

## Buy to Let FAQ's

**Buy to Let mortgages are different from Residential Mortgages in terms of their function and how the maximum loan is determined. We have compiled a list of Top 10 questions that we get asked- which we hope will offer a useful insight for existing landlords and new Buy to Let investors alike.**



### 1. How much can I borrow?

The majority of Buy to Let mortgage products limit the borrowing at **75%** of the property value (requiring a 25% deposit). However, there are a small number of lenders that will allow you to borrow up to **85%** of the property value.

### 2. Is there anything else that might affect how much I can borrow on my buy to let property?

The expected **rental** as well as the **rental stress** that the lender will apply will also limit the borrowing capacity. If you are finding it difficult to estimate what the expected rental for a property that you are interested in purchasing will be you can talk to us and we can provide you with information on some useful tools that will assist you in getting an idea of the rental that you can expect.

Some lenders on our panel will also allow you to **use your personal income in circumstances where the rental on its own not sufficient** to get the mortgage amount that you require, this can be invaluable in situations where you have a limited deposit/personal funds to complete the purchase and the mortgage that the lender is able to offer is not sufficient.



### 3. What is a Stress Test?



Lenders use a stress test to determine how much mortgage a borrower can comfortably afford. This will usually involve a lender working out the monthly payment based on an interest rate that they choose. This will then be multiplied by a percentage (coverage) value in excess of 100% and the result is what the minimum monthly rent should be to fund the mortgage amount that you require.

For example:

You would like to borrow £300,000

The lender that you apply to uses an interest rate of 5% with a coverage value of 125%.

5% of £300,000 = £15,000

To arrive at the monthly payment the lender will divide £15,000 by 12 = £1,250

Then it would be multiplied by the coverage percentage of 125%:

i.e. 125% of £1,250 = £1562.50

Therefore, the minimum rent that you require to get a loan of £300,000 is £1,562.50. As mentioned above, if this rent is not achievable, we could look to recommend a lender that will allow you to use your personal income to top-up the rental income.

### 4. Is the stress test the same for all lenders?

No. Different lenders may choose to use a different interest rate to stress test. At the time of writing, the lowest stress test from our panel of lenders and based on a remortgage where the value of the property is £400,000 & Loan Required is £300,000 was 2.54% which would require the minimum monthly rental income to be £793.75.



### 5. I do not own the property that I live in, but I would like to purchase a Buy to Let investment property to let out with a view to generate income, is this allowed?

**Yes**, we do have lenders on our panel that (subject to certain conditions) allow **First Time Buyers** to obtain a **Buy to Let mortgage**.

### 6. Do I have to earn a minimum amount of income to be eligible for a Buy to Let mortgage?

**No**, you don't, we have lenders on our panel that do not have a minimum income criterion.

### 7. Will my income tax band affect how much I can borrow on a Buy to Let mortgage?

Some lenders will adjust the Interest rate & coverage percentage based on your tax band. Whilst this could have implications on the maximum that you can borrow, it varies from lender to lender so it is best to have a conversation with us to check which lender will be willing to consider the loan amount that you require.



### 8. Up to what age can I get a Buy let mortgage?

Age limits vary from lender to lender however, we have lenders on our panel that do not place a limit on the borrowers age for a Buy to Let mortgage.

### 9. My credit history is not good; can I still get a Buy to Let mortgage?

This largely depends on what has caused your credit history to be impacted, however, we do have lenders on our panel that consider individuals who have had issues keeping up with credit commitments in the past.

### 10. Can I purchase a Buy to Let property through a limited company and get a mortgage?

**Yes**, you can.

