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## New deals for buy-to-let investors



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Some banks may be tightening their lending criteria for homebuyers. But their generosity towards buy-to-let investors is growing, with a clutch of new mortgage deals for this fortunate group of borrowers.

The bankers are increasingly keen to exploit the boom in the lettings market. Rents which already stand at a record high in some locations, such as London, are forecast to rise by a further 5 per cent this year. Tenants who are unable to climb onto the housing ladder, thanks to the scarcity of mortgages, are continuing to compete for homes to let, of which there is an undersupply. This is pushing up rental yields.

Aaron Strutt, of Trinity Financial Group, the mortgage brokers, says that more banks and building societies could enter the fray this year in order to seize the opportunities in the rental market. He says: "Lenders are expected to expand their product ranges and offer more. There is a mixture of fixed and tracker deals, whereas before the choice was quite limited."

Brokers highlight the reversal in the fortunes of buy-to-let investors, who were previously punished by high rates and high fees. The increase in rental yields is offering a degree of certainty to lenders that landlords are in a good financial position.

This week Coventry Building Society launched a range of new products, available exclusively through mortgage brokers. This includes a five-year fixed-rate mortgage with its subsidiary company, Godiva Mortgages, at 4.99 per cent. The deal is for landlords with a 35 per cent deposit and comes with a £1,249 fee. Landlords looking to remortgage will also benefit from a free valuation and free legal fees.

Santander also announced a return to the market last month, after a withdrawal spanning three years, with new deals for amateur landlords launched through its Abbey for Intermediaries division.

Best-buy deals include a three-year fixed-rate deal from Principality Building Society at 4.29 per cent, with a £999 fee, for those with a 40 per cent deposit. Nottingham Building Society offers a two-year fixed rate at 3.59 per cent, for a 40 per cent deposit and a £1,999 fee. Both Principality and Nottingham BS offer the deals with free valuations and no legal fees for remortgages.

NatWest offers a 3.89 per cent two-year tracker mortgage for purchase only. Landlords need a 25 per cent deposit and must pay a £1,999 fee.

A new two-tier approach to products and prices has also emerged for higher-income earners who are looking for a buy-to-let deal.

Hugh Wade-Jones, of the broker Enness Private, says: "Some lenders are now offering improved rates and criteria for people earning above a certain level, which I feel only fair, given the low level of risk for the bank."

NatWest's intermediary arm has sweetened its deals for landlords with non-property related income of more than £50,000 a year.

But despite the innovation sweeping the market, experts are warning investors to beware the costly pitfalls.

"Some of the lenders' high-fee, cheap rates only offer a 12-month benefit period," adds Mr Wade-Jones. "Therefore only one year later borrowers fall onto the much higher standard variable rate and struggle to remortgage anywhere else." New landlords will also need to be confident that they can cover void periods, when the property is empty.