



## Let Us Help You become a Buy to Let Landlord

Bristol, Bath and Exeter Mortgages Online all have excellent arrangements with many specialist Buy to Let lenders that are often only accessible through Independent Mortgage Brokers like ourselves.



We can help you from the very beginning to become a Buy to Let Investor, plus we can recommend experts that we work closely with. We will help you to:

- Find the best Buy to Let Mortgage
- Arrange for you to meet specialist Accountants for setting up your business and tax advice.
- Recommend experienced, professional and good value Solicitors for conveyancing.
- Put you in touch with Brokers for Landlord and other Insurance products.
- Help you source Investment Properties throughout the UK.

This will all start with a Free Consultation with one of our Expert Mortgage Advisers.

### What is a Buy-to-Let property investment?

Buy-to-let investment is very different from owning your own home. When you become a landlord, you are effectively running a small business – one with important legal responsibilities.

### Is a Buy to Let Investment Right for Me?

A buy-to-let property investment may be right for you if you:

- Prefer investments that feel more tangible than stocks and shares
- Are willing to tie up your money for a long period
- Understand property prices can go down as well as up
- Are willing to take the risk that you may not earn a profit on your investment
- Understand and accept the costs and time involved in owning and running a property and the impact that this will have on your potential return

We always recommend that you take specialist advice from a qualified Accountant. We have a number of specialist partner Accountancy practices that we work closely with, who will offer you advice at referential rates. The kinds of consumer protection that cover most other investments don't apply to buy-to-let properties. So, it is even more important to find out everything you can before you commit to a property and a mortgage.

## How does Buy-to-Let property investment work?

To buy an investment property, you can use your own cash or take out a buy-to-let mortgage with a cash deposit. Once you buy a property, you can potentially earn a profit in two ways:

**Rental yield** – what your tenant(s) pay in rent, minus any maintenance and running costs, like repairs and agent's fees.

**Capital growth** – the profit you earn if you sell your property for more than you paid for it.

### Risk and return

- The amount of rent you can charge varies according to a number of factors, including wider market trends outside your control. Rents are not guaranteed.
- If you can't find tenants – or if you can't charge the rent you expected – you may not be able to cover your mortgage repayments.
- If house prices fall, the value of your property is likely to fall as well. You may not be able to sell it for as much as you hoped.
- If you have to sell and the sale price does not cover the whole mortgage, you will have to make up the difference.
- Major repairs or difficult tenants may increase your costs – and trouble – unexpectedly.
- If the housing market does well, you may be able to sell your property for a profit.

## What is the difference between a Residential mortgage and a Buy-to-Let mortgage?

Because residential mortgages are designed for home-owners, they come with regulatory protections designed to minimise the risks of people losing their home. This means that everything, from how mortgages are sold right through to the worst-case scenario of repossession, are strictly controlled by a set of rules which all mortgage lenders must follow.

Buy-to-let mortgages are a business transaction. Because the property will not be the borrower's home, Buy-to-Let mortgages are typically not regulated by the Financial Conduct Authority, and the rules that apply to residential mortgages do not apply to Buy-to-Let lending.

## How does this affect Buy-to-Let mortgage products?

Affordability is calculated differently. On a buy-to-let mortgage, the amount a lender will be willing to lend will be based primarily on the rental income that the property will be able to achieve from tenants paying rent.

Another notable difference is that buy-to-let mortgages will nearly always be operated on an interest-only basis. This is because most landlords will be expecting to sell the property eventually as their repayment strategy. As landlords, they are likely to be most interested in cash-flow considerations that enable them to gain a regular income stream from the property. However, if your primary objective is to maximise the sale proceeds you receive on the eventual disposal of the property or indeed you do not want the risk of being unable to repay the mortgage in full at the end of the term, a full capital and interest mortgage may be the most appropriate repayment strategy for you.

## How much you can you borrow for buy-to-let mortgages

The maximum you can borrow is linked to the amount of rental income you expect to receive.

Lenders typically need the rental income to be a 25–30% higher than your mortgage payment.

To find out what your rent might be talk to local letting agents, or check the local press and online to find out how much similar properties are rented for.

So, if the calculation was based on 125% of rental value of £875pcm, the mortgage payment could not more than £700 per month. Please note these guidelines will be changing from April 2017.

## What if I want to convert my existing Residential mortgage to Buy-to-Let?

If you have an existing residential mortgage and you plan to move home and rent out your property, you must contact your lender to discuss your plans before going ahead. You could be in breach of your mortgage contract if you do not. It is also extremely likely that you may invalidate or compromise your home insurance if you do not disclose the change of status of the property. This is classed as a Let to Buy mortgage.

Lenders are used to receiving requests to allow a temporary period of letting, commonly called "consent to let", and it is often a straightforward process. For a permanent change of status to Buy-to-Let, you will need to consider what type of buy-to-let mortgage best meets your needs, and depending on whether your existing lender offers a suitable mortgage for you, you may choose to remortgage to a different lender on a buy-to-let basis.

## What if I have a Buy-to-Let property that I subsequently decide to live in?

Similarly, you must discuss your plans with your lender if you decide you want to live in a property that you originally bought as a buy-to-let landlord to let to tenants. You could be in breach of contract with your lender if you do not discuss such an important change first.

## Who can get a Buy-to-Let mortgage?

You can get a buy-to-let mortgage if:

- You want to invest in houses or flats.
- You can afford to take a risk. Investing in property is risky, so you shouldn't take out a BTL mortgage if you can't afford to take that risk.
- You already own your own home. You'll struggle to get a Buy-to-let mortgage if you don't already own your own home, whether outright or with an outstanding mortgage.
- You have a good credit record and aren't stretched too much on your other borrowings such as your existing mortgage and credit cards.
- You earn £25,000+ a year. Otherwise you might struggle to get a lender to approve your buy-to-let mortgage.
- If you are over 18 years of age (Some lenders require over 25 years old)
- Lenders have upper age limits, typically up to 80 years old. This is the oldest you can be when the mortgage ends not when it starts

## Stamp Duty Land Tax for Buy to Let Properties

Stamp Duty Land Tax (SDLT) for buy to let properties is an extra 3% on top of the current SDLT rate bands for properties above £40,000 (In England and Wales) For more information, please visit [www.gov.uk/stamp-duty-land-tax](http://www.gov.uk/stamp-duty-land-tax)

## Buy-to-Let and Tax

If you sell your buy-to-let property for profit, you will pay Capital Gains Tax if your gain exceeds the annual Capital Gains Tax. Also, rental income that exceeds your mortgage interest payments and certain allowable expenses are liable to Income Tax. For further information about CGT please visit [www.gov.uk/capital-gains-tax/overview](http://www.gov.uk/capital-gains-tax/overview)

Buy-to-let landlords can offset their mortgage interest payments and some of their costs against their income. From April 2017 the higher and additional rates of relief will be phased out and restricted to 20% for all landlords by April 2020. For more information, please [www.gov.uk/renting-out-a-property/paying-tax](http://www.gov.uk/renting-out-a-property/paying-tax)

## Contact Us

For more information about anything relating to your Buy to Let purchase, your mortgage or protection or insurance, please get in touch with one of our Expert Advisers.

Email: [info@swmortgages.com](mailto:info@swmortgages.com)

Call: Bristol office 0117 325 1511, Bath office 01225 584 888 or Exeter office 01392 690 888

Please visit one of our websites

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