

Affordability Calculator - See Tabs at the Bottom (Circled in Red)

1. Input the Basic Income in the Income Tab and complete deductions where necessary (Pensions/Childcare Vouchers etc.) Add 'other income' if applicable

Broker Resi. Self-Build Calc v3.1 (FINAL) 071218 [Compatibility Mode] - Microsoft Excel

APPLICANT NAME

BROKER NAME

Broker v3.1 - 071218 Date:

IMPORTANT - Select retirement statuses on Affordability tab before completing.

Applicant 1: **NOT RETIRED** Applicant 2: **NOT APPLICABLE**

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.

TAX YEAR 2018-2019	Tax Code	Applicant 1		Applicant 2	
		Number	Code letter	Number	Code letter
Income types	% Used	Amount	Frequency	Amount	Frequency
Basic gross salary	100%	£ -	Annually	£ -	Annually
Self-employed (Share of Net Profits)	100%	£ -	Annually	£ -	Annually
Self-employed (Dividends)	100%	£ -	Annually	£ -	Annually
Guaranteed overtime	100%	£ -	Monthly	£ -	Monthly
Guaranteed bonus	100%	£ -	Monthly	£ -	Monthly
Guaranteed commission	100%	£ -	Monthly	£ -	Monthly
Guaranteed shift allowance	100%	£ -	Monthly	£ -	Monthly
Guaranteed car allowance	100%	£ -	Monthly	£ -	Monthly
Guaranteed mortgage allowance	100%	£ -	Monthly	£ -	Monthly
Guaranteed rent allowance / weightings	100%	£ -	Monthly	£ -	Monthly
Second job (dependent on type of employment)	100%	£ -	Monthly	£ -	Monthly
Regular overtime	50%	£ -	Monthly	£ -	Monthly
Regular bonus	50%	£ -	Monthly	£ -	Monthly
Regular commission	50%	£ -	Monthly	£ -	Monthly
Regular shift allowance	50%	£ -	Monthly	£ -	Monthly
Regular car allowance	50%	£ -	Monthly	£ -	Monthly
Regular mortgage allowance	50%	£ -	Monthly	£ -	Monthly
Regular rent allowance	50%	£ -	Monthly	£ -	Monthly
Second job (dependent on type of employment)	50%	£ -	Monthly	£ -	Monthly
Personal / Occupational Pension	100%	£ -	Annually	£ -	Annually
State Retirement Pension	100%	£ -	Annually	£ -	Annually
Investment / Trust Income	100%	£ -	Monthly	£ -	Monthly
Investment / Trust Income	50%	£ -	Monthly	£ -	Monthly
Other Taxable Income (please specify)	100%	£ -	Monthly	£ -	Monthly
Deductions before tax					
Pension contributions	100%	£ -	Monthly	£ -	Monthly
Childcare vouchers	100%	£ -	Monthly	£ -	Monthly
Other	100%	£ -	Monthly	£ -	Monthly

<<ENTER TAX CODE NUMBERS IN CELLS D14 and G14 IF KNOWN & TAX CODE LETTER IN CELLS E14 AND H14 IF KNOWN - OTHERWISE LEAVE BLANK>>

Income **Affordability** Help Notes

2. Click the Affordability Tab – This will pull through the net Income from the Income spreadsheet.

3. If the applicant is aged over 80 change the “App 1, 2, - 80 or over & reliant on their income” tab to Yes

The screenshot displays the 'AFFORDABILITY CALCULATOR' spreadsheet in Microsoft Excel. The spreadsheet is organized into several sections:

- APPLICANT NAME** and **BROKER NAME** fields.
- BUDGET CALCULATOR** section for the **TAX YEAR 2018-2019**, including a table for Net Pay (Applicant 1, Applicant 2, Total) and Frequency (Monthly).
- HOUSEHOLD SIZE** section with fields for Number of adults (1) and Number of children (0).
- Committed Expenditure** section with a table listing various expenses (e.g., Shared Ownership Rental, Self Build Residential Mortgage, Loans, HP, Credit Cards, Child Maintenance, Alimony payments, Lease, maintenance, ground rent & service charges, Interest-only Repayment Strategy, Basic Essential Expenditure, Housekeeping, Water, Gas, Electricity, Other Heating, Council Tax, Buildings Insurance, Communication, Essential travel, Life & Health Assurance, Essential travel on public transport, Other, Basic Quality of Living Costs, Personal goods, Smoker(s)) and their monthly amounts.
- IMPORTANT REMINDER** and **IMPORTANT NOTICE** boxes.
- Is this a Self Build application?** dropdown menu set to 'No'.
- UPDATE RETIREMENT STATUS** section with dropdowns for App. 1 Retired (No) and App. 2 Retired (N/A).
- CREDIT CARD** section with a table for Balance and %.
- INCOME MULTIPLE APPLIED TO CASE** section with a note: Standard Residential = 4.5 x Gross Income less committed expenditure.
- Monthly Travel Costs Breakdown** table with columns for Applicant 1 and Applicant 2, listing Motor Insurance, MOT, repairs, servicing, etc., Petrol, Road Tax, Parking, Public transport, and Total.
- Notes to the expenditure** section.

A red circle highlights the dropdown menus for 'App. 1 - 80 or over & reliant on their income' and 'App. 2 - 80 or over & reliant on their income', which are currently set to 'No'. A red arrow points from the instruction above to this area.

4. Complete the Household Size/Commitments Expenditure/Basic Essential Expenditure/Basic Quality of Living Costs

Number of adults	Number of children	App. 1 Retired	App. 2 Retired
2	1	No	N/A

Category	Amount	Frequency
Shared Ownership Rental commitment	£ 500.00	Monthly
Self-Build Residential Mortgage / Rent commitment	£ 100.00	Monthly
Loans / HP	£ 30.00	Monthly
Credit Cards	£ -	Monthly
Child Maintenance	£ -	Monthly
Alimony payments	£ -	Monthly
Lease, maintenance, ground rent & service charges	£ -	Monthly
Interest-only Repayment Strategy	£ -	Monthly
Basic Essential Expenditure	£ 250.00	Monthly
Housekeeping (food & washing)	£ 40.00	Monthly
Water	£ 40.00	Monthly
Gas	£ 30.00	Monthly
Electricity	£ -	Monthly
Other Heating	£ 120.00	Monthly
Council Tax	£ 20.00	Monthly
Buildings Insurance	£ 70.00	Monthly
Communication (Mobile phone)	£ 250.00	Monthly
Essential travel motoring costs (inc. work or school)	£ -	Monthly
Life & Health Assurance	£ -	Monthly
Essential travel on public transport (inc. work or school)	£ -	Monthly
Other	£ -	Monthly
Basic Quality of Living Costs	£ 400.00	Monthly
Basic recreation costs	£ -	Monthly
Personal goods (such as toiletries)	£ -	Monthly
Smoker(s)	No	Monthly
Holidays	£ 50.00	Monthly
Childcare (nursery/school/university fees)	£ 200.00	Monthly
Clothing	£ 200.00	Monthly
Household goods & repairs	£ -	Monthly
Other	£ -	Monthly
Essential & Quality of Life Monthly Total	£ 1,670.00	
Essential & Quality of Life Annual Total	£ 20,040.00	

Loan type	Loan Amount	Term Years	Term Months	Actual rate	Fixed	Product term	Stress rate	Actual CMS	Stress CMS	Loan type
Repayment	25	0	4.34%	Variable	2	7.34%	0.00	0.00	-	
Interest-only	100,000	25	0	4.34%	Variable	2	7.34%	361.67	611.67	Interest-only
Total	100,000					Total	7.34%	361.67	611.67	

Please complete –

- Shared Ownership (If applicable)
- Self-Build Residential/Rent (If applicable)
- Loans/HP (If applicable)
- Credit Cards (If applicable)
- Child Maintenance (If applicable)
- Repayment Strategy (If applicable)

- Housekeeping (must be completed)**
- Water (must be completed)**
- Gas (must be completed unless only one energy source)**
- Electricity (must be completed unless only one energy source)**
- Council Tax (must be completed)**
- Buildings Insurance (must be completed unless HA pays)**

- Leasehold Charges (if applicable)
- Communication (must be completed if mobile owned)**
- Life & Health Insurance (if applicable)
- Basic Recreation Costs (must be completed, socialising etc.)**
- Personal Goods (If applicable)
- Smoker (Selected Yes /No Tab) must be completed if smoker**
- Holidays (if applicable)
- Childcare (if additional to vouchers or vouchers not used)
- Clothing (must be completed – average)**
- Household Goods & Repairs (must be completed – average)**

Monthly Travel Costs must be completed

4.5 X Single or Joint Income, minus commitments

Applicants need to have 10% disposable Income after affordability assessment which will be reviewed against bank statements

5. Input the Loan amount (Repayment or Interest only) Input the Term in Years, Term in Months, Actual Rate, Fixed or Variable and the Product term

The screenshot shows an Excel spreadsheet with the following data:

Loan type	Loan Amount	Term Years	Term Months	Actual rate	Fixed	Product term	Stress rate	Actual CMS	Stress CMS	Loan type
Repayment		25	0	4.34%	Variable	2	7.34%	0.00	0.00	-
Interest-only	100,000	25	0	4.34%	Variable	2	7.34%	361.67	611.67	Interest-only
Total	100,000						Total	361.67	611.67	

ANNUAL BUDGET SUMMARY	
Total Annual Income After Tax	£ 74,024.96
Total Annual Spending	£ 27,600.00
Total Left Over	£ 46,424.96

MONTHLY SUMMARY BASED ON THE LOAN REPAYMENT METHOD(S)	
Disposable Monthly Income	£ 3,868.75
Less Actual CMS	£ 361.67
Net Disposable Monthly Income	£ 3,507.08
% Free Income based on actual CMS	90.65%

Projected Affordability Calculator		Interest-only	RETIREMENT CALCULATOR
Years to retirement age		0	Maximum permitted - 4.5 x Projected Income
Projected mortgage balance at retirement		£ 100,000.00	
Projected income at retirement age		£ -	
Projected income multiple at age of retirement		#DIV/0!	#DIV/0!

6. If you are taking a mortgage term past the age of 80, or your client is past the age of 80, please change the "Do you want to calculate the projected Income Multiple to age 80" - **Maximum LTV's- 95% Mortgage Term to aged 70, Aged 70-80 70% LTV, Age 80 + 60% LTV**

7. If the mortgage term will go beyond the applicants retirement age you will need to complete the Projected Affordability Calculator

The screenshot displays a Microsoft Excel spreadsheet with the following sections and data:

- Household Expenses:**

Household goods & repairs	£	-
Other	£	-
Essential & Quality of Life Monthly Total	£	-
Essential & Quality of Life Annual Total	£	-
- LOAN DETAILS:**

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

Loan type	Loan Amount	Term Years	Term Months	Actual rate	Fixed	Product term	Stress rate	Actual CMS	Stress CMS	Loan type
Repayment	100,000	25	0	3.39%	Fixed	5	3.39%	499.60	499.60	Repayment
Interest-only		25	0	3.39%	Fixed	5	3.39%	0.00	0.00	-
Total	100,000						Total	499.60	499.60	
- ANNUAL BUDGET SUMMARY:**

Do you want to calculate the projected income multiple to age 80? No

Total Annual Income After Tax	£	-
Total Annual Spending	£	-
Total Left Over	£	-
- MONTHLY SUMMARY BASED ON THE LOAN REPAYMENT METHOD(S):**

Disposable Monthly Income	£	-
Less Actual CMS	£	499.60
Net Disposable Monthly Income	-£	499.60
% Free Income based on actual CMS	#DIV/0!	
- PROJECTED AFFORDABILITY CALCULATOR:**

Cap. Rep.	RETIREMENT CALCULATOR
Years to retirement age	Maximum permitted - 4.5 x Projected Income
Projected mortgage balance at retirement	£ 49,156.23
Projected income at retirement age	£ 25,000.00
Projected income multiple at age of retirement	1.966249017
	PASS

Within permitted income multiple
- STRESS TESTING:**

STRESS TESTING BASED ON A CAPITAL REPAYMENT BASIS:
 If the interest rate was 3.39%, monthly repayments on this loan would be approximately £499.6
 The stressed monthly repayment on the total borrowing would be £499.6
 The % Free Income would be: #DIV/0!

STRESS TESTING BASED ON THE ACTUAL LOAN REPAYMENT METHOD (IF APPLICABLE):
 If the interest rate was 3.39%, monthly repayments on this loan would be approximately £499.6
 The stressed monthly repayment on the total borrowing would be £499.6
 % Free Income would be: #DIV/0!

1. Input the number of years until retirement
2. The "Projected affordability calculator" will now work out the projected mortgage balance at the applicants retirement age
3. Input the "Projected Income at retirement age" figure – (example, private pension, state pension, rental income, other income combined figure)
4. Provided the "Projected Income multiple at age retirement" shows pass this will fit affordability

8. Results

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	A	B	C	D	E	F	G	H	I	J	V	W	X	Y	AS	AT	AU	AV	AW	AX	AY	AZ
72	Total	100,000						Total	361.67	611.67												
73																						
74																						
75	ANNUAL BUDGET SUMMARY																					
76						Do you want to calculate the projected income multiple to age 80?					No											
77	Total Annual Income After Tax			£ 74,024.96																		
78																						
79	Total Annual Spending			£ 27,600.00																		
80																						
81	Total Left Over			£ 46,424.96																		
82																						
83																						
84	MONTHLY SUMMARY BASED ON THE LOAN REPAYMENT METHOD(s)																					
85																						
86	Disposable Monthly Income			£ 3,868.75																		
87																						
88	Less Actual CMS			£ 361.67																		
89																						
90	Net Disposable Monthly Income			£ 3,507.08																		
91																						
92	% Free Income based on actual CMS			90.65%																		
93																						
94																						
95																						
96																						
97																						
98																						
99	STRESS TESTING BASED ON A CAPITAL REPAYMENT BASIS																					
100	If the interest rate was 7.34%, monthly repayments on this loan would be approximately £737.13																					
101	The stressed monthly repayment on the total borrowing would be £737.13																					
102	The % Free Income would be:																					
103				80.95%																		
104																						
105	INCOME MULTIPLE x GROSS INCOME																					
106				1.081783																		
107																						
108	*N.B. All referrals should be made to the LBS Business Development Manager																					
109																						
110																						
111																						
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Income Affordability Help Notes

Ready

10:19 20/12/2018

Stress Testing Based on a Capital Repayment Mortgage

The income multiple should be Green and the % free income should also be Green for the case to be acceptable (10% under 80 years of age, 20% Over 80 Years of age)

Stress Testing Based on Actual Loan Repayment Method

If you have selected Interest only and this shows Green, the case is acceptable even if the "Stress Testing Based on Capital Repayment Basis" is Red.

Monthly ONS Figures when checking against expenditure (examples below)

ONS	1 Applicant	1 Applicant 1 Child	1 Applicant 2 Child	2 Applicants	2 Applicants 1 Child	2 Applicants 2 Child
Food/Groceries	£125.67	£184.17	£240.07	£246.13	£282.97	£352.73
Water	£40.30	£40.30	£40.30	£40.30	£40.30	£40.30
Gas	£52.43	£52.43	£52.43	£52.43	£52.43	£52.43
Electricity	£50.70	£50.70	£50.70	£50.70	£50.70	£50.70
Communication	£45.07	£53.30	£75.83	£75.83	£92.30	£92.30
Recreation	£140.83	£171.17	£203.23	£370.07	£318.50	£405.60
Clothing	£36.83	£91.00	£99.23	£111.80	£128.27	£142.13
Household Goods/Repairs	£83.20	£102.70	£102.27	£185.47	£195.87	£209.30