

PRA BROKER GUIDE

In preparation for the forthcoming Prudential Regulation Authority (PRA) changes on Buy to Let to be implemented on 30th September, Vida will be adopting the following underwriting guidelines which will apply to DIPs submitted for portfolio landlords from 28th September.

The good news is that for the vast majority of portfolio landlords, you will see very little difference to Vida's underwriting approach used today. Vida will not expect you, the intermediary, to spend time entering your customer's portfolio onto a third-party system. Simply continue to send the schedule to us and we'll take care of the rest, meaning you can spend more time on meeting your customer's needs.

What does Vida consider to be a portfolio case?

- Borrowers with an interest in four or more distinct mortgaged BTL properties at application stage where they are now applying for their 5th property. Any unencumbered properties your customer may have are excluded.

What documentation or evidence is required for portfolio cases?

- Portfolio cases still require a **Portfolio Schedule** of their existing property portfolio. This has always been the case for Vida. You can use either the template schedule spreadsheet which is available on our website, or you can upload your customer's existing portfolio schedule summary providing it at least contains the information we request on our version.
- In addition, landlords will also need to complete a short and simple multiple-choice **Business Plan Questionnaire**, which helps us better understand the longer-term intentions and approach your customers have regarding their portfolio.



How will Vida treat unencumbered properties?

- Unencumbered properties should be included in the wider property portfolio, as they will be included when assessing the overall portfolio rental vs mortgage payments (also known as interest coverage ratio). This will help the overall portfolio assessment as 'excess rent' helps a landlord against properties that might be higher LTV or attract lower rental income.

Will Vida require cashflows or asset & liability statements?

- In a very small number of cases where we consider the portfolio to be particularly complex, we may ask for a simple and quick **Cashflow Statement** to be completed covering the last 6 months, and forecasting the next 12 months.
- Our underwriters will also advise if they require an **Asset and Liability Statement**. Again, this will be on a small number of cases.
- This additional documentation will enable us to have a thorough understanding of the wider portfolio to ensure we remain a prudent and responsible lender.
- These templates can also be found on our website under the "Downloads" section.

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What other related BTL changes are Vida making?

- **Maximum Portfolio Size** lent on by Vida will remain at 15 properties, and we have recently increased the total aggregate value with us to £2m. The overall portfolio LTV remains at 80% LTV, but the maximum size for your customer's wider portfolio is now 50. This includes Vida BTL mortgages and any unencumbered BTL properties.
- **Rental Top-up from Personal Income** will no longer be available for portfolio landlords. The nature of portfolios is that rental income tends to be relatively strong, with some properties 'helping out' others. Our experience to date is that landlords in these cases do not need to top-up from income. It will continue however on non-portfolio cases.



- **Minimum Landlord Experience** – Vida now expects a portfolio landlord (or at least one of the applicants) to have owned one of their properties for at least 12 months.
- **Rental Stressing** will continue to only be applied to the mortgages held with Vida, e.g. assessed to a notional rate or 5-year fixed rate. Other properties will be simply assessed by comparing their rental income to the mortgage payment. This approach will avoid excess complexity and a whole range of additional information having to be supplied.

