

# ALL ABOUT BUY-TO-LET MORTGAGES

## HOW TO USE CHEAP MORTGAGE FINANCE TO BUILD A PROPERTY EMPIRE ... FAST

By **Peter How**

**B**efore readers say, *"I leave the finance aspects to my broker" or switch off as this book is about BTL mortgages, Peter is actually an experienced landlord with over 40 properties. So although he isn't a mortgage broker, he is very knowledgeable about how best to research and utilise these products. He continues to work in a job he enjoys and continues to invest using the power of mortgages.*

As Peter points out, the mortgage cost is usually the largest in any BTL transaction so you need to learn the finance language. It's a steep learning curve but a worthwhile one, as this information is often available in limited amounts from lenders and mortgage brokers. **Take control and lead from the front!**

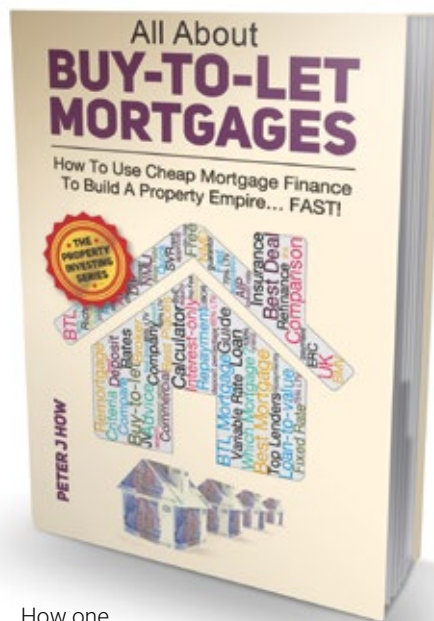
The **opening chapter** is for beginners and covers how BTL works in the UK and starts to introduce certain terms that he wants the reader to become familiar with, eg **"Unencumbered Property"**. He introduces the aspect of gearing via mortgages and has a very nice comparison of someone buying a property for £200K cash, versus splitting this over four properties via mortgages to highlight the benefit of gearing. Other aspects, which are discussed in more detail later, include **remortgaging**.

**Chapter 2** covers a brief history and the main principles of BTL. As one would expect from a reference book, Peter continues to expand on the terms/jargon in the mortgage industry (eg AIP/DIP) and also covers the process of making a formal application, getting the loan and receiving the mortgage money. He also starts to bring in aspects of property investment that will play an important part in investors getting mortgages, eg rental yields. The next chapter covers the pros and cons of going via a mortgage broker, or direct-to-lender. Although the majority of BTL investors go via brokers, Peter encourages readers to do some online research themselves via lender's websites.

**Chapter 4** tackles the very first thing an investor will be exposed to, ie **"Can you actually get a BTL mortgage?"** All lenders have **Mortgage Lending Criteria**, which you'll need to satisfy – if the criteria are

more relaxed, the fees and interest payments are often higher.

Generally, the lending criteria take into account your personal circumstances and aspects of the property. The former could be home ownership, credit score, your personal income and expenditure. The latter will include things such as the condition of the property you are buying, its location and tenant type. An important recent change is the lender's **"Stress Test"** criteria to determine the loan amounts they will lend, so readers should familiarise themselves.



How one repays the mortgage loan is a personal choice but there are two options: interest-only or repayment. Peter discusses the merits of both: the former keeps your monthly payments lower, whilst the latter will ensure that your properties will be paid off. As this will not happen with an interest-only loan, you will need to have a plan to pay off the capital for these types of mortgages.

There are a myriad of BTL mortgages and this is covered in **Chapter 6**. You need to be able to assess mortgage deals, so need to have a grasp of how Bank of England base rates and LIBOR rates influence the costs of a mortgage. There are a plethora of mortgage types you need to be familiar with: fixed rates, variable rates and tracker rates. Loan-to-value (LTV) is also discussed in detail, as it's a very important concept; rent cover is also discussed as it can influence the LTV. Other costs you need to

account for are **"up-front"** fees, eg valuation fee, legal fees, mortgage arrangement fee and probably an application fee.

**Chapter 7** covers the important aspect of the property valuation and Peter describes the valuation process, which leads to the valuation report. If essential works are required, the lender may **"retain"** some of the loan until works are done. If the property is down-valued, it's often difficult to overturn the valuation so you just need to learn and move on. If all is well, you will get a mortgage offer and will need a deposit to buy the property. The whole concept of deposits, including what the lender will accept as the source of the deposit, is covered in **Chapter 8**. If a property is unsuitable for mortgage purposes, you will need to tap into other forms of finance, eg personal loans, bridging, crowdfunding or perhaps a JV.

The ability to remortgage is important to develop a portfolio relatively quickly. The basic principles of remortgaging are covered in Chapter 10 and Peter advises that you regularly review your portfolio and remortgage if it makes financial sense.

### WHO IS THIS BOOK FOR?

I would say that this is an excellent reference book primarily targeted to beginners although I also learned a few things. The unusual angle of this book is that all aspects of mortgages are covered in depth, but written by a seasoned investor so there are examples of his own experiences. Each chapter is nicely finished with a **"Chapter Summary"** of the key points. Peter is encouraging the reader to learn about this important aspect of finance, even if it's to have a more meaningful conversation with their broker. The world of mortgages is covered by a myriad of jargon and products, and Peter describes each in depth with examples.

There are extensive resources and further advice available via the companion website: <https://buy-to-let-mortgages.org.uk>

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