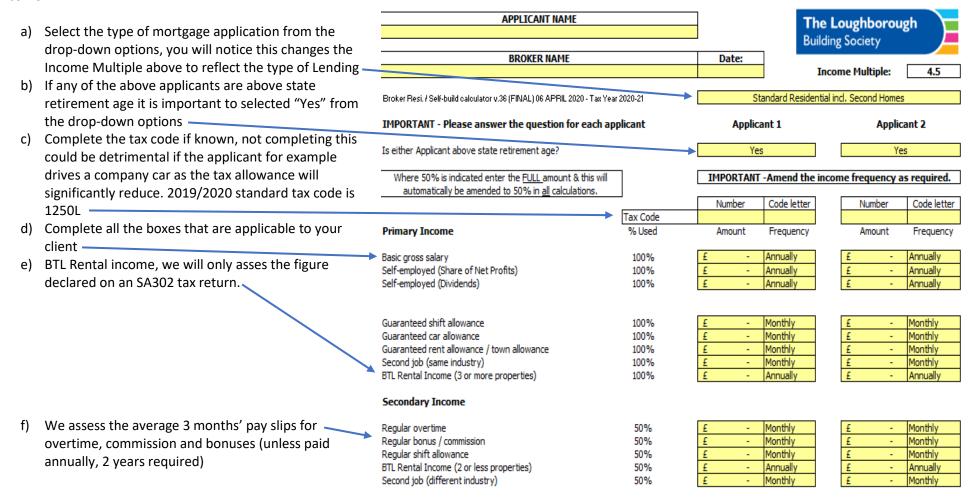# Affordability Calculator User Guide

The affordability calculator has two separate worksheets/sections, Income and affordability, both must be completed.

Income

a) Select the type of mortgage application from the drop-down options, you will notice this changes the Income Multiple above to reflect the type of Lending

b) If any of the above applicants are above state retirement age it is important to selected "Yes" from the drop-down options

c) Complete the tax code if known, not completing this could be detrimental if the applicant for example drives a company car as the tax allowance will significantly reduce. 2019/2020 standard tax code is 1250L

d) Complete all the boxes that are applicable to your client

e) BTL Rental income, we will only asses the figure declared on an SA302 tax return.

f) We assess the average 3 months' pay slips for overtime, commission and bonuses (unless paid annually, 2 years required)

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Income Multiple: 4.5

APPLICANT NAME	

BROKER NAME	Date:

Broker Resi. / Self-build calculator v.36 (FINAL) 06 APRIL 2020 - Tax Year 2020-21

Standard Residential incl. Second Homes

IMPORTANT - Please answer the question for each applicant

	Applicant 1	Applicant 2
Is either Applicant above state retirement age?	Yes	Yes

Where 50% is indicated enter the FULL amount & this will automatically be amended to 50% in all calculations.

IMPORTANT -Amend the income frequency as required.

		Applicant 1		Applicant 2	
		Number	Code letter	Number	Code letter
Tax Code					
	% Used	Amount	Frequency	Amount	Frequency
Primary Income					
Basic gross salary	100%	£ -	Annually	£ -	Annually
Self-employed (Share of Net Profits)	100%	£ -	Annually	£ -	Annually
Self-employed (Dividends)	100%	£ -	Annually	£ -	Annually
Guaranteed shift allowance	100%	£ -	Monthly	£ -	Monthly
Guaranteed car allowance	100%	£ -	Monthly	£ -	Monthly
Guaranteed rent allowance / town allowance	100%	£ -	Monthly	£ -	Monthly
Second job (same industry)	100%	£ -	Monthly	£ -	Monthly
BTL Rental Income (3 or more properties)	100%	£ -	Annually	£ -	Annually
Secondary Income					
Regular overtime	50%	£ -	Monthly	£ -	Monthly
Regular bonus / commission	50%	£ -	Monthly	£ -	Monthly
Regular shift allowance	50%	£ -	Monthly	£ -	Monthly
BTL Rental Income (2 or less properties)	50%	£ -	Annually	£ -	Annually
Second job (different industry)	50%	£ -	Monthly	£ -	Monthly

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g) if the applicant is currently <u>in receipt</u> of pensions please complete these boxes

h) Important – please input the applicants pension contributions as we'll class these as expenditure for affordability purposes, if unknown at this stage then we suggest using a plausible figure i.e. 5% of salary

It's important to include any deductions shown on wage slips

Pension / Investment Income

Personal / Occupational Pension	100%	£ - Monthly	£ - Monthly
State Retirement Pension	100%	£ - Monthly	£ - Monthly
Investment / Trust Income	100%	£ - Monthly	£ - Monthly

Deductions before tax

Pension contributions	100%	£ - Monthly	£ - Monthly
Childcare vouchers	100%	£ - Monthly	£ - Monthly
Other	100%	£ - Monthly	£ - Monthly

Deductions after tax

Student loan	100%	£ - Monthly	£ - Monthly
Other	100%	£ - Monthly	£ - Monthly
Annual Net Income		£ - Annually	£ - Annually
Monthly Net Income		£ - Monthly	£ - Monthly

N.B. No tax will be deducted from the following figures and evidence of income will be required.

Other Income - THIS MUST BE MONTHLY

Bursary (evidence required)	100%	£ - Monthly	£ - Monthly
Total of Other Income Sources*		£ - Monthly	£ - Monthly

*Other income will be carried over separately to the Affordability tab.

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Affordability

BUDGET CALCULATOR	Broker Resi. / Self-build calculator v.36 (FINAL) 06 APRIL 2020		SVR 5.34%

INCOME   TAX YEAR 2020-2021   Frequency

Net Pay:	Applicant 1	£	-	Monthly	Standard Residential incl. Second Homes
	Applicant 2	£	-	Monthly	
	Total	£	-		Maximum Income Multiple:	4.5

Other Income (not taxed)

a) Important, please complete the household size

| Bursary | £ | - | Monthly |

HOUSEHOLD SIZE

| Number of adults | * | 1 | IMPORTANT - Please ensure the number of applicants agrees with the |
| Number of children | | 0 | Income tab and that retirement statuses have been changed. |

b) Complete all committed expenditure boxes if applicable

*One or both applicants are above the state retirement age - see Income tab

ONS figures selected	1 adult, no children

Committed Expenditure

Shared Ownership Rental commitment	£	-	Monthly
Self Build Residential Mortgage / Rent commitment	£	-	Monthly
Let to Buy Shortfall	£	-	Monthly
Loans / HP	£	-	Monthly
Credit Cards	£	-	Monthly
Child Maintenance	£	-	Monthly

c) Complete the credit card total balance (s) box (this will automatically work off a 3% amount for affordability purposes)

Credit Card	
Balance	%
£ -	3%

Let to Buy Shortfall Calculator	
Mortgage Payment	£ -
Rental Income	£ -
Shortfall	£ -

| Lease, maintenance, ground rent & service charges | £ | - | Monthly |
| Interest-only Repayment Strategy | £ | - | Monthly |

d) Complete the Let to Buy shortfall calculator if the applicants' rental income does not fit the ICR

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You'll be aware that most Lenders use ONS date to determine affordability for applicants applying for mortgages. We feel this can sometimes disadvantage many applicants because the chosen data is fixed and even if an applicant doesn't spend as much as the figure used, that figure is still taken for affordability purposes. At The Loughborough, we've taken the view that by offering a bespoke Affordability Calculator, accurate amounts can be input, which should enable a more accurate figure to be arrived at. The calculator initially inputs ONS data, however this can be overridden but it's important that Intermediaries understand that we will assess the data they input. We'll review the figures supplied by your clients in the calculator and cross-reference that with evidence (such as bank statements and other checking tools we have). This means we can confirm we've assessed your clients appropriately, helping give you the very best figure we can for mortgage purposes. Sometimes the information given to advisors from clients may not agree with that which we obtain and in that instance we would re-assess affordability. This means that some cases may need to be amended (or in the worst case, cancelled)

e) Complete the travel costs section
f) Council Tax and Building Insurance must be completed if applicable

Basic Essential Expenditure

Housekeeping (typical weekly shopping)	£	136.07	Monthly
Water	£	41.17	Monthly
Gas	£	45.07	Monthly
Electricity	£	48.10	Monthly
Other Heating, e.g. coal, calor gas, etc.	£	3.47	Monthly
Council Tax	£	-	Monthly *
Buildings Insurance	£	-	Monthly
Communication, e.g. Broadband, Mobile, etc.	£	50.27	Monthly
Motoring costs — Yes — Complete travel costs	£	184.60	Monthly
Life & Health Assurance	£	23.83	Monthly
Public transport — No	£	-	Monthly
Other costs, e.g. pets, dentistry, opticians, etc.	£	-	Monthly

Basic Quality of Living Costs

Leisure costs, e.g. going out, Netflix, gym, etc.	£	179.83	Monthly
Personal goods, e.g. toiletries not incl. in weekly shop	£	-	Monthly
Smoker(s) — No	£	-	Monthly
Holidays (monthly average for year)	£	-	Monthly
Childcare (nursery/school/university fees)	£	-	Monthly
Clothing (monthly average for year)	£	42.47	Monthly
Goods & repairs, e.g. furniture, boiler cover, etc.	£	116.57	Monthly
Other costs not already mentioned	£	-	Monthly

Essential & Quality of Life Monthly Total £ 871.43 *

Essential & Quality of Life Annual Total £10,457.20 *

Variance
0.00%

N.B. Totals assume Council Tax is paid for 10 months - monthly total includes ten twelfths of the monthly amount

Please note that the cells in purple are Office of National Statistics (ONS) figures. These can either be left or overtyped with actual costs.

All boxes in yellow can be typed into.

Key
ONS figures
Actual figures

Monthly

	Travel costs	
	Applicant 1	Applicant 2
Motor Insurance	£ -	£ -
MOT, repairs, servicing, etc.	£ -	£ -
Petrol	£ -	£ -
Road Tax	£ -	£ -
Parking	£ -	£ -
Public transport	£ -	£ -
Total	£ -	£ -

To start a new line press Alt + Return

Notes to the expenditure

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g) Complete the loan amount, term, actual rate, type and product term

LOAN DETAILS

New loan in top line, existing sub-accounts in lines below - see comment box above

Sub	Balance	Term Years	Term Months	Actual rate	Fixed	Product term	Stress rate	Actual CMS	Stress CMS	Repayment type
Repayment	100,000	25	0	3.00%	Fixed	2	6.34%	478.57	673.10	Repayment
Interest-only			0	3.00%	Fixed	2	6.34%	0.00	0.00	Interest-only
	100,000						Total	478.57	673.10	

ANNUAL BUDGET SUMMARY

Total Annual Income After Tax   £ 26,500.00

Total Annual Spending   £ 10,457.20

Total Left Over   £ 16,042.80

MONTHLY SUMMARY BASED ON THE LOAN REPAYMENT METHOD(s)

Disposable Monthly Income   £ 1,336.90

Less Mortgage Payment Per ESIS   £ 478.57

Less Mortgage Payment on current borrowing   £ -

% Free Income based on actual CMS   **64.20%**

Projected Affordability Calculator - Lending in Retirement			
	Years until retired	Years until 80	
Years to retirement age / Years to age 80	0	0	
	(Max. 4.5 x)	(Max. 3.5 x)	Please note: Interest-Only elements of the original loan due to be repaid before the end of the projected term are deducted from the projected balance.
Projected mortgage balance at retirement / age of 80	£ 100,000.00	£ 100,000.00	
Anticipated income at retirement / age of 80	£ -	£ -	
Projected Income Multiple	#DIV/0!	#DIV/0!	
Repayment method	Cap. Rep.	Cap. Rep.	
PASS / FAIL status	#DIV/0!	#DIV/0!	
If the income multiple exceeds the maximum, case authorised by (management - signed)			

STRESS TESTING ON A CAPITAL REPAYMENT BASIS

If the interest rate was 6.34%, monthly repayments on this loan would be approximately £673.1
The stressed monthly repayment on the total borrowing would be £673.1
The % Free Income would be: **49.65%**   **PASS**

*Percentage Free income assessed to 10% tolerance

INCOME MULTIPLE x GROSS INCOME   **3.333333**   **PASS**   *

STRESS TESTING BASED ON THE LOAN REPAYMENT METHOD(s)

If the interest rate was 6.34%, monthly repayments on this loan would be approximately £673.1
The stressed monthly repayment on the total borrowing would be £673.1
% Free Income would be   **49.65%**   **PASS**

Maximum Income Multiple:	4.5

h) The percentage free income assessed, and income must show "Pass"

i) If the applicants are applying for a mortgage past the age of 70 or 80 then the "Projected Affordability Calculator" must be completed, you'll need to input the years until the applicant will retire and years until the applicants reach the age of 80. Input the "Anticipated income at retirement/aged 80" total annual income amount for the applicant(s).

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