

GENISTAR MORTGAGE TRAINING

With SmartR Finance
REASSURINGLY SIMPLE



GENISTAR
Financial Freedom For All

smartR finance

TOPICS AND COURSE INFORMATION

In this module we'll be covering:

- Who is SmartR?
- What we do
- What we don't do
- What a good referral looks like
- What to say
- The referral process
- Frequently asked questions
- Next steps

EXAM

After you have gone through the learning materials, you will take a short exam to test your understanding.

- Multiple-choice questions
- Not timed
- Refer to your notes
- Three attempts to pass

ADDITIONAL SUPPORT

The video presentation should cater to most learning styles, but if you have additional support needs, you must notify us before you use your 3 attempts.



SmartR FINANCE

WHO IS SmartR?



Whole of market
mortgage broker



Access to
120 lenders



Offering over
20,000 mortgages



Decades of
Advisory experience



The founders previously built one of the largest independent mortgage brokers in the UK.



Many potential borrowers are told 'no' by the top 6 High Street banks, but there are another 114 lenders to be explored!

WHAT WE DO

We offer mortgages **ONLY** in the UK (England, Wales, Scotland and Northern Ireland).

DIRECT MORTGAGES



Any type of residential mortgage



Any type of buy-to-let mortgage

WHAT WE DO

We offer mortgages **ONLY** in the UK (England, Wales, Scotland and Northern Ireland).

INDIRECT OFFERINGS

We can also arrange:



Secured Loans

Second mortgages or second charges



Bridging Finance

Short-term finance



Commercial Mortgages

Mortgages for business rather than people



Islamic Mortgages

Compliant with Sharia law

WHAT WE DON'T DO

- ✘ We do **NOT** provide mortgage quotes without a full consultation.
 - We offer a fully advised service.
- ✘ We do **NOT** offer loans that aren't secured with bricks and mortar.
 - Such as personal loans, car finance, credit cards, etc.
- ✘ We do **NOT** arrange split payments on mortgage installments (fortnightly or weekly).
 - Borrowers need to do that directly with their lender after their mortgage has completed.

WHAT A GOOD REFERRAL LOOKS LIKE

There are three key parts to a great referral:



INCOME



CREDIT HISTORY



EQUITY



INCOME

How do I know
what I can
borrow?

How much can I borrow?

The answer is based on:

1. How much you earn
2. How much **the lender** thinks you can afford to repay





INCOME AFFORDABILITY

Your client's INCOME MULTIPLE will give you an idea of how lenders will view their affordability.

➤ ANNUAL INCOME

Salaries/self-employed profits before tax and pension deductions.

➤ DEDUCT ANNUAL DEBT COMMITMENTS

Loans, credit cards, and car finance

➤ DEDUCT ANNUAL CHILDCARE COSTS

Nursery fees and maintenance payments to ex-partners

➤ EQUALS AVAILABLE INCOME

➤ DIVIDE AVAILABLE INCOME INTO THE DESIRED MORTGAGE AMOUNT EQUALS THE INCOME MULTIPLE

EXAMPLE

100,000 annual income
- 20,000 annual debt commitment
- 0 childcare cost

= 80,000 available income

200,000 desired mortgage / 80,000
available income = 2.5 income multiple



INCOME

TRAFFIC LIGHT SYSTEM

Income Multiple	Outcome	Action
4.76 + Unaffordable	It is likely that lenders will decline this application based on affordability. The borrowing is too high in relation to the income.	Your client will need to reduce their borrowing requirement, pay off debts or reduce other commitment costs such as childcare.
4.01 to 4.75 Could go either way	The required borrowing is a stretch. Decision will be based on other factors such as deposit and credit score which will need to be very good to be accepted.	If the client has a large deposit and a good credit score, they may be able to obtain the borrowing they want.
4.0 or less Affordable	This borrowing should be inside most lenders' affordability requirements and is likely to be agreed subject to credit history and deposit.	Affordability is not a concern, and the client should be able to apply for a mortgage subject to an amber and a green in other areas.

Factors other than the income multiple must be considered, so this just is a rough guide. For example, the number of years until retirement will be considered: A shorter mortgage term will mean a larger payment and affect the affordability.



CREDIT CREDIT HISTORY

Credit history is the number one reason that mortgages are declined early in the process!

Lenders look at the following three items:

1. Recent Applications:

- Has your client recently applied for any other forms of credit or debt?
- These applications cause 'hard enquiries' on the credit report.
- Too many 'hard enquiries' might indicate financial trouble.

CREDIT APPLICATIONS





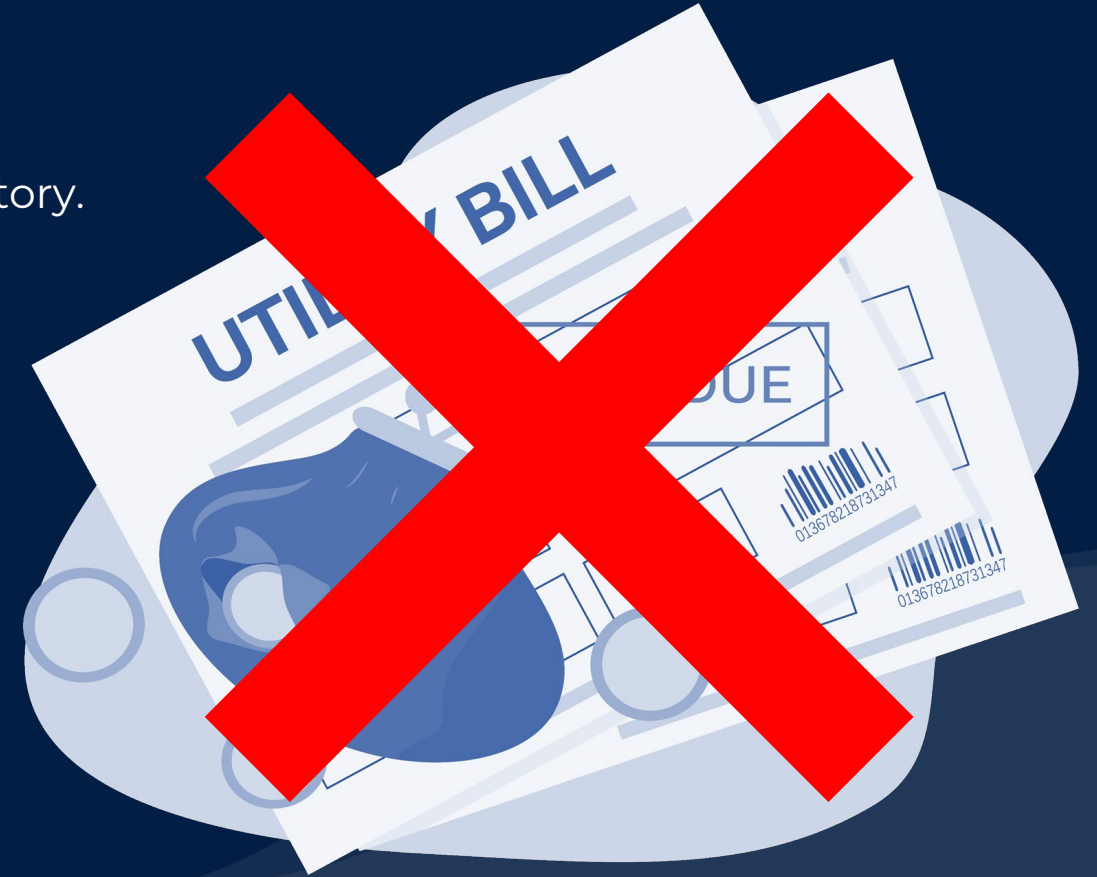
CREDIT

CREDIT HISTORY

Another important thing lenders will look at is payment history.

2. Payment history:

- Lenders will review the payment history on the client's credit report.
- They are looking for a track record of on-time payments.
- If there are late or missed payments, the lender may ask for an explanation, or an automated credit-scoring systems may simply decline the application.





CREDIT

CREDIT HISTORY

And, of course, the lenders will be looking at any major events that show up on the credit report.

3. Major Events

- Bankruptcy, late mortgage payments, default, debt management plan (DMP), and county court judgement (CCJ), etc.
- Most of these issues are likely to lead to a declined application - unless there is a large deposit and comfortable affordability.





CREDIT

TRAFFIC LIGHT SYSTEM

Credit History	Outcome	Action
Unsatisfied CCJs or defaults, late mortgage payments, outstanding DMPs...	It is likely that a lender will decline these applications because the borrower is deemed a high risk.	Your client will need to settle any outstanding bad debts showing on the credit report, and maintain good credit for a period of time.
CCJs, defaults & DMPs, older than 3 years	These borrowers will be too risky for High Street banks, but specialist lenders may lend to them based on factors such as a good deposit and affordability.	If they are in the green for income and equity these clients may be able to obtain the amount they want, subject to acceptable explanations to the lender.
Clear credit history or the odd historic late payment	These borrowers should be inside most lenders' credit scoring requirements and their applications are likely to be agreed subject to affordability and deposit.	Credit history is not a concern, and they should be able to apply for a mortgage subject to an amber and a green in other areas.

Not having enough of a credit history can also be a problem. Lenders want to know you have borrowed and repaid your debt so they can see that you're able to manage a mortgage payment well.



EQUITY

WHAT IS IT?

Equity is the amount of a property that is owned outright.

BUYING:

For someone buying a property, their equity is the amount of their deposit.

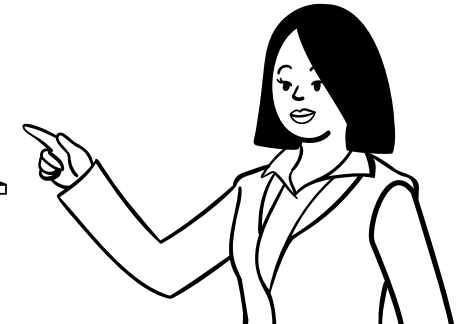
REMORTGAGING:

For someone who is remortgaging, their equity is the amount of their property that they own outright.

EXAMPLE:

My house is worth £200,000.
I still owe £170,000 on my mortgage.
So, my equity is £30,000.

Property value - Amount owed on mortgage = Equity





EQUITY

LOAN TO VALUE

While **EQUITY** relates to how much of the property the client **OWNS**, the **LOAN TO VALUE** (LTV) compares the amount **OWED** to the property value.



Value = £200,000



Amount owed = £170,000

85%
LTV

Loan to Value (LTV) = 85%

£170,000 divided by £200,000 = 85%



EQUITY REQUIREMENTS

PROPERTY TO LIVE IN:

- Minimum deposit is 5%
- Minimum equity needed to remortgage is 10%

BUY-TO-LET:

- Minimum deposit is 20%
- Minimum equity needed to remortgage is 20%

The lower the client's deposit or equity figure, the fewer lenders there are who can lend to them, and the stricter lending criteria becomes.

- Remember, if a client doesn't have enough deposit, this could be a great recruiting opportunity!



EQUITY

TRAFFIC LIGHT SYSTEM

Equity/Deposit	Outcome	Action
<p><5% Residential Purchase <10% Residential Remortgage <20% Buy-to-Let</p>	<p>If the minimum deposit is not met there will be an automatic decline - regardless of affordability and credit history.</p>	<p>These cases should not be referred until the borrower meets the minimum deposit amount required.</p>
<p>5-10% Residential Purchase 10-15% Residential Remortgage 20% Buy-to-Let</p>	<p>The lender will need to see a clean credit profile (green) and comfortable affordability (income should be in green/low end of amber).</p>	<p>If a borrower doesn't qualify for the minimum deposit, a lender can give an indication of how much deposit they will need to proceed.</p>
<p>>10% Residential Purchase >15% Residential Remortgage >25% Buy-to-Let</p>	<p>As the borrower increases their deposit in 5% increments above the minimum, the rates improve and their chances of being accepted increase.</p>	<p>If the borrower is above the minimum threshold and they have a decent deposit, they have a good chance of being accepted, subject to affordability and credit scoring.</p>

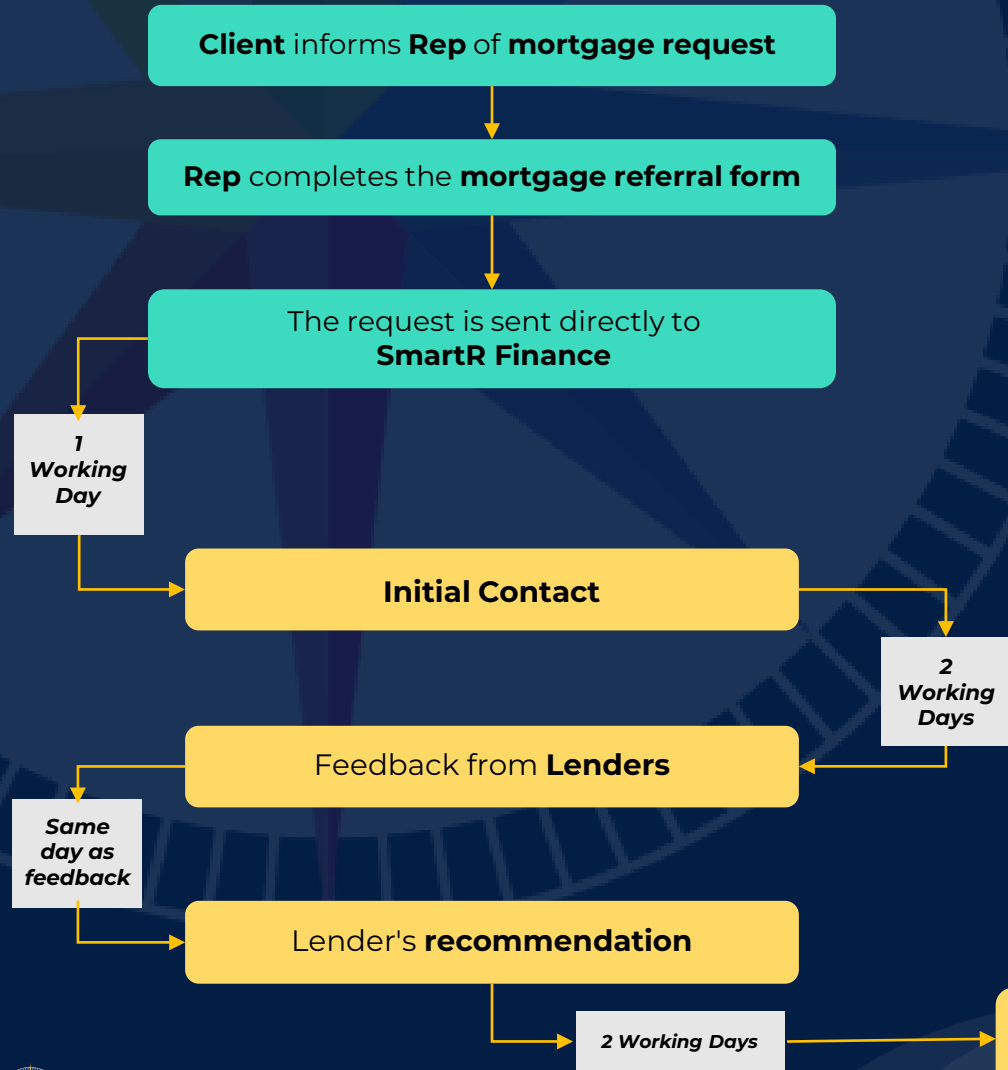
Remember: It's possible for a client to have a clean credit history and meet income affordability requirements, but still be declined if they have only the minimum deposit. Some lenders will only accept deposit amounts above this minimum.

WHAT TO SAY

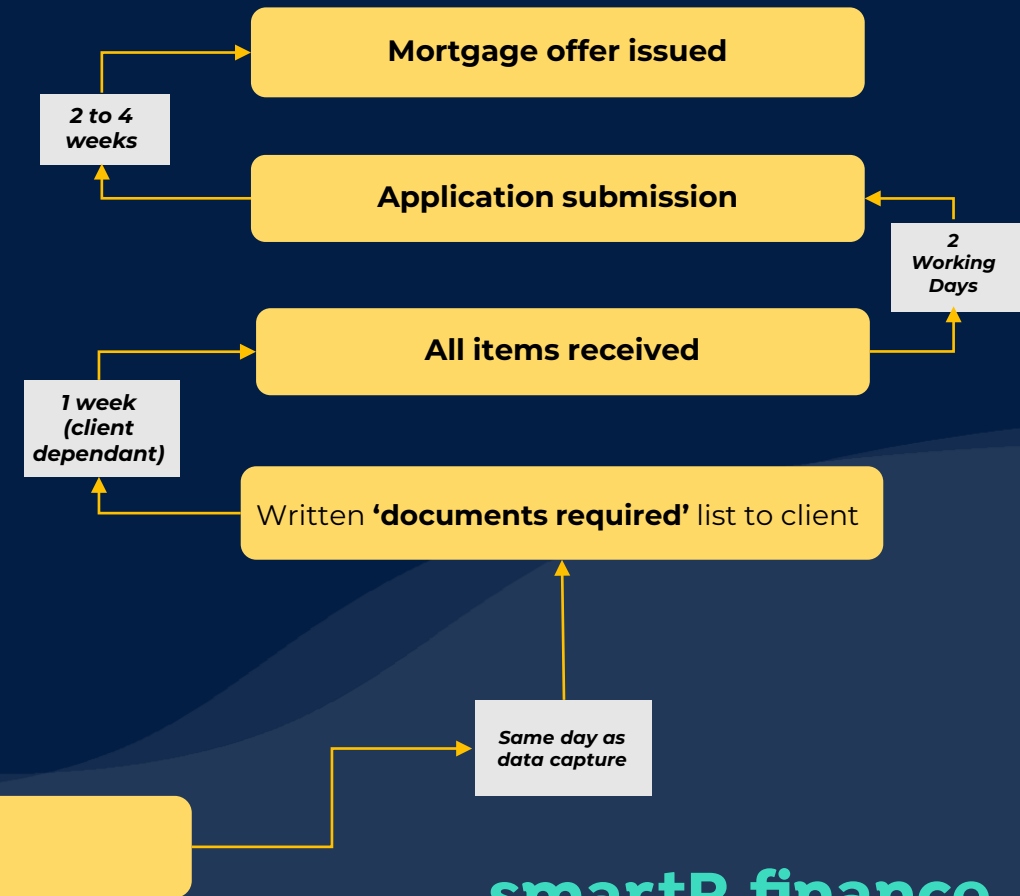
- SmartR Finance are a whole of market mortgage broker with access to over 120 lenders and 20,000 mortgages.
- Their initial advice and research are free of charge to anyone wishing to apply for a mortgage.
- SmartR only make a recommendation if there is a strong probability of the application resulting in a full offer of funding.
- If you want to apply for a mortgage that SmartR has recommended, there is a £495 fee on application. This is only charged if SmartR can get you the mortgage.
- Advice is impartial and there is no obligation to proceed with it.
- Types of mortgages they offer directly are: buy-to-let, remortgages, first-time buyer, next-time buyer.



THE MORTGAGE REFERRAL PROCESS



Please Note: This is a general guide only. Factors such as client availability and information availability can lead to delays, as can third-party timescales, for example, lender turnaround.



FREQUENTLY ASKED QUESTIONS



Q: Does the rep need to send a credit report in with the referral?

A: No, SmartR will speak with the client and work out whether we need the report. If the credit is in the red category, we will usually give them some advice about getting into amber without collecting any further data. Time is the only cure in certain situations.

Q: Can SmartR do Right-to-Buy & Shared Ownership mortgages?

A: Yes

Q: What information does SmartR need for an initial referral?

A: Completion of the basic mortgage enquiry form that is set up for Genistar reps. SmartR receive this information within seconds in a spreadsheet at our end.

Q: Can the SmartR fees be added to the loan?

A: No, most lenders don't give us that option, and our business model relies on fees being paid on application to cover our administration costs.



smartR finance

FREQUENTLY ASKED QUESTIONS



Q: What number will SmartR call from?

A: It can be one of several numbers beginning with 0204.

Q: Does SmartR cross-sell other products like Buildings & Contents insurance and Life Cover?

A: No, SmartR will ensure your clients speak with you once the mortgage has progressed. We will also keep you informed to make double sure.

Q: Does SmartR contact clients automatically when their mortgage deal ends?

A: Yes, our Pro-Act Mortgage Management system logs all product end dates and triggers contact with the client 6 months prior to expiry.

Q: How much commission does SmartR get paid for a mortgage?

A: Typical commission for a mortgage is 0.32 – 0.35% of the amount borrowed. Some buy-to-let lenders pay a little bit higher at around 0.4%. Our typical loan size is approx. £170,000.

NEXT STEPS...



PASS A TEST

to check that you understand SmartR's services and know what makes a good mortgage referral.



MAKE A LIST OF CLIENTS

who could benefit from a truly independent mortgage advice service.



USE THE TRAFFIC LIGHT SYSTEM

when assessing whether the client will qualify for a mortgage and whether they should be referred to SmartR.

QUESTIONS

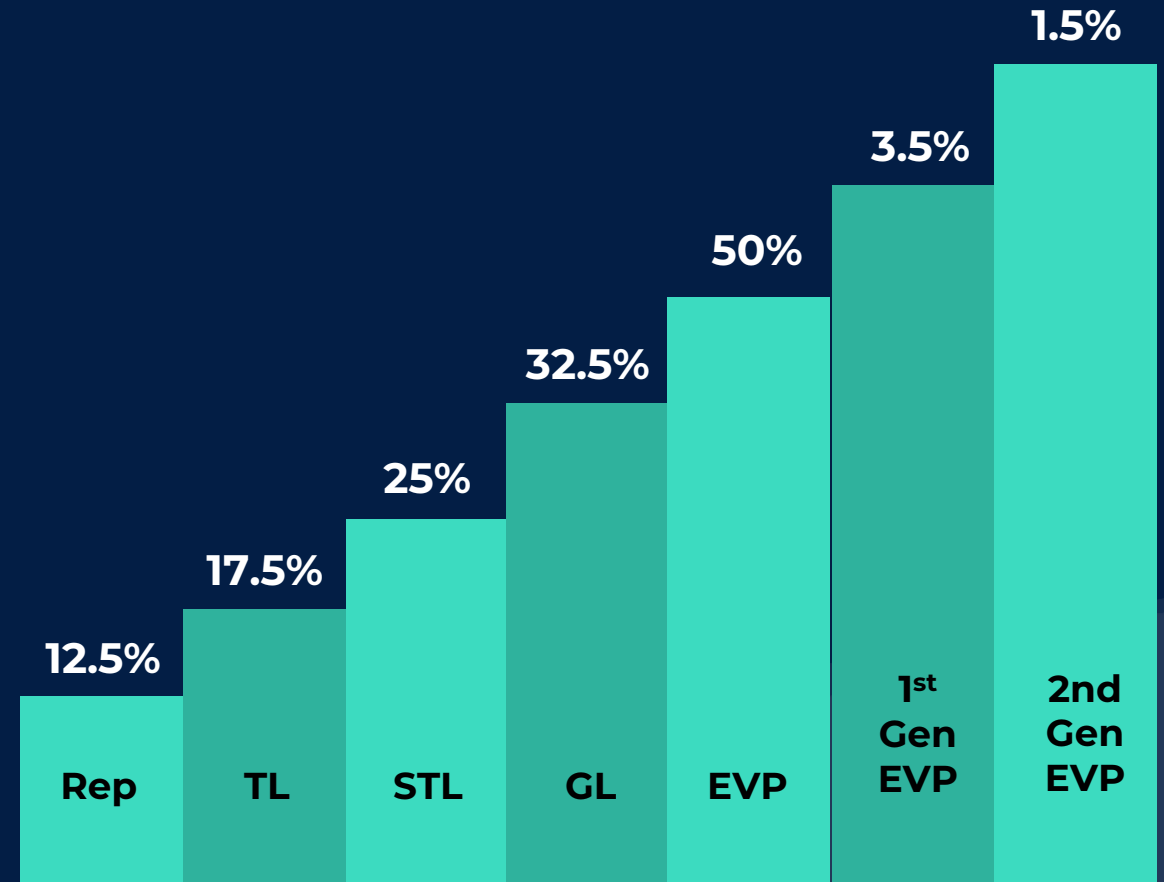
Any commission questions should be made with Genistar rather than with SmartR.

Any other questions about SmartR's service that aren't covered in this presentation should be directed to getsmartr@smartrfinance.com.

COMMISSION SCHEDULE: MORTGAGE REFERRALS

COMMISSION SCHEDULE: MORTGAGE REFERRALS

- All percentages are based on the amount of commission that Genistar receives from SmartR.
- EVPs will not receive generational overrides after the 2nd generation.



THANKS FOR WATCHING!

You must now answer some questions about what you have just learnt!



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