



ONLY FOR USE BY MORTGAGE INTERMEDIARIES

NatWest Intermediary Solutions

**Your guide to our  
interest only  
mortgages**

TOMORROW BEGINS TODAY



NatWest

# Here's a guide to the key eligibility criteria, customers' responsibilities, the risks associated with this type of mortgage and the acceptable repayment vehicles.

## Your customers will need to:

Have a minimum annual salary/income (can include all acceptable incomes) of £75,000. For joint applications at least one applicant can earn £75,000, or the joint applicants can earn a combined income of £100,000.

Please Note: For annual/bi annual bonuses please speak to your BDM first.

## Examples of qualifying and non-qualifying income

- Sole application, income £75,000: Meets minimum income criteria of £75,000 for sole application
- Joint application, income £50,000 + £60,000: Meets minimum combined income criteria of £100,000 for joint application
- Joint application, income £75,000 + £20,000: Meets minimum income criteria of £75,000 for sole application
- Joint application, income £50,000 + £40,000: Fails minimum income criteria for both sole (£75,000) and joint (£100,000) applications

## Plus there's:

- A maximum loan to value (LTV) of 75%
- A minimum interest only loan amount of £25,000
- If the sale of the primary residence property is a RPS, the maximum LTV available for interest only is 50%, with the remaining 25% LTV of the loan being on a capital and interest basis. See Sale of Property for minimum equity needed
- The minimum age is 18 or and the maximum age is up to their 70th birthday. For joint applications the age of the eldest applicant should be used when calculating the term
- Where there is any element of interest only the maximum term is 35 years (30 years if a loan is more than £500,000)
- A maximum of two applicants both of whom must be on the mortgage and the title to the property
- Available to first-time buyers, next time buyers existing customers

Please note affordability will be assessed on a capital and interest basis for the part of the loan not covered by the current value of the RPS. The calculation will be based on the proposed term (linked to the RPS expected maturity).

## Customers won't be eligible for an interest only mortgage if they:

- Plan to repay their mortgage within 3 years
- If they want any debt consolidation on the interest only element
- Are applying through one of the Help to Buy or shared equity schemes
- Live outside the UK - or a minimum of one applicant needs to have permanent rights to reside and the other would need to meet our visa criteria

## They'll need to make sure the outstanding capital balance is repaid at the end of the term and:

- Have a repayment strategy type, approved by us, that enables them to repay their mortgage at the end of the mortgage term
- Provide evidence of their repayment strategy – at the start and when requested during their mortgage term
- Review the repayment strategy regularly with us – to make sure they're on track to pay off the mortgage and to make any necessary changes
- Keep us informed of any changes to their repayment strategy, which might affect their ability to repay at the end of the term
- Where there are concerns about their repayment strategy, they must discuss options with us to ensure that their mortgage is repaid by the end of the term
- Make up any shortfall at the end of the term – if they can't repay the mortgage in full they could lose their home

We expect that as their broker, if you review your customers' finances in the future, that you would review their repayment strategies and keep us informed of any changes in their circumstances, or concerns that they have about their interest only mortgages or repayment strategies.

## You need to make customers aware of the following risks associated with an interest only mortgage:

- The amount of the loan outstanding will not reduce over the period of their mortgage – so they'll pay interest on the full sum borrowed throughout the term
- If they wait until the end of the term before paying back their mortgage, they'll pay more than the interest charged on an equivalent repayment mortgage
- They'll be more exposed to interest rate change over the period of their mortgage – which may go up and down
- There is a greater negative equity risk than a repayment mortgage, which means they could end up owing more than their property is worth
- Failure to keep us informed about their repayment strategy, or any changes to it, could result in a breach of their mortgage conditions

## Acceptable repayment strategies (RPS):

- Stocks & shares (traded on an authorised exchange – in or outside an ISA)
- Investment vehicles (unit trusts, OEICs, ICVCs, endowments – in or outside an ISA)
- Pension (UK authorised) – money purchase scheme: 25% of current value

Sale of main residence (see notes below)

- Sale of other property e.g. BTL property. We will be able to use the equity in the property at the current time
- Cash Savings

## Sale of Other Property:

- Must be in the UK
- We will only use the equity as it is at point of application (current market value less any mortgage amount)

- Where the property is not occupied on a permanent basis, i.e. a holiday home, then we would consider 75% on interest only
- Where the property is a holiday home i.e. not occupied on a permanent basis, then we would consider 75% on interest only

**Please note that all RPS must be denominated in Sterling and will be assessed on a sliding scale that is dependent on the number of years remaining before the end of term requested**

## Sale of main residence

If the sale of the main residence is being used as part of the RPS, the following criteria apply:

- The sale of the main residence can only be used as a RPS for that property and NOT for any other property
- Regardless of property value, if there is any interest only element, the maximum LTV is 75%, and, within that, the maximum interest only LTV is 50%
- There must be a sufficient mix of current equity and capital and interest loan to ensure that there is at least £200,000 of equity in the property at the end of the term
- As long as the interest only portion is small enough to enable at least £200,000 equity in the property at the end of the term, the balance of the capital and interest loan can be any amount up to a total LTV of 75%
- If the property is lived in presently by the customer, the application must clearly state the customer's future plans for sale and, if a Principle Place of Residence (PPR), how the customer intends to rehouse themselves/family allowing for their personal circumstances and estimated property equity. Please see our [Interest Only Letter](#)

The following table illustrates how this approach is implemented for the sale of the main residence as a RPS:

Property Value	Total Max LTV	Total Max Loan Amount (£)	Possible C&I Portion (%)	Possible C&I Portion (£)	Minimum Equity at End of the Mortgage Term (£)	Maximum Interest Only Loan (£)	Maximum Interest Only LTV
£400,000	75%	£300,000	25%	£100,000	£200,000	£200,000	50%
£350,000	75%	£262,500	32.14%	£112,500	£200,000	£150,000	42.85%
£275,000	75%	£206,250	47.73%	£131,250	£200,000	£75,000	27.27%
£225,000	75%	£168,750	63.89%	£143,750	£200,000	£25,000	11.11%

# Additional packaging requirements

## Sale of UK property – other property:

- We'll need evidence that the customer owns the property – dated within three months of the credit application. This will need to be in the form of a Land Registry search or a letter from a solicitor (who is a member of the Law Society) on their stationery. It has to show confirmation of ownership, as well as details of any charges and outstanding mortgage or confirmation there are none
- We'll need a valuation of the property – undertaken in the last year. This can be a formal valuation letter indicating a marketing price from either:
  - a recognised valuer with a recognised qualification
  - a recognised Estate Agent (and member of a national body)
- We'll also need confirmation that any or all properties are insured and may ask for details
- Repayment must not rely on any house price inflation

## Pension (UK authorised)

We'll need to see an up-to-date valuation, or a projection of a retirement schedule from the pension provider on their stationery in the last 13 months, if the current valuation is insufficient to produce a lump sum to repay the debt:

- Money purchase scheme – 25% of current value
- Final salary scheme – the guaranteed lump sum

Investment Vehicles (can be within or outside ISA), endowments, unit trusts (EU authorised), Open Ended Investment Companies (OEICs)(EU authorised), Investment Company with Variable Capital (ICVC) (EU authorised)

## AND

### Stocks & shares (traded on an authorised Stock Exchange within or outside an ISA)

We'll need a statement from the provider, on their stationery dated in the last three months in the customer's name, with the value of the scheme:

- The scheme provider should be a recognised investment manager and/or member of an appropriate financial services industry body
- The expiry date and ability to encash the scheme must correlate with the maturity of the loan e.g. for a 5 year loan the customer should be able to encash at the borrowing expiry date in 5 years time (to the extent to which we are reliant on those funds at that time)

### Cash savings

We'll need a statement from the provider, on their stationery dated in the last three months in the customer's name, with the value of the scheme.

### Buy-to-Let mortgages

These are available on both Capital and Interest Only methods of repayment. We can accept sale of the property as a repayment vehicle.

### Sale of main residence

You will always need to provide confirmation of the customers plans at the end of the mortgage term to clear the interest only element. Please see our [Interest Only Letter](#).



# Where to go for help

Please contact your BDM, BDM Team or LiveTALK for help with any prospective Interest Only applications you have.

## Help with pre-submission applications

We are happy to help you with queries about customer applications on **LiveTALK**, our instant messaging service at [intermediary.natwest.com](https://intermediary.natwest.com)

## Use **LiveTALK** for:

- Registration/password queries
- Queries on criteria for new applications
- Queries about using the website

## Help with existing applications



**0345 600 0205**  
**UK Relay:**  
**18001 0345 600 0205**

Call our dedicated intermediary mortgage processing centre on our local rate number

## For help with:

- Checking receipt of supporting documentation
- Providing updates on underwriting decisions
- Managing valuation instructions
- Confirming mortgage offer issued
- Extending mortgage offer term
- Confirming completion dates

Use our online Mortgage Application Tracker to monitor progress of your customers' applications



For more information go to [intermediary.natwest.com](https://intermediary.natwest.com)

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