Buy-to-Let Equity Release & Capital Raising

Equity on paper is not the same as cash a lender will release.



Releasing capital from a rental property can fund a deposit or refurbishment, but the property must support the new debt.

01 Calculate available equity properly

- Start with a credible property value, existing balance and the lender's loan-to-value ceiling.
- Then apply rental coverage tests, fees, charges and any early repayment penalties.
- The lower of the LTV calculation and rental-stress-based maximum may determine the actual borrowing.

02 Be specific about where the money goes

- Lenders may distinguish between funding a new investment, debt consolidation, home improvements, business use and personal expenditure.
- Prepare evidence of the purchase, works or other stated purpose.
- Ask whether borrowing can be arranged without remortgaging the entire existing balance.

03 Protect the investment case

- Work out the extra monthly interest, overall gearing, cash reserve and likely impact on the next mortgage application.
- Check whether the existing property's rental margin can absorb rate rises or voids.
- Remember that buy-to-let capital raising is not the same as a regulated later-life equity release product.

THE NUMBERS | ILLUSTRATION ONLY

A property valued at £400,000 with a £200,000 mortgage has £200,000 gross equity. At a hypothetical 75% LTV ceiling, the arithmetic headroom is £100,000 before rental tests and costs.

The mistake to avoid

Do not commit released equity to a purchase before the valuation and lender underwriting are complete.

Documents worth preparing

Valuation evidence; existing mortgage details; rental income; intended use of funds; acquisition or works budget; reserve calculation.

DISCUSS A DEAL

Send the property, borrowing requirement and your timescale to deal@wefinanceuk.com, or call 020 3917 2651.

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Important information

Your home may be repossessed if you do not keep up repayments on your mortgage. The Financial Conduct Authority does not regulate most buy-to-let mortgages. Bridging finance is typically a short-term, higher-cost form of borrowing and carries risks, particularly if the planned exit strategy is not achieved. A clear repayment strategy should be in place before entering into any agreement. Commercial bridging finance is not regulated by the Financial Conduct Authority.

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