



homeline

Your Mortgage & Protection Specialists

Buy-to-Let Guide



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Buy-To-Let Guide

The very fact that you either want to be a landlord or are already a landlord looking to remortgage it is likely that you will understand the basic mortgage process already, the following should answer any queries you may have.

Fact Find

When you first meet your mortgage adviser, they will complete what is known as a fact find. This is a whole series of questions about you, where you live, who you live with, where you work, how much you earn and details of any credit commitments you already have. We will also need to know how much your property is worth, or the purchase price of the new property.

Sourcing and Affordability

Lenders do not assess affordability in the same way on Buy to Let mortgages as with residential mortgages. There are three criteria that apply to the majority of lenders which are as follows;

- You are already a homeowner
- You have a minimum income of between £20,000-£25,000
- You have a 25% or more deposit

As we mentioned above these are not set in stone and there are some lenders that use different income levels or indeed don't have any minimum income requirements at all.

Your mortgage adviser will be able to give you an idea of how much you can borrow based on the information you have supplied above and by using our mortgage sourcing tools. This figure would be subject to a credit check.

Decision in Principle (DIP)

Once we have established how much you are able to borrow, the mortgage adviser will complete a Decision in Principle. This provides the lender with much more detail about you and your current situation. If it is agreed, this means that the mortgage lender has approved your loan amount for the term stated subject to you being able to provide documents to support the information given.

Rental Assessment

The lender will complete an assessment based on the level of rental that can be achieved from the property against the repayment amount. Provided the rental income is more than the prescribed percentage, usually 140% then they are able to proceed to the full mortgage application.

Full Mortgage Application

Now it's time for the mortgage adviser to complete the Full Mortgage Application. Converting the DIP into a Full Mortgage Application, is simply adding the meat to the bones so to speak and provides the mortgage lender with the full picture.

Underwriting

Once the mortgage lender has your application and all the documents they have asked for, they will make an underwriting assessment of your case. This can take up to 2-3 weeks.

Valuation

The Mortgage lender will instruct a surveyor to visit the property, they will complete a valuation and assess if they deem the property to be suitable security for the mortgage lender. A basic mortgage valuation is often free however you should budget to pay a valuation fee if required. If your Loan to Value is particularly low it may be that some lenders complete what is known as a desk top valuation, whereby it is not necessary for a surveyor to visit the property.

Final Assessment & Offer

It usually takes about 48 hours for the valuation to be received by the mortgage lender at which point the underwriters will check the valuation and that the valuer has no negative comments, your application will be passed for Formal Offer. This is the document that allows you to officially move to the legal stage of the process. It's worth noting that by now you may well be 4-5 weeks down the line.

Legals, Exchange & Completion - Purchase

Your solicitor or conveyancer will take care of the legal side of things like contractual arrangements, the lender's legal work, legal fees, and local searches. It's worth noting that it can take 6-8 weeks to complete this work and possibly longer if you are buying a flat.

Once all of the above has been satisfied, they will agree a date for exchange of contracts, this is the point at which you have committed your deposit funds to purchase and would subsequently lose them if you pulled out of the purchase. Completion, usually takes place 5 working days later.

Legals & Completion - Remortgage

Remortgages are usually handled by large firms of conveyancers, known as Panel Solicitors. You won't need to meet with them, they will in most cases communicate with you by post or email. It's worth noting that it can take 2-3 weeks to complete this work and possibly longer if you are remortgaging a flat.

Once all of the above has been satisfied, they will agree a date for completion (when your mortgage will move across to the new lender). They will take into account any financial penalties that may apply on leaving your existing lender and will time it for when these end.

The Financial Conduct Authority does not regulate conveyancing