

Lenders provide boost for landlords



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Landlords who have struggled to remortgage since the credit crunch struck have been offered a glimmer of hope after one of the UK's biggest buy-to-let lenders loosened the criteria on its new deals.

The Mortgage Works, the specialist lending division of Nationwide Building Society, will lend up to 80 per cent of a property's value from today, compared with a previous loan-to-value cap of 75 per cent.

Brokers have welcomed the move as an indication that banks and building societies are increasingly confident that house prices will not suffer further falls. The Nationwide house price index recorded a 1 per cent rise in property values last month, and a 10.5 per cent rise over the last year. It is hoped that other lenders will follow Nationwide and relax the criteria on buy-to-let deals after similar moves in the residential mortgage market. When house prices began to fall in the second half of 2007, mortgage lenders dramatically reduced the number of buy-to-let deals on the market and made it much harder for landlords to secure new financing. Lenders

imposed tough caps on the level of new borrowing available to property investors amidst fears of tumbling property values.

David Hollingworth, of London & Country Mortgages, the broker, said: “It has to be another sign of lenders growing confidence in the market, as prices have stabilised. It is certainly encouraging for landlords who have seen the Buy to Let mortgage market tighten enormously in the last few years, both in terms of product availability and in criteria.

The Mortgage Works is now offering a two-year fix at 5.99 per cent with a 2.5 per cent arrangement fee, or a three-year fixed at 5.99 per cent with a 3 per cent arrangement fee, both available up to 80 per cent of a property’s value.

Last week the Shepshed Building Society, which only offers loans to borrowers in Leicestershire, Derbyshire and Nottinghamshire, also increased its maximum loan-to-value (LTV) ratio to 80 per cent. It is offering a two-year fixed rate at 6.25 per cent, with a £999 fee. Nottingham Building Society has increased its maximum LTV ratio to 75 per cent.

Aaron Strutt, of Trinity Financial Group, another broker, said: “These deals are still quite expensive but there is little competition because the majority of lenders will not offer deals at this level.

“A year ago landlords needed to put down a 40 per cent deposit to secure financing but criteria have been gradually easing over the last three months. This is quite a significant move and hopefully others, such as Birmingham Midshires, will follow suit.”