

## permanent tsb Credit Policy Changes April 2009

### 1. Changes to the Net Income Ratio Calculation:

#### A. Assessment Rate & Stress testing:

- **Existing & Proposed repayments to be calculated using an underwriting rate of 6.15%.**

The current "Normal" Nets bands will continue to apply as per the table below.

Income	Nets Bands
€0 - €75,000	35%
€75,000 - €125,000	40%
€125,000+	45%

Note: The maximum loan term of 40 years will continue to apply, subject to the age of the eldest applicant at loan maturity not exceeding 70 years. (Up to date Net Sheet attached, please delete previous versions)

#### B. Savings / Rental Record:

**Removal of 5% Nets Tolerance for applicants with a Savings / Rental record.**

### 2. Overtime, Bonus & Commission:

#### A) Maximum Allowances for O/T, Bonus & Commission:

In view of falling Overtime, Bonus & Commission rates the maximum allowances for these types of income will be as follows:

	Max. Allowable (as % of basic salary)	
	Previous Policy	NEW POLICY
Overtime	20%	10%
Bonus	Max. 20% / max. 40% for "High Income" applicants	10%
Commission	40%	10%

#### B) Validation of Bonus, Commission & Overtime Income:

In all cases, and in line with current standard income validation requirements, all applicants will be required to prove this income by providing the following items of supporting documentation:

- Salary Certificates
- 3 Up to date Payslips
- Most recent P.60.

Under previous policy, for the purposes of calculating income, it was permitted to use an average figure based on the applicants most recent 3 years P60 income.

This item has now been removed from policy.

### **C) Room Rental:**

The Room Rental allowance for First Time Buyers will no longer apply.

### **3. FTB Home Loans with Parental Support:**

**First Time Buyers will now be required to meet Nets criteria without relying on parent(s).**

Parental assistance was introduced to assist FTB's who were experiencing difficulties in purchasing a property against the background of continued increases in property prices.

Given the reduction in house prices all FTB applicants will be required to meet Nets criteria without parental income support i.e. on a stand-alone basis.

### **4. Self-employed - Income Validation & Bank Statements:**

In order to place a greater focus on current earnings for self-employed applicants the policy has now been amended as follows:

#### All Exposures:

**Letter of Serviceability will no longer be accepted as proof of income for Self Employed applicants.**

#### Exposures < €500,000:

**An Accountants Certificate will now be acceptable for applications where the proposed exposure does not exceed €500,000.**

*A new Accountants certificate (copy attached) has been designed to include the following:*

- o *Bank retains right to seek full audited / certified accounts if deemed required*
- o *Accountant to provide confirmation of applicant's current year earnings*

#### Exposures €500,000+:

**Audited / Certified Accounts will now be required for all exposures which are €500,000 or more.**

*In support of the accounts provided, the applicant's accountant will now also be required to provide a side letter confirming:*

- *applicant's current year earnings and;*
- *that no significant changes have occurred in the business since the date of the last audited / certified accounts*

Bank Statements:

**6 months up to date\* business bank statements are now required for all Self Employed applicants**

(in addition to the standard requirements for personal bank statements).

*Note: \*"Up to date": Last transaction should be no more than 6 weeks prior to application.*

**5. Refinance Applications:**

The credit policy for refinance applications has been changed as follows:

A) Maximum LTV:

**A maximum LTV of 75% will now apply to all refinance cases\*.**

*\*Note: 85% maximum LTV will remain available for One Plan customers (2 year good pay PTSB mortgage) where the One Plan application does not involve the refinance of any short term debt.*

B) Refinance of Short Term Debt:

- **Refinancing of short term debt will only be considered in the following circumstance:**

Only Existing PTSB Short Term Debt up to a Maximum of €40,000 allowable (no max. number of loans)

**6. Construction Finance / Stage Payment Mortgages**

**Changes to the criteria for Construction / Stage Payment Loans:**

The policy governing Construction / Stage Payment Mortgages has been changed as follows:

LTV at Completion:

- Maximum LTV to equal lower of 100% of the construction cost or 75% LTV (previously 90% - FTB / 85% - STB) based on value on completion (to apply to both FTB & STB).

Initial LTV (at first stage drawdown):

- Maximum LTV of 75% (previously 80% / 85%) to apply to site Purchase Stage payment release (must have Full Planning Permission & Fixed Price Contract / Direct Labour)

Nets Calculation:

- Nets calculation for construction mortgages to be adjusted to reflect a potential increase of 20% in the loan amount unless a contingency is already included in the costings.

(Therefore applicants must qualify for equivalent of 120% of the requested Loan Amount within the Allowable Nets)

**7. Reliance on Existing Valuation Reports**

**A up-to-date Drive-by valuation will now required in all Equity Release cases, including One Plans)**

This requirement applies to all Equity Release cases regardless of the proposed LTV / property value.

**8. Applications falling outside Allowable Nets**

Applications that fall outside allowable Nets for the Loan amount requested will be declined. Therefore please use our max loan calculator in advance of submitting an Application.

**9. Treatment of Short Term Debt when assessing Applications**

Repayments on all Short Term borrowings will be included in the Nets Calculation and will only be excluded when evidence that these Borrowings are fully repaid is submitted or where clear evidence in the form of a bank statement to show the applicants have the funds to clear the Loan and provide the Balance of Funds.