By to let mortgage

Buying property to let has become big business. Low interest rates made mortgages more affordable and rental income has seemed attractive compared with what you could earn on other investments. But with interest rates rising, the cost of property high and rents failing to keep pace, buy-to-let is tougher prospect than it once was.

A buy-to-let mortgage, also known as an investment mortgage, is designed for borrowers who want to buy a property to let out to a third party (e.g. tenants). The amount that the buy to let landlord receives in rent may be over and above the mortgage payments and will help to offset the management and maintenance costs of the property.

Buy to Let mortgages are very similar to standard mortgages for property which the owner will inhabit. The percentage which the buy to let lender is willing to lend is likely to be restricted to 80% of the value of a property. The term of a buy-to-let mortgage is likely to be somewhere in the region of 5 to 45 years. Interest rates are also likely to be slightly higher than those which a standard mortgage agreement attracts. The main difference with a buy-to-let mortgage is that the lender can take account of the rent you will earn, as well as your income from your job. Some lenders allow you to add the rent to your salary while others base the loan entirely on rent. Any mortgage and even bad credit mortgage you have on your own home will cut the amount you can borrow under the buy-to-let scheme.

There are currently hundreds of buy-to-let mortgage products as well as bad credit mortgages offering from dozens of different lenders to suit any investors' needs, including:

• Fixed Rate Buy to Let Mortgage - Fixed Rate mortgages offer the comfort of a guaranteed finance cost.

• Variable Rate Buy to Let Mortgage - Variable Rate mortgages offer you the greatest flexibility and maximum benefit if interest rates drop.

• Capped Buy to Let Mortgage - Capped rates perform like variable rates below an agreed interest rate - say 8%, but perform like a fixed rate if interest rates rise above the fixed level.

• Minimum Status Buy to Let Mortgage - A minimum status mortgage is appropriate if you are unable to meet all the criteria of the standard variable rate mortgages.

Remember that savings rates are diminishing and the stock markets are volatile! No wonder people are considering investing in bricks and mortar. As a general rule of thumb you will need a deposit of at least 15%. Go up to 25% and you have a lot more choice.

Also you can consider a Buy to Let Remortgage if:

1. You want to buy another investment property and your existing property has increased in value.

2. You did not shop around when you initially chose your buy to let mortgage.

3. You are not happy with your existing buy to let lender.

In any case with so many different types of buy-to-let schemes available it is important to get good quality advice. All the different lenders have differing criteria and unless you are an investment mortgage expert it is difficult to find the most suitable scheme for your individual requirements.

About the Author

Karina Lee, researcher for people, who have bad credit and want to apply for bad credit mortgage to solve their problems.