



Right to Buy and Mortgages

Know the facts

1) Will I have enough money for a deposit?

Most banks and other mortgage providers treat the Right to Buy discount as a deposit. Some lenders will require you to provide some of your own deposit and this might make your monthly repayments cheaper. Shop around to compare deals available to you or talk to a mortgage broker and get impartial advice before making up your mind. The Money Advice Service is a good place to start.

2) Do I need a specific 'Right to Buy mortgage'?

No. You have access to the same mortgage products available on the market as everyone else. Shop around and get impartial advice before making up your mind on the mortgage product that is best for you.

3) Will the bank treat me differently from other people applying for mortgages because I'm buying mine under the Right to Buy?

No. Lenders apply the same rules and requirements to those taking out a mortgage for a Right to Buy purchase as everyone else. The key consideration for them is that you can afford to make your monthly repayments both now and if circumstances change in the future – for example if interest rates go up. They will also check that the type of property is suitable for a mortgage – for example, some lenders won't lend money on a high-rise block of flats.

4) What if my bank/building society turns me down for a mortgage?

Each bank and building society has its own lending criteria, so a decision made by one lender may not be the same decision that would be made by another. A mortgage broker or independent financial advisor may be able to help. Some brokers and advisers charge for their services so make sure you check before appointing them.

5) Can I only apply to my own bank/building society for a mortgage?

No. You are free to consider other lenders. Try visiting the Money Advice Service website (www.moneyadviceservice.org.uk) for free impartial advice on choosing a mortgage. A broker may also be useful if you think you might have a poor credit history (for example if you have missed making payments on a credit card or mobile phone bill).

6) What information will I need to provide as part of my mortgage application?

As part of your application you will be asked for basic information (including age, proof of address, the property you want to buy, proof of discount, marital status, etc.) along with proof of your monthly income and expenditure.

Lenders will ask detailed questions to help them get an overall picture of your financial circumstances and how you manage your money. They need to know you can afford to pay your mortgage now and in the future. They will consider your monthly income against your monthly outgoings, including any loan repayments, utility bills and general living expenses (such as food, going out, clothes etc.). You will also need to include any additional expenses for your partner or spouse, and dependents (and for joint applicants, the person joining in with the Right to Buy).

Lenders will also consider any possible changes in your circumstances – such as redundancy or retirement – which may affect your ability to meet your monthly repayments in the future.

7) Will lenders do any further checks?

Most lenders will also look at information provided to them by Credit Reference Agencies (such as Callcredit, Equifax and Experian) which gives an indication a person's 'credit rating' based on how they've managed credit in the past. This type of credit could include loans, credit or store cards and utility bills. They will also arrange a basic valuation survey of your home to check how much it is worth.

8) I'm worried about my credit rating? What can I do?

There are mortgage brokers who specialise in advising on mortgages where you have a poor credit rating however the cost of these mortgages is often higher than average so think carefully before you commit yourself and be certain about what you can afford. Otherwise there are steps you can take to improve your credit rating. It is possible to ask credit reference agencies to add a 'short statement' to your credit file to explain any entry on it and this will be taken into account in future assessments of your credit worthiness. Try visiting the Money Advice Service website (www.moneyadviceservice.org.uk) which also contains some helpful tips on improving your credit rating.

9) What is a 'decision in principle'? Is it the same as a mortgage offer?

A decision in principle from a lender tells you how much they are willing to lend you in theory, based on a quick assessment of how much they think you can afford a month. It is not the same as a mortgage offer, which the lender will only make once they have conducted the necessary financial checks, and a basic valuation of the property to check how much it's worth.