



gatehousebank

Underwriting Guidance - Covid-19

1 July 2020

In light of the extension of the Furlough, Payment Holiday schemes and Bounce Back Loan Scheme (BBLS) the Bank has issued the following guidelines for intermediaries to assist them at an early stage with assessing if a client will meet the Bank's criteria.

Underwriters will continue to request any additional information they may require in order to fully assess a case and ensure that applicants can support the finance applied for.

Brokers are requested to advise the Bank should changes be made to their client's situation during the application or post offer/pre completion stages. This includes being furloughed, unfurloughed, made redundant, using the SEISS (Self-Employed Income Support Scheme) or any other change in income/circumstances, including use of Payment Holidays.

For existing customers experiencing financial difficulties, the Bank will work with those customers to find the most suitable solution for them after assessing their individual circumstances. We will recommend a solution that is in the best interests of the customer from a number of options that are available, including a full or partial Payment Holiday.

Payment Holidays

New Business:

- In accordance with FCA guidance, the Bank will consider HPP or BTL applicants who have utilised their providers' Payment Holiday scheme on any other financing arrangements and it will not be classified as having missed payments or arrears.
- However, as responsible finance providers, we may request additional information to satisfy ourselves that applicants have the ability to repay. Our decision will be based upon customers' current circumstances and any foreseeable future changes. Any arrears or missed home finance payments occurring before the Covid-19 pandemic will be treated within normal criteria, regardless of whether a Payment Holiday has since been granted. Therefore, as previously, applicants who have had home finance arrears or defaults within 12 months of application, will not be considered for finance by the Bank.

Existing Customers:

New applications from our existing customers will be considered. As responsible finance providers, our decision to provide a further finance facility will be based upon customers' current circumstances and any foreseeable future changes



Retention Customers:

- No change to current process – customers approaching the end of their fixed term will be offered new terms (or the Follow-On Rental Rate) based on the products available at maturity and the original FTV. This includes customers who have utilised the Bank's Payment Holiday scheme or any of the Government's financial support packages.
- If a customer requires material change to their account i.e. an increase in finance, a change of term or an addition/removal of a joint applicant, then they will need to submit a new application. Applications will be assessed based upon the underwriting criteria at that time and subject to new application and valuation fees.

Changes to Income Criteria/ Furloughed Applicants

In addition to the 'Essential Workers Only' information regarding Bonus, Overtime and Commission shown in our criteria, we have been asked by our broker partners to provide further guidance on applications where one or more applicants have been furloughed by their employer, or where self-employed applicants have utilised the SEISS.

New Business HPP & BTL:

Employed applicants subject to furlough will be accepted on the following basis:

- 80% of income up to £2,500pm (£30,000pa) including the new part-time working rules when they take effect in August. **These figures will need to be evidenced.**
- **Any** additional amounts paid by the employer will be accepted **but need to be evidenced.**
- There is no existing notice or knowledge of impending redundancy or unemployment

Self-Employed applicants utilising SEISS will be accepted on the following basis:

- We can only accept incomes **currently being received and evidenced (no projections)**
- SEISS payments can be used as income to support the case
- Underwriters will assess/confirm the long-term viability and sustainability of the business in the sector it operates in and may ask for additional information
- Any business or government sponsored loan schemes cannot be used towards deposits

In addition for BTL:

- If self-employed and rental income exceeds proposed rental payments (with or without utilising SEISS), the case will be accepted, subject to meeting all other Policy Criteria.
- Last 3 months business bank statements will be requested to show income consistency
- SEISS or furloughed income can be used for minimum income purposes, but will not normally be considered in cases where income is required as rental top-up.

Contractors HPP & BTL:

- Given completion can take several months, greater consideration will be applied to contractors within the last 6 months of their contract at application. Contractors will be asked about the future of their contract/income and those in the last 3 months of a contract will be asked to provide proof of it being extended or of a new contract.



Bounce Back Loan Scheme (BBLs)

Background

The Bounce Back Loan Scheme was introduced by the Government to help smaller businesses impacted by coronavirus (COVID-19). It aims to assist those businesses to borrow from £2,000 up to 25% of a business' turnover (the maximum amount available is £50,000). The Government will cover any interest payable in the first 12 months through a Business Interruption Payment to the BBLs lender, and BBLs lenders will benefit from a 100% government-backed guarantee.

The Government has set the interest rate for this loan at 2.5% per annum and the repayment term is fixed at six years. No repayments will be due during the first 12 months.

Borrowers remain 100% liable to repay the full loan amount, as well as interest, after the first year.

For sole traders / self-employed and small partnerships.

If an applicant is operating as a sole trader/self-employed or small partnership; the BBLs loan will effectively operate as a personal loan and they are personally liable to repay it. However, as per the terms of the Bounce Back Loan Scheme no recovery action can be taken over a principal private residence or a primary personal vehicle.

- Bank would require the applicant to confirm the loan amount at the application date.
- Repayment instalments post 12 months period will be taken into account whilst conducting income assessment for BTL applications where income top-up is required and all HPP applications.

For Companies/SPV (only applicable to BTL)

If an applicant is operating as a limited company, then the BBLs funds will sit with the company.

- Bank would require the applicant to confirm the loan amount at the application date; this can also be verified from business credit report
- Repayment instalments post 12 months period will be taken into account whilst conducting income assessment for BTL applications where income top-up is required.
- BBLs will appear on the business credit report

Changes to customer circumstances, prior to completion that have an impact upon the customers' ability to repay, may impact upon our decision to provide finance.

Applications will continue to be assessed on a case by case basis and the above information is for guidance only. If you wish to discuss a specific application or have any queries, please contact your dedicated BDM or Telephone BDM.