

# MFS ICR Tools

## How we maximise the loan size

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**MFS help provide the buy-to-let loan size needed to offset current affordability challenges for refinance or purchase**



**Our unique tools & approach can solve landlord issues, even on complex properties or prime London investments, by:**

- ✓ **Rolling up monthly interest payments**
- ✓ **Deferring part of the interest rate**
- ✓ **Top slicing using surplus portfolio income or wealth**



**More funds using less equity per property**



**Our approach is flexible, unique, and commercial. Read this guide to understand how MFS could help**



Most lenders do a rigid stress test and loan size calculation to ensure the rent far exceeds the interest payment (ICR, or Interest Coverage Ratio).

We look at the rent income versus interest due over the initial 2 years of the loan. The rent is what it is, but by deferring some of the interest due until the loan is redeemed (akin to using some of the equity in the property), the rent creates a higher ICR. So, you can now increase the loan size as long as the resulting ICR remains 130% or more.

Our underwriters take a commercial, fast, and flexible view to try and lend more than most. They can also take surplus portfolio rent, salary, or consider the wider wealth position of applicants.



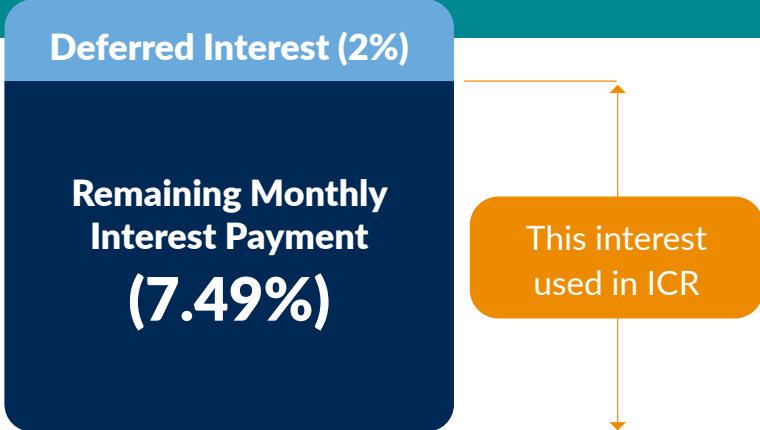
## Option 1 Roll Up Months of Interest

- Pay nothing at the start for 1 to 9 months. Rolled months of interest added to the loan, paid at redemption
- Time to find a tenant, light renovation, improve EPC, or simply to borrow more?
- ICR is boosted as we compare remaining months of interest (non-rolled/serviced) against 24 months of rent
- Can now increase the loan size as long as ICR remains above 130%



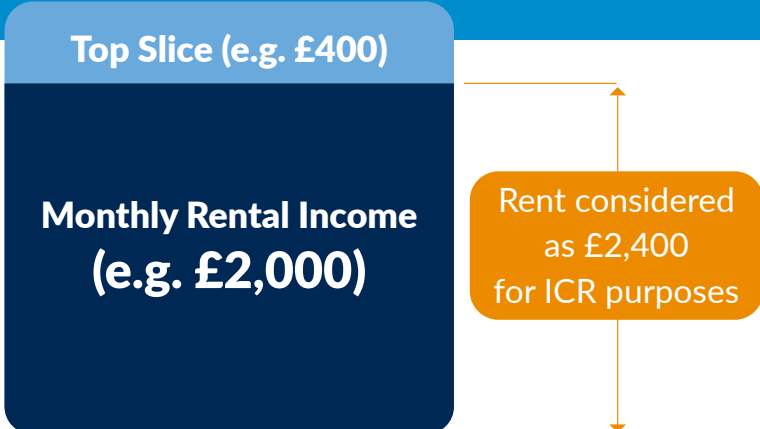
## Option 2 Deferred Interest

- Deduct up to 2% from the rate, e.g., 9.49% becomes 7.49%
- Reduces monthly interest payments, making them more affordable, helping cashflow, or simply to borrow more
- ICR is boosted as we compare reduced interest payment to rent. Can increase the loan size as long as ICR remains above 130%
- Interest deferred/not paid, is added to the loan, paid at redemption



## Option 3 Top Slicing & Underwriter Review of Savings

- Utilise surplus salary, large savings/liquid assets, or portfolio excess rent to 'boost' rental income
- Underwriter may be able to use this wider wealth to assess resilience against rental voids, tax, maintenance, etc.
- Evidence required, and doesn't require capitalised interest
- Allowed up to +20% of monthly rental income
- Discuss directly with our underwriters for top slicing



Or combine all three to further boost the loan size



*Frustrated when a valuation doesn't have the same rental optimism?*

We all are. But we believe in pragmatism, risk control, and tools that can help the case proceed

## Scenario:

A couple want to raise at least 65% LTV against a London BTL worth **£1.35m**, generating **£5,900** monthly rent. They plan to use the funds for a light refurb (improve EPC) and deposit towards another purchase. They're confident of rent and value growth for a future remortgage, but have **struggled to find a lender able to lend anywhere near the required LTV/amount.**





# Example Impacts of MFS Tools:

**This requires a loan of £895k** however, they are currently only achieving £505k. See how our tools below can help us solve this.

	Option 1 Baseline - no Boost	Option 2 Deferred Interest	Option 3 Rolled Interest	Option 4 Rolled & Deferred
Product Rate	9.59%	9.59%	9.59%	9.59%
Pay Rate Less deferred	9.59%	7.59%	9.59%	7.59%
Deferred Interest	-	2% (£25,360)	-	2% (£40,500)
Rolled Months of Interest	-	-	9m rolled (£59,183)	9m rolled (£57,637)
Product Fee Added to loan	1.9% (£9,771)	1.9% (£12,046)	1.9% (£15,634)	1.9% (£19,238)
Monthly Direct Debit	£4,110	£4,010	£6,576	£6,404
Gross Loan Repayable at redemption	£514,273 @ 38% LTV	£634,011 @ 47% LTV	£822,837 @ 61% LTV	£1,012,500 @ 75% LTV
Net Loan Day 1 advance	<b>£504,502</b>	<b>£596,604</b>	<b>£748,021</b>	<b>£895,125</b>
	Well below £ 895k...	Getting better...	Still short...	Achieved!
Advantages	No interest payment due on redemption	Lower monthly cost	Payment-free during rolled months	Maximising leverage

## Important:

Please consider that rolled and/or deferred interest, along with the product fee, are added to the loan and the borrower must be in position to pay at redemption. Exit/repayment strategy must always be considered, viable, and validated by the underwriter. The net loan advanced excludes any capitalised rolled/deferred interest and product fee.

## Summary

- ✓ MFS allow rolling up months of interest (up to 9 months), and/or deferring part of the interest rate (up to 2%) to **maximise loan size**
- ✓ Rolled and deferred interest are capitalised along with the product fee, included in the Gross Loan figure, and payment is **delayed until redemption**
- ✓ The reduced Net Loan advance preserves equity in the property, protecting the borrower & MFS
- ✓ Our approach is flexible, unique, and commercial. We try to say yes

### Please note that:

- During the revert rate, the monthly Direct Debit will cover all interest due at the full revert rate - no further rolled months or deferral of interest is available after initial 2-year term
- The monthly payment can be much higher following a rolled months period or in the revert period
- ERCs no longer apply after the initial term, so loan can switch or refinance without penalty
- Further details and criteria can be found on our product guide
- If you are unsure or you have further questions on ICR, please contact your mortgage broker

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today to arrange  
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BTL loan:**



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