



## Buy-To-Let Top Tips

**Choose the right property** – may seem obvious but you really can't do enough research before taking the plunge, remember you are buying a potential investment not a home for you to live in. Speak to local letting agents to determine the type of properties that are in demand. The Association of Residential Letting Agents (ARLA) will give you details of ARLA registered agents in your area and can also offer help and advice on regulations and likely rent levels. Contact ARLA on 01923 896 555

**Buy-To-Let Mortgages** – check how much you can borrow. As a general rule you will require at least a 15% deposit. Almost all lenders will expect the rental income from the property to be 125% of the mortgage payment. Flexible buy-to-let mortgages have become increasingly popular as they allow you to make overpayments, underpayments and take payment holidays in times of rental voids. If you are considering renting your current property and have a standard residential mortgage you must obtain the lender's consent before letting the property. You may find speaking to a mortgage advisor like Bentley Ash will allow you to consider all of the options available to you.

**What income will you receive?** - work out how much your monthly mortgage payment will be and whether the expected rental income will sufficiently exceed this. Check local newspapers to see whether similar properties in your area are achieving the required rental figure. Don't forget to take into account interest rate increases or times when the property may be unoccupied, would you still be able to meet the mortgage payments?

**Don't forget hidden costs** – you will have to pay solicitor's costs (approximately £900 on a £100,000 property) valuation and arrangement fees to the mortgage lender, stamp duty if the property is over £125,000 buildings insurance and possibly service charges and ground rent. You might also wish to consider using a professional letting agent.

**The ongoing costs** – you will be responsible for ensuring that the property meets health and safety standards. Local authorities require that you comply with fire regulations which could mean you have to put in fire doors and smoke detectors. The department of Trade and Industry has a useful guide Furniture and Furnishings Fire & Safety Regulations, available on its website [dti.gov.uk](http://dti.gov.uk).

**Using a professional letting agent** - If you don't want the hassle of finding and vetting tenants then a professional letting agent may be the answer. They will find you suitable tenants collect the deposit and rent and arrange inventory tenancy agreements. Expect to pay between 10 and 17.5% of the gross rental income received.

**Ensure you have the right insurance** – you are responsible for insuring the structure of the property which includes any permanent fixtures and fittings. It is vital you check your buildings insurance before letting the property as many buildings insurance policies exclude buy-to-let. Better still speak to a mortgage advisor like Bentley Ash they will be able to ensure you have the correct type of insurance in place.

**What tax will you pay?** – you will have to pay income tax on the rental income received. However you can deduct some expenses like interest payments on your buy-to-let mortgage, and other costs such as decorating ground rent service charges and professional fees. There may also be Capital Gains Tax to pay when you sell. If the property was formerly your main residence you will not have to pay CGT if you sell within 3 years of it becoming a rental property. Always consult an accountant or tax specialist before entering the market.

**View buy-to-let as a long term investment** – Don't expect to make a quick profit on rental income and equity gain in the property. The forecast should be for medium to long term returns ( 5-10 years at least)

**If you would like to see how a Bentley Ash advisor can help you? call free 0800 634 5373**

**THINK CAREFULLY BEFORE SECURING OTHER DEBTS AGAINST YOUR HOME.  
YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON  
YOUR MORTGAGE**

**THE FINANCIAL SERVICES DOES NOT REGULATE SOME FORMS OF BUY TO LET  
MORTGAGES**

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