

Buying your own home



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“ Strategic and
Community Housing
Services works to
meet Haringey’s
current and future
housing need ”



Buying your own home

This leaflet is designed to help you if you are thinking about buying a property for the first time. It details the key things you need to consider before signing on the dotted line.

There are many advantages to owning your own home:

- ⦿ it belongs to you
- ⦿ you enjoy the benefits of having your own space fitted out as you like
- ⦿ peace of mind.

Rent usually increases each year, but if you buy a home you could opt for a mortgage that has an interest rate that stays the same for a fixed number of years.

Be aware that interest rates often rise when you least expect it. Therefore what could seem like a small increase could turn out to be a substantial addition to your monthly mortgage payment.

Increased value

Homes will usually increase in value over a period of time (although on rare occasions they have been known to fall). If you have purchased your own home an increase in value is clearly a great benefit, leaving you with what's called 'equity' in the property.

Equity is the difference between the value of the property and the amount of any loan outstanding on it. In the future you could use this equity to help you with your next step up the property ladder or perhaps to make some home improvements.

If you rent, it's your landlord who will benefit from any increased value in the property.

If you can afford it, buying your own home gives you the most freedom in choosing how and where you live. But think carefully before making such a large commitment.

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Will I need a deposit?

The amount of deposit you need to put down varies from lender to lender. It's usually between 5% and 10% of the property's value.

How much mortgage can I get?

It varies depending on your circumstances and the lender, but it is typically up to 3.5 times your annual income.





Options to help you buy your own home

Buying with friends

This is becoming an increasingly popular way to get on the property ladder sooner. However, it's a good idea to seek legal advice if you decide to look into this option.

Having a guarantor

You could consider having someone (like your parents) to be a guarantor on your mortgage. A guarantor is someone who agrees to repay the mortgage if the borrower fails to do so. This is usually a short term option. You can request to remove a guarantor at a later date, when you are able to pay off the mortgage yourself. Again, it's a good idea to get some legal advice if you decide to look into this option.

Shared ownership

One way to get on the property ladder is to buy a home that's available on a shared ownership basis. For example, you could own 75% of the property while someone else (usually a housing association) owns the rest. You pay a mortgage on 75% and rent on the other 25%. You would also have the option to buy more of the property in instalments.

You can find out more about this option in a separate Home Ownership Options leaflet produced by Haringey Council.

This is available from **any of our Customer Services Centres**. Alternatively, speak to Haringey's Prevention & Options Team. **See the useful contacts section at the end of this booklet on how to contact the team.**

Mortgages

A mortgage is like any other kind of loan – you borrow money, and you pay it back with interest over a period of time. But it has one key difference: it's secured against your home. So if for any reason you can't repay it, the lender can sell your home to recover their money.

Mortgage options

Repayment mortgage

Every month, your payments to the lender go towards reducing the amount you owe, as well as paying the interest they charge. So each month you're paying off a small part of your mortgage.

The pros: It's a simple, clear approach – you can see your loan getting smaller.

The cons: In the early years your payments will be mainly interest. That means if you want to repay the mortgage or move house after a short time, you'll find that the amount you owe won't have gone down by very much.

Interest only

As the name suggests, your monthly payment only pays the interest charges on your loan – you're not actually reducing the loan itself. You will therefore need to arrange some other way to repay the loan at the end of the term, such as through an investment or savings plan.

If you choose this option you will need to check that your investment or savings plan grows accordingly, so that at the end of the term you'll have enough money to pay off the loan. If it doesn't grow as planned, you will have a shortfall and you'll need to think about ways of making this up. Your bank or building society will provide you with further information on how to do this.

The pros: Because you're only paying off the interest, and not the loan itself, your monthly payments will be lower.

The cons: That debt is not going to go away. Throughout the life of the mortgage, you'll need to check your investment or savings plan is on track to repay your loan at the end of the term. If you can't repay it at the end of the term, you could lose your home.



An 'endowment' mortgage

With this you pay back the interest on the loan to the building society **and** pay an insurance premium. At the end of the loan period – usually 25 years – the insurance policy will end and, in theory, this should be enough to pay off the amount you borrowed.

However, in recent years there have been many cases where there has been a large shortfall between the policy payout and the amount owed. For this reason we would advise you to avoid endowment-type mortgages.

Other options

There are other variations of mortgages available. You can find out more by talking with your mortgage advisor.

Tenure of property

Freehold

By buying a freehold property, you are not only purchasing the bricks and mortar of the building, but also the ground on which the building stands.

Leasehold

When you buy a leasehold property, you buy only the right to live there during the duration of the lease. Buying a leasehold property is usually cheaper than a freehold property.

Interest rate deals

As well as choosing a repayment or interest-only mortgage, you will have to choose an interest rate deal. There are many differing types of interest rate deals available, so do your homework and seek out what you feel is best for you.

- ⦿ When you are absolutely sure that you wish to purchase a property, you should shop around for the best deal for you.

- ⦿ You should think ahead and make sure that the place you buy will be suitable for your needs in the next few years.
- ⦿ Are you planning to settle and start a family or do you expect to be moving on in a year or so?
- ⦿ Are local facilities, transport and shops suitable?
- ⦿ Is there a nursery or a school nearby?

Additional costs to consider

It is extremely important that you also account for legal costs, surveys, and the cost of the mortgage itself. The total initial outlay is currently around £3,000 to £4,000, including stamp duty. These extra costs are highlighted below.

Stamp duty

One of the major costs involved in buying a property is stamp duty, which is land tax payable to the government on most properties. Stamp duty is 1%, 2% or 3% of the purchase price of the property.

Remember to leave a space in your total budget to include this.

Legal fees

You will need a solicitor to do the legal work involved in buying your home. Ask for an estimate of charges before choosing one to act on your behalf.

Other costs to consider

You will also have to take into consideration your budget for:

- ⊙ Council tax
- ⊙ Buildings insurance
- ⊙ Contents insurance
- ⊙ Life insurance
- ⊙ Water rates
- ⊙ Gas
- ⊙ Electricity
- ⊙ Telephone
- ⊙ Television licence
- ⊙ Service charges (if the property is leasehold)
- ⊙ Maintenance (you will need to keep the structure in good condition and you will need to carry out regular repairs to the interior and exterior of your home).

Moving costs

These can be expensive, so shop around for your preferred choice. Removal companies may just offer transport, though some also include a packing service.

You could also move your belongings yourself by hiring a van and asking friends or family to help.

Further costs

You will also probably need to consider the cost of fixtures and fittings, such as carpets, curtains and kitchen goods, if they are not included with the property.

You normally pay this on exchange of contracts as part of your initial contribution to the purchase of your home.

Always remember that purchasing a property is a serious commitment.

Your home may be repossessed if you do not keep up payments on your mortgage.

Useful contacts

Haringey Council Information

You can contact our customer services by telephone on:

020 8489 1000

Or visit our website:

www.haringey.gov.uk

Or: *come to one of our Customer Service Centres*

Open hours Monday to Friday
8:45 to 5pm

Hornsey Customer Service Centre

Hornsey Town Hall Annexe
The Broadway
Crouch End
London N8 9JJ

North Tottenham Customer Service Centre

639 High Road
London N17 8BD

South Tottenham Customer Service Centre

Apex House
820 Seven Sisters Road
London N15 5PQ

Wood Green Customer Service Centre

48 Station Road
London N22 7TY

For more information about the advice provided in this leaflet contact:

Prevention & Options Team

Apex House
820 Seven Sisters Road
London N15 5PQ

020 8489 4309 or 0845 076 2700

preventionandoptions@haringey.gov.uk

www.haringey.gov.uk/housing

Council Tax information

www.haringey.gov.uk
council.tax@haringey.gov.uk



Français

Si vous pensez vouloir acheter votre propre logement, ce feuillet tient des informations et conseils qui peuvent vous aider. Pour en obtenir un exemplaire gratuit dans votre langue, veuillez cocher la case, compléter et renvoyer le formulaire à l'adresse au port payé ci-dessous.

Shqip

Nëse po mendoni që të blini shtëpinë tuaj, kjo fletushkë përmban informata dhe këshilla që mund t'ju ndihmojnë. Për një kopje falas në gjuhën tuaj, shënjoni kutinë, plotësoni formularin dhe dërgojeni në adresën e mëposhtme me Postim Falas.

Kurdî Kurmancî

Heke hun difikirin ku mala xwe bikin, di vê belavokê de agahî û şewirdarî heye ku dibe ku ji we re bibe alîkar. Heke hun kopîyeke bi zimanê xwe ya bêpere dixwazin, qutikê îşaret bikin, formê tije bikin û wê ji navnîşana posta bêpere ya jêrîn re bişînin.

Soomaali

Haddii aad ka fekerayso inaad gurigaaga iibsato, warqaddan waxa ku qoran macluumaad iyo talo arrintaas kaa caawiya. Si aad u hesho koobbi lacag la'aan ah oo luqaddaada ku qoran, Calaamadi sanduuqa, oo foomka buuxi kuna soo celi cinwaanka khali boosta hore loo sii bixiyay ee hoose.

Polski

Jeśli zastanawiasz się nad kupnem własnego domu, ulotka ta zawiera informacje oraz rady, które mogą ci pomóc. Aby uzyskać bezpłatną kopię w swoim języku, należy zaznaczyć odpowiednie miejsce fajką, wypełnić formularz i odesłać go na bezpłatny adres znajdujący się poniżej.

Türkçe

Ev satın almayı düşünüyorsanız, bu broşür size yardımcı olabilecek bilgi ve tavsiyeler içermektedir. Kendi dilinizde ücretsiz bir kopyası için kareyi işaretleyip formu doldurarak, aşağıda verilen, posta ücreti gerektirmeyen adrese gönderiniz.

Please tell us if you would like a copy of this leaflet in another language that is not listed above or in any of the following formats, and send the form to the Freepost address below.

In large print On audio tape In Braille In another language, please state:



Name: Tel:

Address:

Email:

Please return to: Freepost RLXS-XZGT-UGRJ, Haringey Council, Translation and Interpretation Services, 8th Floor, River Park House, 225 High Road, London N22 8HQ

Haringey Council offers this translating and interpreting service to Haringey residents. We can translate this document into one language per resident ONLY. Buying your own home

