



Mortgages  
for Business

## **EPCs & HMOs**

**How new regulation will affect buy to let borrowing**

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- 20 years' experience in buy to let mortgage broking
- 1999 joined Mortgages for Business
- 20 years' banking experience with NatWest

## In this webinar

### Energy Performance Certificates (EPC)

- EPCs & the new rules explained
- Why & when they are being introduced
- How the rules affect landlords & their properties

### Houses in Multiple Occupation (HMO)

- HMOs & the new rules explained
- Why & when they are being introduced
- How the rules affect landlords & their properties

# What is an Energy Performance Certificate?

- **A energy efficiency rating for a property**
  - information on energy use & typical costs
  - Ratings from A (most efficient) to G (least efficient)
- **The environmental impact of a property**
  - recommendations on how to reduce energy & save costs
- **You need one whenever a property is:**
  - Built, sold or rented
- **EPCs are valid for 10 years**

# What are the new EPC rules?

## From 1 April 2018:

- BTL landlords CANNOT GRANT A TENANCY to either new or existing tenants if the property's EPC rating is F or G
- If the tenant already has an existing tenancy contract, landlords have until 1 April 2020 to ensure the property has an EPC rating of A to E
- Local authorities can enforce landlords to comply
- Fines up to £5k per property for non-compliance

## Some rental properties are exempt

- Holiday accommodation that is rented out for <4 months pa or let under licence to occupy
- Residential buildings intended to be used <4 months pa
- Listed buildings (get advice from your LA)
- Temporary buildings that will be used for <2 years

**Check Gov.uk for full list**

**Exemptions? Contact: BEIS minimum standards team:**

**[PRSregisteraccess@beis.gov.uk](mailto:PRSregisteraccess@beis.gov.uk)**

# Why are the new EPC rules being introduced?

## Minimum Energy Efficiency Standard (MEES)

- Properties with EPC rating F-G waste energy
- F-G rated properties impose unnecessary costs on tenants
- To reduce greenhouse gas emissions

## How the new EPC rules benefit landlords?

- Make properties more attractive & easier to let
- Increase tenant satisfaction
- Reduce void periods
- Reduce long-term maintenance costs
- Improve the chances of getting a buy to let mortgage...



# How EPC rules affect BTL borrowing?

- No EPC? No mortgage!
- Lenders will be checking
- Surveyors may down-value properties with no or poor EPC ratings
- Lenders are updating their policies to reflect the new rules
- Lenders may request sight of a valid EPC

## What can you do now?

- Upgrade your properties
  - Green Deal finance
  - Raise finance by remortgaging your home or a compliant property
- Remortgage before 1<sup>st</sup> April to buy a little time – not recommended!

# Check the EPC rating for your property

- Instant EPC rating retriever on homepage of our website
- Also on Gov.uk
- How to get an EPC:
  - England, Wales & Northern Ireland
  - Scotland

# What are Houses in Multiple Occupation?

Currently...

- A property rented out by at least 3 people who are not from 1 household (i.e. a family) but who share facilities such as bathroom and kitchen
- Sometimes called a house share or student let

# When does an HMO require a licence?

Currently...

- A 'large' HMO rented to 5 or more people who form more than 1 household
- At least 3 storeys high
- Who share toilet, bathroom or kitchen
- Smaller HMOs may be licensable if they are in mandatory licensing areas. Check with your council.

# What are the new HMO licensing rules?

## 1. Extend the scope of mandatory licensing to:

- Any HMO rented to 5 or more people who form more than 1 household
- With any number of storeys
- Who share toilet, bathroom or kitchen

# What are the new HMO licensing rules?

## 2. Impose minimum size requirements for bedrooms:

- 1 adult: no smaller than 6.51 sqm
- 2 adults: no smaller than 10.22 sqm
- Children up to 10 years old: no smaller than 4.64 sqm

# What are the new HMO rules?

## 3. Landlords to provide adequate waste & recycling facilities

- Onus on landlords to ensure that councils' rules on refuse & recycling are followed



# What are the new HMO rules?

## 4. “Fit & proper” test

- Local authorities to carry out these tests on anyone applying for an HMO licence
- Database of rogue landlords and property agents will be kept

# Why are the new rules being introduced?

- To prevent over-crowding
- To improve the environmental living conditions for renters and neighbours

# When are the HMO rules being introduced?

- Probably on 1st October 2018
- Need parliamentary approval\*

\*We think this was given on 23 February but need to check.

# How will the rules affect BTL borrowing?

- Non-compliance = no BTL mortgage!
- Lenders will be checking you have a licence
- Valuation reports could confirm bedroom sizes
- Non-compliant properties could be down-valued

# Best BTL Buys for HMOs (Correct at: 28/02/2018)

Rate	LTV	Description	Lender Fee	APR	RTI	ERCs
3.75% 5 year fixed	75%	Reverting to Bank Rate + 4.34% (currently 4.84%). For SPVs, individuals, portfolio landlords. <b>10+ beds accepted</b>	0.5%	5.0%	130% @ 4.00%	Yes
3.79% 5 year fixed	75%	Reverting to lender's SVR (currently 6.58%) For SPVs, individuals, portfolio landlords. Max 8 beds accepted. <b>No HMO experience required</b>	2%	6.0%	145% @ 3.79%	Yes
4.19% 5 year fixed	75%	Reverting to lender's LIBOR + 4.90% (lender's LIBOR currently 0.53%) For SPVs, <b>trading Ltd companies</b> , individuals, portfolio landlords. Max 8 beds accepted No debenture or fixed & floating charge taken	2%	5.3%	125-145% @ 4.19%	Yes

# Thank you



Any questions?

If you have any questions relating to this presentation or a business enquiry, in the first instance, please email:

[enquiry@mortgagesforbusiness.co.uk](mailto:enquiry@mortgagesforbusiness.co.uk)

OR

Call **0345 345 6788** Visit [www.mortgagesforbusiness.co.uk](http://www.mortgagesforbusiness.co.uk)

**THANK YOU FOR YOUR TIME**