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Commercial mortgages product guide



For intermediary use only





Through our unique combination of tailored expertise, human relationships and powerful technology, we're empowering brokers with the tools they need to serve established SMEs.

- **Nick Baker**, Chief Commercial Officer at Allica Bank



Key lending criteria

Borrower type	UK registered Limited Companies, LLPs, Partnerships and Sole Traders.
Loan size	£150,000 to £10 million
Term	5 to 25 years. Interest only products maximum 5 years.
Base Rate type	Variable – Bank of England Base Rate (subject to a minimum of 0%) Fixed – reverts to a margin above Bank of England Base Rate equal to the fixed rate less 2.25%
Security	First charge over Freehold & Long Leasehold Property in England, Scotland & Wales Debentures and guarantees on a case by case basis



Commercial investment

Fully commercial

Available discounts



Energy efficiency discount

0.25% for EPC rating A-C evidenced at application.

OR



Large loan discount

Discount of 0.25% for loans of £750k or over. Available for variable and fixed rate loans.



Additional discount

An additional 0.25% discount will apply if the borrower has 3 years' commercial investment property experience, can evidence 150% repayment cover from external income sources, and the property is in a UK town or city and has no wants of repair.

All discounts are available for variable and fixed rate loans.

Repayment type

Capital & Interest
Interest Only (5-year term)

Variable

margin over base rate

LTV	Up to 60%	Up to 70%	Over 70%
Rate	4.10%	4.30%	4.65%

Debt Service Cover

Variable - 130% using gross rent at margin, plus Base Rate plus 1.5%

5 year fixed

LTV	Up to 60%	Up to 70%	Over 70%
Rate	7.85%	8.10%	8.55%

Debt Service Cover

Fixed - 130% at pay rate
Interest only loans must evidence affordability over a 25-year amortising term

Semi-commercial investment

Available discounts



Energy efficiency discount

0.25% for EPC rating A-C evidenced at application.

OR



Large loan discount

Discount of 0.25% for loans of £750k or over. Available for variable and fixed rate loans.



Additional discount

An additional 0.25% discount will apply if the borrower has 3 years' commercial investment property experience, can evidence 150% repayment cover from external income sources, and the property is in a UK town or city and has no wants of repair.

All discounts are available for variable and fixed rate loans.

Repayment type

Capital & Interest
Interest Only (5-year term)

Semi-commercial apportionment is defined by percentage of floor space across a semi-commercial property or portfolio (confirmed at valuation). The residential element must not exceed 80%, and must be capable of being let on a separate assured shorthold tenancy. The commercial element must be not less than 20%.

Variable

margin over base rate

LTV	Up to 60%	Up to 70%	Over 70%
20-50% residential	3.30%	3.80%	4.00%
50.01-80% residential	2.75%	3.30%	3.50%

Debt Service Cover

Variable – 130% using gross rent at margin, plus Base Rate plus 1.5%

5 year fixed

LTV	Up to 60%	Up to 70%	Over 70%
20-50% residential	7.00%	7.45%	7.90%
50.01-80% residential	6.70%	7.15%	7.60%

Debt Service Cover

Fixed – 130% at pay rate
Interest only loans must evidence affordability over a 25-year amortising term

Owner-occupied

Available discounts



Energy efficiency discount

0.25% for EPC rating A-C evidenced at application.

OR



Large loan discount

Discount of 0.25% for loans of £750k or over.



Additional discount

An additional 0.25% discount will apply if 200% Debt Service Cover can be evidenced at application.

All discounts are available for variable and fixed rate loans.

Repayment type

Capital & Interest

Up to 2 year capital repayment holiday available

Variable

LTV	Up to 60%	Up to 70%	Over 70%
Fully commercial	3.40%	3.75%	4.10%
20-50% residential	2.95%	3.30%	3.65%
50.01-80% residential	2.50%	2.85%	3.20%

Debt Service Cover

Variable - 130% using adjusted EBITDA at margin, plus Base Rate plus 1.5%

5 year fixed

LTV	Up to 60%	Up to 70%	Over 70%
Fully commercial	7.25%	7.60%	7.95%
20-50% residential	6.80%	7.15%	7.50%
50.01-80% residential	6.35%	6.70%	7.05%

Debt Service Cover

5 year fixed - 130% at pay rate using adjusted EBITDA

Interest-only, owner-occupied

Backed by the Recovery Loan
Scheme guarantee

Product criteria



Debt Service Cover

Minimum of 130% assessed on a 25-year capital & interest profile.

Repayment type

Interest only (5-year term)

Pricing

LTV	Up to 70%	Over 70%
5-year fixed	7.75%	7.85%

Product terms

Borrower type	UK registered Limited Companies, LLPs, Partnerships and Sole Traders. Owner occupiers only
Loan size	£150,000 to £2,000,000
Term	5 years
Rate type	Fixed
Security	First charge over Freehold & Long Leasehold Property in England, Scotland & Wales Debentures – case by case Guarantees – case by case

**Please ensure you have completed and submitted
the RLS Questionnaire alongside your application**

Care homes

Experienced elderly residential and nursing home operators, and first-time buyers

Repayment type

Capital & Interest

Up to 2 year capital repayment holiday available

Debt Service Cover

Experienced operators:

- min 20 beds – 150% EBITDA/ 125% CFADS
- min 40 beds (across multiple assets – min 20 bed rule applies) – 150% EBITDA/ 120% CFADS

First-time buyers/ new entrants:

150% EBITDA/ 140% CFADS

Minimum number of beds

20

Arrangement fee

2%

Experienced operators (a minimum of two years as care home owner-operator)



Loan size for experienced operators: £500,000 to £10m (subject to a maximum of 5.0x EBITDA)



Loan-to-value for experienced operators: up to 70% MV and 100% MV2, whichever is lower

- Margins are above Bank of England Base Rate
- Interest Rate Margins are subject to status and due diligence
- Extending above 90% MV2: considered subject to borrower profile, valuation and DSCR
- For care home transactions, please speak with your BDM/ SRM for full details on required information

MV2 - Market Value on the special assumption that property is open, accounts are not available and restricted sales period of 9 months.

Product	Rate	Maximum loan term
Up to 70% MV/ 80% MV2	3.00%	25 Years (20 years for non-purpose built)
Up to 70% MV/ 85% MV2	3.25%	25 years (20 years for non-purpose built)
Up to 70% MV/ 90% MV2	3.50%	25 years (20 years for non-purpose built)
Up to 70% MV/ 100% MV2	3.75%	15 years

First-time buyers/ new entrants (operator with less than two years experience/first-time buyer)



Loan size for first-time buyers/ new entrants: £500,000 to £5m (subject to a maximum of 5.0x EBITDA)



Loan-to-value for first-time buyers/ new entrants: up to 70% MV and 100% MV3, whichever is lower

- Margins are above Bank of England Base Rate
- Interest Rate Margins are subject to status and due diligence
- Extending above 90% MV3: considered subject to borrower profile, valuation and DSCR
- For care home transactions, please speak with your BDM/ SRM for full details on required information

MV3 – Market Value on the value of the property closed with no trading accounts.

Product	Rate	Maximum loan term
Up to 70% MV/ 90% MV3	3.75%	25 Years (20 years for non-purpose built)
Up to 70% MV/ 100% MV3	4.00%	25 years (20 years for non-purpose built)

Care homes

Specialist care operators

Repayment type

Capital & Interest

Up to 2 year capital repayment holiday available

Debt Service Cover

150% EBITDA/ 125% CFADS

Minimum number of care homes

3

Arrangement fee

2%

Specialist care operators (a minimum of five years as care home owner-operator, strong links to regulatory bodies and mature operational team)



Loan size for specialist operators: £500,000 to £10m (subject to a maximum of 5.0x EBITDA)



Loan-to-value for specialist operators: Lower of 70% MV1 or 120% MV3

- Margins are above Bank of England Base Rate
- Interest Rate Margins are subject to status and due diligence
- Extending above 100% MV3 subject to borrower profile, valuation and DSCR
- For care home transactions, please speak with your BDM/ SRM for full details on required information

Specialist care operators:

- Children's learning disability care – 5-18 years with complex needs ranging from lower acuity social, emotional and mental health issues (SEMH) through to more complex acquired brain injury/ autistic spectrum conditions (ABI/ ASC).
- Adult learning disability residential care
- Adult supported living (where operator owns the freehold assets)

Product	Rate	Maximum loan term
Up to 70% MV/ 80% MV3	3.00%	18 years
Up to 70% MV/ 100% MV3	3.25%	15 years
Up to 70% MV/ 120% MV3	3.50%	15 years

Property type

Standard property

	Standard investment & owner-occupied	Owner-occupied with 2 x DSC
	VP	VP
Factories	75%	80%
Food outlets - takeaway	70%	70%
Garages/ vehicle showrooms	75%	75%
Holiday lets	75%	80%
Industrial units	75%	80%
Mixed use/ multi- let (exc residential and retail)	75%	80%
Offices	75%	80%
Retail units (lock up)	75%	80%
Retail units with commercial uppers	75%	80%
Retail units with residential uppers	75%	80%
Student accommodation	60%	60%
Warehouses	75%	80%

Trading property

	Investment	Owner-occupied	
	VP	VP	MV1
Children's day nurseries	75%	100%	70%
Convenience stores	75%	80%	70%
Food outlets - restaurant	70%	70%	65%
Guest houses/ B&Bs	70%	70%	65%
Hotels	70%	70%	65%
Professional practices	75%	80%	70%
Leisure	70%	70%	60%
Public houses	70%	70%	65%

All loan to values above are maximums and are subject to credit view on quality of the asset and other factors of the application

VP - Vacant possession

Mandatory information checklist

What you'll need to start an application:

- ✓ Company/ business details
- ✓ Details of the officer applying on behalf of the business - full name, DOB, and address details (address to cover min 3 years) and email/ mobile details
- ✓ Property address, estimated value, age, freehold/ leasehold, and type
- ✓ Details of tenant and lease terms (name, rent, start/ break/ expiry date)
- ✓ Product details - term, repayment profile, how Arrangement Fee is to be paid
- ✓ Affordability - turnover/ EBITDA/ rent
- ✓ Details of any other income sources

At this point you can choose to submit for a Decision in Principle or continue with a full application. For a full application you will need:

- ✓ Last 2 years accounts or proof of income (upload documents)
- ✓ Up to date Management Accounts/ Information (upload documents)
- ✓ Details and evidence of cash stake/ deposit (upload documents)
- ✓ Last 3 months business bank statements (upload documents)
- ✓ A statement of Assets and Liabilities & Income and Expenditure (ALIE) (upload documents)
- ✓ Details of any ongoing debts/ repayment obligations
- ✓ Nominated bank account details
- ✓ A Proposal Summary which must include:
 - the structure of the loan (e.g. Newco, OpCo/ PropCo)
 - evidence of affordability (show how EBITDA has been calculated)
 - background experience of the directors/ partners/ individuals
 - brief description of the security property
 - an overview of how rising prices and energy/ fuel costs have affected business/ tenant performance
- ✓ Any other information that may help us assess the application (e.g. CV, business plan)

Fees and charges

Fees	Arrangement fee – 2%, which can be added to the loan for loans up to £3m Commitment fee – £500 payable once a formal Loan Offer is made and before we instruct a formal valuation. Refunded at completion. Procurator fee – 1.5% of the loan amount
Overpayments	10% allowed per annum
Early repayment charges	3% for the first 5 years (variable rates only)
5-year fixed rate breakage cost	5% in year one, 4% in year two, 3% in year three, 2% in year four, 1% in year five
Fixed rate pricing	Fixed rates are guaranteed for 3 months from the date of the Offer Letter. Beyond 3 months, we have the right to amend the rate if market funding conditions have changed