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EVERYTHING YOU NEED TO KNOW: INVESTMENT PROPERTY GUIDE

Investing in a buy-to-let (BTL) property can be a lucrative venture, providing both rental income and potential capital growth. Securing a mortgage for such a property, however, involves different criteria and considerations compared to a residential mortgage. Here's a comprehensive guide to help you navigate the process.



01

Check Your Eligibility:

Before applying for a BTL mortgage, ensure you meet the common eligibility criteria:

- Age: Most lenders require you to be at least 21 years old
- Income: Some lenders require a minimum annual income, often around £25,000. This can include salary, rental income, or other sources.
- Credit Score: A good credit score is crucial. Ensure your credit report is accurate and address any issues before starting your buy to let journey
- Ownership: Some lenders require you to own your residential property, however, there are a handful of lenders where you don't need to meet this requirement

02

Your Deposit:

You will need 20% of the property value as a minimum. The higher deposit, the more competitive rates you will have access to



Complete Your Research: When purchasing a buy to let property, ensure you have thoroughly worked through your financials and make sure you include:

- Stamp duty
- Tax considerations
- Insurance costs
- Maintenance and repairs
- Property management fees – if you use a letting agent, their fees can range from 10-20% of the rental income
- Rental voids – ensure you have a buffer for any time your property may be empty (between tenants for example)

03

Involving A Mortgage Broker:

When considering your mortgage options, a mortgage broker can conduct research and provide crucial financial details for your investment property. This complements your prior research. They can also guide you on the most suitable mortgage type based on your investment strategy, whether it's interest-only or repayment.

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- Interest-Only Mortgages: Typically used for Buy-to-Let properties, where you pay only the interest monthly and settle the principal amount at the end of the term, leading to lower monthly payments.
- Repayment Mortgages: Involves paying both interest and principal every month, gradually decreasing the loan amount over time.

Property Type & Tenant Type:

Are you going to purchase a flat or a house? Will you rent to students, families or professionals? Will you rent on a single tenancy agreement or through a house in multiple occupation? Have you considered a holiday let for a less steady but potentially higher stream of income? Will you rent to the council for a more stable but potentially lower income?

All of these areas need researching and considering with pros and cons for all.

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Decision In Principle: Once you have your financials in order and know what type of property you would like to purchase, your mortgage broker will then be in a position to apply for a decision in principle. This document is crucial for submitting a property offer, showing the estate agent that you have mortgage pre-approval.

07

Offer Accepted, Mortgage Application & Instruct Solicitors: Once your offer is accepted, your mortgage broker will submit your application along with your documents such as income evidence, bank statements & identification. You will instruct a solicitor to work through the legal process of your purchase.



08

Mortgage Offer & Continuing To Completion: Once your mortgage offer is produced your solicitor will continue the legal work towards completion including property searches, land registry searches, title investigations, raising enquiries, and drafting contracts. You may also want to arrange a survey on the property at this stage.



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Exchange & Completion: Following the transfer of your deposit to your solicitor, the exchange of contracts will take place. This stage is legally binding, and if you choose to withdraw thereafter, there is a possibility of forfeiting your deposit. It is crucial to have buildings insurance in place during this period as you assume responsibility for the property. On completion day, your mortgage will be finalised, and your solicitors will update the land registry to confirm your ownership. If you are buying with tenants in situ, you will take over the tenancy as the new landlord.

Personal Name vs Company Name

When buying investment property, a significant decision is whether to purchase in personal name or company name. Here are some advantages and disadvantages for each option, but it's crucial to conduct thorough research and seek advice from a tax consultant before finalising your choice.

Personal Name Purchase:

Advantages:

- Simpler to set up & manage
- Usually lower mortgage interest rates & fees compared to company BTL rates

Disadvantages:

- Personal liability for any debts or legal issues relating to the property
- Personal assets at risk if something goes wrong

Tax:

- You will be taxed at personal income rates

Company Name Purchase:

Advantages:

- Protection of personal assets; only company assets are at risk

Disadvantages:

- High initial set up costs & more complex ongoing administrative requirements
- Need to comply with company law & filing requirements
- Usually higher mortgage interest rates & fees compared to personal name BTL rates

Tax:

- Company tax laws will be applied

When you are ready, I am here to support you not just as your mortgage and insurance broker, but also as a trustworthy individual you can rely on and reach out to with any queries along the way. Our goal is to work together towards meeting your needs, and I am committed to ensuring that this process is as smooth as possible for you!

Based in Warwickshire, helping clients all over the UK

[Click here to book your FREE consultation](#)

Not all Buy to Let Mortgages are regulated by The Financial Conduct Authority.

Your property may be repossessed if you do not keep up repayments on your mortgage

