

Buy to Let

Residential Properties

Buy to Let

from The **Cumberland**

Whether you are investing in property for the first time, or you already have an established portfolio, we have a great mortgage deal for you...

we are
here to **help**

What is Buy to Let?	2
Is Buy to Let for you?	3
Becoming a landlord	4
Cumberland Buy to Let mortgages	8
Types of mortgages	9
Frequently asked questions	10



What is Buy to Let?

A Buy to Let mortgage is a loan for the purchase or refinancing of a residential property which is let to tenants rather than lived in by the borrower. Buy to Let investments are popular as they offer the prospect of a regular rental income. The value of the property itself may also increase and as such can be regarded as an alternative to the more traditional forms of investment.

There are of course no guarantees. Property values can fall and income will be affected if, for example, the property becomes vacant or the tenants default on rental payments.

Is Buy to Let for you?

Property investment can be a very effective way of generating income if managed correctly, however, it doesn't come without its risks. If you plan to buy your property with a mortgage and you are relying on the rental income to make your mortgage repayments, you must consider how you will keep up the repayments if you are unable to secure a tenant and the property is left unoccupied.

A period without a tenant is not the only risk that needs to be considered; major repairs could increase overall costs and of course the housing market on its own can have an impact on your potential profit margin.

We would recommend that you take professional advice before entering into any property related transaction.



Holiday Lets

We also offer mortgages for holiday letting purposes. Please contact your local branch or visit cumberland.co.uk for further information.

Becoming a landlord

Buying a property to let is very different from buying your own home.

Consider the following before you start your search for a property:

Do your research

Research the market, with the help of your local estate and lettings agents, who will be able to advise on demand and any other issues in the area you are thinking of buying in.

Ask an expert

Speak to a letting agent and make sure you have a professional opinion of the level of income you can expect from the property or area you are looking to buy.

Know the demand

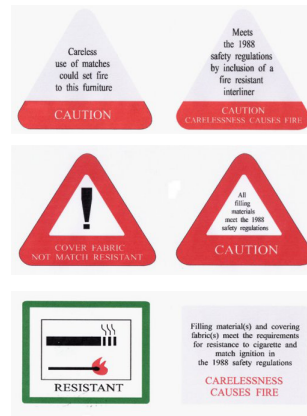
Buying where there is no rental demand is a surprisingly common mistake. Make sure you are not investing in a market which is already saturated with the sort of property you have to offer, and do not be misled by stories of fast profits.

Understand your finances

Keep in mind whether you are in the market for capital gain when you sell or simply monthly rental income. This will help you decide what to buy and where, and what kind of mortgage you need. Understand the rental yields particularly if the net rental yield figure is less than the cost of the mortgage, leaving you with a shortfall.

Buy carefully

Make sure you buy a property which allows for sufficient profit margin. Do not go for a 'bargain' property which may require considerable work. Major repairs require time and effort and paying more for a property which is in better condition can be a wiser move.



Check for safety and regulation

By law you must make sure that the property you are letting complies with various safety regulations, such as furniture and furnishings fire safety, gas safety, electrical equipment safety and that it contains a smoke detector. Additionally, if your property is in England or Wales, it must also have an Energy Performance Certificate rating of E or higher or a suitable exemption, prior to letting. You will also need certificates to prove these regulations have been met.

MORTGAGES WITH THE CUMBERLAND

Be aware of new and updated regulations

Failure to comply with the law can result in serious consequences. The best way to make sure you are kept up to date is to use an ARLA agent who can make you aware of them, while also ensuring you comply.



Know your responsibilities

Landlords, tenants and agents have different responsibilities, and it is important to know where these lie. As the landlord you will be expected to pay buildings insurance, ground rent and service charges and insure and maintain any items you leave in the property. Your letting agent will be able to advise on others' responsibilities as part of your contract.

Prepare for voids

Your property may be empty and not generate any income for periods of time, and you need to be ready for this. Advertising for new tenants, decorating and maintenance of your property could take some time and you should have plans in place for when this happens.

Tax implications

We recommend that you speak to an accountant or tax advisor for further details.

Engage a managing or letting agent

Knowing where to advertise your property, how to vet your tenants and the kind of lease you should use can be tricky if you have no experience. Being a landlord is a full time responsibility, 365 days a year and is best not left to friends or family. A good agent will find tenants, do background checks, draw up the lease, collect rent, and inspect the property, thereby removing much of the hassle involved. When choosing an agent, landlords should use an ARLA Licensed member. They are members of a regulatory body and are subject to control and regulation. They will ensure that your property is handled safely and with care.

Cumberland Buy to Let mortgages

We will consider mortgages for Buy to Let properties, based on the requirements set out below:

- A Cumberland Buy to Let mortgage can be used for house purchase or remortgage purposes. Your application will either be processed at your local branch by one of our Mortgage & Protection Advisors or by our specialist Commercial Lending team. Please contact your local branch initially and you will be directed to the relevant team based on certain criteria, which includes the number and type of investment properties you have.

MORTGAGES WITH THE CUMBERLAND

- A Cumberland Buy to Let mortgage is available for the purchase or remortgage of a house or flat. Former council houses will be considered.
- Any tenancy agreements must be on an assured shorthold tenancy basis, with a maximum term of 6 months, or in Scotland a private residential tenancy, with any existing tenancy agreement having commenced after the 1st March 1997. You should, however, always take independent professional advice before entering into any contract.



Types of mortgages

For Buy to Let properties, there are normally two types of mortgages available: variable rate and fixed rate mortgages.

Variable Rate Mortgage

This gives you a discount off the lender's standard variable mortgage rate for an agreed period. If interest rates fall, yours is likely to fall as well, and your payment will go down. However, interest rates could also go up, so you will need to budget for any increases in your monthly mortgage payment. At the end of the discounted period, the rate will normally revert to the lender's standard variable mortgage rate. Some discount mortgages have arrangement fees and early repayment charges during the discount period.

Fixed Rate Mortgage

With a fixed rate mortgage, your interest rate is fixed for an agreed period. During this time your monthly payments stay the same, so you know exactly where you stand. This means that even if interest rates go up, you continue to pay the same amount each month - although if interest rates go below your fixed rate, your payments won't be reduced. Most lenders charge an initial fee for arranging a fixed rate mortgage and, if you repay all or part of your mortgage before the end of the fixed period, an early repayment charge.

For details of our current mortgage products, including rates, please contact your local branch or visit cumberland.co.uk.

FREQUENTLY ASKED QUESTIONS

What rental income can I expect to get?

The income you will get depends on the property, the area, the condition and the demand. Initially, you should speak to an experienced letting agent for advice on this and other aspects of becoming a landlord.

Can I get a mortgage?

Yes, subject to our eligibility rules & lending criteria.

How much can I borrow?

The minimum amount of a Buy to Let mortgage is £30,000 (in branch area) or £75,000 (outside branch area) but different limits may apply to specific mortgage products. We will consider advances of up to a maximum of 75% of the purchase price or valuation of the property, whichever is the lower.

We would normally expect the rental income to be a % of the monthly interest, subject to our lending criteria.

What will it cost me?

Initial Costs

When you are deciding how much you want to borrow, you must remember that in addition to the deposit you will have other expenses such as conveyancers' fees (including registration fees and possibly stamp duty land tax), valuation fees, (unless the mortgage product you have chosen includes a free valuation) mortgage arrangement fee and insurance costs. We will go through these with you so that you can work out the initial costs.

At the time of your mortgage enquiry, you will be given a Mortgage Illustration containing details of the payments that you will be expected to make. We will also provide details of what your future potential payments may be at the end of the special offer period.

Details of any early repayment charges that may be charged are given in our rates leaflets. Details are also shown in the Commercial Mortgages Quotation which will be sent to you as part of your Offer of Loan.

Monthly Mortgage Payment

The amount of the monthly mortgage payment depends on:

- how much you wish to borrow
- how many years you pay it back over
- the type of mortgage you choose
- the current interest rate

Take all these points into account and with the help of a written illustration you should have a good idea of how much your mortgage will cost each month.

Illustrations are available on request from any of our local branches.

Charges

When you make your mortgage application we will give you a leaflet called "Tariff of Mortgage Charges" which contains the charges that we may make in connection with your mortgage. We will send you a copy of this leaflet each year with your annual mortgage statement.

What types of mortgage are available?

There are two ways of repaying your loan – repayment and interest-only, or a mixture of the two.

We will give you details of the different repayment methods and repayment periods that are available. If you choose to pay only interest on your loan then we will give you a general description of the ways in which you can repay the original amount borrowed (sometimes referred to as the capital).

You may also like to visit the Money Advice Service website, www.moneyadviceservice.org.uk and look at their publications.

FREQUENTLY ASKED QUESTIONS

Repayment Mortgage

This type of mortgage involves repayment of the loan gradually over an agreed period. Each monthly payment you make consists of two parts, interest on the loan and repayment of part of the capital of the loan. Most of your monthly payment in the first few years simply covers the interest with only a small amount going towards repayment of the capital. The repayment part of your monthly payment will, however, increase as the mortgage term and the amount of the loan reduces. Provided you keep up your monthly payments the loan will be repaid at the end of the agreed mortgage period. With this type of mortgage it is recommended that you take out life assurance sufficient to repay the loan if you should die before the end of the mortgage term.

Interest-Only Mortgage

With an Interest-Only mortgage, all that you are paying back is the interest, unlike with a Repayment mortgage where you are paying back Capital & Interest.

With an Interest-Only mortgage you would need to make separate arrangements to repay the amount you borrowed at the end of the term. It is your responsibility to ensure that an adequate repayment strategy is in place.

Interest Rates

We will give you details of the different types of interest rates that are available (for example variable or fixed rates). Further details of the different types of interest rates available can be found in our rates leaflets.

The interest rate that will apply to your account at the beginning of the loan will be shown in your Offer of Loan. If the interest rate changes between the time that you receive your Offer of Loan and the time when your mortgage starts we will tell you.

On variable rate loans we may change the interest rate that we charge you from time to time. The interest rate may go up or down. When we increase the interest rate we will always give you advance notice of the new interest rate and the date it becomes effective. The

notice will be given either by writing to you individually or by placing an advertisement in a local newspaper.

If, during the term of your loan, you make an additional lump sum payment of £500 or more over and above your normal monthly payment, we can calculate a reduced monthly payment for you. However, you must tell us when making the payment. You can make overpayments to your mortgage account, but it is important to note that there may be an early repayment charge. Please ask for details before repaying a lump sum.

I've found a property - how do I apply for a mortgage?

You may have found a property before you read this leaflet or you may not have started looking.

No matter what stage you're at you should see us before you commit yourself to a property, to make sure you can afford it and get a mortgage.

We will tell you what the next step will be although this will probably be to complete a mortgage application form.

We will also have to check your income and financial status.

To help us assess your application we may ask for some or all of the following:

- Details of present/anticipated income and expenditure
- Details of existing assets and liabilities
- Recent certified/audited accounts if you are self employed
- Recent statements on your existing bank/building society accounts
- If self employed - SA302's and corresponding Tax Year overview for past 2 years.

FREQUENTLY ASKED QUESTIONS

Once the mortgage application form has been completed, we will send a valuer to prepare a mortgage valuation report on the property to make sure we can lend what you need.

What happens next?

You will need to instruct a conveyancer to handle the legal details (procedures for buying property in Scotland are different from the system in England and Wales so it is important to contact a conveyancer at an early stage for guidance).

While you're doing this, we check your application and obtain a valuation. Providing these are satisfactory, we will offer you the mortgage.

We will then send you written confirmation of the mortgage we can offer you. This is called the "Offer of Loan". We will also send a copy of the "Offer of Loan" and our instructions to your conveyancer.

What about valuation and survey reports?

We will need to obtain a valuation of the property to be mortgaged.

If you are buying a property, we will ask a valuer to visit the property and produce a valuation. If you are remortgaging, we may not ask a valuer to visit, instead we may assess the value by other methods.

If the mortgage you apply for requires the payment of a valuation fee, and you cancel the instruction before the valuation has been carried out, the Society will refund the fee except for an administration cost. If the valuation has been undertaken or cannot be cancelled there will be no refund.

Mortgage valuation

We arrange the mortgage valuation to help us decide whether a property is suitable for the mortgage you need. If you are buying a property and have paid a valuation fee with your application you may receive a copy of the valuation report. This report is not a survey and will not highlight every defect in the property. It only provides a valuation for mortgage purposes and may give a brief description of any obvious problems.

If a mortgage is agreed, it does not guarantee that the

property has been inspected, that the purchase price is reasonable, that the property is worth the amount of the mortgage, or that there is nothing wrong with the property.

You will be asked to pay the fee for the mortgage valuation when you apply for a mortgage, unless the product you have chosen includes a free valuation. You will find a list of fees below.

Mortgage Valuation Fees

Report and valuation for a mortgage

For the basic mortgage valuation report you pay one of the following fees (subject to change).

*Purchase Price (up to)	Total Valuation Fee Payable
£50,000	£205.00
£100,000	£240.00
£150,000	£260.00
£200,000	£295.00
£250,000	£330.00
£300,000	£370.00
£350,000	£410.00
£400,000	£440.00
£450,000	£470.00
£500,000	£505.00
Over £500,000	On application

If you already own your property, the valuation fee will be based on the current valuation of the property.

Reinspection fees

If we need to make another visit in order to make sure a further instalment of a loan can be released and/or make sure that any repairs or improvements have been completed you must pay a reinspection fee.

This fee will be paid by the Society if the reinspection is required in connection with a further loan application.

Revaluation fees

A revaluation fee is charged if we need to revalue a property. For example, to enable the Society to consider releasing a plot of land which forms part of the mortgage.

If a revaluation report is required in connection with a further loan application, the fee will be paid by the Society.

Details of our reinspection and revaluation fees can be found in our leaflet, "Tariff of Mortgage Charges".

FREQUENTLY ASKED QUESTIONS

Can I transfer my present Buy to Let mortgage to the Cumberland?

The answer is likely to be yes as long as you have a regular income and are able to show that you can meet the monthly payments.

Before you apply to transfer your mortgage to us, we will be pleased to help you work out whether or not this will be worthwhile, taking into account the difference in costs and allowing for any early repayment charge there may be on your existing mortgage. For many borrowers there are substantial savings in transferring to us.

Life Assurance

We recommend you have adequate life assurance to repay your mortgage if you die or become critically ill.

When will my monthly payment be due?

Mortgage payments are due on the last day of each month. Your first part-month's payment is an interest-only payment and the amount will depend on the date that the mortgage started during the month. It will usually differ from the normal monthly payment quoted in the "Offer of Loan". The first month's payment will be collected at the end of the second month when your chosen method of payment will commence. Your monthly mortgage payment will normally only change when the interest rate changes on your account and/or there is a change in any insurance premium you may pay along with your mortgage payment.

How is interest calculated?

We calculate interest on a 'daily interest' basis and charge the interest to your account each month.

If you have a repayment mortgage, the way that interest is calculated makes a difference to the amount you pay. If you are offered two otherwise identical mortgages, with exactly the same interest rate, but one has annual interest calculations and the other has daily calculations, you will pay less with the daily interest calculations - as long as you do not fall behind with your payments.

Each time you make a payment we adjust the interest you will be charged to allow for the payment you have made. If you borrow extra, interest will be charged from the day the extra loan starts. Any items such as charges, fees,

mortgage interest and insurance premiums, which are not paid by the last day of the month in which they are due, will result in additional interest being charged until the payment is made to your account.

Do I get a statement of my account?

Yes, every April we send you a statement showing the interest and any other items which may have been added, the payments you have made and the amount you still have to pay.

How do I make my monthly payment?

Although this will depend on the product you take you can normally pay by:

- direct debit, or
- Internal transfer from a suitable Cumberland Current Account

What happens when the interest rate changes?

If you make your monthly payment by regular "internal transfer" from a Cumberland account, you will need to confirm your new payment instruction unless you've already given us authority to change it automatically. If you have a variable direct debit we will collect the new payment automatically.

What if my circumstances change?

If any of your circumstances change which may affect your financial position and your ability to make your mortgage payment, you should contact us as soon as possible to discuss how we can help. It is important to remember that if your mortgage is in joint names, you are both liable for the repayment of the mortgage and the mortgage related payments. This applies even if you have a relationship breakdown and one of you is no longer living in the property.

What if I have problems with the payments?

We appreciate that your circumstances may, at some time in the future, change and you may experience temporary financial difficulties.

The Society follows the Building Societies Association Arrears and Possessions Guidance when handling arrears and possessions.

FREQUENTLY ASKED QUESTIONS

It is important if you find yourself in financial difficulties to let us know as soon as possible. We will be sympathetic and will do all we can to help you overcome your difficulties. Please ask for a copy of the following leaflets for further details of how we may be able to help you and what steps you should take to help yourself.

- Treating you fairly when you cannot pay your mortgage
- Money Advice Service booklet

The sooner we discuss any problem you are facing, the easier it will be for both of us to find a solution. The more you tell us about your full financial circumstances, the more we may be able to help.

If you are in difficulties you can also get help and advice from debt counselling organisations. At your request and with your consent we will liaise, wherever possible, with debt counselling organisations that we recognise, for example:

- Citizens Advice Bureau
- Money Advice Trust
- The StepChange Debt Charity
- National Debtline

Further information regarding difficulties in making mortgage payments can also be found on the following websites:

- Government debts and arrears advice website
- Government 'Mortgage Help' website

Can I repay the mortgage before the end of the agreed term?

Yes and interest will be charged to the day on which your mortgage is repaid. You may also have to pay what is called an early repayment charge. For details of any early repayment charges, visit your local branch and speak to one of our fully trained and qualified mortgage & protection advisors.

If our rates leaflets are not given to you with this booklet, please ask for a copy at any Cumberland branch.

What if I have a complaint?

Most complaints can be satisfactorily resolved by speaking to one of our branch managers or customer service managers. If however, you are not satisfied with the response you receive, please ask for a copy of our leaflet "Complaints Procedure and the Financial Ombudsman Service" which is available from all Cumberland branches, or details can be found on our website (cumberland.co.uk).

Foreign Currency Loans

Your mortgage may be defined as a 'foreign currency loan' if you are:

- a) paid in a currency other than Pounds Sterling and this income has been taken into account when assessing your ability to afford the mortgage payments or;
- b) intending to repay a portion or all of your mortgage from an asset held in a currency other than Pounds Sterling or;
- c) you are resident in an EEA state other than the United Kingdom.

We will monitor exchange rate fluctuations on a monthly basis. The exchange rate we deem appropriate for this loan will be confirmed to you in your Offer of Loan. We will write to you if the value of national currency of the borrower deteriorates against this Pounds Sterling exchange rate by more than by 20%. If the exchange rate improves, so the position becomes less than 20%, we will write to you to advise you of this.

You should ensure that you understand the risks associated with fluctuations in currency exchange rates and consider how you would maintain your monthly mortgage payments and/or ensure repayment of your mortgage at the end of the mortgage term.

If you are using a foreign asset as the repayment strategy for your interest-only loan, in order to limit the impact of the exchange rate risk to which you are exposed, we can change the repayment method from interest only to repayment at any time.

Please note that the Society only offers loans in Pounds Sterling and conversion to another currency is not possible.

FREQUENTLY ASKED QUESTIONS

Additional information

Any information given by the Society either in this leaflet or by any member of the Society's staff is given in good faith. However you should always ensure you take appropriate independent professional advice before proceeding with any mortgage or other loan.

Money Advice Service

The Money Advice Service produce a very useful booklet which you may like to read. It is called "You can afford your mortgage now, but what if?" They also publish useful guides on choosing a mortgage. These booklets are available by contacting the Money Advice Service on 0800 138 7777 or by visiting their website at www.moneyadviceservice.org.uk

FREE business banking for 12 months*

Can your business save money by switching to us?

Visit [cumberland.co.uk /business](http://cumberland.co.uk/business)
to find out




The Cumberland
For Business

*The Society reserves the right to vary the eligibility criteria for free banking for high volume accounts (over £250,000 credit turnover). Cash exchange is not included in the free banking offer.

This leaflet should be read in conjunction with the following leaflets:

- Mortgages and Additional Loans Important Information
- Relevant Variable and Fixed Interest Rates for Buy to Let Mortgages
- Tariff of Mortgage Charges

These leaflets are available from any Cumberland Branch, or visit our website for more details cumberland.co.uk

A copy of the Society's full Mortgage Conditions will be given to you by the conveyancer.

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority.

We arrange life assurance and critical illness cover only with Legal & General Assurance Society Limited and general insurance with Aviva Insurance Limited and Royal & Sun Alliance Insurance Plc.

YOUR MORTGAGE IS SECURED ON YOUR HOME. THINK CAREFULLY BEFORE SECURING OTHER DEBTS AGAINST YOUR HOME. YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.

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