

Why the spotlight is shining on specialist buy-to-let lending

“We've always filled that gap the high street can't,” reasoned Tanya Elmaz (pictured left), director of intermediary sales at specialist lender Together.

“We have built a nearly 50-year business on filling that gap, and it's in times of economic turbulence that specialist lenders like us come into their own. Following the Brexit vote and with COVID, there was more of a spotlight on specialist lending, and we have always benefited from an increase in business during these times.

“The next spotlight moment for us has been since the mini budget last autumn. Many more brokers and their customers are now turning from the high street to the specialist market because we and other lenders can offer so many different solutions.”

Together takes what it describes as a common-sense approach to lending for a wide variety of customers, such as homebuyers, investors, property professionals, landlords, and small businesses. It offers short-term finance, auction finance, personal, commercial and buy-to-let mortgages and secured loans.

Within the buy-to-let space, it has a range of mortgage products, for so-called accidental landlords, holiday lets, residential investments, houses in multiple occupation (HMOs), portfolio landlords and renovation projects. It's helped thousands of landlords to secure the finance they need, acknowledging that some of the most lucrative rental properties are those which mainstream lenders may consider problematic because of their position, condition, or current use.

Flexible

Since Together uses people and common-sense decisions it can be more flexible.

“We are fulfilling customer needs that aren't generally met by other lenders, where they draw a line and it'll be outside of their criteria for whatever reason,” said its senior project manager, Matt Kelly

“Together is here to make sure that customers can still access finance, even in a challenging market. We're here to help customers achieve their ambitions.”

He continued: “Specifically on buy-to-let, we believe it will be specialist lenders who lead the way out of this challenging time, adapting our criteria to help landlords meet the needs of a changing market.

“Second charges are quite big with people who might have got a first charge at a low rate in the old interest rate environment and want to borrow extra finance to invest in another buy-to-let or to do some repairs to their property, for example. We're one of the few second charge buy-to-let lenders in the market.”

Elmaz, meanwhile, pointed to the breadth of Together's buy-to-let proposition.

“There are three main principles for our products,” she detailed. “Firstly, there is who we lend to – so, we lend to different types of customers, for example those who might have had a previous credit blip or those who might not live in the UK.

“Then there's the type of property that we lend on. If you've got a dilapidated property that needs improving, or an unusual or non-standard construction property, we're going to be your lender. And we have a really flexible way of looking at income.”

She elaborated: “Obviously, we look at the potential rent of a property, because for a buy-to-let that's what you need to do, but still if you are an experienced landlord and if you have personal income at a certain level and you can demonstrate that for a good reason you require, to get your loan from us, what we call income top up, we can still allow that and that's really unique in the market.

“We've always had this criteria, we have tailored it a little bit to suit the economic environment, but we are still super flexible with all our core principles - who we lend to, the assets that we lend on and the way that we look at income, so that we can assist in affordability in the best way we can.”

Stronger

Kelly noted that buy-to-let, in common with other areas of the mortgage market, was being tested. For example, tightening regulation on energy performance certificates (EPCs) requires that from 2025 all newly rented properties will have to have a rating of C or above – with all the associated costs this will entail for landlords.

“At the same time, tenant demand, has never been stronger,” he enthused. “So, if you're a professional landlord and you know what you’re doing and you have quite low gearing, with equity in your properties, you can still make money.

“If you have got a long-term mindset for growth and don't need to make profits every month, it can also still be a very good investment for you.”

Kelly referenced data from Together’s latest EPC report*, suggesting that as many as 37% of landlords are unaware of the proposed EPC changes, and 52% of landlords are concerned about the potential impact.

“So, we have created this education resource on Together’s website - called the EPC Hub,” he said. “It's a whole area dedicated to helping educate landlords, and what they need, to comply with this legislation.”

Education

Together works with a huge network of intermediaries, whom Elmaz urged to keep updated across industry changes.

“My message would be that they have to really make sure they are keeping up,” she emphasised, “that they've got the education, the awareness, and a well-rounded whole of market view, because there's lots of different solutions now.

“My advice would be they need to widen their pool of tools, so that could be the sourcing system they use, as well as the packagers, master brokers or networks they work with. Within the industry there is lots of support that's available, so broaden what you know and widen the range of people you use.”

Elmaz added: “When you're dealing with customers who might have had a high street mortgage previously and who are now maybe in a different, more challenging position, assure them that it's not the end of the road.”

Kelly agreed, chiming in: “It's just a turn in the road. It's still a very, very competitive market. You just have to look for the niches and the gaps where customers’ needs aren't being met.”

Elmaz dismissed the suggestion of some that, in the face of economic headwinds, many landlords would exit the buy-to-let market.

“We don't believe that there's going to be a mass exodus,” she reasoned. “The private rental sector is very important because there isn't enough affordable housing being built. So, the buy-to-let market is definitely a necessity.

“The mainstream market, which is sometimes stuck about how to progress, is looking to lenders like us. There are opportunities for specialist lenders, for brokers and consumers to look at things in a different way. This is our bread and butter - it's a really exciting time.”

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