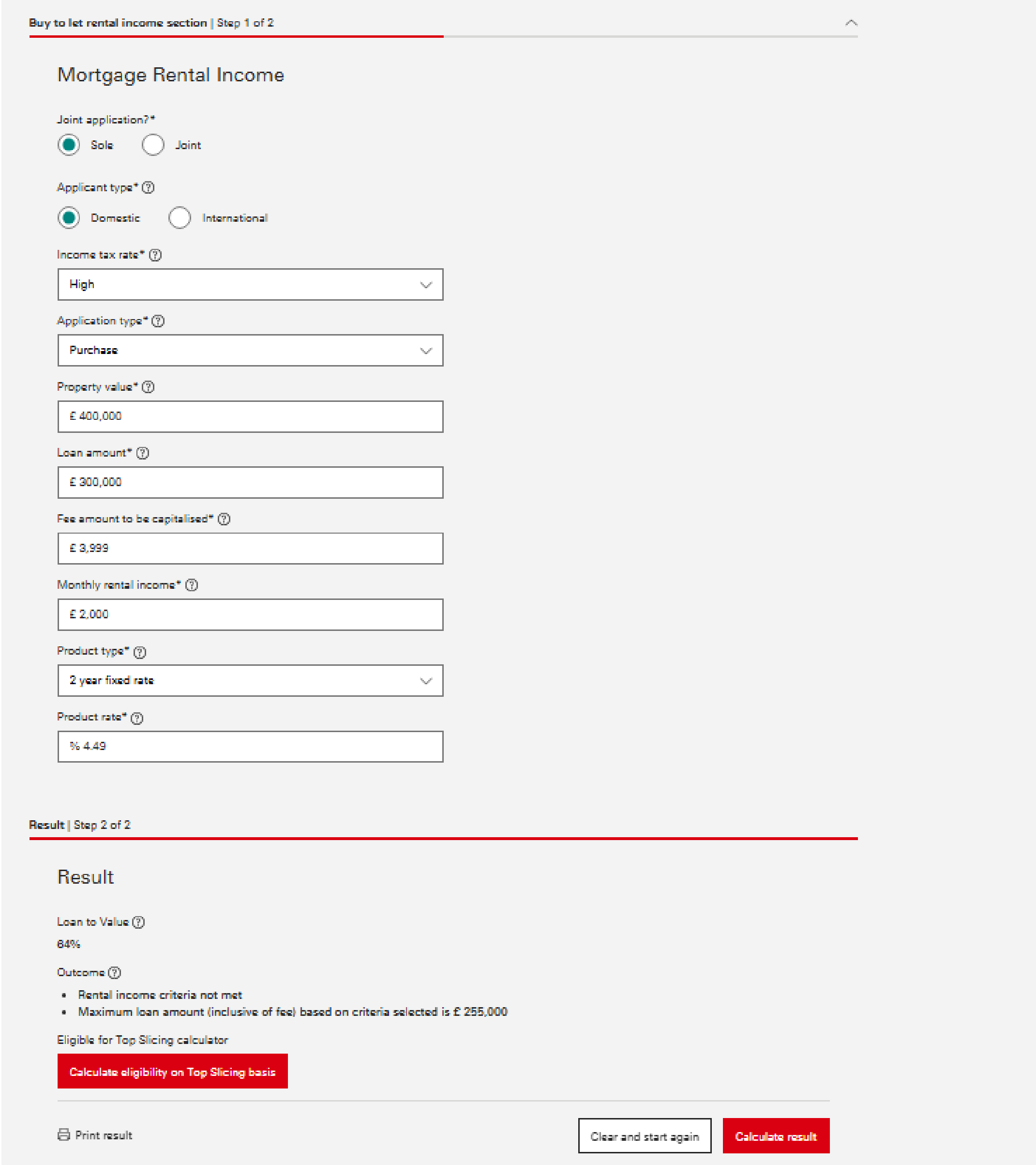
*Tax Calculation can be an online print out from HMRC website, an SA302 or the computation produced by the customer's accountant using commercial software and submitted to HMRC. If Tax Calculation is not available, please refer to our residential criteria.



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 shortall 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

Mortgage Rental Income

Joint application?*

Sole   Joint

Applicant type*

Domestic   International

Income tax rate*

High

Application type*

Purchase

Property value*

£ 400,000

Loan amount*

£ 300,000

Fee amount to be capitalised*

£ 3,999

Monthly rental income*

£ 2,000

Product type*

2 year fixed rate

Product rate*

% 4.49

Result | Step 2 of 2

Result

Loan to Value

84%

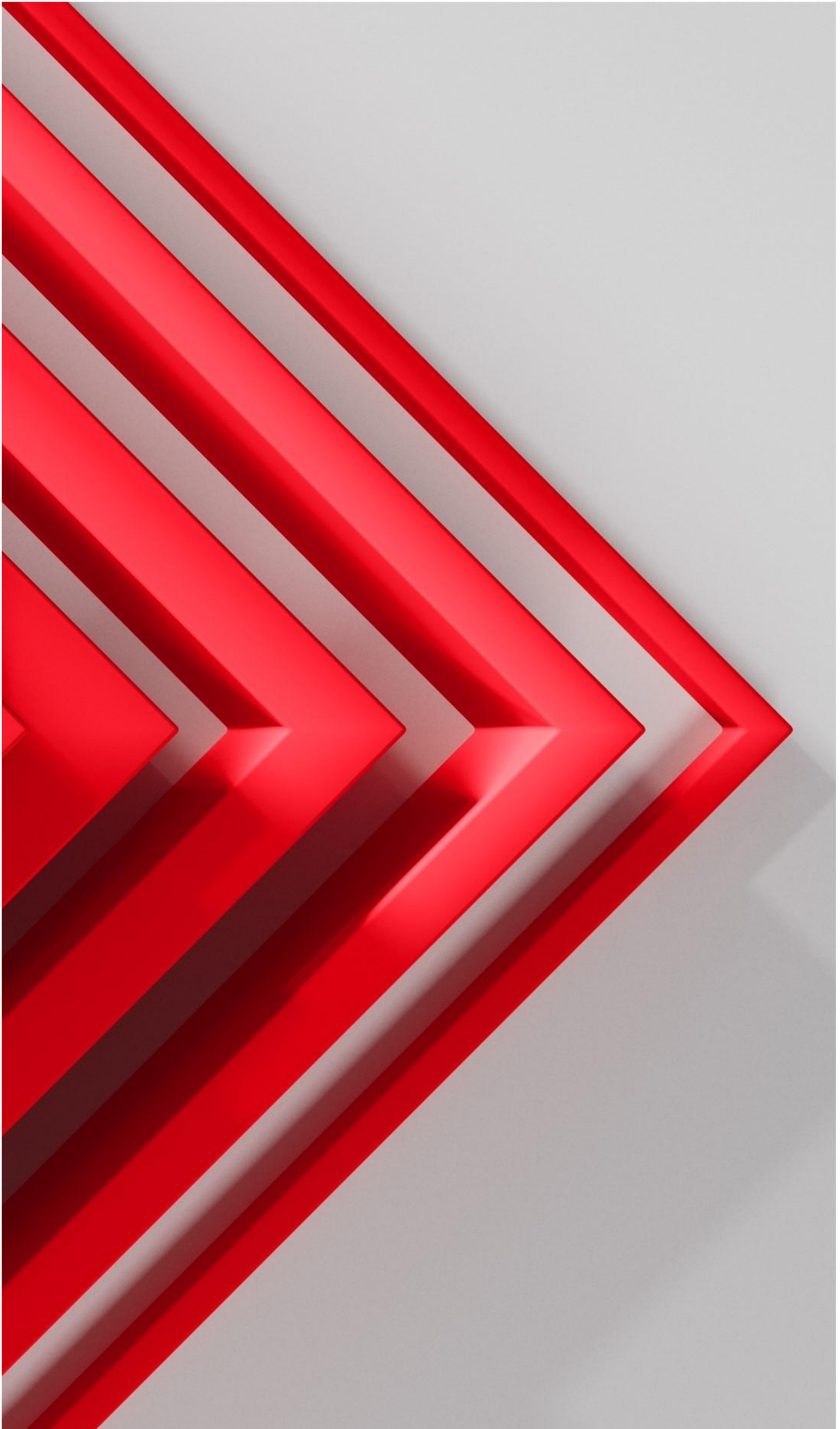
Outcome

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

Eligible for Top Slicing calculator

Calculate eligibility on Top Slicing basis

Print result   Clear and start again   Calculate result



Documentation Requirements - Proof of Income

Employed

- One month's payslip

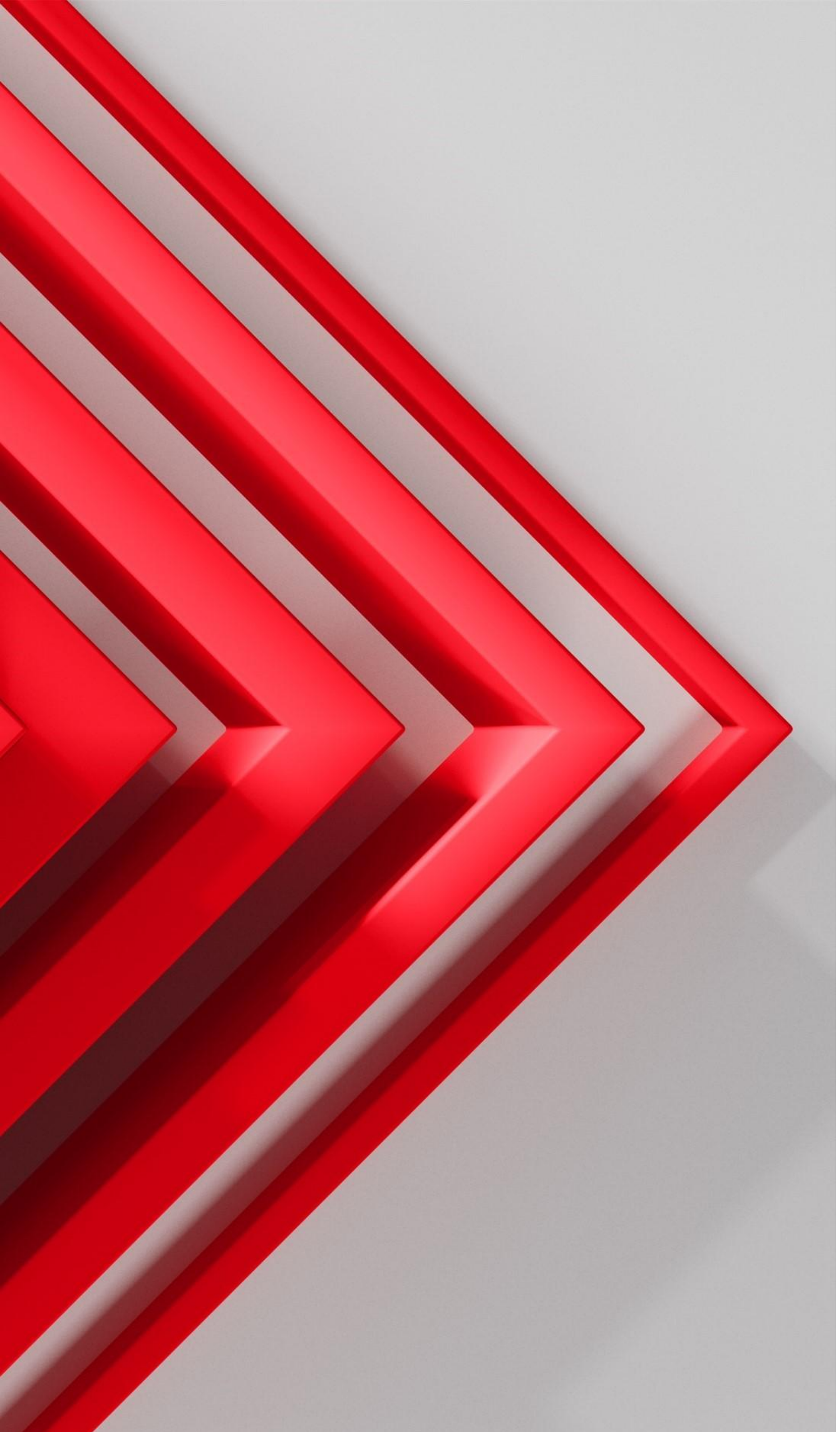
Self-employed

- 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

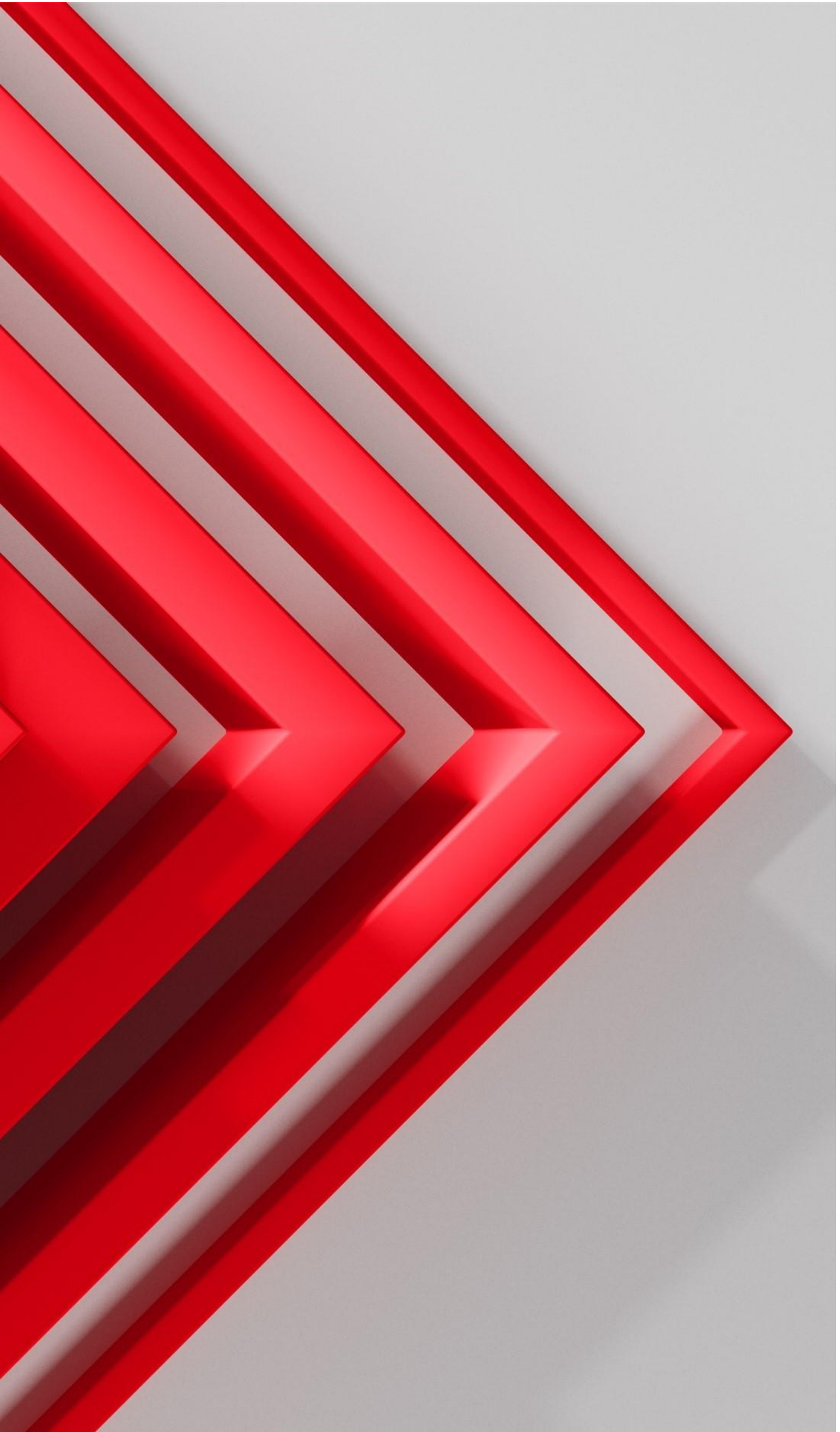
- Where background Buy to Let properties are owned, the overall rental income for the background properties must be 145 per cent of the stressed background mortgage payments. Where 2 or more background BTLs are held an SA100 (including an SA105) will be required to evidence this criteria is met.

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.



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:

- Minimum of one months' payslips.

Self-employed:

- Latest tax calculation / tax year overview or finalised accounts, which must be dated within 18 months

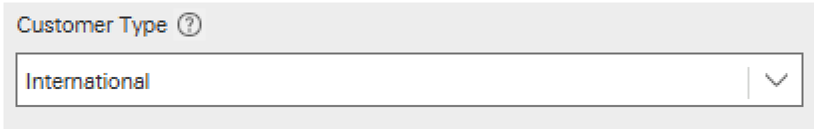
  Additional evidence may be required depending on income.

Additional

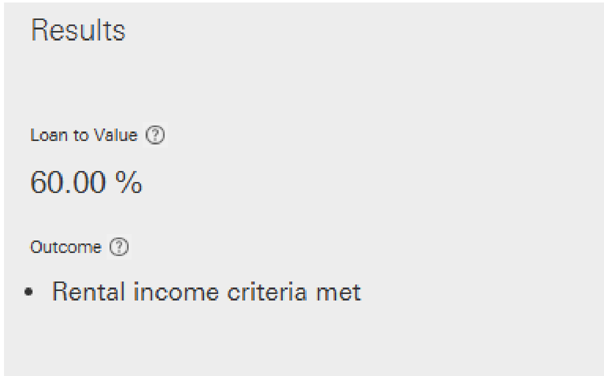
- The latest one months' personal bank statements for current accounts where income is received and evidence of a UK account available to service the mortgage
- International credit report (CRA) from current address (report from previous address is required if time in current property is less than six months)
- Proof of deposit from own funds (if applicable)
- ID and proof of address.

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.



- 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.



- The calculator will indicate the maximum potential loan amount (including fees) based on the information entered where the rental income criteria has not been satisified. 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

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