

15 January 2024

Commercial mortgages product guide



For intermediary use only



 **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	<p>Variable – Bank of England Base Rate (subject to a minimum Base Rate of 1.5%)</p> <p>Fixed – reverts to a margin above Bank of England Base Rate equal to the fixed rate less 1.5%, subject to a Base Rate floor of 1.5%</p>
Security	<p>First charge over Freehold & Long Leasehold Property in England, Scotland & Wales</p> <p>Debentures and guarantees on a case by case basis</p>



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.

All discounts are available for variable and fixed rate loans.

Repayment type

Capital & Interest

Interest Only (5-year term)

Debt Service Cover

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

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

Commercial investment up to £2m

LTV	Up to 60%
5-year fixed	8.25%
Variable (margin over Base Rate)	4.80%

Commercial investment over £2m

LTV	Up to 65%
5-year fixed	8.00%
Variable (margin over Base Rate)	4.50%

The large loan discount is already applied to the above rates.

Semi-commercial

50-80% residential

LTV	Up to 60%	Up to 70%	Over 70%
5-year fixed	6.20%	6.90%	7.10%
Variable (margin over Base Rate)	2.25%	3.00%	3.50%

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%. Properties less than 50% residential will be classed as commercial from a product perspective.

Commercial investment

Supported by the Recovery Loan Scheme guarantee

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.

All discounts are available for variable and fixed rate loans.

Repayment type

Interest Only (5-year term)

Debt Service Cover

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

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

Commercial investment up to £2m

LTV	Up to 70%	Over 70%
5-year fixed	8.25%	8.40%
Variable (margin over Base Rate)	4.80%	4.95%

Commercial investment mortgages, backed by the Recovery Loan Scheme guarantee, are available on a 5-year interest-only term.

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

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

Debt Service Cover

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

Fixed - 130% at pay rate using adjusted EBITDA

Commercial

LTV	Up to 60%	Up to 70%	Over 70%
5-year fixed	7.15%	7.50%	7.85%
Variable (margin over Base Rate)	3.10%	3.45%	3.80%

Semi-commercial

50-80% residential

LTV	Up to 60%	Up to 70%	Over 70%
5-year fixed	6.10%	6.45%	6.80%
Variable (margin over Base Rate)	2.00%	2.35%	2.70%

Interest-only, owner-occupied

Supported 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	7.30%	7.40%

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

Owner-occupied hotels

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.

All discounts are available for variable and fixed rate loans.

Up to £1.5m

Debt service cover	LTV – VP	LTV – MV
130%-200% debt service cover	70%	65%
>200% debt service cover	80%	65%

Over £1.5m

Debt service cover	LTV – VP	LTV – MV
Branded hotel	100%	65%
Unbranded hotel	90%	65%

Pricing

Loan to VP value	Up to 60%	Up to 70%	Up to 80%	Up to 90%	Up to 100%
Fixed rate	7.15%	7.50%	7.85%	8.10%	8.35%
Variable margin	3.10%	3.45%	3.80%	4.05%	4.30%

Product criteria

- A dedicated relationship manager will be assigned to all customers where the loan exceeds £1.5m and the LTV exceeds 70% of VP value
- Management accounts to be provided on a quarterly basis for loans over £1.5m
- Loan over 80% of VP value and must be fully amortising from day 1
- Personal guarantee to be given for any amount in excess of 70% of VP value

Healthcare – 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 (subject to a minimum Base Rate of 1.5%)
- 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/ 90% MV2	3.00%	25 years (20 years for non-purpose built)
Up to 70% MV/ 100% MV2	3.50%	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 (subject to a minimum Base Rate of 1.5%)
- 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)

Healthcare – 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 (subject to a minimum Base Rate of 1.5%)
- 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

Healthcare – children's day nursery owner-occupied

Experienced operators and
first-time buyers

Repayment type

Capital & Interest

Up to 2 year capital repayment holiday available

Debt Service Cover

130% EBITDA

Term

Up to 20 years

Minimum number of registered places

40

Arrangement fee

2%

Experienced operators (a minimum of two years as children's day nursery 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 (subject to a minimum Base Rate of 1.5%)
- 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/ 90% MV2	3.00%	20 years
Up to 70% MV/ 100% MV2	3.50%	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 (subject to a minimum Base Rate of 1.5%)
- 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%	20 years
Up to 70% MV/ 100% MV3	4.00%	20 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%	See healthcare – children's day nursery (page 11)	
Convenience stores	75%	80%	70%
Food outlets - restaurant	70%	70%	65%
Guest houses/ B&Bs	70%	70%	65%
Hotels	70%	See owner-occupied hotels (page 8)	
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:

	Investment	Owner-occupied
Historical financial/ income information - last 2 year's financial accounts (to include detailed profit and Loss and Balance sheet) - excludes newly formed SPV's	✓	✓
Up to date financial/ accounting information - Management Accounts		✓
Full tax returns of Ultimate Beneficial Owners/ Applicants	✓	✓
Bank statements - personal - last 3 months	✓	✓
Bank statements - business - last 3 months	✓	✓
<u>Debt schedule</u> (to cover external debt with more than 1 facility)		✓
A <u>Proposal Summary</u> which must include: <ul style="list-style-type: none"> the structure of the loan (eg. 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 and how has this been managed 		✓
A <u>Proposal Summary</u> which must include: <ul style="list-style-type: none"> tenant performance over last 12 months to include - rental voids, rental arrears and any management expenses incurred background experience of the directors/ partners/ individuals/ purpose of funds (if Capital Raise) brief description of the security property 	✓	
<u>Property schedule</u>	✓	
<u>Assets, Liabilities, Income and Expense Report (ALIE)</u>	✓	✓
Nominated Bank account details	✓	✓
Amount and Source of Deposit contribution	✓	✓
<u>Allica Bank, Recovery Loan Scheme customer questionnaire</u>		✓
Justification of RLS product being required		✓

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