



# Expat Mortgages

An Expat's Guide To  
What You Need To Know





Property can form a significant part of an investment portfolio for many international workers. However, in many cases, their first foray into the world of bricks and mortar occurs by accident when rather than selling they choose to rent their family home when they leave the UK behind.

Of course, while you are building a new life overseas, keeping up to date with the latest UK mortgage changes isn't likely to be near the top of your list of priorities. And if your mortgage payments are covered by the rent you receive, then surely that's all you need to worry about, right?

Well, not quite! That's why our team of UK mortgage experts have compiled this helpful e-book to cover some of the recent changes that you need to be aware of as well as some top tips on how to make the most of your UK property whether you are an experienced property investor or simply an accidental landlord.



# Should I Switch To A Buy To Let Mortgage?

If you are renting out your property without a buy-to-let mortgage in place, you may well be in breach of the contract between yourself and your mortgage lender. In fact, your mortgage provider would have the right to demand the whole of your mortgage to be paid instantly and you could receive a custodial sentence.

If your Buildings Insurance doesn't cover tenanted properties, this could invalidate any claims leaving you with repair bills that you will need to pay out of your own pocket.

For those reasons, and to avoid any unnecessary surprises, you should notify your mortgage lender either prior to renting your property out or as soon as possible.

Although changing from a residential to a buy-to-let mortgage is a very common practice, you should be aware of the important factors that are considered prior to making your decision.

Things a lender can consider as part of the approval process include: the type of mortgage that you have currently, what your plans are for the property (e.g. who you'll rent it to), whereabouts you will be living, and how many other properties you have in your portfolio.

Also, at this stage you must consider whether using your current lender or moving to new one will be the best option. Seeking the advice of a qualified mortgage adviser with access to a wide range of lenders would be one option at this point. However, you can also do your own research and apply direct to lenders. It's worth noting that when you submit an enquiry to a lender you will probably have to agree to a new credit check, too many of which can impact your credit rating.





## **How Does The Base Rate Increase Affect Expat Mortgages?**

With the UK battling to control rising inflation, the Monetary Policy Committee voted by a majority 8-1 in favour of increasing the Bank Rate by 0.15 percentage points to 0.25% on the 15th December 2021.

A bank rate rise typically sees lenders increase their standard variable rate (SVR) meaning borrowers with either SVR or Tracker mortgages will see a hike in their monthly payments.

With more rate rises predicted by many commentators before the end of 2022, If you are on either a SVR or Tracker mortgage, now is a good time to review your situation. If you are on a fixed rate deal with less than six months before your discounted period ends, you too should consider exploring your options.

## **What Is The Bank Rate?**

Often referred to as the interest rate or base rate, the Bank Rate determines the level of interest the Bank Of England pay to banks who hold money with them. It has a direct influence on what rate banks pay savers and charge borrowers.



## **Are You Making The Most From Your Property?**

Contrary to the countless online ads claiming to teach investors how to become full time landlords, it's far from easy! Ensuring you have tenants, taking care of maintenance issues and ensuring you have the correct insurances in place can be time consuming.

That said, house prices have held strong against the credit crisis in 2008 and now through a global pandemic so you could argue the pros outweigh the cons. But waiting for the golden egg that comes when you sell the property in the future isn't the only way to generate a return on your investment.

Any profit that is achieved once the mortgage payment is deducted from the rent you receive becomes a residual income that can add up over time. Making sure you have the right mortgage in place might only make the difference of a few pounds a month, but when considered a saving of even as little as £50 per month over 15 years is £9000!

## **Buy To Let Limited Companies**

Setting up a limited company to purchase properties can present significant tax relief opportunities such as allowing you to pay Corporation Tax which is often lower than income tax rates. There are cons to doing it this way so it's best to seek professional advice to establish the best options for your circumstances.



*“Whether we will see a return to pre-pandemic levels, or even pre-Global Credit Crisis levels is hard to predict.”*

---

### **What The Future Holds For Mortgages?**

Many commentators are claiming the Bank Rate will increase again in the coming months, with some stating Markets have already priced in for this to happen. Whether we will see a return to pre-pandemic levels, or even pre-Global Credit Crisis levels is hard to predict. And whilst the heady days of 2007 where the rate stood at 5.75% might not even come close to the double-digit days last seen in the nineties, it is vital to take steps to guard against uncertainty as the world recovers from the global COVID-19 pandemic.

### **Is Using A Mortgage Adviser More Expensive Than Going Directly Through A Bank?**

In short, yes, they are. However, mortgage advisers are well placed to ensure you find the best mortgage for your circumstances, in many cases they will save you money off your mortgages. Short term they are more expensive but over the long term you could save a lot more. Our mortgage advisers are dual qualified to provide financial advice across all your investments not just your mortgage requirements.





## Securing Your Future.

Wherever You Are Today.

We exist to educate and guide you through the important decisions required today, to ensure you benefit from the freedom of tomorrow.

