

## Illustrative example

# Refurbishment Buy to Let

### BACKGROUND

Our refurbishment buy to let proposition helps landlords maximise rental yields by refurbishing a property before letting it out.

The offering brings together the flexibility of a short-term bridging finance loan to carry out the refurbishment work, together with the surety of an exit onto a long-term buy to let mortgage, based on the after-works valuation once the refurbishment work has been completed.

Not only does this give landlords the peace of mind of having an exit in place, but they're assured that the price of the mortgage at offer will be the price they get on completion, providing the property meets the expected valuation following refurbishment.

And as the same solicitors are used for both the bridge and the long-term buy to let, costs are reduced.

### THE SCENARIO

We're contacted by a broker representing two first-time landlords who want to purchase a three bedroom end of terrace property at auction, which requires light refurbishment work to bring it up to a habitable standard before it can be let out.

The customers advise us they'll be doing the majority of the refurbishment work themselves, including **fitting a new bathroom and kitchen, decorating, and installing new internal and external doors.**



### THE SOLUTION

As we allow customers to roll up interest during the refurbishment phase, they choose to do so and are able to use the surplus cash to upgrade the property.

After establishing the customers have sufficient income and neither of them have a large amount of unsecured debt, we're able to offer a **bridging finance loan, including the rolled-up interest of £78,649 at 65% LTV of the £121,000 purchase price at auction.**

As we allow borrowers to add fees to their loan over and above the LTV, **the customers choose**

**to include** the £583.10 facility fee/product fee, £25 telegraphic transfer fee and £295 administration **fee in the loan amount.** They opt to pay the £550 valuation fee and £840 legal fees upfront.

The application is received and we're able to **complete** on the bridging finance loan **in just under two weeks**, during which time we carry out a **full legal check and valuation of the property**, which returns an expected market value after improvements of **£135,000** with a rental value of **£650 per month.**



Bridging  
finance loan of  
**£77,746**  
at 65% LTV



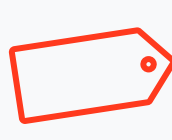
Property  
purchased for  
**£121,000**  
at auction



6 month  
loan for  
**0.69%**  
per month



Bridging  
finance loan  
completed in  
**2 weeks**



Refurbished  
property  
valued at  
**£135,000**



Rental  
value of  
**£650**  
per month

The customers complete the refurbishment work within two months and the reinspection of the property returns a **valuation of £135,000**, as predicted in the initial pre-works estimated valuation. The customers opt to exit on to a buy to let mortgage of **£101,250 at 75% LTV** of the gross value.

