

Buy to Let Mortgage advice you can depend on



**YOUR PROPERTY MAY BE REPOSSESSED IF YOU DO
NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE**

Approved by The Openwork Partnership on 19/12/2024

Whether buying your first Buy to Let property, adding to your property portfolio or remortgaging, this guide gives an overview of the main considerations.

YOUR PROPERTY MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE OR ANY OF OTHER DEBT SE

Most buy to let mortgages are not regulated by the Financial Conduct Authority.

If you want to learn more and receive advice tailored to your personal circumstances, please get in touch.

Our Lenders

As part of The Openwork Partnership, we can access competitive rates from

Residential and Buy to Let



Specialist Partners



Commercial



Introdu



How much can you borrow?

The amount you can borrow is based on what your likely monthly rental income will be.

Lenders use interest cover ratios or interest calculations to work out how much profit a landlord is likely to make. They make sure that rental income can cover the cost of the mortgage plus a margin to cover other costs that may arise.



Types of Mortgages

Before you choose a specific Buy to Let deal, you need to consider what type of mortgage is the most appropriate for your needs.

Variable rate

Your monthly payment fluctuates in line with a Standard Variable Rate (SVR) of interest, set by the lender. You probably won't get penalised if you decide to change lenders and you may be able to repay additional amounts without penalty too. Many lenders won't offer their SVR to new borrowers.

Discounted rate

Like a variable rate mortgage, your monthly payments can go up or down. However, you'll get a discount on the lender's SVR for a set period of time, after which you'll usually be switched to the full SVR. You may have to pay a penalty for overpayments and early repayment, and the lender may choose not to reduce (or delay reducing) its variable rate – even if the Base Rate goes down.

Discounted rate mortgages can give you a gentler start to your mortgage, at a time when money may be tight. However, you must be confident you can afford the payments when the discount ends and the rate increases.

Tracker rate

Your monthly payment fluctuates in line with a rate that's lower, or more likely higher than, a chosen Base Rate (usually the Bank of England Base Rate). The rate charged on your mortgage 'tracks' that rate, usually for a period of two to three years.

You may have to pay a penalty to leave your lender, especially during the tracker period. You may also be liable to pay a repayment charge if you overpay on your mortgage during the tracker period. A tracker mortgage may suit you if you can afford to pay more when interest rates go up – of course, you'll benefit when they go down. It's not a good choice if your budget won't stretch to higher monthly payments.

Flexible mortgages

These schemes allow you to overpay, underpay or even take a payment 'holiday'. Any unpaid interest will be added to the outstanding mortgage; any overpayment will reduce it. Some have the facility to draw down additional funds to a pre-agreed limit.

Repayment methods

The two most common ways of repaying your mortgage are

Capital repayment

On a repayment mortgage, your monthly payments will partly go towards repaying the interest accrued on the money you've borrowed and partly towards repaying the capital sum (i.e. the amount you borrowed). The benefit of capital repayment is that you'll be able to see your outstanding mortgage reducing each year (albeit very slowly in the early years), and you are also guaranteed that your debt will be repaid at the end of the mortgage term, as long as you keep up your payments. On a capital repayment mortgage, the shorter the term you pay your mortgage over the bigger your monthly payments will be. By having a longer term, you may benefit from a lower monthly payment, but you will also pay more interest to the lender over the mortgage term. You will need to think about how soon you want to be 'mortgage free' and weigh this up against a mortgage term that makes your monthly repayments affordable.

Capital repayment is the most common way of repaying your mortgage for your residential home.

Interest on

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Costs involved

It's easy to underestimate the costs involved when buying a property.

Valuation fee

Lenders may ask you to pay the valuation fee. The type of valuation you choose will depend on factors such as the age and condition of the property.

Application/Arrangement fee

This is the costs your lender will charge you for arranging your mortgage. Some lenders will allow the fee to be added to your mortgage, but this means you will be charged interest on it over the term of the mortgage.

Legal costs and fees

The fees charged by a solicitor include the charge for conveyancing (the transfer of ownership of land), and the costs of legal registrations and miscellaneous costs (known as disbursements) such as Local Search fees and Land Registry fees. Some lenders may offer to finance some or all of the legal costs as an incentive.

Higher lending charge

If the amount you wish to borrow is greater than a certain proportion of the property's value (typically 75%), you may incur a higher lending charge.

Early repayment

Lenders may charge a fee for the excess of any early repayment. This fee may be a significant percentage of the amount repaid in the offer letter.

Deeds released

Lenders may charge a fee for the release of the mortgaged property.

Our advice

Before we get started, we will be paying you back.

Costs involved

In England and Northern Ireland, you can be liable to pay Stamp Duty Land Tax when you buy a piece of land. In Scotland you will pay Land and Buildings Transaction Tax and in Wales you will pay Land Transaction Tax.

Stamp Duty Land Tax / You must pay Stamp Duty Land Tax (SDLT) if you buy residential property or land in England and Northern Ireland

Residential property SDLT rates up to £250,000	Zero	Buyer pays
The portion from £250,001 to £925,000	5%	Buyer pays
The portion from £925,001 to £1,500,000	10%	Buyer pays
The portion from £1,500,001 and above	12%	Buyer pays

Land and Buildings Transaction Tax / You must pay Land and Buildings Transaction Tax (LBTT) if you buy residential property or land in Wales

Residential property LBTT rates up to £145,000	Zero	Buyer pays
The portion from £145,001 to £250,000	2%	Buyer pays
The portion from £250,001 to £325,000	5%	Buyer pays
The portion from £325,001 to £750,000	10%	Buyer pays
The portion from £750,001 and above	12%	Buyer pays

Land Transaction Tax / You must pay Land Transaction Tax (LTT) if you buy a residential property or land in Scotland

Residential property LTT rates up to £225,000	Zero	Buyer pays
The portion from £225,001 to £400,000	6%	Buyer pays
The portion from £400,001 to £750,000	7.5%	Buyer pays
The portion from £750,001 to £1,500,000	10%	Buyer pays
The portion from £1,500,001 and above	12%	Buyer pays

Land Transaction Tax / For additional residential properties over £40,000

Residential property LTT rates up to £180,000	5%	Buyer pays
The portion from £180,001 to £250,000	8.5%	Buyer pays
The portion from £250,001 to £400,000	10%	Buyer pays
The portion from £400,001 to £750,000	12.5%	Buyer pays
The portion from £750,001 to £1,500,000	15%	Buyer pays
The portion from £1,500,001 and above	17%	Buyer pays

What else do you need to know?

Buying a property isn't just about the right mortgage; it also involves

Surveying

Before offering you a mortgage, your lender will instruct a surveyor to confirm the price you're paying for the property is appropriate. The most common types of survey are:

— Basic mortgage valuation

This is for the lender's own purposes to confirm the property provides security for the loan.

— Homebuyer's report

This provides brief information on the property's condition. The report will include comments on the property's defects and the valuer's opinion as to its marketability.

— Full structural survey

This report is the most comprehensive survey it is based on a detailed examination of the property.

Solicitors

You may need a solicitor to act on your behalf. They will check the property's ownership (title) and ensure the mortgage is properly registered.

If you don't have a solicitor, we can recommend one who provides accurate advice.

Some lenders offer a discount on the mortgage rate as an incentive.

A detailed survey is not always necessary for a property. In most cases you will need a basic mortgage valuation survey, but the surveyor should advise you.

Solicitors, valuers and surveyors are regulated by the Solicitors Regulation Authority, the Valuation Agency for England and Wales and the Surveyors' Regulation Board respectively.

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Protecting your Investment

It's important to protect your property, its contents, and you to keep up with your mortgage repayments should the unexpected happen.

Landlords insurance

This will protect your property while it's rented out. This can cover the building itself, any contents belonging to you as the landlord, and your legal liabilities as a property owner.

Buildings insurance

All lenders require you to fully insure the property for the total cost of rebuilding it. Buildings insurance covers your home and its fixtures and fittings.

Contents insurance

Contents insurance protects your household goods and personal property. If you will be renting a property out unfurnished, usually the tenants will decide if they wish to set up contents insurance for their own belongings.

Critical illness insurance

This type of insurance policy pays out a lump sum if you're unfortunate enough to be diagnosed with a specified critical illness such as cancer, stroke or heart attack. You can use the cash payout to clear your mortgage, pay for medical treatment or anything else you might choose.

Serious illness cover

Serious illness cover pays out a cash lump sum of between 5% and 100% of the total cover depending on the severity of the illness.

Income protection

This can replace part of your income if you're unable to work for a long time because of illness or disability. It will pay out until you return to work, the policy ends or in the event of your death. Income protection plans usually have a waiting period before the benefit becomes payable and the longer the waiting period you choose, the lower the monthly premium.

Renting out your property

Once your property is ready to let there are some considerations

Finding tenants

You will need to choose between using a letting agent, who will find tenants, obtain any references and draw up a tenancy agreement on your behalf, or being self-managed and making your own arrangements.

Deposit protection schemes

Landlords must put deposits in a government-backed tenancy deposit scheme if the property is let on an assured shorthold tenancy that started after 6 April 2007.

Collecting the rent

You may want your tenants to pay rent directly in to a designated account or you may want a letting agency to manage this for you.

Property maintenance

You are legally required to keep a property safe. You will need to arrange annual gas safety checks and certificates for the gas and electricity supplies.

Energy Performance Certificates

EPCs are compulsory whenever a property is let to a new tenant. You will be responsible for making sure the EPC is available to tenants when required and you decide to sell the property.



Working with you

Helping you put your plans into action.

Getting to know you

We will want to learn more about you, your circumstances, and your overall financial position. We'll also want to hear your thoughts on which type of mortgage you believe is right for you, before we talk you through the pros and cons of each option.

What we must tell you

When you first speak to us, we have to tell you what our charges are and how they are paid. We also have to say if there are any limits to the range of mortgages we can recommend for you.

Researching the options

Using our expert knowledge and data of several thousand mortgages, we will find the ones that are most suitable for your needs.

Recommending the right solution

Once we have identified the options available, we'll meet with you again to discuss our recommendations over the phone. We'll also write to you so you can review what we have suggested, and



Next steps

We hope this guide has given an insight into what's involved in the Buy to Let process.

If you'd like more information, or would like help planning your first – or next – property purchase, please get in touch.

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