HMO Mortgages

More rooms do not automatically mean more borrowing.



HMO lenders care about how the property is occupied, licensed, valued and operated, not only its headline rental income.

01 Classify the property correctly

- Check room count, occupants, households, shared facilities and whether the property is a small or large HMO for planning purposes.
- In England, an HMO with five or more occupiers in two or more households generally needs mandatory licensing; local schemes can cover smaller HMOs.
- Planning permission, lawful use and HMO licensing are different checks. One does not replace the other.

02 Ask the right valuation question

- Some lenders use comparable residential values; others may consider commercial investment methodology for qualifying HMOs.
- Valuation approaches vary with location, property layout, tenancy, management and lender criteria.
- Do not base your refinance exit on multiplying room rents by a yield without lender support.

03 Show that the property can operate

- Provide floor plans, bedroom sizes, fire-safety evidence, licensing documentation and realistic operating costs.
- Consider utility bills, council tax arrangements, cleaning, maintenance, management and vacancy assumptions.
- A high gross yield can hide a modest net operating return.

THE NUMBERS | ILLUSTRATION ONLY

Six rooms at £650 each produce £3,900 gross monthly rent at full occupation. One empty room immediately reduces it by £650 before the running costs change.

The mistake to avoid

Never exchange contracts on an HMO strategy without checking local planning, licensing and the lender's acceptable property configuration.

Documents worth preparing

Floor plans; room schedule; licence/planning evidence; tenancy and rent schedule; management budget; valuation and exit assumptions.

DISCUSS A DEAL

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

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