

# Understand Reverse Mortgage On a BTL Property And How It's Work



We get a lot of questions about reverse mortgages from our clients as [BTL mortgage brokers](#). This relatively new financing product has started taking off over the UK market, especially among seniors and people nearing retirement age who want to leverage the home equity. In 2020, over 73,000 homeowners aged 55 and up in the United Kingdom used reverse mortgages and similar products to unlock £3.89 billion in equity from their houses. However, there is a lot of misunderstanding and confusion surrounding this product, so we've put together this guide to help you understand how a reverse mortgage on a [BTL property](#) is how it works so you can make informed choices.

Unlike a standard loan, which aims to help you [buy a home](#) and pay it over time so that you can own it, a reverse mortgage aims to help you raise money using the equity you currently have in your home. When the applicant dies, or if you signed a joint application, the entire amount is paid off through the estate when the last applicant dies.

## Is it best to buy an investment property with a reverse mortgage?



You can use a reverse mortgage for anything is one of the most appealing features of getting one. You can use the money to buy an investment property, complement your retirement income, make necessary renovations to your current home, pay for specialised medical care, or even vacation.

A buy to let reverse mortgage is called when it's used to [buy an investment property](#). The amount you can borrow is mostly determined by the amount of equity you have in your primary house, as well as the loan-to-value (LTV) ratio utilised by lenders. Therefore, each loan is personalised to each application and lender, highly dependent on your financial circumstances.

Also Read: [Reasons You Should Hire a Mortgage Advisor](#)

## Who is eligible to get a reverse mortgage?

Anyone aged 55 and over can apply for a reverse mortgage in the United Kingdom, while some lenders have a higher entry-level of 60 or 65. You'll also have to meet the following requirements:

- You must own your home outright or have equity in it.
- It can't be a commercial area.
- You must be a UK resident who stays in the country for at least 6 months each year.
- The younger applicant for a joint reverse mortgage must be 55 years old.

## Pros And Cons Of Reverse Mortgage On a BTL Property:



### Pros:

- You can raise money by selling or releasing the value of your property.
- You won't have to pay taxes on the money you get from a reverse mortgage.
- This money can be utilised for various purposes, such as boosting retirement income, home renovations, or purchasing an investment property.
- You don't have to make any monthly payments, and you don't have to pay back the principal or even the interest throughout your life.
- If you sell the property, you will owe no more than the loan sum or the property's worth (whichever is less).
- A reverse mortgage cannot be repaid with any assets other than the home against which it was taken out.

### Cons:

- Because reverse mortgage scams are becoming more common, it's important to go through a trusted mortgage broker.
- You could lower the amount your children will receive from your estate.
- The fees and interest rates on certain reverse mortgages are very high.
- The interest rate you're offered is decided by the lender, your situation, the amount of your loan, and the value of your home.
- The amount of money you can borrow is determined by the amount of equity and the value of your house.
- Means-tested benefits, such as income assistance, universal credit, council tax support, and pension credit, may be lost.

Also Read: [What is Buy to Let Mortgage and How it Is Work?](#)

# Are there any limitations on applying for a reverse mortgage?

Apart from requiring that applicants be 55 or older, some lenders set a reverse mortgage age limit of 85 or 95 years old. In other circumstances, there is no age limit. It means that the loan will be open for the rest of the applicant's life or, in some situations, if they enter long-term care. A [mortgage broker](#) is a great resource to employ since they can examine your situation and find a competitive lender with the correct reverse mortgage age limit to meet your needs.

## Conclusion:

It's essential to find reverse mortgage advice and loan recommendations from a reputable, ethical, and knowledgeable source because you'll be utilising one of your greatest and most valuable assets as leverage to raise funds. Our experienced mortgage brokers at [Mountview Financial Solutions](#) can go through all of your options with you, guide you through the tiny point of buy to let mortgage, and help you find a product that fits your requirements.

## Original Source:

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