

# BUY TO SELL

**Buy to Sell 'BTS' is a common strategy and can be a very versatile tool if your aim is to steadily build cash reserves.**

**For most of us, the intention is always to purchase our properties at the best possible price, usually referred to as below market value or 'BMV'**

Once a property sale has completed, the seller's solicitor must obtain a receipt from the seller's mortgage lender and forward this to the buyer's solicitor to prove to HM Land Registry that the mortgage has been redeemed and account to the seller with the sale proceeds.

The buyer's solicitor will attend to the payment of Stamp Duty to the Inland Revenue. Once notification from the Inland Revenue has been received, the solicitor will proceed to register the property at HM Land Registry. Notification of registration is usually received after a few weeks.

There is a common misconception these days that there exists a 'six month' rule whereby a property cannot be re-mortgaged within six months of a prior mortgage charge.

First and foremost, this is not a rule. It is a guideline defined by the CML, which has been valid although not always enforced for a number of years. The guideline requires that the Solicitor acting for the vendor declare that the property has been owned for a period of less than six months. In the US real estate market this concept has prevailed for years as is more commonly known as 'seasoning of title'

It should be noted that these guidelines would not apply in the situation where the purchaser was settling with cash as there is no applicable loan.

Further, not all lenders are members of the CML, the list of members can be found on the CML website

[www.cml.org.uk/cml/membership/directory](http://www.cml.org.uk/cml/membership/directory)

A common question asked is this **'How you can remortgage in 6 months when you have bought BMV and the price is recorded on land registry?'**

Assuming that you want to re-mortgage using a conventional mortgage product, there are a number of ways of dealing with this situation.

1. Wait six months (although twelve months is a better option, funds allowing)
2. Fund your initial purchase using cash or private equity finance.
3. Mortgage/Re-mortgage with a non-CML member.
4. Use a commercial lending facility.

If you are adopting a BTS strategy there are clearly risks involved.

As it is impossible to forecast which lender an as yet unknown buyer will use and even if They are in the CML what their decision will be.

A wise strategy to mitigate these risks would be to base your calculations upon twelve months financing. That way, if the deal does fall through, as it may due among other things that you have no control over the buyers ability to borrow, then you can still fund it.

It is imperative that funding the project over a longer period is factored into the calculations. Far too many people fail to consider the timescales for turning around properties on a BTS strategy and then need to re-finance to release any equity as the deal was too tight from the beginning and relied heavily on equity release.

Another misconception is that a BTS investor's Solicitor could set up the deal so they never go on title. That way when the end buyer purchases the property the six-month rule is not an issue.

If the seller isn't on the title for whatever reason, then by reference to the CML handbook stated this information would need to be declared to the lender. I would therefore never advocate lying to or deceiving the lender at all.

The other obvious concern is whereby you legitimately purchased the property at a significant discount and now wish to release that equity after the title has seasoned.

**How can you go about this without any lender thinking that you have manipulated the values at all?**

Lets assume that a traditional deposit funded the initial purchase with the balance being provided by mortgage finance. At the outset you should have developed your preferred exit strategy i.e. to subsequently sell the property after six or more months.

At application stage it would have been wise to note (there is normally a separate area for additional information) that the property was bought at a discount and state the reason why.

This could be for a number of reasons, two common ones being an inheritance where the beneficiaries want a quick share out or secondly, where the property is in need of minor refurbishment.

By establishing this information with your current lender at the very outset, you are stacking things in your favour when it comes to re-mortgage. At the re-mortgage stage (in your application) you can then provide details of any improvement works that have been undertaken. This provides you with a transparent audit trail that should hopefully allow the lender to make a more informed decision when considering your application.

Should you require more detailed or general financial advice, my advice would be to contact an Independent Mortgage Broker. My broker of choice would be Lisa Orme of Keys (UK) who can be contacted on **024 7617 0096** or visit their website [www.keys-mortgages.co.uk](http://www.keys-mortgages.co.uk).

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If you would like to speak to me in more detail about any of the areas mentioned in this article, you can either email one of the YPN team or me at [rob@walkerfox.co.uk](mailto:rob@walkerfox.co.uk). Or call me directly on **07960 753550**, please mention YPN as the source of your enquiry. There is also more information available on my blog <http://walkerfox.wordpress.com>. You can also keep up with regular property related information and advice at [www.twitter.com/walkerfox](http://www.twitter.com/walkerfox)