

What is top slicing?

In some cases the rental income may not be enough to give the client the loan amount they need. Top slicing is where the applicant uses other excess income to top-up any shortfall in rental income which is needed for the applicant to obtain the loan they require.

Top slicing effectively helps an applicant borrow a bit more than they could based purely on rental income. It can only be applied where rental income alone achieves a minimum ICR of 125%, calculated against the stress rate of the selected product.

Note: Multi-Unit Freehold Blocks, HMO's, Flats Above Commercial and New Builds do not qualify for top slicing. Also Limited Company (SPV) applications do not qualify.



How does top slicing work?

There are two types of top slicing: personal income backed and portfolio income backed.

What are these and how do they work.

Personal income backed is where the applicant can use excess personal income to supplement rental shortfall:

- // At least one applicant must be earning £50,000 per annum or more;
- // An Income & Expenditure form must be completed;
- // Any monthly income surplus can be used to supplement the rental shortfall.

Portfolio income backed is where the applicant can use excess income from any properties coming to or currently held with Zephyr Homeloans to supplement rental shortfall:

- // The aggregate ICR across all mortgages held with Zephyr Homeloans must be 155% using the product rates;
- // Any income from a property with an ICR higher than 140% can be used to supplement any property with a rental shortfall.

Remember, we may allow a mix of personal and portfolio income to support rental shortfalls.

Use our online [illustrative calculator](#) to check if your application qualifies for a personal income top slice and [call us](#) to discuss whether portfolio backed top slicing is also relevant for a specific case.



Top slicing

Example of use of Personal Income

In this case the property has a rental shortfall of £300.50.

Providing one applicant can demonstrate a minimum gross income of £50,000 per annum and complete an Income & Expenditure Form to evidence surplus income greater than the rental shortfall per month, then we would be able to consider the application.

Property Address	Property Type	Legal Entity	Individual Tax Status	Property Value	Loan Amount	Loan to Value	Monthly Rental income	Product Rate	Fixed Product	Monthly Interest only payment	Stress ICR	Stress Rent	125% at stress rate	Rental Surplus / Shortfall
1 Acacia Avenue	Standard BTL	Individual	High Rate	£440,000	£330,000	75%	£2,510	7.30%	Yes	£2,007.50	140%	£2,810.50	Yes	-£300.50

Example of use of Portfolio Income

In this case property one has a rental shortfall of £300.50. As the other property coming to us shows a rental surplus and the aggregate rental cover is above 155%, we can consider the application.

Property Address	Property Type	Legal Entity	Individual Tax Status	Property Value	Loan Amount	Loan to Value	Monthly Rental income	Product Rate	Fixed Product	Monthly Interest only payment	Stress ICR	Stress Rent	Rental Surplus / Shortfall	Amount used	New Rental Cover
1 Acacia Avenue	Standard BTL	Individual	High Rate	£440,000	£330,000	75%	£2,510	7.30%	Yes	£2,007.50	140%	£2,810.50	-£300.50	£301.00	140%
2 Larch Road	Standard BTL	Individual	High Rate	£500,000	£375,000	75%	£4,500	7.30%	Yes	£2,281.25	140%	£3,193.75	£1,306.25		184%
Aggregate Rental cover															163%

Please note all properties where surplus rent is being used **MUST** be coming to or be currently held with Zephyr Homeloans. We may restrict the order in which the loans are advanced, to ensure surplus rental is held prior to completion. All loans will be subject to usual Lending Criteria in isolation as well.

FOR INTERMEDIARIES ONLY

 Call our Broker Support Team 0370 707 1894

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