

14 January 2009

## Landlords need 20% deposit or “no deal”

The buy-to-let sector has been one of the biggest casualties of the last year and a half, with 93% of all deals disappearing in that time.

Landlords unable to find more than a 20% deposit won't find a new deal after the Post Office became the last lender to withdraw its 85% LTV deals. Deals of between 10% and 15% which used to make up 61.1% of the market, are no longer available.

The number of deals for a 20% deposit has also plummeted. Landlords really need at least a 30% deposit to get the best deals and even then they are paying a hefty price.

Date	Number of BTL Products available
31/08/2007	3662
01/01/2008	1723
14/01/2009	265

Source: Moneyfacts.co.uk 14.1.09

Max LTV	% of total deals Jan 08	% of total deals now
90%	4.8%	0%
85%	56.3%	0%
80%	16.3%	5.7%
75%	14.7%	36.2%
70%	4.3%	25.3%
65%	2.7%	6.0%
60%	0.1%	23.4%
50%	0.8%	3.4%

Source: Moneyfacts.co.uk 14.1.09

	Jan 08	Now
Average 2 year fixed	6.32%	6.29%
Average 2 year tracker	6.45%	4.68%
Tracker margin above base rate	0.95%	3.18%

Source: Moneyfacts.co.uk 14.1.09

**Michelle Slade**, analyst at **Moneyfacts.co.uk**, commented:

“Falling house prices have caused the equity in many landlords’ portfolios to reduce, but with no deals available for less than a 20% deposit, many have no option but to move onto the lender’s standard variable rate (SVR) at the end of their existing deal .

“For some this may be no great hardship, but some lenders have not passed on cuts to their BTL SVRs as they have to their residential version.

“Despite a 4% drop in bank base rate since last year, landlords have seen little impact with the average fixed rate dropping just 0.03%. Tracker mortgages have come down but the average margin above base has increased to an astonishing 3.18%.

“BTL lenders have also tightened criteria, restricting the size of portfolios that landlords can have, both in number of properties and maximum total advance.

“The Mortgage Works has become the first lender to introduce a collar to its pay rate calculation, meaning borrowers will have to earn bigger rental incomes; not an easy feat in these difficult times.”

“Landlords have had a rough ride in the last year and it looks like 2009 won’t be any easier.

**Note to Editors:**

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