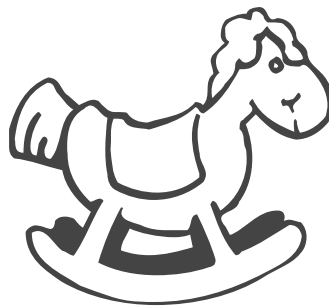


Buying a Home

- A guide to those important first steps -



A home is one of the Largest financial commitments you would make in your life. The three being a **Home**, **Kids School Fees** and your **Pension**. It is also one of your most important financial decisions alongside your career.



There are 5 asset classes you can invest in.



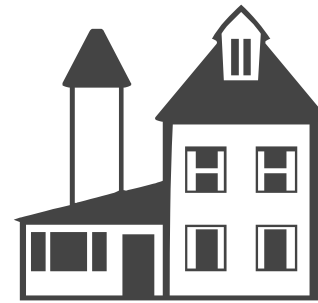
Cash



Stocks



Bonds



Property



Commodities

Why you should buy

Shelter
Store of value
Cash cow

Why some do not buy

Time
How to go about it
Affordability
Vicarious bad experience

- If you wait values don't wait.
- Historically Interest rate keeps dropping
 - Cost of borrowing cheaper now.
- Crossrail/ Infrastructure spending raises prices



Historically Interest rate keeps dropping

Date Changed	Rate		
Thu, 05 Mar 2009	0.5000	Tue, 18 Sep 2001	4.7500
Thu, 05 Feb 2009	1.0000	Thu, 02 Aug 2001	5.0000
Thu, 08 Jan 2009	1.5000	Thu, 10 May 2001	5.2500
Thu, 04 Dec 2008	2.0000	Thu, 05 Apr 2001	5.5000
Thu, 06 Nov 2008	3.0000	Thu, 08 Feb 2001	5.7500
Wed, 08 Oct 2008	4.5000	Thu, 10 Feb 2000	6.0000
Thu, 10 Apr 2008	5.0000	Thu, 13 Jan 2000	5.7500
Thu, 07 Feb 2008	5.2500	Thu, 04 Nov 1999	5.5000
Thu, 06 Dec 2007	5.5000	Wed, 08 Sep 1999	5.2500
Thu, 05 Jul 2007	5.7500	Thu, 10 Jun 1999	5.0000
Thu, 10 May 2007	5.5000	Thu, 08 Apr 1999	5.2500
Thu, 11 Jan 2007	5.2500	Thu, 04 Feb 1999	5.5000
Thu, 09 Nov 2006	5.0000	Thu, 07 Jan 1999	6.0000
Thu, 03 Aug 2006	4.7500	Thu, 10 Dec 1998	6.2500
Thu, 04 Aug 2005	4.5000	Thu, 05 Nov 1998	6.7500
Thu, 05 Aug 2004	4.7500	Thu, 08 Oct 1998	7.2500
Thu, 10 Jun 2004	4.5000	Thu, 04 Jun 1998	7.5000
Thu, 06 May 2004	4.2500	Thu, 06 Nov 1997	7.2500
Thu, 05 Feb 2004	4.0000	Thu, 07 Aug 1997	7.0000
Thu, 06 Nov 2003	3.7500	Thu, 10 Jul 1997	6.7500
Thu, 10 Jul 2003	3.5000	Fri, 06 Jun 1997	6.5000
Thu, 06 Feb 2003	3.7500	Tue, 06 May 1997	6.2500
Thu, 08 Nov 2001	4.0000	Wed, 30 Oct 1996	5.9375
Thu, 04 Oct 2001	4.5000	Thu, 06 Jun 1996	5.6875
Tue, 18 Sep 2001	4.7500	Fri, 08 Mar 1996	5.9375
Thu, 02 Aug 2001	5.0000	Thu, 18 Jan 1996	6.1250
		Wed, 13 Dec 1995	6.3750
		Thu, 02 Feb 1995	6.6250
		Wed, 07 Dec 1994	6.1250
		Mon, 12 Sep 1994	5.6250
		Tue, 08 Feb 1994	5.1250
		Tue, 23 Nov 1993	5.3750
		Tue, 26 Jan 1993	5.8750
		Fri, 13 Nov 1992	6.8750
		Fri, 16 Oct 1992	7.8750
		Tue, 22 Sep 1992	8.8750
		Tue, 05 May 1992	9.8750
		Wed, 04 Sep 1991	10.3750
		Fri, 12 Jul 1991	10.8750
		Fri, 24 May 1991	11.3750
		Fri, 12 Apr 1991	11.8750
		Fri, 22 Mar 1991	12.3750
		Wed, 27 Feb 1991	12.8750
		Wed, 13 Feb 1991	13.3750
		Mon, 08 Oct 1990	13.8750

Source: <http://www.bankofengland.co.uk/boeapps/iadb/Repo.asp?>

— THE LONDON UNDERGROUND —

RENT MAP



Buy

VS

Rent

Build Equity
Capital Appreciation
Equity Release

Flexibility
Little Capital
Little Fees

Rent where you want to live and Buy Where you can afford

Getting Ready

- Sort out your Credit
- Get on the electoral Roll
- Estimate your costs - Deposit, Stamp Duty, Valuation, Legal Fees, Survey Fees, Mortgage Fees
 - How much deposit can you put together ?
 - How much can you borrow comfortably ? (4 and a half times earnings)
- Learn about diff types of mortgages (Fixed, Variable etc) and how the general economic conditions affect them
- Approach a lender or broker to get a mortgage in principle to save time
- Also different schemes: Help to Buy, Right to buy, Shared ownership, Guaranteed Mortgages (Bank of Mom and Dad)



Credit

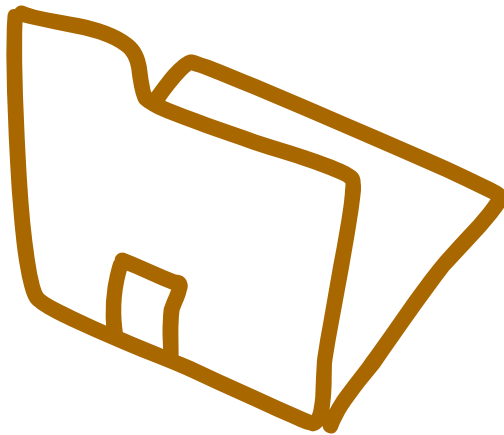
Credit is a prediction of future behavior

Little credit history is as bad as poor credit history

Build Credit history with credit cards

You can check your rating with Equifax or Experian

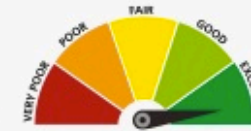
<http://www.moneysavingexpert.com/loans/credit-rating-credit-score>
for more information on credit



Credit

EXCELLENT
961-999

Most lenders would regard this score as very low risk and would expect very few people in this category to experience serious problems with repaying credit.



GOOD
881-960

Most lenders would view this score as low risk and would expect few people in this category to experience serious problems with repaying credit.

FAIR
721-880

Most lenders would regard this score as moderate risk and would expect only a small proportion of people in this category to experience serious problems with repaying credit.

POOR
561-720

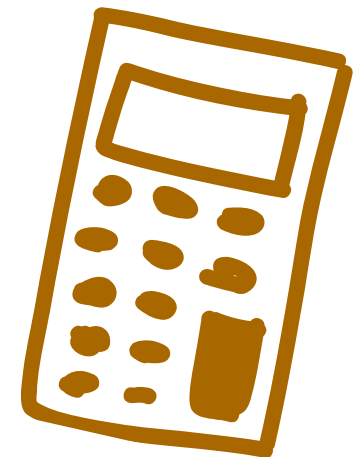
Most lenders would view this score as high risk and would expect a high proportion of people in this category to have serious problems with repaying credit.

VERY POOR
0-560

Most lenders would regard this score as very high risk and would expect most people in this category to have serious problems with repaying credit.

Typical Costs

1. **D**eposit - (5 - 10)%
2. **S**stamp Duty - See Table Below
3. **V**aluation - £150 - £1500
4. **L**egal Fees - £500 - £1500
5. **S**urvey Fees - £250 - £600
6. **M**ortgage Fees - £0 - £2000
7. **B**ooking Fee to reserve mortgage - £99 - £250



Stamp Duty

Freehold sales and transfers

You can also use this table to work out the SDLT for the purchase price of a lease (the 'lease premium').

Property or lease premium or transfer value	SDLT rate
Up to £125,000	Zero
The next £125,000 (the portion from £125,001 to £250,000)	2%
The next £675,000 (the portion from £250,001 to £925,000)	5%
The next £575,000 (the portion from £925,001 to £1.5 million)	10%
The remaining amount (the portion above £1.5 million)	12%

Example

If you buy a house for £275,000, the SDLT you owe is calculated as follows:

- 0% on the first £125,000 = £0
- 2% on the next £125,000 = £2,500
- 5% on the final £25,000 = £1,250
- Total SDLT = £3,750

Fixed Mortgages

- Regardless of Interest rates your payments are fixed
- Payments don't go up over the life of the fix
 - You know exactly what you are paying
- Starting rates usually higher than variable
 - You don't benefit if interest rates fall

Tracker

Tracks the Bank of England Base rate.
It is however not the same as. It just follows it's movements

SVR

Roughly tracks the Bank of England rate - usually 2 to 5 above base rate - but can be moved at anytime by lender.

Discount Rate

This offers a discount on the Lender's Standard Variable Rate. Discounts usually last a short period.

Variable Mortgages

- Payments rise and fall with the interest rate
 - Comes in three varieties
- Tracker, Standard Variable Rate & Discount rate mortgages

Help to Buy

- Helps those who have a small deposit of about 5%
- Has two forms. **Equity Loans** and **Mortgage Guarantees**
- Under **Equity loans** you can borrow 20% of the total amount of a new build home interest free for **5 years** after which rates rise in line with inflation
- Under **Mortgage Guarantees**, available for both Old and New builds. The Government undertakes to cover the Lender's losses as a result of any problems you might have paying it back.
- The maximum the scheme covers is properties up to the value of **£600,000**

Right to Buy

- This is for tenants who rent their home from the Local council or housing association.
- You would have to have rented from the public sector for 3 years
 - Amount varies based on location and how long you have lived there.
 - Maximum Discount is **£77,900** but up to **£103,900** in London. It increases every year in Line with the CPI.
- Homes - You get **35%** discount if you've been a public sector tenant for 3 - 5 years and it goes up by 1% every year after that to a maximum amount
- With flats the initial discount is **50%** and rises by 2% annually after that.
- If sold before **5 years** after purchase you have to pay back all or some of the discount.

Shared Ownership

- You buy a share of the property from the Landlord. usually a Council or Housing association and rent the other share.
- You would still require a mortgage for your share
- The option to buy the other share up to a 100% is available to you

Guaranteed Mortgages

- Parent's can guarantee mortgages on behalf of their offspring.
- Equity release also an option

Tips

- How to save on Capital Gains Tax
- How to save on transferable equity
- Getting the dream home



What is the best type of property to Buy ?

Freehold

Home

Maisonette

Leasehold

Traditional

Terraced Housing

Flat



Where do you buy ?



Where to find the properties ?

Housing Associations

Auctions

(Not necessarily cheap)

Internet Portals

(Set an Alert)

Register in the location you want to buy

Word of mouth.

Registering with estate agents



Local agents

Friends and Family

The Homes of Your Life

You would occupy 5 homes typically in your lifetime. Your Parents home, First home out of school, Family Starter Home, Your Dream Home and the home you to retire to. You build equity along the way.

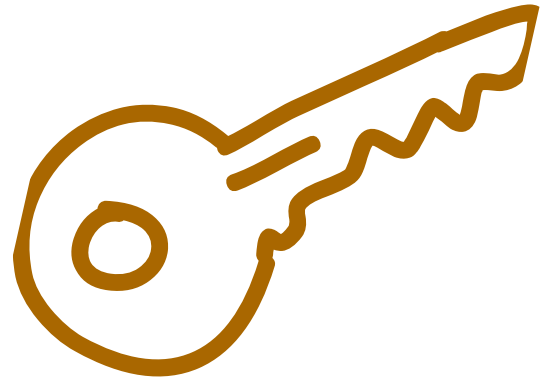
No rent
No Council Tax
No Bills

Rent
Council Tax
Bills
Mortgage



The Purchase Process

- Find a property you can afford
(factor in changing circumstances/interest rate rises and stamp duty)
- Make an offer
- Find a solicitor
- Get a surveyor to look at the property
- Finalise the offer and mortgage
(you can agree a mortgage in principle in advance)
- Exchange contracts
- Completion



Parting Thoughts

- Build equity
- Review your interest only mortgages
 - Leverage on equity
 - Write a will