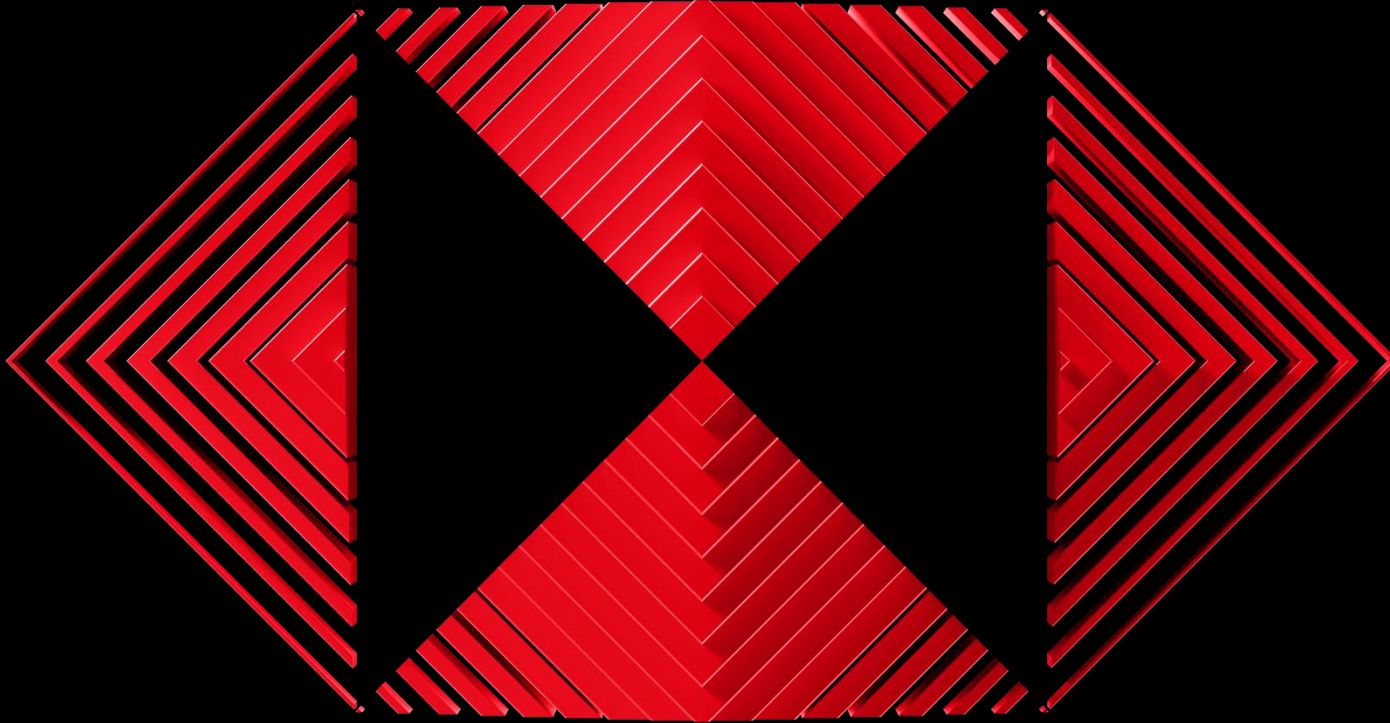


HSBC UK Useful Guide



Residential affordability calculator: Getting the right result



Residential affordability calculator

The Residential affordability calculator is available on our [website](#). It is an essential part of the application process to check the affordability in the first instance.

- ♦ You can access the calculator directly by clicking [here](#)
- ♦ To get the most accurate decision, ensure the calculator is fully completed
- ♦ Should you need to discuss a case, you can speak to your [BDM](#), [Chat with us](#), or call our Broker Support Team on **0345 600 5847** (Monday to Friday, 9am to 5pm)
- ♦ It is recommended that you obtain a copy of the customer's credit report, to assist with accurately keying all credit commitments. We will refer to Experian or Checkmyfile.



Hints and tips

- ♦ You will need to evidence all income keyed into the application. Maximising income from multiple sources will increase the affordability, however, should it not be required, and you do not wish to provide documentation, it can be excluded
- ♦ Input all credit commitments accurately, ensuring they match the monthly loan payments and / or credit card balances as shown on the customer's credit report:
 - ♦ Credit cards – use the last statement balance or credit file balance, even if cleared monthly
 - ♦ Loans – check the monthly payment amount matches the credit report
 - ♦ All loans held in a personal name need to be entered, even if they are paid by a business.



Step 1 – Mortgage details

Step 1 - Mortgage details

- ♦ Input application type:
 - ♦ First time buyer – at least one applicant has never previously owned a property in the UK or abroad
 - ♦ Home mover / Buy new property – where an HSBC or non-HSBC customer is moving home
 - ♦ Remortgage an existing property – where an applicant is transferring their borrowing from another mortgage provider to HSBC UK
- ♦ Select if the application is a sole or joint application
- ♦ Enter the date of birth for each applicant, along with their anticipated retirement age. Note: Where any applicant is already retired, or has no income being used, enter age 80.

Mortgage Details | Step 1 of 4

Mortgage Details

Application type* ?

☐ Buying first home

☐ Home mover / Buy new property

☐ Remortgage an existing property

Joint application?*

☒ Sole ☐ Joint

Date of birth*

DD / MM / YYYY

/ /

Anticipated retirement age*

Please select



Step 1 - Mortgage details continued

- ♦ Confirm number of dependent children:
 - ♦ A child dependent is defined as any member of the applicant's immediate family, who is financially dependant on the applicant(s), under the age of 18 years
 - ♦ Only include dependents that live with the applicant(s) full time or where no maintenance is paid, under the age of 18 years
 - ♦ For any dependents where maintenance is paid, the maintenance payment should be captured within the expenditure.
- ♦ Confirm number of dependent adults:
 - ♦ An adult dependent is defined as any member of the applicant's immediate family, who is financially dependant on the applicant(s), over the age of 18 years and not included on the mortgage
 - ♦ Only include dependents that live with the applicant(s) full time or where no maintenance is paid, over the age of 18 years
 - ♦ For any dependents where maintenance is paid, the maintenance payment should be captured within the expenditure.

Total number of dependent children* ?

Please select



Total number of dependent adults* ?

Please select





Step 1 - Mortgage details continued

- ◆ Confirm the property value:
 - ◆ Where the actual value is known this should be used
 - ◆ Where unsure, use the maximum intended value.
- ◆ Confirm the security property postcode:
 - ◆ The first part of the postcode must be entered, any change to this may impact on the amount of lending that is offered
 - ◆ If unsure of the property postcode please input current postcode.
- ◆ Select required mortgage term:
 - ◆ Input the length of time in years and months the mortgage is to be repaid over. For Capital repayment, minimum 5 years to 40 years, for Interest only / Part and part, minimum 5 years to maximum 25 years.

Property value* ?

£

Property postcode ?

Assess on Interest Only basis* ?

☐

Yes

☐

No

Mortgage term* ?

Years



Months





Step 2 - Income

- ♦ Employment status will need to be completed for each applicant:
 - ♦ Input the main employment status where multiple options exist
 - ♦ Choose self-employed if the applicant works as a Sole trader, in a Partnership / LLP or part of a Limited Company, but is not a Director
 - ♦ Choose Limited Company Director when the applicant is part of a Limited Company and is a Company Director.
- ♦ Confirm if any of the income for the applicant is received in anything other than GBP:
 - ♦ If yes, an additional box will appear asking for the currency type
 - ♦ Where multiple currencies exist, select the currency with the highest known haircut to be applied
 - ♦ Refer to the latest [foreign currency matrix](#) for applicable haircuts.

Income | Step 2 of 4

Income

Employment Status* ?

Please select

Does the applicant receive income in any currency other than pounds sterling GBP?* ?

☒ Yes ☐ No

Select a currency type*

Australian Dollar

At least one of the income fields below must be completed.



Step 2 – Income continued

- ♦ Complete the gross annual income:
 - ♦ Gross income is defined as basic salary plus permanent allowances e.g. territorial or shift allowances, but excludes all other amounts unless proven to be guaranteed
 - ♦ If the applicant(s) is self-employed (Sole trader or Partnership / LLP, then use the average of the last two years
 - ♦ If the applicant is an employee, but has a shareholding in a Limited Company of less than 25%, the current basic salary should be used
 - ♦ If the applicant is a Director and / or has a shareholding of more than 25%, then the average of the last two year's basic salary, or latest year if lower, should be used.
 - ♦ Limited Company net profit after tax:
 - ♦ Where the net profit after tax is being used and / or where the customer owns more than 25% in the business, then the net profit for each year should also be included
 - ♦ If only 1 year's accounts available, the previous year should be entered as £1
 - ♦ If any year is a loss, this can be keyed as such with a minus figure.

Gross annual income ⓘ

£

Latest year Limited Company net profits ⓘ

£

Previous year Limited Company net profits ⓘ

£



Step 2 – Income continued

- ♦ Complete the Bonus / Commission / Overtime for the applicants:
 - ♦ Refer to the [evidential document matrix](#) for full requirements of required documentation, and the annualised figure to use
 - ♦ Annual bonuses are based on a two-year average, or latest year if lower. Where only one year is available, £0 may be used for the previous year (averaging the current year's figure over the two years)
 - ♦ Monthly overtime and commission are assessed on a three-month average, then annualised
 - ♦ Include any non-taxable income:
 - ♦ This could include benefit income, however we can only use this if it will be in place for the term of the mortgage
 - ♦ Include gross BTL income as a **monthly** figure:
 - ♦ For existing BTL income, we require the gross rental income from the SA100, for a LTB scenario, the income used will be from the ARLA letter. Please refer to the website for other acceptable documentation / income and when it can be used
 - ♦ All income is keyed as annual, with exception of BTL income which is keyed monthly to match the DIP / application.

Bonus / Commission / Overtime ?

£

Other non-taxable income ?

£

Existing BTL rental income ?

£

Step 3 - Expenditure



Step 3 – Expenditure

- ♦ All expenditure must be keyed on the calculator, we model expenditure where possible to minimise the information required
- ♦ Key the total monthly loan payments:
 - ♦ This includes total monthly payments for all loans / hire purchase agreements and mortgage payments for background BTLs or second homes
 - ♦ Any of the above that are due to finish within the next six months from the point of application can be excluded from the calculator, however they must still be included in the DIP / application
 - ♦ You will need to contact our Broker Support Helpdesk to manually assess the case if the DIP fails for this reason
 - ♦ Joint commitments should be entered under applicant 1 only
- ♦ Key the current credit card balances as per the statement or credit report:
 - ♦ If credit cards are cleared monthly and the current balance is not higher than the prevailing three months, and you want to exclude these from the assessment as per policy, do not include them on the calculator, but do still include them on the DIP / application
 - ♦ You will need to contact our Broker Support Helpdesk to manually assess the case if the DIP fails for this reason.

Expenditure | Step 3 of 4

Expenditure

Total monthly loan payments ⓘ

£

Total credit cards balance ⓘ

£



Step 3 – Expenditure continued

- ♦ Complete the payment to fund the repayment strategy where applicable:
 - ♦ This figure included should be the amount being put aside to repay the mortgage over the mortgage term
 - ♦ For ad-hoc savings, this is the Interest only loan amount including any fees (maximum 50% LTV permitted) divided by the mortgage term in months
 - ♦ This figure also needs to be included on the DIP / application to ensure it is detailed on the KFI
- ♦ Include the monthly ground rent and service charge if applicable:
 - ♦ If you are made aware of any increases due to the service charge, then the increased figure should be used
- ♦ Include the travel costs for each applicant individually:
 - ♦ Travel costs should include the monthly costs associated with travel, including commuting to work / school and any additional costs (e.g. fuel, car insurance, public transport etc.)
 - ♦ Where no or minimal travel costs are entered, it is likely an explanation will be required by our underwriter, please add a note to the application.

Payment to fund repayment strategy for Interest Only mortgage ?

£

Ground Rent / Service Charge ?

£

Travel costs including commuting to work ?

£

PUBLIC



Step 3 – Expenditure cont...

Step 3 – Expenditure continued

- ♦ Input child maintenance as appropriate:
 - ♦ This includes any payments for a child that does not live with the applicant as a dependent
- ♦ Input spousal / partner maintenance as appropriate:
 - ♦ This includes spousal / partner payments which are payable as part of a court order
- ♦ Input any school or higher education fees as appropriate:
 - ♦ This includes any cost for private school, boarding or tuition fees
- ♦ Input any childcare:
 - ♦ This should include all childcare costs, where these are a joint contractual commitment, they should be entered under applicant 1 only.

Child Maintenance ?

£

Spouse / Partner maintenance ?

£

School / further or higher education fees ?

£

Childcare ?

£



Step 3 – Expenditure continued

- ♦ Student loan payments and other outgoings including BTL costs
 - ♦ This includes:
 - ♦ BTL outgoings (rental costs, fees, property expenses) for existing BTL properties, this figure should be taken from the SA100. For LTB / new BTL properties, this should be the running costs if the property is not let, for utilities and council tax.
 - ♦ Other committed expenditure the applicants are obliged to pay for, such as (but not limited to) Interest only repayment plans for other properties
 - ♦ Second property running costs and maintenance
 - ♦ Do NOT include utilities of the property being mortgaged
 - ♦ Student loans should be included as per the payslip deduction.

Student Loan payment ?

£

Other outgoings including BTL ?

£



Step 4 – The result

Step 4 – The result

Once you have completed the required information, click on calculate results

- ♦ If there is any missing information, this will be highlighted, and you can click on the note to move to the required section
- ♦ The result will be displayed as follows:
 - ♦ Total lending based on estimated property value £XXXX
 - ♦ LTV result XX%
 - ♦ Total lending based on affordability £XXXX
- ♦ Points to note:
 - ♦ This is the maximum available loan LTV on the valuation figure inputted within the mortgage section
 - ♦ The maximum permitted lending on affordability is also limited by the resultant LTV / LTI cap
 - ♦ For example, if the maximum LTV figure is above 90% then the maximum affordability loan amount would be capped at 4.49 times income as per the current LTI policy

Result | Step 4 of 4

Result

Total lending amount based on estimated property value:
£ 332,500

Loan to value result:
83.13%

Total lending amount based on affordability:
£ 332,500



Further information

Further information:

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