

The Criteria Corner



Paradigm
MORTGAGE SERVICES

Top tips from the Paradigm Mortgage Helpdesk

Welcome back to The Criteria Corner!



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The Criteria Corner is our mini newsletter designed to give you a brief insight into the topics we see frequently on the Mortgage Helpdesk. We aim to provide you with some great hints and tips which will help you with future cases. If you think we may be able to assist with your next case, please don't hesitate to get in touch!

It is common knowledge at this point that the buy-to-let market has had challenges in the past few years, from changes to minimum EPC requirements, interest rates being too high that Interest Coverage Ratios (ICRs) no longer fit how they once did and most recently, stamp duty land tax surcharge being raised to 5%.

It is with these challenges that both Lenders and Landlords have had to adapt to the market. We have found more Landlords resort to buying unhabitable properties to not only reduce the impact of stamp duty liability, but to futureproof their investment by meeting the potentially increasing EPC requirements and feel less burdened by ICRs when trying to remortgage, by having lower geared properties.

With that said, it may likely come as no surprise that some buy-to-let properties will be more challenging to remortgage than others. This month's Criteria Corner aims to highlight some of the enquiries we've received that may support landlords looking to remortgage.

Interest Coverage Ratios

While many specialist Lenders are able to offer higher loan sizes thanks to their generous ICRs, there are some Lenders that do things a little differently that are worth mentioning and may not be commonly known.

On a like-for-like remortgage, Skipton BS and Virgin Money will both stress a higher rate tax payer at 125%, rather than the typical 140%. Quantum Mortgages may also stress the subject property at 100%, providing the client has maintained the mortgage payments.

MFS will also allow your Landlords to defer up to 2% of the interest to be repaid upon loan redemption, the ICR is then calculated on the reduced pay rate, e.g. 7.99% would be calculated as 5.99% if utilised.



AFFORDABILITY CRITERIA

with a flexible approach to support
your clients

- 4.49x LTI minimum as standard
- Up to 5x for incomes over £50,000
- And up to 5.5x LTI for incomes over £60,000 with Boost LTI
- 60% of bonus, commission and overtime used – and we can consider more
- Limited Company Director's share of net profit





Let to buy with no onward purchase

When an applicant intends to remortgage their current residential property onto a buy-to-let, many Lenders will understandably require an onward purchase or that the applicant has vacated the property. However, not every client will have an onward purchase lined up as they may be moving in with a partner, parents, or circumstances may cause them to rent elsewhere.

Lenders that can help in these situations include Dudley BS, Harpenden BS, Hinckley & Rugby BS, Mansfield BS, Leek BS, Saffron BS, Newcastle BS, or Suffolk BS.

Refurbished property being revalued at FMV

When remortgaging within 6 months of a property purchase, it is common for Lenders to base the property value at the initial purchase price. However, when works have been conducted to the property, the majority of the 'day 1 remortgage' Lenders will be able to use the uplifted value.

These Lenders include CHL Mortgages, Darlington BS, Fleet Mortgages, Hampshire Trust Bank, Harpenden BS, Keystone, Landbay, LendInvest, MFS, Market Harborough BS, Paragon, and The Mortgage Lender.

What if no works have been conducted? Quantum Mortgages are able to work from a true market value from day 1, and United Trust Bank will consider this after 3 months.



As always, we must advise that criteria does regularly change and therefore it is always prudent to double check with a Lender prior to submitting an application. Lenders provided are based on findings at the time of research, and may not include every option available.