

## Buy to Let Mortgages

As you are buying a property as an investment, where you intend to rent it out, you are raising finance by taking out a loan to fund the purchase.

This is done using the property as security for the loan. In securing a loan against your property the lender has a legal charge\* registered. This type of loan, secured on an investment property with a legal charge, is called a **Buy to Let mortgage**.

By having a legal charge on the property, should you fail to maintain the monthly repayments or repay the loan at the end of the term, the lender has rights to remove the occupants and sell the house to pay off the debt owed to them. This is done by the lender repossessing the property.

With the lender securing the loan it means that mortgages are different to other types of borrowing. For example, personal loans, credit cards and overdrafts are all called unsecured loans.

Secured loans offer less risk to the lender, which is why the interest rates are usually lower than other ways of borrowing money.

So, with a buy to let mortgage you can borrow more, with lower interest rates. But there are risks to you if you do not keep up repayments on a mortgage or any other loan secured against the property. You could lose the property which would significantly impact your financial profile. Therefore arranging a buy to let mortgage should be carefully considered.

Being able to afford the loan in the short term and into the future, taking account of the possibility of interest rate increases or loss of income, are important considerations.

It is important that you carefully consider the amount you can reasonably charge as rent compared to the current and future mortgage payments as well as the ongoing maintenance costs to the property, taxation, rental voids and agents fees.

As you are an investor your mortgage adviser expects that you have at least a good level of understanding of the risks involved. You should carefully consider possible changes to your circumstances as well as having a clear strategy for the property.

*\*In Scotland the legal charge is known by the term 'standard security'.*