# BUY TO LET CHANGES

## GOOD NEWS

Interest rates have gone up, lending is more expensive, investors can no longer borrow as much as they could, those coming off fixed rates can't borrow enough to refinance, it's all bad news...

No it isn't.

If you do things the same way now as you did when interest rates were 0.25% then it isn't going to work.

A new world requires different thinking, which is where the good news comes in.

Let me explain how doing things a little differently can solve all the issues mentioned above.

## WHAT IS AFFORDABILITY ?

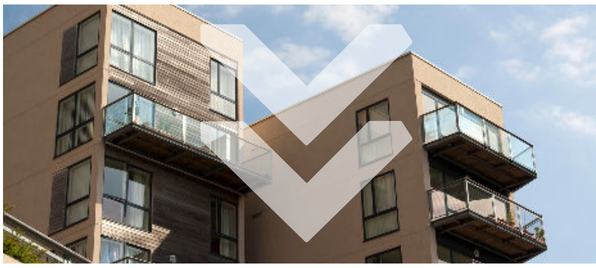
Affordability is the amount by which the monthly rental income on a property exceeds the monthly finance cost. Typically for a limited company this means the rental income being 125% of the finance cost.

Where a fixed rate mortgage is taken out, the rental income needs to **exceed** the cost of the mortgage, where a variable rate is taken out the rental income needs to **exceed** the cost of the mortgage **plus 2%** (typically) to allow for any future increase in interest rates.

Where the finance cost increases the total amount you can borrow starts to reduce.

It is about the ongoing cost of the finance versus the ongoing income from the property.

That is where the creative thinking needs to take over.



## LOWER INTEREST RATES

If you want to get the **maximum lending** for a buy to let then how about using a lender who charges a much lower interest rate? Makes sense.

We have lenders who will charge a much **lower interes**t rate but balance that by charging a higher arrangement fee which is then added to the loan.

Overall you pay a similar market leading rate, but because the interest - and therefore - the monthly cost is lower you can borrow more based on the same rental income.

Clever eh?

This example shows the difference:

- £1,500 per month rental income
- Mortgage at 5.49%, you could borrow £262,295
- Mortgage at 4.49%, you could borrow £320,712

That is **£58,417 more** borrowing.

The lower rate lender charges a 5% higher arrangement fee, meaning the total cost of the borrowing over 5 years is the same but the landlord/investor gets a lot more borrowing and a lot more options.

It's why thinking differently works and our clients come back to us time after time.

Any questions then get in touch,

David

David Farmer

Trustpilot Excellent

## THE LEGAL BIT

These figures are indicative only and do not form any agreement to lend. Please **always** take independent legal advice before entering **any** credit agreement. The numbers are taken from a real life example in February 2023.

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