

**My client is interested in purchasing a buy-to-let property valued at around £120,000 to rent to her cousin. She will be using the £20,000 she recently inherited as a deposit and her annual income is £19,000 plus sales commission of around £120 per month. What options are open to her in obtaining a suitable buy-to-let mortgage?**



**Ramona Leavers**  
Marketing manager,  
All Types of Mortgages

It is not made clear from this particular scenario whether the client concerned has her own residential mortgage or not so for the purposes of this case study I will provide an answer based on both circumstances.

Some buy-to-let lenders will not lend to applicants who are FTBs. This is mainly because the applicants do not have historical proof that they have been able to maintain mortgage payments without any defaults. Mortgage Express is just one of the few lenders that will lend to FTBs and one of its stipulations is that it will not allow applicants to rent a buy-to-let property out to family members. However, this stipulation applies to closer family members such as

children or grandchildren and not cousins. Therefore, this lender could offer an ideal product for the client. Currently Mortgage Express has a three-year fixed rate product available at 5.29% reverting to Bank base rate plus 1.75%. Applicants will need to achieve a 130% rental income based on the pay rate of 5.29%. Based on this calculation the applicant will need to achieve a minimum of £573 per calendar month. Usually the valuer would be expected to confirm this figure when they assess the suitability of renting the property out.

If the client concerned is a residential homeowner then I would consider placing the case with GMAC RFC. This particular

lender has a two-year fixed rate at 5.55% (reverting to its standard variable rate of 6.74%). Rental income would be based on the applicant achieving 125% of Bank base rate plus 1.25% (currently 6%). The rental income that would therefore need to be achieved with this product is £625. It should also be noted though that GMAC will only accept rental to non-family members so if she chose this lender, the client would need to find another tenant.

The reason GMAC does not allow rental to family members is because while the mortgage would be considered to be a buy-to-let, it would come under the scope of regulation by the Financial Services Authority.