

# Buy-to-Let mortgages

Mortgages for rental properties



For further information  
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# Introduction

The Ecology aims to help protect the environment through its mortgage lending. One way we do this is to provide mortgages on derelict and run-down properties in order to bring them back into use - a form of recycling. We provide mortgages on a national basis, across England, Scotland, Wales and Northern Ireland.

## Investment potential

It is an undeniable fact that run-down houses in need of significant renovation are usually cheaper to buy. This can make them an attractive proposition for investors seeking to develop a property for subsequent letting. The problem potential investors face however, is that mortgage lenders are usually unwilling to advance funds on a derelict property, which then limits such opportunities to cash buyers.

Not so with the Ecology – we actively seek to lend mortgage funds up front on the unrenovated value of a property intended for letting, in order to assist with its purchase. As renovation progresses we can advance further funds as the value rises.

This leaflet provides an outline of our Buy-to-Let mortgages and should be read in conjunction with our mortgage information pack.

## Other Buy-to-Let proposals

Although most of our Buy-to-Let mortgages are granted to assist with the purchase of a property for renovation, we are also happy to consider lending, for example:

- where you already own the property but require finance for renovation or conversion
- where little or no renovation work is required but the property is one we are happy to lend against because of the nature of its construction, such as a timber house
- for ecological new builds constructed from sustainable, natural materials, incorporating high levels of energy efficiency and/or renewable energy systems
- for energy efficiency improvements to existing properties i.e. for the installation of energy efficiency measures and/or renewable energy systems

## Mortgage details

### Who can borrow?

At the Ecology we take a small-scale approach to Buy-to-Let properties. We want to avoid first-time-buyers and families on low incomes being squeezed out of the property market, so we do not offer our Buy-to-Let mortgages to companies or professional landlords. Ecology Buy-to-Let mortgages are therefore only available where the property mortgaged (along with any other properties purchased with an Ecology Buy-to-Let mortgage) forms part of a portfolio comprised of no more than four properties in total.

Our Buy-to-Let mortgage is available for the purchase of one individual property, which will provide one or more separate units of accommodation (up to a maximum of three).

All borrowers must be aged 18 or over. This mortgage is only available to UK residents and you must have a clean borrowing history and have been on the Electoral Register for the last three years.

## How much can I borrow?

The amount that can be borrowed is based on the anticipated rental income generated by the property, which should be at least 35% more than the monthly mortgage payment. This allows a safety margin for times when the property is not let. So, for example, if the total monthly rental is expected to be £500 the monthly payment should be no more than £370. Our staff will be able to provide information on the amount of loan possible for a given rental income. When you make your application you must have a good idea as to the likely rental and you may need to take advice on this from a letting agent first.

We can lend up to 70% of the purchase price or valuation, whichever is lower. Further funds are available as renovation work is undertaken, up to a maximum of 70% of valuation at any one time. There is no higher lending charge to pay. It is important that you have a sufficient capital sum on top of the deposit to begin the first stage of the renovation and so increase the valuation. We will not normally lend if you need to borrow any part of the deposit or renovation costs from a third party.

Along with your personal income, any existing borrowings will also be taken into account in assessing whether we can lend you the amount you require.

Please refer to our *Current mortgage rates and charges* leaflet for the maximum loan amount.

## Type of mortgage

The Ecology Buy-to-Let mortgage is only available for a term of 10 to 25 years on a full repayment basis.

## What is the interest rate?

Please call the mortgage department on 0845 674 5566 for our current rate or see our *Current mortgage rates and charges* leaflet.

The Buy-to-Let mortgage will be eligible for the Society's C-Change discount schemes. Please see *Our C-Change discounts* leaflet.

## How is interest calculated?

Please see section *Calculating your interest* in the *After your mortgage completes* leaflet.

## Mortgage repayments

You must have sufficient funds in hand to cover the initial mortgage payments while renovation works are being carried out or in case there is some delay in finding tenants. All monthly mortgage payments are to be made by direct debit from your bank account.

For details of the early repayment charge which applies to this mortgage, please see section *Early repayment charges and additional payments* in the *After your mortgage completes* leaflet.

## Valuation

The Society will ask its valuer to give a valuation based on the property in its current state and also to give a figure for when the renovation has been completed. In order to provide a when complete figure, the valuer will need a copy of your plans and estimates and these should be sent with your mortgage application form. At each request for further funds we may need to instruct the valuer to visit the property and give us an up-to-date valuation. A re-inspection fee will be payable and will be added to the mortgage account.

The valuation will not provide a detailed assessment of the condition of the property nor does it provide a guarantee that any purchase price is reasonable.

We will also ask the valuer to give an opinion on the total monthly rental income you believe the property is likely to generate when work is finished. The property will be re-inspected (and a fee will be payable) on completion of the works prior to the Society giving permission to let.

## Insurance

Please see the *Insurances* section in the *After your mortgage completes* leaflet.

## Supervising the renovation

If the building requires significant renovation we may require the work to be supervised, usually by an architect who will then be able to issue a certificate when the work has been completed.

## Terms of letting

All lettings must be arranged via individual Assured Shorthold Tenancies (or Short Assured Tenancies in Scotland) and normally be for periods not exceeding 12 months at a time. It will be your responsibility to ensure that while the property is let, it complies with all relevant legislation affecting residential accommodation let to tenants.

## Tariff of charges

Buy-to-Let mortgages are subject to the same charges, where appropriate, as shown in the mortgage application form and the *Tariff of mortgage charges* leaflet. The mortgage administration fee for a Buy-to-Let mortgage is £350.

## What to do now

### The application process

After discussing your proposal with you, and confirming in principle that we will be willing to consider a mortgage, we will send an application form to you. This should be fully completed and returned to us with copies of your plans and estimates for the renovation works. You should also send a cheque to cover both the appropriate valuation fee and the administration fee of £350. On receipt of your application we will review the information you have supplied. If there are any queries we will contact you immediately to clarify the situation and then instruct a valuer. We endeavour to process all applications promptly and efficiently. If we are not able to consider a mortgage for any reason we will inform you promptly. All or part of the fees paid may be refunded at the Society's discretion should an application for advance not reach the stage of formal offer.

If you have not yet spoken to our staff, please call our mortgage department on **0845 674 5566** to discuss your plans. We look forward to working with you.

### Standard of service

Please see the *Our standard of service* section in *The application process* leaflet.

### Solving problems

Our aim is to provide a high standard of service to all our borrowers. However, occasionally things can go wrong. When this happens, we want to put matters right as quickly as possible. We will handle any complaints which arise while you are borrowers fairly and speedily and will let you have details of our Internal Complaints Procedure on request. If we cannot resolve any complaint to your satisfaction, you will be able to refer it to the Financial Ombudsman Service.

**YOUR PROPERTY MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON ANY MORTGAGE SECURED AGAINST IT**