

18 October 2023

# Commercial mortgages product guide



For intermediary use only

 Allica Bank



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 Alica Bank

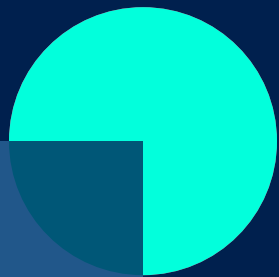
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## Key lending criteria

<b>Borrower type</b>	UK registered Limited Companies, LLPs, Partnerships and Sole Traders.
<b>Loan size</b>	£150,000 to £10 million
<b>Term</b>	5 to 25 years. Interest only products maximum 5 years.
<b>Base Rate type</b>	Variable – Bank of England Base Rate (subject to a minimum Base Rate of 1.5%) 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%
<b>Security</b>	First charge over Freehold & Long Leasehold Property in England, Scotland & Wales Debentures and guarantees on a case by case basis



## 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)

#### Variable

margin over Base Rate (subject to a minimum Base Rate of 1.5%)

LTV	Up to 60%	Up to 70%	Over 70%
Fully commercial	4.10%	4.30%	4.50%
50-80% residential	2.25%	3.00%	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%
Fully commercial	8.70%	8.90%	9.30%
50-80% residential	6.95%	7.65%	7.85%

#### Debt Service Cover

Fixed - 130% at pay rate  
Interest only loans must evidence affordability over a 25-year amortising 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%. Properties less than 50% residential will be classed as commercial from a product perspective.

## 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

subject to a minimum Base Rate of 1.5%

LTV	Up to 60%	Up to 70%	Over 70%
Fully commercial	3.10%	3.45%	3.80%
50-80% residential	2.00%	2.35%	2.70%

#### 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	7.90%	8.25%	8.60%
50-80% residential	6.85%	7.20%	7.55%

#### 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	8.40%	8.45%

### 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**

## 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 (p10)	
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:

	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	✓	✓
<a href="#">Debt schedule</a> (to cover external debt with more than 1 facility)		✓
A <a href="#">Proposal Summary</a> which must include: <ul style="list-style-type: none"> <li>• the structure of the loan (eg. Newco, OpCo/ PropCo)</li> <li>• evidence of affordability (show how EBITDA has been calculated)</li> <li>• background experience of the directors/ partners/ individuals</li> <li>• brief description of the security property</li> <li>• an overview of how rising prices and energy/ fuel costs have affected business/ tenant performance and how has this been managed</li> </ul>		✓
A <a href="#">Proposal Summary</a> which must include: <ul style="list-style-type: none"> <li>• tenant performance over last 12 months to include - rental voids, rental arrears and any management expenses incurred</li> <li>• background experience of the directors/ partners/ individuals/ purpose of funds (if Capital Raise)</li> <li>• brief description of the security property</li> </ul>	✓	
<a href="#">Property schedule</a>	✓	
<a href="#">Assets, Liabilities, Income and Expense Report (ALIE)</a>	✓	✓
Nominated Bank account details	✓	✓
Amount and Source of Deposit contribution	✓	✓
<a href="#">Allica Bank, Recovery Loan Scheme customer questionnaire</a>		✓
Justification of RLS product being required		✓

## Fees and charges

<b>Fees</b>	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. Procuration fee – 1.5% of the loan amount
<b>Overpayments</b>	10% allowed per annum
<b>Early repayment charges</b>	3% for the first 5 years (variable rates only)
<b>5-year fixed rate breakage cost</b>	5% in year one, 4% in year two, 3% in year three, 2% in year four, 1% in year five
<b>Fixed rate pricing</b>	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

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