

MORTGAGES & SOLICITORS

This leaflet gives some general information about mortgages & solicitors. It also explains some of the common terms during the purchase of a property. Please note that the explanations given are not precise legal definitions.

Mortgages

Very few people can afford to buy a property outright using their own savings. Most people have to borrow money and usually take out a mortgage (a long term loan) from a bank or building society (a lender)

Many lenders will lend three times a person's yearly income, or two & a half times a couple's joint yearly income. Some lenders will agree to lend more.

But it's important to think carefully about how much you can afford to pay each month, taking into account your other commitments & allowing yourself enough money to live on comfortably.

When you apply for mortgage your lender will take up references for you and inspect the property. Once they are satisfied with their checks, they will offer you a mortgage.

You repay your mortgage within an agreed fixed time, normally 25 years and interest is charged on the amount you owe (the interest rate will vary).

Mortgages are secured on property. This means that if you sell your property, you must repay the mortgage and that your lender has a legal right to claim your property from you if you don't keep up the mortgage payments.

There are lots of different types of mortgage available and your lender or financial adviser will explain them to you.

Please note that banks & building societies vary in their lending policies and may not lend on all types of properties.

For further information on mortgages:

www.moneymadeclear.fsa.gov.uk or telephone 0845 6061234 or contact Somer and they will be able to obtain a Mortgage Information Booklet for you.

MORTGAGE COMMON TERMS

Advance

The mortgage loan

Equity

The difference between the value of your home & the amount of your mortgage

Gross Income

Income before any deductions are made (for example, tax, national insurance)

Guarantor

A person (often someone in your family) who guarantees that your mortgage payments will be made. In most cases, a guarantor is not needed.

Homebuyer's Report

A more detailed surveyor's report

Insurance

If you are buying a leasehold property, buildings insurance is included in the service charge that you pay to the Trust. Contents insurance is not included.

Mortgage Term

The length of the loan, for example 25 years

Mortgagee

A lender – a bank or building society giving a mortgage

Mortgagor

A person who borrows money to buy a home

Mortgage Offer

The formal paperwork that your lender sends you, offering you a mortgage

Net Income

Income after deductions have been made

References/Credit Checks

Your lender will assess the risk of lending you money by taking up references & running a credit check on you. You will be asked to provide proof of your income & the lender will look at your financial record, for example, checking how you've managed any previous credit arrangements. They will also write to the Trust for a rent reference, asking how you've maintained your rent account.

Valuation

A basic inspection of a property to assess its value & general condition. Your lender will inspect the property & prepare a report – you pay for this & usually get a copy of the report.

The legal work

If you decide to go ahead with your purchase, you will need to choose a solicitor or licenced conveyancer & ask them to deal with your purchase.

Your solicitor will guide you through the legal stages of buying your home. They will do searches & make enquiries on your behalf & when you have a mortgage offer (if needed) arrange completion of your purchase.

You can get a list of solicitors from the Law Society on 0870 606 6575 or www.solicitors-online.com. You can ask your lender, the Citizens Advice Bureau or local libraries.

Some people choose their solicitor because family or friends have recommended them, but others phone around & get several quotes before deciding. If you phone around for quotes, check what the quote includes for example, the solicitor's fee, search & Land Registry fees, stamp duty.

Once you've decided which solicitor you're going to use, you need to let us know. If you've already sent back your acceptance form, please phone the Right to Buy Department 01225 366000. If not, just fill in the acceptance form sent with your offer & return it to us.

LEGAL COMMON TERMS

Completion Date

The date when the money is paid, the buyer completes their purchase & ownership of the property passes to the buyer.

Conveyancing

The legal work which transfers ownership of a property from one person (in this case the Trust) to another

Deposit/Exchange of Contracts

Under the Right to Buy you do not pay a deposit and you do not exchange contracts.

A completion date will be agreed between your solicitor & our solicitor.

Disbursements

Fees which your solicitor collects from you & pays on your behalf, including stamp duty, Land Registry fees, search fees & other costs. These are not the solicitors own charges.

Freehold

The ownership of a property & the land on which it stands, with no time limit (for example, a whole house)

Freeholder

The owner of a freehold property

Ground Rent

A small fee paid by lessees to a landlord. The Trust's ground rent is £10 per year

Land Registry Fee

A fee paid to the Land Registry to register ownership of a property

Legal Fees

The charge made by a solicitor to carry out the conveyancing.

Lessee/leaseholder

The owner of a leasehold property

Leasehold

The ownership of a property (for example, a flat or maisonette) for a fixed number of years. If you buy a flat or maisonette from the Trust you're usually given a lease for 125 years from the date of sale completion.

Local Search

A buyer's solicitor checks with the Trust to see if there's anything which could affect the property (for example, if any new developments are planned there)

Preliminary Enquiries

General questions the buyer's solicitor asks & the seller answers

Stamp Duty

A Government tax that you pay when you buy a property which costs more than £120,000.

The tax is 1% of the purchase price (not the valuation) for properties that costs between £120,001 & £250,000, For example, if you are paying £130,000 for your home, you pay stamp duty of £1,300.