

Buy-to-let lending rules loosen



The buy-to-let policies of previous governments has led to a shortage of housing Gill Allen

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Kensington Mortgages has launched the first buy-to-let mortgage for landlords that only have a 15 per cent deposit in more than two years, as competition in the sector improves.

Many lenders stopped buy-to-let lending in 2008 during the credit crisis, due to problems raising funding on the wholesale markets. The sector was also beset by losses caused by over-valued properties and mortgage fraud, particularly in relation to new build homes.

Buy-to-let specialist, Paragon Mortgages, returned to the market last year, as did Kensington, while other lenders started to make their criteria more flexible. Two new lenders, Aldermore and Precise, also launched buy-to-let products through mortgage brokers in 2010.

While recent weeks have seen further improvements in the mortgages on offer to buy-to-let investors, mortgage brokers say this is the first mortgage at 85 per cent loan-to-value (LTV) that has been on offer since the credit crunch. Until now a buy-to-let borrower would have needed a deposit of at least 20 per cent in order to get a mortgage

from The Mortgage Works, which is part of Nationwide Building Society.

Experts expect the availability of mortgages for landlords to improve as the rental market continues to be boosted by demand from tenants who are unable to get on to the property ladder because they do not meet lenders' strict criteria for first-time buyers and cannot raise a large enough deposit.

The Kensington buy-to-let range, which is only available through mortgage brokers, includes a two-year fixed rate at 5.99 per cent with a 2.5 per cent fee up to 85 per cent LTV. Kensington has also reduced its rental cover requirement – which is the proportion by which rent must exceed mortgage costs – from 125 per cent to 120 per cent.

David Whittaker, of buy-to-let broker Mortgages for Business, said: “There are welcome signs of competition starting to come back into the market in 2011. Lenders can see improving rental yields and low void periods [when landlords are unable to find tenants for a property] which is giving them the confidence to expand.”

Aaron Strutt, of mortgage brokers Trinity Financial Group, adds: “Many buy-to-let investors will be pleased that one lender is now offering this rate and there is a chance we could see more lenders follow.”

Paragon Mortgages also launched a range of new buy-to-let products last week, including tracker deals starting from 3.3 per cent and fixed rates starting from 4.25 per cent.

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