

Sample Costs for Purchasing an Affordable Ownership Home

Community
First

Expenses:

Survey: A professional report on the house, either a homebuyers report or a full survey. These will range from £400 to £900. Even if you decide not to have a survey your lender (e.g. building society or bank) will insist on a mortgage valuation. They may pay for this, more likely you will be charged in the region of £200.

Stamp Duty: This is a tax payable by the purchaser and is related to the value of the property. For properties up to and including £120,000 you will be exempt. For properties over £120,000 and up to and including £250,000 you will need to 1% of the contract price. However, the government recently announced that it would be suspending Stamp Duty for one year (up to September 2009) for houses costing less than £175,000. In the case of shared ownership properties you will need to speak to your solicitor/conveyancer as they are a special case, but use the figures above as a guide.

Legal Fees: Your solicitor/conveyancer will charge you in the region of £300-500, plus there will be legal disbursements (e.g. searches, land registry transfer fees) of a further £300-400. Check with your solicitor/conveyancer for more information.

Mortgage Set-up Costs: Some mortgages, especially fixed or discount rates can have a set-up cost. These range from a £100 upwards. This can be added to your mortgage in many cases. Speak to an independent mortgage advisor who will be able to give you more information.

Removal Cost: This will depend greatly on how far you are moving and how much you have to move. Budget for a minimum of £500 with an average move being closer to the region of £1,000-1,500. Remember to get a number of quotes, prices can vary considerably from one company to another. PLUS it is important that you DO NOT book your removals until exchange of contracts. If you do and your completion date moves you may lose your deposit, which is normally about a third.



Mortgage and Rent Costs, plus income examples

Whether purchasing through the Homebuy or shared ownership scheme mortgages cost approximately £60pcm for each £10,000 you wish to borrow, assuming you take a 25-year mortgage. You will only pay mortgage on the equity share you have, typically 50% for shared ownership and 75% for Homebuy. For those in the shared ownership scheme current rent charges stand at 2-4% per annum of the remaining equity that you don't buy.

We strongly recommend that you speak to an independent financial advisor in order to find out how much you can borrow, but on the next page we give examples that you can use as a rough guide.

Example 1, Shared ownership purchase: You want to buy a shared ownership home, value £130,000 available on a 50% equity share. The share you will be buying is £65,000 (i.e. you will need to have mortgage and deposit that total at least this amount). The rent is 2% (of the remaining equity) so will be £1,300 ($65,000 \times 2 \div 100$) per annum. You are joint applicants with a combined annual income of £24,000 and a deposit of £3,000 but you have loans and credit card payments that cost £150pcm.

What to Calculate	Our Example	Space for your Workings
Total your monthly costs for loans, minimum credit card payments, any maintenance/alimony payments	£150 for loans/credit cards	
Multiply this by 12 to get your annual expenses for these items	$£150 \times 12 = £1800$	
Add the annual rent (to your annual expenses)	$£1,800 + £1,300 = £3,100$	
Subtract this figure from your (joint) annual salary/earnings (before tax/deductions)	$£24,000 - £3,100 = £20,900$	
For joint applicants multiply this by 3, for single applicants multiply by 4	$£20,900 \times 3 = £62,700$	
Add to this any deposit you have saved to give your total APPROXIMATE buying power	$£62,700 + £3,000 = £65,700$	

Example 2, Homebuy purchase: You want to buy a property through the Homebuy scheme value £120,000. You will own the whole property but only have to pay for 75% of the equity. This share will cost £90,000 (i.e. you will need to have mortgage and deposit that total at least this amount). You are a single applicant with an annual income of £23,000 and a deposit of £5,000 but you have loans and credit card payments that cost £100pcm.

What to calculate	Our Example	Space for your workings
Total your monthly costs for loans, minimum credit card payments, any maintenance/alimony payments	£100 for loans/credit cards	
Multiply this by 12 to get your annual expenses for these items	$£100 \times 12 = £1,200$	
Subtract this figure from your (joint) annual salary/earnings (before tax/deductions)	$£23,000 - £1,200 = £21,800$	
For joint applicants multiply this by 3, for single applicants multiply by 4	$£21,800 \times 4 = £87,200$	
Add to this any deposit you have saved to give your total APPROXIMATE buying power	$£87,200 + £5,000 = £92,200$	

Note: By applicants in these examples we mean income earners, you may be making a joint application for a home, but if only one of you is earning use 'single applicant' to calculate borrowing.

Disclaimer: This guide does not guarantee that you can borrow the amount calculated, please speak to a mortgage advisor.

Finally: Don't worry if you haven't saved a deposit as many mortgage lenders have schemes especially for shared ownership.