



# Let's ease the pressure on investment mortgages

A guide to the market, our simplified submission process and tailored criteria.

This information is for use by FCA authorised intermediaries only and must not be distributed to potential borrowers.



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We understand the pressures you face as your job becomes more complex and placing rental business could make things more time consuming than ever before. That's why we've invested in our offering to provide an improved service and increased efficiency to help make your job easier and allow you to focus on growing your business.

**Here's what we've improved:**

- We have expanded our dedicated buy to let and holiday let underwriting team who assess each case individually to ensure a smooth process from enquiry to offer and completion.
- We have developed a new and improved submission form for all rental property, making it simpler to submit buy to let and holiday let applications, whether for a single property or portfolio landlord.

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# What's going on in the market?



## April 2016

Stamp duty surcharge introduced, resulting in an extra 3% stamp duty payable on additional residential properties (including buy to let).

## January 2017

PRA changes reflected in lenders criteria. Lenders largely increasing ICR and stress rates as a result.

## April 2017

Tax relief that landlords receive for finance costs start being gradually reduced to the basic rate of income tax.

## September 2017

Lenders are required to adopt specialist underwriting approaches for portfolio landlords (4+ mortgaged rental properties).

## April 2018

Landlords in England and Wales will be legally required to raise the energy performance rating of rental properties, for all new lets and tenancy renewals, to at least E, on an Energy Performance Certificate (EPC).

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## **Stamp Duty Land Tax (SDLT)**

From April 2016 higher rates of Stamp Duty Land Tax were introduced on purchases of additional residential properties and second homes. The higher rates are 3% above current rates.

## **PRA changes**

As of 1st January 2017 lender affordability assessments must take into account any tax liability including interest tax relief as well as all property related costs. Lenders have to account for likely increases in interest rate, assuming a minimum stressed interest rate. However flexibilities exist to support existing landlords and those seeking longer term fixed products.



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## Tax

From April 2017 the tax relief landlords receive for finance costs began being gradually reduced to the basic rate of income tax. When fully implemented in 2021 landlords will no longer be able to deduct mortgage interest payments as a business cost. This table shows reduction of tax relief as a percentage year by year.

Tax year	% of finance costs deductible from rental income	% of basic rate tax reduction
2017 to 2018	75%	25%
2018 to 2019	50%	50%
2019 to 2020	25%	75%
2020 to 2021	0%	100%

In response you're likely to see landlords trying to regain the returns being eroded by these tax changes by reviewing portfolio size and composition, location, rental income and property related costs. Landlords are also likely to be considering their options for re-financing in order to benefit from low mortgage interest rates, and thus reducing their outgoings.



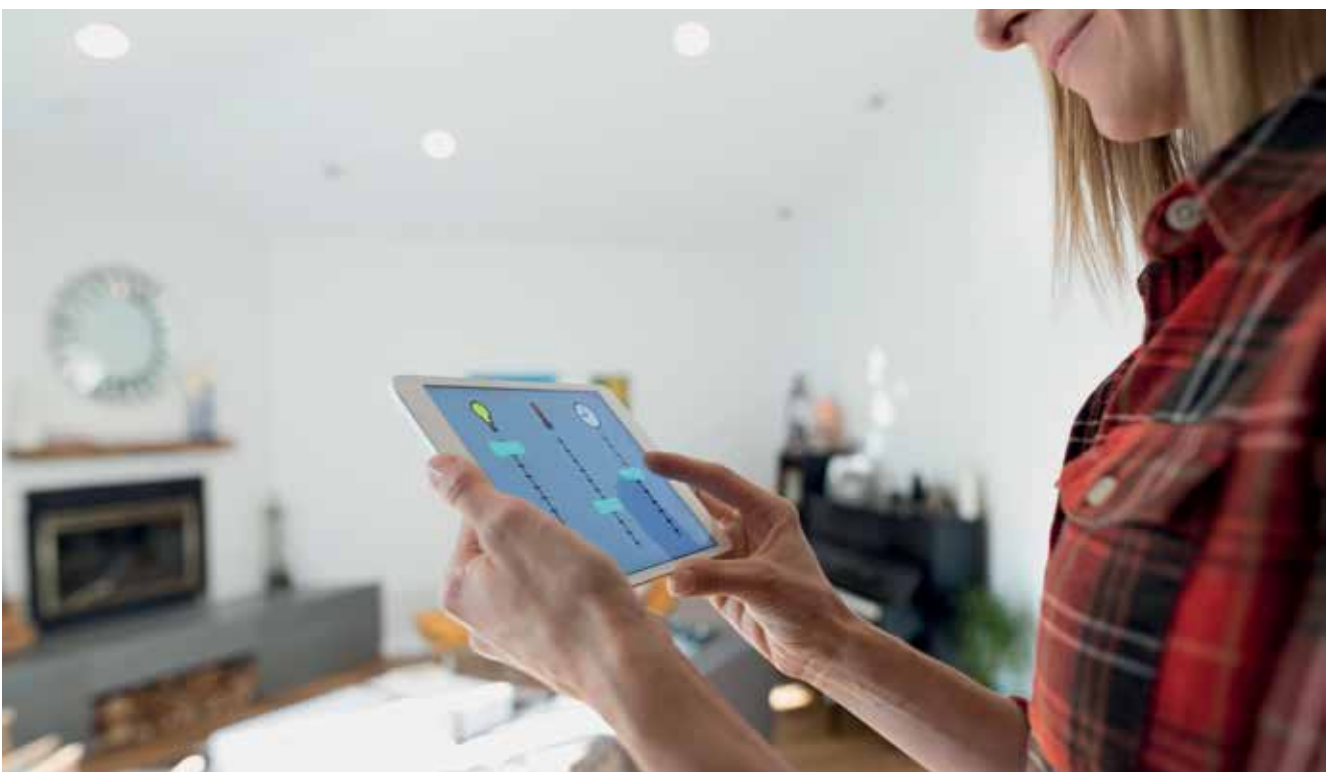
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## **Portfolio landlords**

From 30th September 2017 landlords with 4 or more mortgaged buy to let properties will be defined as portfolio landlords. Lenders will adopt specialist underwriting approaches for portfolio landlords.

## **Energy efficiency requirements**

From the 1st April 2018 there will be a requirement for any properties rented out in the private rental sector to have a minimum energy performance rating of E on an Energy Performance Certificate (EPC). The regulations will come into force for new lets and renewals of tenancies with effect from 1st April 2018 and for all existing tenancies on 1st April 2020.



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## Minimal documentation requirements

Landlords with up to 3 mortgaged rental properties are only required to provide;

- Their last monthly bank statement
- Proof of income<sup>1</sup>
- A completed additional property declaration form, in addition to minimum documentation requirements eg proof of identity.

Portfolio landlords (4+ mortgaged rental properties) are required to provide;

- Their last monthly bank statement
- Last 3 months rental bank statements
- Proof of income<sup>1</sup>
- A completed portfolio landlord declaration form, in addition to minimum documentation requirements eg proof of identity.

In more complex cases we may request additional information, such as cash flow.

|| Our aim is to make our buy to let proposition as straightforward as possible and ensure our service supports you and is user friendly. We've refined our criteria since the start of this year and strengthened both our underwriting and intermediary teams, with extra specialised training to cover these latest changes. ||

Jaedon Green, Director of Product and Distribution, Leeds Building Society



## Criteria (Buy to Let, Holiday Let and HMO)

Applicable to all	Specific to Buy to Let	Specific to Holiday Let	Specific to HMO
<ul style="list-style-type: none"> <li>• 140% ICR</li> <li>• 5.5% stress test rate for purchase and capital raising remortgages</li> <li>• 5% stress test rate for remortgages with no capital raising</li> <li>• For background rental properties – 140% ICR and 5.5% stress test rate applied</li> <li>• Up to 70% LTV</li> <li>• The primary applicant must already be a residential homeowner occupier</li> <li>• Maximum individual loan is £500,000</li> <li>• The maximum number of mortgaged rental properties is 10 (irrespective of lender)</li> <li>• Maximum number of mortgaged rental properties with us is 4</li> <li>• The 4 mortgaged rental properties with us can be a combination of buy to let and holiday let</li> <li>• Maximum age at the end of the term is 85 years</li> </ul>	<ul style="list-style-type: none"> <li>• No minimum income requirements, however proof of income is still required<sup>1</sup></li> <li>• No maximum tenancy period but must be an AST</li> </ul>	<ul style="list-style-type: none"> <li>• £40k minimum income for primary applicant</li> <li>• Rental income must be independently verified<sup>2</sup></li> <li>• We allow marketing on Airbnb</li> </ul>	<ul style="list-style-type: none"> <li>• Single or joint ASTs accepted</li> <li>• Up to 5 bedroom HMOs accepted</li> <li>• Experience as a landlord is required</li> <li>• We allow locks on internal doors</li> <li>• No minimum income requirements, however proof of income is still required<sup>1</sup></li> </ul>

2. Verification must be by either the Society's valuers (standard AST or on a holiday letting basis), confirmed by an actual letting history for at least 12 month, HMRC tax confirmation (i.e., SA302 and tax year overview), confirmed by an accountant/set of accounts.

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# Submitting portfolio buy to let business with us

We've created a step by step guide to help you through submitting a portfolio buy to let case with us. Just follow these simple steps.

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1

Submit an online Decision in Principle in the usual way. If you're not already registered online you can do so on our website [www.leedsintroducer.co.uk](http://www.leedsintroducer.co.uk)

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2

Our acknowledgement will contain a link to the portfolio landlord declaration form. It will also explain how to submit the form securely to one of our specialist buy to let underwriters. You'll need Adobe PDF Reader to complete the form, which you can download for free from their website [www.adobe.com](http://www.adobe.com). Please return the fully completed form within 48 hours.

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3

You will receive a decision within 24 hours. On a small number of applications additional information may be requested.

For more information on portfolio lending visit our dedicated web page [www.leedsintroducer.co.uk/portfolio-landlords](http://www.leedsintroducer.co.uk/portfolio-landlords)



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@LBSintermediary



Leeds Building Society  
for Intermediaries

**We may monitor and/ or record your telephone conversations with the society to ensure consistent service levels (including colleague training).**

**If you are contacting us by email and not using our secure email facility, please remember not to send any personal, financial or banking information because the information isn't secure.**

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