

eBook

The Landlord's Guide to Buy-to-Let Mortgages and Remortgages



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Navigating the world of Buy-to-Let (BTL) mortgages can be complex for landlords. MFB aims to simplify the process in this ebook, offering insights into BTL basics, strategies for diversifying your property portfolio, and the considerations between personal and limited company borrowing.

PLEASE NOTE, THIS EBOOK IS NOT INTENDED TO REPLACE PROFESSIONAL PERSONALISED ADVICE.



Back to BTL Basics

Understanding the fundamentals of BTL is crucial for both new and seasoned landlords, so let's start with a quick jargon refresher:

Eligibility criteria

Lenders assess various factors, including rental income potential, the landlord's personal income, credit history, and property type.

Deposit requirements

Generally, a minimum deposit of 25% of the property's value is standard, though this can vary based on the lender and the borrower's profile.

Interest rates and fees

BTL mortgages often come with higher interest rates than residential mortgages. Additionally, landlords should be aware of arrangement fees, valuation fees, and potential early repayment charges.

5 Steps to Successfully Diversifying Your Property Portfolio

People invest in property for a reason - it's one of the most reliable investments available. However, all investments come with risk and it's therefore important to diversify in order to mitigate those risks and enhance your returns.

1. Assess your current portfolio

Understand the types of properties you own, their locations, and performance metrics. This will help you spot gaps in your portfolio that you should look to fill, but will also prompt you to keep up-to-date with specific legislation (as you should be doing regularly!)

2. Research new markets

Now that you have identified the gaps in your portfolio, it's time to explore different property types (e.g., HMOs, commercial properties) that you may be missing. It's also a good idea to look at geographic areas with growth potential, although when doing this you should absolutely consider your ability to manage these efficiently if they are far from your home.

3. Understand financing options

Different property types may require specific mortgage products. Consult with brokers like MFB to identify suitable financing solutions - they are BTL specialists and will be able to answer any questions you might have and provide advice. This is definitely not something you should be doing without professional help!

5 Steps to Successfully Diversifying Your Property Portfolio (cont'd)

4. Risk assessment

Diversification should align with your risk tolerance, so be sure to evaluate potential challenges in new markets or property types. Again, this is why working with a broker is key as they are there to answer any questions you might have and point out any pitfalls they can spot, which will help you make the best decision you can.

5. Seek professional advice

Engage with property consultants, financial advisors, and mortgage brokers to ensure informed decisions. Property investment is expensive, so you want to make sure that you are fully informed before proceeding.

Personal vs. Limited Company Borrowing for Buy-to-Let

This is a question that often comes up for landlords - should they set up a limited company or not? Choosing between personal ownership and a Special Purpose Vehicle (SPV) limited company structure has significant implications:

Tax considerations

Personal ownership means rental income is taxed at your income tax rate. In contrast, an SPV pays corporation tax on profits, which may be advantageous for higher-rate taxpayers.

Mortgage availability and rates

While limited company mortgages have become more prevalent, they may come with higher interest rates compared to personal BTL mortgages.

Administrative responsibilities

Operating through an SPV requires compliance with company regulations, including annual filings and accounts.

Flexibility in profit distribution

An SPV allows for strategic profit distribution, such as retaining earnings within the company or paying dividends.

It's essential to consult with tax professionals and mortgage advisors to determine the most suitable structure for your investment goals.

Working with a professional

The BTL landscape offers numerous opportunities for landlords.

By understanding the basics, exploring diversification strategies, and carefully considering the ownership structure, **landlords can optimise their investments.**

Partnering with experienced brokers like MFB ensures access to tailored advice and mortgage solutions.