



# HMO Mortgage Guide

**PERITUS**  
PRIVATE FINANCE

# Homes in Multiple Occupation (HMO)

## What is a HMO?

Your rental property is considered an HMO if both of the following conditions apply;

- At least 3 tenants live there, forming more than 1 household; and
- They share a toilet, bathroom and kitchen facilities with other tenants

## How do I finance my HMO?

Peritus has access to a wide range of lenders that offer HMO mortgages. Peritus are specialists in finding the best deal for you.



# What costs are involved?



- **Conveyancing fee** – Conveyancing is the legal process of transferring the ownership of a property from the seller to the buyer. This cost around £850, however, the amount can vary depending on the value of the property.
- **Stamp duty** – There's no stamp duty to pay on buy to let properties worth £40,000 and under. Properties under £250,000 are subject to 3% stamp duty. Above £250,000 between 5% to 15% applies dependent on property value.  
Check the [.gov website Stamp Duty calculator](#) for the exact figure.
- **Insurance** – It is your responsibility to ensure the building is insured from exchange of contracts. We can find you a competitive insurance quote and will not charge a fee for this service.
- **Mortgage valuation** – All lenders will insist on a valuation, this cost ranges between £150 to £300. This cost depends on the value of the property. Some lenders offer this for free. The purpose of a mortgage valuation is purely to assess whether the property is adequate security for the loan.
- **Survey** – You may wish to pay for a more detailed assessment of the property. A Homebuyer's Report makes recommendations regarding work/repairs required and covers general structure. These normally start from £400. If you are buying an older property or planning renovations, a more detailed survey called a Buildings Survey should be considered. These surveys usually start around £600.
- **Deposit** – Typically, you will need a deposit of between 25% to 40% of the value of the property. Speak to one of our advisers today to discuss the options available to you.

## Are there any tax implications of owning a HMO?

- You will have to pay income tax on rent. If you are employed or PAYE and your taxable income from letting is under £2,500 your tax code can be adjusted. You will need to complete P810 Form from your tax office. If your letting income is over £2,500 you must fill in a Self Assessment tax return. For more information on paying income tax visit <https://www.gov.uk/income-tax>
- You will need to pay stamp duty, details above in 'What costs are involved?'
- You will need to pay Capital Gains Tax when you sell your property. Visit <https://www.gov.uk/tax-sell-property> to find out how much you need to pay.

## Managing your property

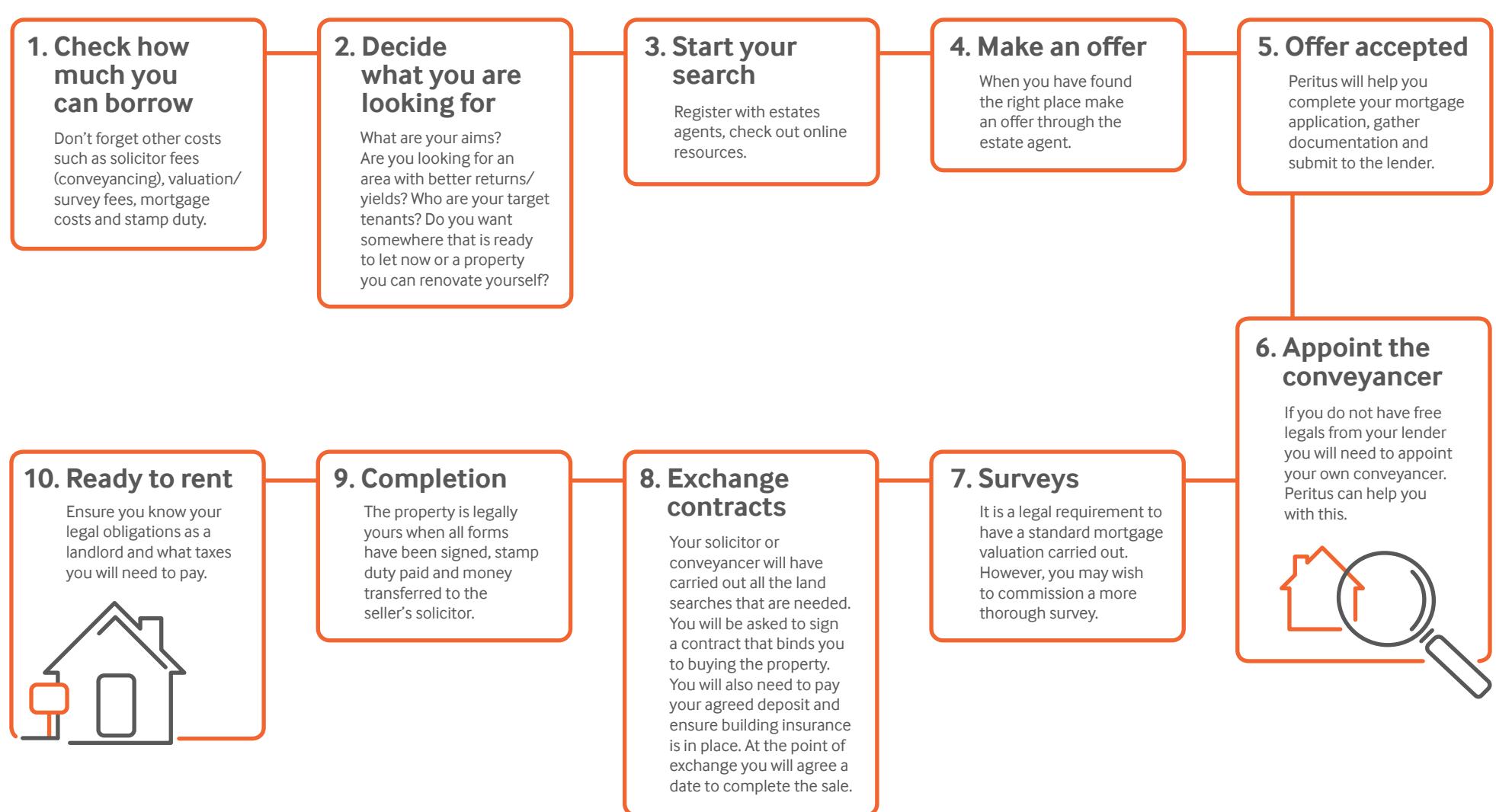
Managing the property yourself does help keep costs down, however, there is a lot of responsibility and specific legislation you must adhere to. You would need to take responsibility for the following:

- Ensure you understand the laws and regulations relating to letting your property.
- Ensure the property is safe for tenants to live in.
- Maintain heating and water systems.
- Ensure furniture meets fire safety regulations.
- Ensure the gas and electrics are safe, and certificated.
- Provide a tenancy agreement and ensure all parties adhere to their responsibilities.

Letting Agents can often provide a service to manage your property. There are typically three types of service offered:

- **Tenant find** – where they market the property and find a tenant. This is a one-off fee, usually in excess of £300 or a percentage of the first month's rent.
- **Letting only** – They take care of everything until the tenant moves into the property. A fee is charged plus a percentage of the first month's rent.
- **Full management** – This involves finding tenants and managing the property until they move out, this charge is usually 10-15% of the rental income.

# Buy to Let process



YOUR PROPERTY MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.  
There may be a fee payable for our mortgage service, usually £495, plus we will receive commission from the lender.  
The FCA do not regulate most forms of Buy to Let



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