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Your Guide To Buy To Let

A Regular Income

And Great Investment Tool

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Buy To Let

A smart investment for business owners, professionals and contractors

Buying a property to rent out is a smart investment. The better the property, the better the return on your investment.

But this all depends on how much you can borrow. As a business owner, professional or a contractor earning a day-rate, this is where we come in. You may have hit an obstacle with high street lenders not offering you as much as you first thought. This is because they don't understand contractors. We do, and we work with lenders that also understand you, basing their calculations on your daily rate.

Most Buy to Let mortgages are interest only. This means that the monthly repayments will only pay off the interest, not the amount owed on the mortgage (known as capital).

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A Great Investment

Buying Property Is Still A Great Investment

Buying a property to rent out is a smart investment. The better the property, the better the return on your investment. But this all depends on how much you can borrow. As a business owner, professional or a contractor earning a day-rate, you may have hit an obstacle with high street lenders not offering you as much as you first thought. This is because they don't understand contractors. We do, and we work with lenders that also understand you, basing their calculations on your daily rate.

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Buy To Let

What We Offer:

- ☑ Find the right Buy To Let deal available for you.
- ☑ We'll do all the paperwork.
- ☑ Help you every step of the way.
- ☑ Deal with your solicitor and estate agents to make everything as smooth as possible.

What You Will Need:

- ☐ **A deposit** – these are larger than regular mortgages (usually 25% of the property's value).
- ☐ To **work out what to charge in rent** – it needs to be bigger than your mortgage repayments.
- ☐ **A good property** – the mortgage lender will look for properties that are good investments.
- ☐ **Specialist landlord insurance** to cover your property both inside and out.
- ☐ A copy of your **contract showing your daily rate**.
- ☐ **Three months' bank statements** showing your earnings.
- ☐ **Enough money to cover the deposit, solicitor's fees, survey fees and stamp duty** – we can give you an idea of how much this will be.
- ☐ Some lenders may require **your latest CV**, showing your employment history.
- ☐ **Proof of ID**.

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The Benefits

1. Steady Rental Income

A primary appeal of buy-to-let properties is the potential for a consistent rental income stream. Landlords can enjoy regular cash flow, helping offset mortgage payments and other property-related expenses.

2. Property Appreciation

Over time, buy-to-let properties in the UK have shown the potential for capital appreciation. As the property market fluctuates, landlords may benefit from an increase in the value of their investment, providing a lucrative exit strategy.

3. Portfolio Diversification

Diversifying one's investment portfolio is essential for risk management. Buy-to-let properties offer landlords the opportunity to spread their investments across different asset classes, reducing the impact of a downturn in any single market.

4. Tax Benefits

The UK tax system provides various advantages for landlords. Deductions for mortgage interest, maintenance costs, and other related expenses can contribute to a more favourable tax position.

5. Inflation Hedge

Real estate is often considered a hedge against inflation. Property values tend to rise with inflation, providing landlords with a safeguard against the eroding effects of rising prices on their wealth.

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The Risks

1. Market Volatility

While property values can appreciate, they are also susceptible to market fluctuations. Economic downturns can lead to a decline in property prices, potentially affecting the overall return on investment for landlords.

2. Property Management Challenges

Being a landlord entails responsibilities beyond the initial purchase. Managing tenants, addressing maintenance issues, and staying compliant with UK regulations can be time-consuming and demanding, especially for those with multiple properties.

3. Economic Downturn

Economic uncertainties can impact tenants' ability to pay rent. In times of recession, job losses and financial instability may lead to an increased risk of rental arrears, placing additional strain on landlords.

4. Interest Rate Fluctuations

Interest rate fluctuations: Buy-to-let mortgages are subject to interest rate fluctuations. A rise in interest rates can significantly impact the profitability of an investment, potentially reducing rental yields and increasing mortgage expenses.

5. Legislative Changes And Regulations

The legal landscape surrounding buy-to-let properties is subject to frequent changes. New regulations, tax laws, and licensing requirements can pose challenges for landlords, necessitating ongoing diligence to stay compliant.

The Legal Process Of Purchasing Buy-To-Let Properties In The UK

Financing and Mortgage approval

1. **Credit assessment:** Before entering the buy-to-let market, landlords must undergo a rigorous credit assessment. Lenders will evaluate the applicant's creditworthiness and financial stability to determine eligibility for a mortgage.

2. **Deposit requirements:** Lenders in the UK typically require a higher deposit for buy-to-let mortgages compared to residential mortgages. Landlords should be prepared to provide a substantial upfront deposit to secure financing.

3. **Mortgage options:** Various mortgage products tailored for buy-to-let investments are available in the UK. Landlords should carefully compare interest rates, terms, and conditions to choose a mortgage that aligns with their financial goals.

Property Search And Due Diligence

Property search and due diligence:

1. **Location analysis:** Choosing the right location is crucial for buy-to-let success. Landlords should research market trends, assess demand for rental properties, and consider factors such as proximity to amenities, transportation, and schools.

2. **Property inspection:** Conducting a thorough property inspection is essential to identify potential issues that may affect the investment. This includes assessing the property's condition, checking for necessary repairs, and estimating maintenance costs.

3. **Legal checks:** Engaging a qualified conveyancer or solicitor is crucial for navigating the legal aspects of the purchase. Legal professionals will conduct searches to uncover any legal issues, such as outstanding debts, restrictions, or disputes affecting the property.

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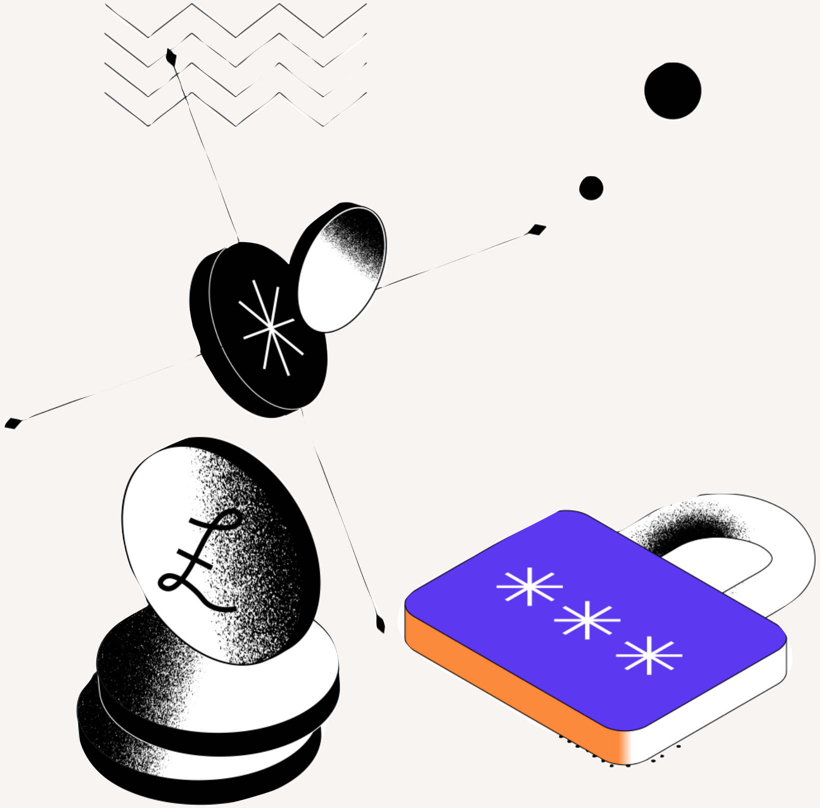
Your Rights

Compensation

You may be able to claim compensation from the FSCS if we cannot meet our obligations. The amount of compensation available will depend on the type of business and the circumstances of the claim.

We can provide more specific information on request, but as a guide:

Eligible mortgage claims related to advising and arranging are covered for 100% of a claim up to a maximum limit of £85,000 per person per firm.



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A-Z Of Mortgage Terms

Agreement In Principle (AIP)

AIP is an 'Agreement In Principle' from a mortgage lender (there are several different names for it, including 'decision in principle'), describing the funds they will lend you, based on the information you have given your mortgage adviser and a soft credit search. It is a really good indication before you start making offers on properties of what your affordability is, as well as your credit status. They are typically valid for 30 - 90 days. An AIP is also known as a Mortgage In Principle (MIP) or a Mortgage Promise.

APR

APR is the 'annual percentage rate' and represents the total cost of the mortgage to you, including the loan amount, interest and fees. It is usually based on the assumption that you will have the mortgage for the whole term, so is a helpful guide but should be seen as just that - a guide.

Arrears

'Arrears' is the term used to describe your status if you have missed at least a month of mortgage payments - or an credit agreement for that matter. Running into arrears on any credit agreement can adversely affect your credit status and, therefore, your ability to arrange credit in the future.

If you know you are about to head into arrears, get in touch with your mortgage lender as soon as you can.

Bank Of England Base Rate

The 'base rate' is the rate of interest set by the Bank of England. It's important because there is often a correlation between the base rate and the interest rate lenders charge.

If you are on a variable rate or tracker rate, your payments might be affected by the base rate. If you are on a fixed rate, your payments won't change until after your initial rate period ends.

Buildings Insurance

'Buildings insurance' is insurance that covers you for damage to the structure of your home; from your roof to the floor and walls.

If you have a mortgage, it is a legal requirement to take buildings insurance out. If you don't arrange this yourself or with your mortgage adviser before completion, your lender can arrange this for you.

Capital

'Capital' is simply the amount of money you borrow to buy a property - your mortgage is made up of the capital, or the amount you've borrowed, plus the interest charged on the loan.

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A-Z Of Mortgage Terms

Conveyancing

'Conveyancing' is the legal process that happens when you buy a property. Your solicitor will conduct local authority and environmental searches as well as searches with other parties to find out more information about the property you are looking to buy.
Finding a good solicitor is paramount for getting into your property sooner rather than later, and avoiding your sale falling through.

Deposit

You'll likely be familiar with this term, having probably saved for it for a number of years! It is, of course, the amount you are required to put down towards the cost of the property.

The minimum deposit you will usually need is 5%, but you can now get 100% mortgages if you meet certain criteria. It is often the case that a bigger deposit will allow you to get a better rate from a lender. However, you may want to hold back any extra money that could be used on a deposit to do work to the property once you're all moved in.

Discounted-rate Mortgage

A 'discounted-rate mortgage' is where the interest rate you are charged is less than your mortgage lender's standard variable rate (SVR). For example, if the lender has an SVR of 5% and the discount is 1%, you will pay 4%.

Early Repayment Charges (ERCs)

These are the penalty fees you have to pay if you want to leave your mortgage during a specified period.

An example of this is if you want to remortgage before your fixed term period (usually of 2, 3 or 5 years) is up. This is usually charged as a percentage of the loan amount. E.g. a mortgage of £150,000 with an ERC of 1% would be a fee of £1,500.

Equity

We like this one! 'Equity' is the amount of the property that you own outright. It is made up of the deposit you initially paid plus the capital you've paid off on your mortgage, as well as the price the property has hopefully risen by.

Equity Release Scheme

An Equity Release Scheme allows homeowners (usually over 55 years old) to release some of the money tied up in their property. Often, you can choose to take the money you release as a cash lump sum, in multiple smaller amounts or, as a combination of these.

A-Z Of Mortgage Terms

Family Offset Mortgage

'Family offset mortgages' allow families to help one another get on the property ladder. Your savings are balanced against your family member's mortgage debt, reducing the amount they owe and paying in interest.

Fixed-rate Mortgage

A 'fixed-rate mortgage' is exactly what it says on the tin. Commonly, for the first 2-5 years (depending on your deal) the interest rate for your mortgage loan remains fixed. For that period, you can be confident that the amount you are paying on your mortgage each month will stay the same, even if the Bank of England's base rate doesn't. A fixed-rate mortgage is a good bet if your budget is tight and you need to know exactly what your monthly repayments will be.

Flexible Mortgage

A 'flexible mortgage' allows flexibility in how you pay back your mortgage. It means that you can overpay, underpay or even take a holiday from your monthly mortgage payment. The benefits of this is that you can pay off your mortgage early and save money on interest but, for the privilege of flexibility, you'll likely pay more than a 'normal' mortgage.

Freehold

Buying a 'freehold' property means that you will outright own both the building and the land it sits on.

Guarantor

A 'guarantor' is that fabulous third party who agrees to pay your monthly mortgage repayments in the event you are unable to. A guarantor is most common with first-time buyers and is usually the parent or guardian of the buyer.

Higher Lending Charge (HLC)

A 'higher lending charge' can be set by your mortgage lender if you are borrowing more than 75% of the property's value. It protects the lender against you being unable to make the mortgage repayments and going into arrears. Higher lending charges are almost unknown nowadays.

Interest-Only Mortgage

With an 'interest-only mortgage' you only pay the interest on your mortgage each month - not the capital. It makes your monthly payments a lot lower but you will, of course, still need to pay off the loan at the end of the mortgage term.

A-Z Of Mortgage Terms

Often this route is taken if you are building up money to pay off your mortgage at the end of your term through investments, pension endowments or another property sale.

Joint Mortgage

A 'joint mortgage' is taken out by two or more people. It's often used by couples, when you are buying a house with a friend or by parents helping their children buy a property.

Land Registry

The 'land registry' is His Majesty's official government body responsible for maintaining details of who owns what property and land.

Leasehold

Opposite to freehold, 'leasehold' is when you own the building but not the land it sits on. You also only own the building for a certain amount of time - anything up to 999 years. It might be more of a challenge to get a mortgage on a leasehold property, depending on how long is left on the lease.

Loan-To-Value (LTV)

'Loan-to-value' relates to your mortgage as a percentage of the property's value. The cheapest mortgage deals are often available to people who borrow 60% or less of their property's total value.

Monthly Repayment

Your 'monthly repayment' is the amount you pay your mortgage lender each month. If you're on a repayment mortgage (the most common kind), the payment will cover a percentage of your mortgage and the interest.

Mortgage In Principle (MIP)

This is the same as an AIP.

Mortgage Offer

This is the formal contract between yourself and your mortgage lender, outlining your legal obligations as well as the rights your lender has if you fail to make a repayment and go into arrears. It also outlines all the details of your mortgage, from your interest rate to ERC and any benefits or features (such as payment holiday breaks) that might be included.

Mortgage Promise

This is the same as an AIP - refer to this section.

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A-Z Of Mortgage Terms

Mortgage Term
Your 'mortgage term' is the amount of time you are taking the mortgage out for. The average mortgage term is currently around 25 years, but more and more are taking out a mortgage for longer.

Negative Equity
You don't want 'negativity equity.' This is when the value of your home falls below the amount left to be paid on your mortgage.

Relevant Life Insurance
Relevant life insurance is tax-efficient life insurance for contractors and company directors which can be used to protect your mortgage (and more!). It is worth reviewing your life insurance, and making it tax-efficient with relevant life insurance when taking out a mortgage.

It is worth reviewing your life insurance, and making it tax efficient with relevant life insurance, when taking out a mortgage. Often, the amount of life cover we take out is based on the value of our home, so it should be reviewed when taking out a new mortgage.

Repayment Mortgage
A 'repayment mortgage' is the most common type of mortgage we process. It simply means that each month, you'll pay off the mortgage interest and part of the capital of your loan.

Assuming you don't miss any payments, you are guaranteed to have paid off your mortgage by the end of the term.

Repayment Vehicle
A 'repayment vehicle' is required by lenders when you are looking to take out an interest-only mortgage. It shows the lender how you will pay off your mortgage at the end of the term - your investment portfolio or other properties, for example.

Stamp Duty
Whether you are buying a freehold or leasehold property, buying it outright or with a mortgage, if your property costs more than £125,000 (£40,000 for second homes) then you will need to pay 'stamp duty' (sometimes called SDLT, meaning 'stamp duty land tax'). If you are a first-time buyer and have never owned a property, the stamp duty is waived and only payable if you purchase a property of over £300,000.

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A-Z Of Mortgage Terms

Standard Variable Rate (SVR)

The ‘standard variable rate’ (SVR) is the default mortgage interest rate that your lender will charge you after your initial fixed rate term has passed.

This could be higher or lower than your original rate and, while they tend to follow the base rate, they are at the lender’s discretion and, there is a variation between lenders.

Sub-prime/non-conforming mortgage
If you are considered a high risk to lenders you want to borrow from, because of a poor credit rating or other past repayment challenges, you may be offered a ‘sub-prime mortgage.’ They are hard to get and usually have a higher interest rate but, with the right advice, they are an option.

Tie-in Period

A ‘tie-in period’ is the time in which you are locked into your mortgage - usually the fixed rate duration. If you want to get out of your mortgage when you are still in the tie-in period you will have to pay an early repayment charge.

Watch out for mortgages that tie you for any period after your fixed term has ended.

Tracker Mortgage

A ‘tie-in period’ is the time in which you are locked in to your mortgage - usually the fixed rate duration. If you want to get out of your mortgage when you are still in the tie-in period you will have to pay an early repayment charge.

Watch out for mortgages that tie you for any period after your fixed term has ended. A ‘tracker mortgage’ is when the interest rate on your mortgage tracks the Bank of England’s base rate, at a set percentage either above or below it. With a tracker mortgage, you lose out when the base rate increases and can make savings when it is reduced.

Valuation Survey

Lenders will carry out a ‘valuation survey’ of the property you want to buy to ensure that the property is roughly worth the amount you are paying for it. They can do a desk valuation or one in person, but it is sometimes worth conducting your own survey to check for any major problems before you invest in it too.

Options include a ‘homebuyers report’ or a full structural survey; they simply help you understand, in much greater detail, the property you wish to purchase.

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Mortgage Tips

1. Look On Different Websites

Some agents only use Rightmove, while others only use Zoopla or On The Market. Sure, you will see some repeats but, by looking on more than just one website, you might just find a hidden gem!

2. Register With All Estate Agents

Register with all the estate agents in the area you want to purchase Good estate agents will tell applicants that are registered with them of the new properties that are going on the market before they go online – so you might just be able to pip everyone else to the post!

3. Ask The Owner

Ask the owner of your dream property, this sounds bold but, if there is one particular property or road that you like and none of the houses is for sale, you could put a letter through their letterbox asking if they are interested in selling. They'll save on estate agent fees if they agree and you won't get other buyers sniffing around. It might just be the prompt they needed to start thinking of budging!

4. Don't Waste Time

Unless you genuinely love having a good look around other people's homes, there's no point in viewing properties for the sake of it. Really do your research and ask the agent lots of questions before you view.

Mortgage Tips

5. Flat Lease Length

If you are looking to purchase a flat, check the length of the lease The longer the lease the better. If it is a shorter lease, this may affect your ability to get a mortgage or, it may affect people wanting to buy it in the future from getting a mortgage. You don't want to narrow your buyers to cash only buyers in the future- they are likely to know the situation and, consequently, may end up making a cheeky offer.

6. The Chain Is The Seller Motivated?

Always ask the agent about the details of the chain. The longer the chain the more likely it is that things will fall through. A short chain is always preferable.

7. Is The Seller Motivated?

Ask the agent how motivated the seller is to sell and move. If a property has been on the market for a while and they are itching to sell, they may accept a lower offer. If it's fresh on the market and there's been a lot of interest and they're in no rush, a lower offer might not cut the mustard.

8. Look For Potential

If you are willing to do a bit of work, ask the agent about local planning permissions for the road your dream home sits on. Don't take the property at face value, a lick of paint and some TLC can go a long way. If it's more structural changes that are needed, then you will need to consider if the costs weigh up.

Mortgage Tips

9. Make A list Of Must-Haves

I think everyone would love a 5-bedroom mansion with a sea view but that is certainly not in everyone's budget! You may have to compromise. To help you learn what is important to you make a list of the must-haves and would-like-to-haves.

10. Making An Offer

When making offers, it's not all about the money. If you are a first time buyer, stress to the seller/agent that you have no chain behind you. If you have an agreement in principle (AIP), tell them that your finances are lined up and give the agent the AIP certificate. Create a positive buyer and selling process and they might just accept a lower offer.

FAQ’s

How much deposit do I need for a Buy to Let mortgage?

Normally a minimum of 25% deposit.

How Is there any tax to pay when I sell my property?

Not for your main residence, but if you have investment properties that were bought on a Buy to Let basis, these will be subject to Capital Gains Tax. Other taxes may also be levied, we recommend you speak with an accountant to establish your tax position.

Can I get a Buy To Let mortgage if I earn a day rate rather than PAYE?

Yes. Of course, there are factors that impact a contractor’s eligibility, but just by being self-employed, you should not expect to be turned down by a lender as long as they understand contractors and contracting.

However, factors that would prevent anyone from securing a mortgage, such as a poor credit history or a bad payment record will apply just as much. to contractors as to employees.

FAQ's

What is the mortgage process?

A typical journey will look like this:

Welcome Call
This is an introductory meeting. You'll meet your Broadbench adviser: they'll explain our services, our regulatory status and establish a basic understanding of your requirements.

Fact-find
Your adviser will send you a fact-find document for you to complete. Once received, your adviser will schedule a Discovery Call.

Discovery and Recommendation Call
We'll confirm the details supplied in the fact-find, and discuss your mortgage options: fixed/tracker, term, fees, and your budget. Your adviser will also advise you about life insurance products to protect the mortgage and your family's lifestyle.Your adviser completes your mortgage recommendation and the KFI (Key Features Illustration) and then will advise you on the AIP process. You'll both agree what are the next steps: house hunting or booking your mortgage.

AIP (Agreement In Principle)
Your adviser will send you an invoice of £100 to create the AIP. Once payment is received the AIP can be booked.
Documentation
Then adviser will send you a checklist of all the documentation you need to supply to us. You'll then be invoiced for the remaining £400.

Mortgage Offer
Once all documents are received, we'll certify that your mortgage is ready to be booked. Your adviser then books your mortgage. Once the mortgage offer is received, we'll liaise with the lender on your behalf.

Mortgage Review
You let us know your exchange and completion dates.

Mortgage Completion
We'll let you know as soon as your mortgage completes and then schedule regular reviews during the mortgage term to ensure that the product remains the most suitable for you.

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Why Broadbench?

Many of us decide on what insurance to go for (whether it's for your car, your house or your life) that fits the monthly premium we want to pay. Of course, you could go to a price comparison site and very quickly find the cheapest quote on the market, but would it be the best solution for you and your family?

Our advisers have the skills and knowledge to offer you bespoke and impartial advice, taking in a holistic understanding of your circumstances and combining it with a deep knowledge of what different providers offer. Not only that, but they know how to quickly navigate the insurance minefield and set up exactly what you require, taking the hassle out of your hands.

The Benefits Of Using Broadbench:

- Bespoke and impartial advice.
- You deal with a human, not a computer.
- The hassle is taken out of your hands.
- Access to expert market knowledge.

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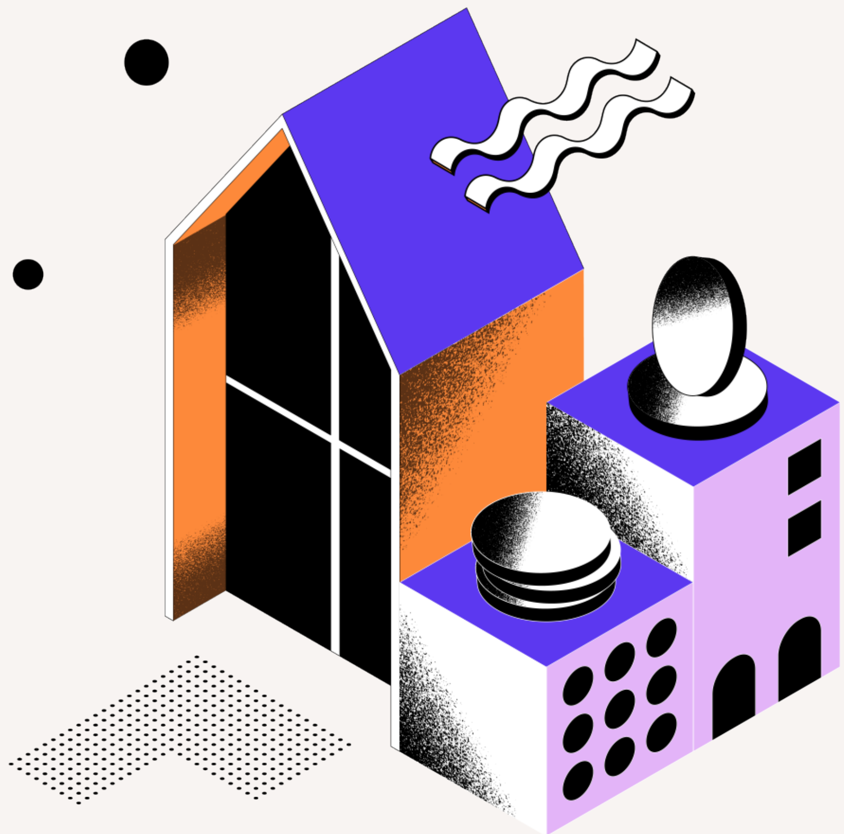
Why Use A Broker?

We all use experts when we need one; a plumber to sort our kitchen sink or an accountant to keep our finances on track. The same principle should apply to securing your mortgage.

Brokers, or mortgage advisers, are experts in their field. They don't just tick boxes, they listen to you, understand your circumstances and work with lenders who can deliver the best solution for you.

Not only that but they take away all of the hard work! They package your case, making sure all of the documents needed are filled out correctly and that all of the relevant parties are doing their job so that you can get the mortgage you need to get your dream home.

Some lenders don't even accept direct business - you have to go through a mortgage broker to get access to products.



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4 Simple Steps

How We Make Your Life More Manageable

1. We Listen To You

Getting to know you, your requirements and how you work enables us to find the perfect products for your needs.

2. We Study The Market

Leveraging our network of lenders and insurers, we scour the intermediary market to find the best options and dig into the detail to make sure they're the right fit for you.

3. We Do The Boring Bits

You just want to sign up with the right provider, not be buried in forms and red tape. That's why we run you through the details and fill out all the paperwork ahead of your final approval.

4. We Stay In Touch

We don't just recommend and walk away. We'll regularly check whether your product is right for your current circumstances and, if not, find a new one that is.

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Our Services

Business Protection

- Relevant Life Insurance
- Key Person Iinsurance
- Executive Income Protection
- Business Healthcare
- Shareholder Protection
- Business Loan Protection
- Professional Indemnity

Personal Protection

- Life Insurance
- Whole Of Life
- Critical Illness Insurance
- Private Healthcare
- Personal Income Protection
- Buildings & Contents

Mortgages

- First Time Buyer
- Home Mover
- Remortgages
- Buy to Let

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What Our Customers Say

We are passionate about our customers and providing the very best service. Take a look at our latest reviews on Trustpilot.

"Great service! – I've been using these guys for years for my mortgage options as a contractor. Great service and knoledge. I've also got a few other products with them. Looking forward to many more years of great service. "

by Alexander Delaney

Rated 4.9 / 5 | 384 reviews Trustpilot

"Brilliant, as always – I'm a returning client of Broadbench, and I'm always impressed by their professionalism. Mike was incredibly helpful, and knowledgeable, and made the entire process smooth and stress-free. He took the time to …

by Ali

Rated 4.9 / 5 | 384 reviews Trustpilot

"Highly reccommend! Extremely helpful and took the time to explain and give all options for life insurance and income protection. Made the whole process very quick and smooth."

by George Gordon

Rated 4.9 / 5 | 384 reviews Trustpilot

"Extremely helpful organised and knowledgeable. All the information required was conveyed concisely in a personable manner. "

by Liam

Rated 4.9 / 5 | 384 reviews Trustpilot

"Contractor guidance. We have used the services of Broadbench for many years now and have always found the team to be highly professional. As a contractor, Tom and Emily have been excellent at securing the best deals for my …

by MJ

Rated 4.9 / 5 | 384 reviews Trustpilot

"Exceptional service and advice from Broadbench. I really appreciate the fantastic independent advise given and effort to get the positive outcomes in setting up the right Insurance policies for me and my business. Would recommend Broadbench …

by Steve

Rated 4.9 / 5 | 384 reviews Trustpilot

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Document accurate at the time of creation 19.11.2024

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE
We charge a non-refundable mortgage fee of £500 payable on application