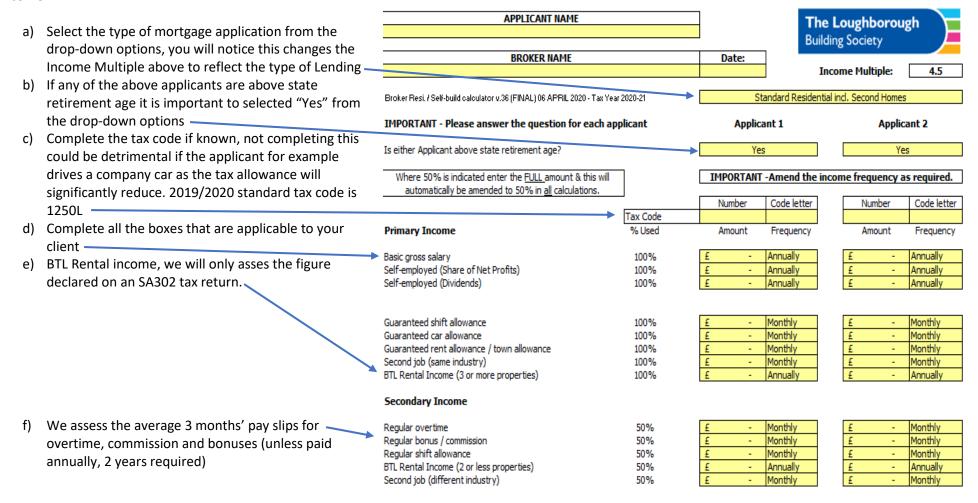
# **Affordability Calculator User Guide**

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

### Income





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 State Retirement Pension Investment / Trust Income	100% 100% 100%	£	-	Monthly Monthly Monthly	£	-	Monthly Monthly Monthly
Deductions before tax							
Pension contributions Childcare vouchers Other	100% 100% 100%	£ £	- - -	Monthly Monthly Monthly	£	-	Monthly Monthly Monthly
Deductions after tax							
Student loan Other	100% 100%	£	-	Monthly Monthly	£	-	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

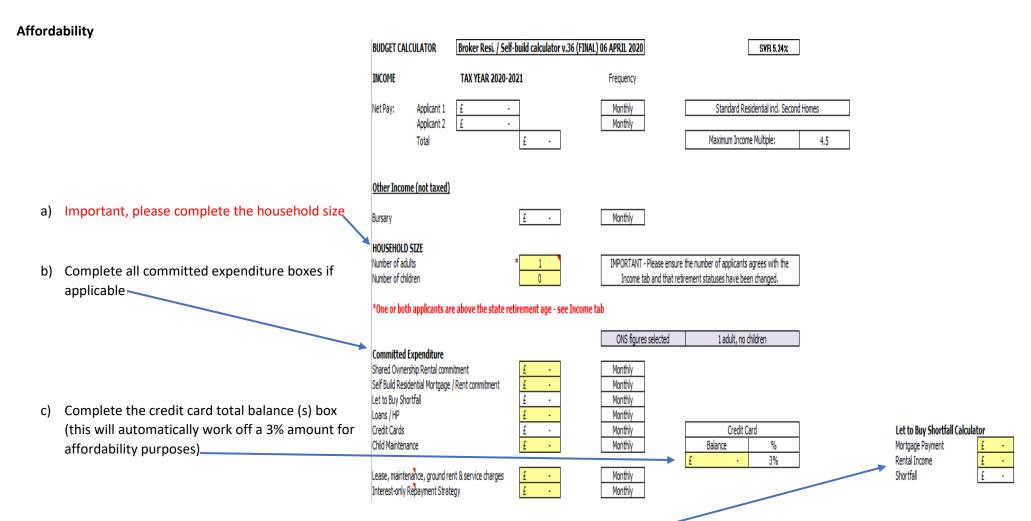
Bursary (evidence required) 100% £ - Monthly £ - Monthly

Total of Other Income Sources\*

£ - Monthly £ - Monthly

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





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



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			Please note that the cells in purple are					
Housekeeping (typical weekly shopping)	£ 136.07	Monthly	Office of National Statistics (ONS) figures.	Monthly	Travel costs			
Water	£ 41.17	Monthly	These can either be left or overtyped with		Applicant 1 Applicant 2			
Gas	£ 45.07	Monthly	actual costs.	Motor Insurance	£ - £ -			
Electricity	£ 48.10	Monthly		MOT, repairs, servicing, etc.	£ - £ -			
Other Heating, e.g. coal, calor gas, etc.	£ 3.47	Monthly	All boxes in yellow can be typed into.	Petrol	£ - £ -			
Council Tax	£ - *	Monthly		Road Tax	£ - £ -			
Buildings Insurance	£ -	Monthly		Parking	£ - £ -			
Communication, e.g. Broadband, Mobile, etc.	£ 50.27	Monthly	Key	Public transport	£ - £ -			
Motoring costs Yes Complete travel costs	£ 184.60	Monthly	ONS figures	Total	£ - £ -			
Life & Health Assurance	£ 23.83	Monthly	Actual figures					
Public transport No	£ -	Monthly		To start a new line press Alt +				
Other costs, e.g. pets, dentistry, opticians, etc.	£ -	Monthly		Notes to the	expenditure			
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 *							
		Variance						
Essential & Quality of Life Annual Total	£10,457.20 *	0.00%						
*N.B. Totals assume Council Tax is paid for 10 months - monthly total includes ten twelfths of the monthly amount								



## 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		Projected Affordability Calculator - L					
Total Annual Income After Tax	£ 26,500.00		Years until retired	Years until 80			
Total Annual Spending	£ 10,457.20	Years to retirement age / Years to age 80	0	0			
Total Left Over	£ 16,042.80	Projected mortgage balance at retirement / age of 80	(Max. 4.5 x) £ 100,000.00	(Max. 3.5 x) £ 100,000.00	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.		
MONTHLY SUMMARY BASED ON THE LOAN RE	PAYMENT METHOD(s)	Anticipated income at retirement / age of 80	£ -	£ -			
Disposable Monthly Income	£ 1,336.90	Projected Income Multiple	#DIV/0!	#DIV/0!	<b>K</b>		
Less Mortgage Payment Per ESIS	£ 478.57	Repayment method	Cap. Rep.	Cap. Rep.			
Less Mortgage Payment on current borrowing	£ -	PASS / FAIL status	#DIV/0!	#DIV/0!			
		If the income multiple exceeds the maximum, case au					
% Free Income based on actual CMS	64.20%						
STRESS TESTING ON A CAPITAL REPAYMENT BASIS  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  The % Free Income would be:  49.65%  PASS  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							
*Percentage Free	income assessed to 10% tolerance	<b>*</b>					
INCOME MULTIPLE × GROSS INCOME	3.333333 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).

