



Buy to Let Mortgage Planning

So you're a Property Investor – **finding profitable property is your speciality**, but what about getting the correct advice for your mortgages.

Simple Points to Consider

Rental Income - *not only* important as it's your rent paying your mortgages, so a profit would be nice!! *but also* because for the vast majority of mortgage lenders it is the rent that determines the maximum loan size that a lender will offer you. If the rent isn't as high as you expected your loan may be smaller than expected!

Your Status – most buy to let lenders will still require you to have an outside income/employment even if your portfolio is profitable! Your own credit rating will affect your buy to let mortgage criteria, as will age, nationality, job title and address history.

Affordability – can you afford payments if your property remains un-let? Have you got enough deposit to finance your investment if the rent isn't as good as you expected? Can you afford this investment long term, as well as short term?

Suitability – does the finance deal match your objectives or are you being forced into a bad deal because you didn't do your planning? If you are forced into a deal with a redemption penalty that does not meet your original purchase objectives are you still going to be profitable?

Interest Rates – rental income determines loan size. Most lenders operate a system whereby the loan is calculated as a multiplication of rent and interest rate, requiring on average that the rental income covers mortgage payments by 125%. If interest rates increase loan sizes decrease – again you get a smaller loan.

Exit Strategy – If you don't have a profitable refinance or sales opportunity within your portfolio your investment can quickly turn sour. If you take a large loan to purchase a property what happens when the initial cheaper mortgage deal expires? Can you re-mortgage or have interest rates climbed? Are the monthly payments affordable? Do the redemption penalty and agent costs mean you have no profit? Are you in negative equity? **Do not borrow on a residential basis to purchase a buy to let property, this is not a solution to borrow more than on a buy to let basis.**

Cost – What are the true purchase costs of your property? Have you paid finders fees? Have you paid for seminar fees? Have you paid for mortgage broker fees? Are you paying solicitor's fees twice to refinance a property immediately after purchase?

The Property – If it's abroad your mortgage options are likely to be most conveniently arranged by the company selling the property – fees are likely to be high! Check conditions, many lenders do not like lending on high rise property or concrete construction. Some lease conditions state that property may not be let!!

Insurance – Factor in to your affordability suitable insurance provision; if you are using your income to support the expansion of your portfolio what would happen to your portfolio if you lost that income through ill health or redundancy?