

RIGHT TO BUY

· Mortgage Guide ·



WHAT IS *Right to Buy?*

Find out all you need to know about the Right to Buy scheme and get advice on how you can make it happen with our Right to Buy Mortgage Guide.

Have you ever thought to yourself: 'the only thing wrong with my council property is that I don't own it'? If so, the Right to Buy scheme could be perfect for you. And even if you haven't, it could still be worth some serious consideration.

First introduced in 1980, the scheme gives council tenants in England the opportunity to purchase the council property they currently live in for a discounted price, providing a valuable leg-up on the property ladder.

Sounds great, right? And in a lot of cases it is, but before rushing into anything, you must always do your homework. That's why we've put together this handy guide on the Right to Buy scheme and getting a mortgage to pay for it.

DID *you know?*

The scheme has been extended to Housing Association tenants and is called Right to Acquire, but the rules are slightly different. Contact one of our expert Mortgage Advisers for more information.

WHAT *do you need?*

As you might expect, there is certain criteria that both you and your property need to meet in order to qualify for Right to Buy.

YOU MUST:

- have been a council tenant for at least three years
- not have any legal problems with debt e.g. current bankruptcy, IVA or DRO
- have no outstanding possession orders against you

THE PROPERTY MUST:

- be your only, or main, residence
- not be specialist housing intended for disabled or elderly residents
- not be scheduled for demolition

DON'T
forget...

Your three years of tenancy do not have to be consecutive or in the same property.

WHAT'S *the discount?*

The discounts available differ between council houses and council flats and depend on a number of different factors.

	House	Flat
Discount due after 3 years' tenancy (qualifying level)	35%	50%
Additional discount per year if you have over 5 years' tenancy	1%	2%
Discount capped at	70% or max £84,600 (London £112,800)*	70% or max £84,600 (London £112,800)*

As you can see, even though it's possible to get a healthy discount, there could still be a substantial amount left to pay. In this instance, you may need to take out a Right to Buy Mortgage, which you can find out more about on the following pages.

*Max as at 6th April 2020 and could increase if Consumer Price Index increases.

DON'T
forget...

If your landlord has invested money into the property for maintenance or renovations this may affect your discount and could even cancel it out completely.

WHAT'S *the process?*

Once you have established that you qualify – and more importantly, that you can afford it – it's time to get the ball rolling! Here's a rundown of the process.

STEP 1

Fill out a Right to Buy application form, also known as an RTB1 Notice. For most, the easiest way to do this is online, however, your landlord can provide you with a paper copy, if required.

STEP 2

Within eight weeks (freehold properties) or 12 weeks (leasehold properties), your landlord will respond with an offer notice (S125). This confirms the property valuation, the discount you'll receive, any structural problems that they are aware of and full terms and conditions.

STEP 3

As long as you are happy with everything in the offer notice, you'll now need to arrange your Right to Buy mortgage and complete the purchase. This will involve having a survey conducted, appointing a solicitor, and choosing the right mortgage product for you. The specialist Right to Buy Mortgage Advisers at The Mortgage Centres can take care of all of this for you and ensure you get the most appropriate deal, so give us a call today to find out more.

DON'T *forget...*

If your landlord doesn't reply by the deadline or you don't agree with the property valuation, you can appeal. In this situation, having an expert mortgage broker to help fight your corner can be extremely useful.

RIGHT TO BUY

mortgages

In most cases, applying for a Right to Buy mortgage is exactly the same as any other mortgage product, but there are a few key differences – good and bad – that may affect you.

DISCOUNT =
no deposit

Most lenders will accept your Right to Buy discount in place of a cash deposit.

SMALLER LOAN =
bigger choice

The Right to Buy discount should mean borrowing less which makes for a better choice of products.

HIGH RISE =
high risk

Some lenders will not consider flats in tower blocks, especially if they're higher than seven storeys.

NON-STANDARD =
non-starter

Properties of non-standard construction, such as timber frames, may cause problems.

DON'T

forget...

Don't be seduced by incentives or rewards. These might seem attractive at first, but can turn out to be more expensive in the long run. A mortgage broker can cut through all the noise and find the right deal for you, so get in touch with our team to discuss your options.

RIGHT TO BUY

mortgages (continued)

WHAT IF YOU'RE *self-employed?*

The only thing this will affect is how a lender assesses your income. It very much depends on your type of self-employment however, as a general rule, a lender will need to see your last two years tax returns and/or business accounts.

WHAT IF YOU'RE *retired?*

The term retired can mean many different things, so a lender will assess every situation individually. However, it all comes down to affordability, so if you have the income to afford the mortgage, it's very much a possibility.

WHAT IF YOU'RE *buying with a partner?*

A lender will usually want to see that the names on the Right to Buy paperwork match that of the mortgage and in turn the property ownership, however, there could be other options. Speak to one of our experts today to find out more.

WHAT IF YOU *want to sell?*

You can sell your home whenever you like, but it may come at a cost. Under the rules of the Right to Buy scheme, if you sell within five years, you will likely have to pay back some or all of your discount and if you sell within 10 years your local authority will have first refusal. In addition to this, your mortgage product may apply an early repayment charge, so always make sure you're clear on the facts from the beginning.

CAN YOU *really afford it?*

Although with your discount a Right to Buy purchase sounds like a no-brainer, it's extremely important that you do your sums before making any decisions, especially if you plan to take out a mortgage.

When purchasing any property, there are a number of costs that can be easily overlooked in the initial excitement, but can make all the difference in the long run. Here are some examples of the most common costs that you may need to consider.

SHORT TERM

Deposit

Some lenders will not accept your Right to Buy discount as a mortgage deposit, so make sure you shop around.

Survey fees & legal fees

Surveyors and solicitors are essential parts of the house-buying process and both come at a cost.

Stamp Duty

Depending on the value of the property you may need to pay Stamp Duty on the purchase.

Mortgage arrangement fees

This is what you could pay for the lender to set up your mortgage and it can vary significantly from deal-to-deal.

CAN YOU

really afford it? (continued)

LONG TERM

Maintenance & repairs

You'll be responsible when something goes wrong, so set some money aside for emergencies.

Monthly mortgage payments

Before applying, always use an online calculator to get a rough idea of the monthly cost or speak to a Mortgage Adviser.

Buildings & life insurance

For freehold properties, buildings insurance will be required and life insurance may also be a consideration to protect those you leave behind.

Service charges

For leasehold properties, you'll likely need to pay an ongoing service charge for the maintenance of communal areas.

DON'T

forget...

A mortgage broker can help you to assess your finances and get a better idea of what you can and can't afford. Call our expert team today to arrange a friendly chat.

WHAT IF *you have bad credit?*

Unfortunately, it's a fact that having bad credit will likely make it more difficult to get a Right to Buy mortgage, but the good news is that you are not alone, and it is certainly still worth enquiring.

GET SPECIALIST HELP

You're possibly going to need a lender that specialises in bad credit applications and you may not be able to find them in the mainstream market. Calling us gives you access to all the right knowledge and connections to find the most appropriate deal.

TIME IS THE GREATEST HEALER

As time goes by, blemishes on your record become less of an issue until they are removed from your file completely after six years. So, if you can wait a while, it may make your application a whole lot easier.

ENSURE YOUR AFFAIRS ARE IN ORDER

Lenders will analyse the data on your credit file when considering you for a mortgage, so it is a good idea to ensure everything is in order (refer to pages 11 and 12 of this guide for some pointers).

DON'T *forget...*

While it is possible to find a Right to Buy mortgage with bad credit it can be a very complicated process, so we would highly recommend speaking to one of our specialists who will be best placed to advise you and work on a plan moving forward.

WHAT IF

you have bad credit? (continued)

The fact is that any major adverse credit event is possibly going to cause problems, but don't let it get you down! Below you'll see that, with a little patience, you can hopefully still get to where you want to be.

REPOSSESSIONS

Within a year, only a handful of lenders will even entertain an application. However, after three years a few more will consider it and after six years most will look at an application.

BANKRUPTCY

With this on your record you're always likely going to need a specialist lender, but once three to six years have passed many lenders will be prepared to consider your application.

ARREARS

If you're currently in arrears it's very likely this is going to have an impact. It however depends on how severe and what they relate to for how a lender will view this.

DMPS & IVAS

Current Debt Management Plans (DMPs) or Individual Voluntary Arrangements (IVAs) will be problematic but not necessarily the end of the road for a mortgage, and be rest assured that this will very likely change for the better three years after you've settled them.

DEFAULTS & CCJS

As with most aspects of adverse credit, this very much depends on the lender. When the default or CCJ was registered and how much they are for will be taken into consideration.

LATE PAYMENTS

Along with missed payments, these could also have an impact on your chances of a mortgage. How many and when they occurred will be taken into account.

DO YOURSELF *a favour...*

There are many ways that you can make it easier for yourself to get a Right to Buy mortgage. This section outlines a few of the most effective.

REGISTER *to vote*

You'd be surprised just how much of a difference this simple task can make to your chances of a successful mortgage application. If not already on there, do it now if you can! This is one of the simplest ways a lender can make a check that you reside where you say you live.

PAY YOUR BILLS *on time*

Any bills that are missed or paid late could result in a bad credit rating which could cause issues with your mortgage choices.

FINANCIAL *housekeeping*

Make sure addresses and other details are up-to-date on all accounts – from credit cards to phone bills.

MAKE NO OTHER *applications*

Numerous credit checks can have a detrimental effect, so keep all credit applications to a minimum in the lead-up to your application where possible.

DO YOURSELF

a favour... (continued)

BOOST YOUR *credit score*

Strangely enough, sometimes the best way to improve your credit rating is to borrow money. One way to do that is to spend a small amount on a credit card each month, but make sure you pay the minimum payment on time each and every month, or better still pay it off in full!

NO CASH *on credit*

Withdrawing money on a credit card can be a warning to a prospective lender, plus it's typically not cheap, so best to avoid it altogether if at all possible.

REVIEW UNUSED *credit*

Look at any unused credit facilities on your file such as old credit cards that you no longer use. A large amount of available credit can be detrimental to a mortgage application so close these completely.

STEER CLEAR OF *payday loans*

Payday loans might seem like a lifeline, but for most mortgage providers they are an indication of cash flow problems. We recommend you consider alternative solutions wherever possible.

DON'T RUSH

into anything!

Even though the savings available through the Right to Buy scheme make it potentially worthwhile, that doesn't mean it's the right thing for you to do.

The devil is most certainly in the detail, so what might seem like a great opportunity could easily become quite the opposite after doing your research. Therefore, before making any decisions, here are few things to remember:

DO YOUR *homework*

By reading this guide you've already taken the first step, so well done! But it's important that you don't stop here. There's a vast amount of advice and information online, all it takes is a quick Google search and it's at your fingertips. A top tip however, do ensure what you are reading is up to date.

ASK FOR *advice*

The opinions of your friends and family can be extremely useful. If they've been through it themselves, their personal experience will be priceless. But even if they haven't, an impartial outsider's view can often be even more valuable.

SPEAK TO *an expert*

In most situations like this, it's the unknown that is the most terrifying part. It's for this reason that speaking to an expert can be really helpful. Having a friendly face that can answer all of your questions in the context of your specific circumstances will hopefully provide you with the reassurance you need.

LET US DO *all the hard work*

Entering into the Right to Buy scheme for the first time can be an intimidating and bewildering experience. There are so many conflicting opinions to consider, different processes to understand and pieces of industry jargon to decode that it's easy to feel like you're drowning.

That's where we come in. Here at The Mortgage Centres, we have a specialist Right to Buy team that knows the process inside and out. With such extensive experience, these experts are perfectly placed to guide you through.

We also typically have access to 12,000 mortgage products across 90+ lenders, so we can obtain many deals that you won't see on the high street, often on an exclusive basis.

With all this expertise at your disposal, teaming up with the Right to Buy team at The Mortgage Centres means you can be absolutely sure you're making the right choice.

Simply give us a call, answer a few questions about your situation and we'll do the rest.





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