

What is the underwriting process? An interview with a TAB expert

Education

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In this interview, [Danny Scoltock](#), TAB's head of underwriting, answers questions about the underwriting process from start to finish and discusses the benefits and challenges of being an underwriter.

What is underwriting?

Underwriting is the process through which an individual or institution assesses whether to take on financial risk, for example, property finance. It helps to set fair borrowing rates for loans, establish appropriate premiums, and create a market for securities by accurately pricing investment risk.

The underwriting team at TAB are responsible for checking all the details of a potential loan and the borrower, verifying if they are correct, if they make sense, and what potential risks are there for TAB to continue with the loan. They also look at how to mitigate those risks.

What is the underwriting process?

The underwriting process starts when the application form for the loan is received.

As TAB is an online business we removed the need for paper copies. This streamlines our processes, especially in underwriting, as the forms and documents are available in our inboxes. This means they are ready to review immediately, eliminating the wait for couriers or post. Thanks to our online broker portal both the broker and the borrower are able to track the process of their loan as we are underwriting it, showcasing our values of transparency.

Once we've received the application form, the first step is to complete the administrative work, such as running background and verification checks on the applicant, also known as the borrower. Verifying the identity is part of the Know Your Customer (KYC) and Anti-Money Laundering (AML) process. The searches can include checking Google, Companies House, and Land Registry,

Checking Land Registry, for example, gives the underwriter a clear insight into the property, such as who owns the property, if there are other titles linked to it, what mortgages or debts are on the property, and other important information such as if we need consent when lending on a [second charge loan](#).

The underwriter will then examine the deal, reviewing what the borrower intends to use the funds for. They will also examine the property being used as the security asset, look at the viability of the exit method, as well as looking at the loan term and the [LTV](#) risk. They are also looking to ensure that the loan makes sense and if the borrower is likely to achieve their goal with the funds offered in the

timeframe offered. In some instances, such as in development finance, they will also consider if the borrower has the relevant background or experience needed.

The next stage is information gathering, where the underwriters request any further information from the borrower or their broker that they need to get a better understanding of or verify any of the components of the application.

They then instruct their valuation and legal professionals to provide information where necessary. For example, a valuer will advise us on the market value of the property, based on the location and condition of the property, and several other factors. The valuation helps the underwriter to assess the impact of certain factors on the potential sale of the property, such as its location.

A solicitor is instructed to review the property and transaction details in the same way they would for a client purchasing a property. They examine the property, for example access issues, title boundaries, and planning consent as well as looking into the borrower, continuing the AML and KYC checks. They will then tailor and produce the relevant loan documents needed based on the structure of the borrowing entity.

The next stage is where all the further information is reviewed, having received it from the borrower, their solicitor, or the broker. Once the solicitor has reviewed all of the documents and has confirmation of all their questions, they produce a summary document explaining the property and pointing out any risks, this is called a report on title (ROT).

After that, but prior to completion, the underwriter will conduct a call with the borrower to explain all the details of the loan, and ask and answer any final questions. The loan then gets presented to the credit committee for approval, signed off, and then funding is sourced and sent via the lender's solicitor to the borrower's solicitor.

How long is the underwriting process?

This can vary depending on the complexity of the loan and the third parties involved in the process, such as the valuers, solicitors, monitoring surveyors, or existing lenders etc, and whether they act with the relevant urgency required. A quick turnaround can be a few days in the right circumstances but a

typical completion time is around 3-4 weeks.

What are the challenges in the underwriting process?

The challenges vary dramatically depending on the loan, but there are some general challenges we are likely to encounter.

For example, it can be difficult to meet specific deadlines on a loan as it is important that we are thorough in our research and that we clearly communicate with every party involved in order to move the loan forward with the level of urgency required. This requires us to prioritise our workload in order to ensure we deliver on each loan's specific needs.

It is also imperative that we request the correct information without asking for too much or too little. Although it is easy to make assumptions, the role of an underwriter is to be meticulous and confirm everything, no matter how obvious some things may seem.

Also, in order to constantly assess the risk profile of each loan, an underwriter needs to assess and understand the small risks that accumulate with each part of the story. It can be challenging to do this as a collective and look at how these affect the overall risk profile. Some risks alone may be generally acceptable, but when paired with others can make a loan high risk.

What do you enjoy about the underwriting process?

Personally I enjoy the fluidity of the role - you have to be reactive to deadlines and new incoming information on a day-to-day basis. Some might find this challenging but it keeps the role exciting. If you get an urgent loan assigned to you it can change the pace of your day in a second, and then the underwriting team gets to work together and collaborate effectively to get it done. I find that really satisfying.

For an example of a case that had a lot of considerations during the underwriting process, read about TAB's [£290,000 loan against airspace leases](#). It was an interesting asset and we had to balance a lot of

considerations to ensure we were comfortable with the level of risk.

How do you become an underwriter?

My personal journey will be different to others, so I can only speak from my own experience.

I started as an office junior in a specialist lending company, where I was upskilled to learn about underwriting and assessing applications. My logical mindset and ability to easily focus on details are useful attributes for a career in underwriting.

I continued gaining experience, and spent some time working as a business development manager, which gave me a different perspective on the process.

I then joined TAB in May 2019 as head of underwriting.

You can learn more about underwriting at TAB by listening to the TAB U podcast, season one, episode 4. Myself and EJ joined TAB U host Katrina Hindley and answered the top five questions about underwriting. Watch and listen to it [here](#).

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