

## Buy to Let mortgages - changes you need to know about

### Availability of mortgage products

According to March 2008 statistics from Moneyfacts the number of Buy to Let mortgages available has fallen 60% since the outset of the credit crunch. Much of the 60% can be directly attributed to the sub-prime market and the offerings from the securitised lenders. We expect to see an increasing number of investors asking for funding for certain property or tenant types, rather than asking simply for the best rates.

The Buy to Let market has for many years been dominated by securitised lenders with funds borrowed from the money markets and niche brands owned by the larger financial institutions. However, the global credit crunch has led to funding difficulties for the securitised lenders and limited funding for niche brands from their parent organisations. Many securitised mortgage lenders have as yet not been able to re-enter the marketplace as funding is sparse and too expensively priced. Meanwhile many niche brands are receiving smaller tranches of funding from their parent companies as a result of liquidity concerns.

### New builds

New builds property - which many lenders also classify as properties, flats or houses built or converted in the last twelve months have been a particular cause of anxiety for Buy to Let lenders. It is increasingly common for lenders to refuse to lend on this type of property altogether. Capital Home Loans are the latest organisation to decline to lend on new builds including newly converted properties.

New builds is the one area of concern in the sector, particularly in some city centres where supply is currently outstripping demand. The fact that renovated flats and houses in the last twelve months are classed as a new build may be of surprise to many investors.

Please be aware it is still possible to fund new build Buy to Let property, but funding options are extremely limited. Almost all lenders will also be extremely suspicious of builders' or developers' discounts. Mortgage lenders have been paying particular attention to transactions where discounts are involved, and now scrutinise each transaction in order to gain a true market value.

Remortgaging new build property can also present problems because again the lender is trying to establish a true market value of property. Mortgage Express one of the UK's largest Buy to Let lenders announced in February on new remortgage applications they will take the lower of either purchase price minus any discounts or open market value.

### Loan to values

Some lenders are asking investors to put down larger deposits by lowering the maximum loan to value they will lend at. For example UCB Home Loans (the specialist Buy to Let lender of Nationwide) are asking borrowers to put down a 25% deposit, from the previous requirement for a 15% deposit. Meanwhile Irish Permanent has lessened their maximum loan to value to 80%, meaning there is a requirement for a 20% deposit. Mortgage Express (The UK's largest Buy to Let lender according to Council of Mortgage Lender statistics) have also withdrawn their 90% loan to value Buy to Let range.

In the last five years Buy to Let lenders have lent at 85% loan to value, with many lending up to 90% loan to value last year. However some lenders are now introducing a maximum loan to value of 75% or 80%. The move is fairly widespread across the marketplace with some lenders making definitive moves to increase deposit requirements.

### First time Buy to Let investors

First time Buy to Let investors are also likely to find their mortgage options decreasing. The Mortgage Works will no longer be lending to first time landlords, a stance also taken by UCB Home Loans. It remains to be seen if these changes will become the market 'norm' and if other lenders will follow suit.

### Products available for a shorter time

Lenders are increasingly withdrawing products with little or no warning due to concern about lending beyond their available funds. Competitive products have a very short shelf life in the current market and we would urge investors to act fast to secure funding otherwise you'll be disappointed.

The changes in Buy to Let mortgage criteria cannot solely be attributed to lender worries about the credit crunch and the need to ensure loans are as prime as possible. The credit crunch has meant fewer organisations are lending because securitised lenders are having difficulties securing funds at a rate competitive enough to re-enter the market. This means the lenders remaining are receiving a much higher number of applications and as result have been lending in elevated volumes. These measures may partly be being used as a short term mechanism to lessen the volume of applications lenders are receiving, allowing them to achieve smaller lending volumes they are more comfortable with. However many of the criteria are likely to remain and mortgage criteria are now aligned to the product offering we were seeing five years ago. The overriding considerations for Buy to Let lenders in the remainder of 2008 will be 'quality' and 'low risk' applications.

The key considerations for investors will be does your broker still have access to sufficient funding to satisfy your investment needs?

## About the Author

Written by Johnathan Moore, Marketing Manager of <http://www.mortgagesforbusiness.co.uk>.

To discuss your Buy to Let mortgage needs in light of current market conditions please call 0845 345 6788 (UK) or visit <http://www.mortgagesforbusiness.co.uk>

Article Source: [http://EzineArticles.com/?expert=Jonathan\\_Moore](http://EzineArticles.com/?expert=Jonathan_Moore)

Source: <http://www.spivo.com/articles>