

Council or Housing Association tenants



Want
to make
your
home
your
own?



Find out if this could be the
right time to consider buying



Department for
Communities and
Local Government

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Why you might like to buy

Now might be your best opportunity to become a homeowner. You may be eligible for a discount of up to £77,000, or up to £102,700 if you live in London.* Your home could be a valuable asset for you and your family and an investment for the future. This could be your first important step on the property ladder.

Home ownership provides a special sense of pride. It would give you more freedom to make the changes you want to make to your home, and to move when and where you want to – for example, to take up a new job in another area, or take the next step on the property ladder.

Buying your home is a big decision for you and your family. The responsibilities, costs and financial commitments that ownership brings need to be thought about carefully, so you should always seek impartial advice before buying.

With the opportunity for bigger discounts available now, this could be the perfect time to decide if it's the right choice for you.

This booklet sets out the main information you need to get you started, the questions you should ask, how to take the next steps, and useful contacts for free, unbiased advice and information.

*This amount will increase with the rate of inflation in April every year.

Do you have the Right to Buy?

You could be eligible for a Right to Buy discount if

- ☒ You are a council tenant
OR
- ☒ You were a council tenant when your home was transferred to your current landlord

If you were living in your home when it was transferred from the council to another landlord, like a housing association, you may have a 'Preserved' Right to Buy.

If so, you could be eligible to buy your home in the same way as if you were still a council tenant. If not, you may still be able to buy your home at a discount.

- ☒ You have been a public sector tenant for at least 5 years

If you have been a tenant for 5 or more years (it doesn't have to be five years in a row) you could qualify to buy the home you currently live in. It must be your only or main home.

- ☒ You don't live in sheltered housing or other housing particularly suitable for elderly or disabled people
- ☒ Your home is not due to be demolished

There are some homes that you may not be able to buy under the scheme. Check this out with your landlord if you are not sure.

- ☒ You don't have any legal problems with debt

This could include if you are an un-discharged bankrupt, have a bankruptcy petition pending against you, or have obtained a debt relief order.

- ☒ You don't have any outstanding possession orders

You cannot buy your home if a court makes a possession order which says that you must leave your home (usually made because you have not paid your rent, or have breached the terms of your tenancy agreement in some other way).

- ☒ If you can answer 'yes' to these statements, you are probably eligible but your landlord will need to confirm this. See 'Right to Buy – step by step guide' flowchart on page 16.

You don't have to do it alone

You can make a joint application. So if you're eligible, you might be able to buy your home with:

- Someone who shares your tenancy.
- Your spouse or civil partner.
- Up to 3 family members who've lived with you for the past 12 months. They don't have to be on your tenancy agreement but it must be their main home.



You
may qualify
for an
even bigger
discount

What discount could you get?

The longer you have been a tenant, the bigger the discount you get off the market value of your home, up to a maximum discount of £77,000 (£102,700 if you live in London).

Discount levels for houses and flats start at 5 years of eligible tenancy, increasing every year up to a maximum of 70% of the property value.

See our website for a handy **Right to Buy Calculator**. It'll help you work out the discount you could receive.

You could also check out **local estate agents** and property websites to get a rough idea of what your property could be worth.

House

Discounts start at 35% for 5 years' tenancy. Add 1% for each extra year of tenancy up to 70% or the cash maximum, whichever is lower.

(e.g. 10 years tenancy = 40%,
20 years = 50%)

Buying a house Example 1

Current house value	£120,000
Years as a tenant	10 years
Eligible discount (35% + 1% for each year over 5 years)	40%
Discount value	£48,000
Price you pay for house (£120,000 less £48,000)	£72,000

Buying a house Example 2

Current house value	£230,000
Years as a tenant	20 years
Eligible discount (35% + 1% for each year over 5 years)	50%
Discount value 50% discount in this example is £115,000, which is above the cash maximum	£77,000
Price you pay for house (£230,000 less £77,000)	£153,000

Flat

Discounts start at 50% for 5 years' tenancy. Add 2% for each extra year of tenancy up to 70% or the cash maximum, whichever is lower.

(e.g. 10 years tenancy = 60% discount,
15 years = 70%)

Buying a flat Example 1

Current flat value	£100,000
Years as a tenant	10 years
Eligible discount (50% + 2% for each year over 5 years)	60%
Discount value	£60,000
Price you pay for flat (£100,000 less £60,000)	£40,000

Buying a flat Example 2 (London)

Current flat value	£270,000
Years as a tenant	10 years
Eligible discount (50% + 2% for each year over 5 years)	60%
Discount value 60% discount in this example is £162,000, which is above the cash maximum	£102,700
Price you pay for flat (£270,000 less £102,700)	£167,300

From 21 July 2014, the maximum percentage discount for a house increased to 70% (in line with flats) and the maximum cash cap will increase in April every year in line with inflation.

You might get a slightly lower discount if you previously purchased through Right to Buy on another home or if your landlord has spent some money on improving your home.

If you have made improvements to your home, make sure you inform your landlord (as part of the application form) so that they can reflect this in the valuation.

Home
ownership
comes
a
step
closer



Can you afford it?

For most people, buying a home is the biggest investment they will ever make. It's an exciting time, but there is a lot to think about.

You need to look at all the costs involved (not just mortgage repayments) and work out if you can afford it not only now, but in the future too, when your circumstances may change. And bear in mind that house prices could go down in future as well as up.

It's a good idea to look into the costs of home ownership as early as possible, before you get too far into the Right to Buy process. You are responsible for how you finance your Right to Buy – your landlord can't arrange this for you.

This section provides an overview of the costs as well as where you can get more information and free, unbiased advice. There's a checklist on pages 14 and 15 that can help get you started.

Mortgage or loan

You are likely to need a loan or mortgage, which you would pay back with interest, usually in monthly payments. The interest rate will be in the mortgage deal that you agree with your lender (usually a bank or building society) and can change over time.

Remember that interest rates could go up or down in future which will mean the money you will pay back each month could change significantly.

How much can you borrow?

This depends on **your personal circumstances**, such as your income, your outgoings, whether you're buying alone or with someone else.

You agree with the lender how long you need the mortgage for and whether you can afford the monthly payments.

When deciding the period your mortgage will be paid over, remember that when you retire this could affect your ability to afford mortgage repayments.

The **type of property** you live in can also affect whether you can get a mortgage – for example some lenders won't lend money on a flat in a high-rise block.

Even if you don't need a mortgage yourself, it's worth checking whether lenders are willing to give mortgages on the type of property you are buying. You may want to sell in the future to someone who does need a mortgage.

Finding the best option for you

There are different mortgage options available from different lenders. For example, some will treat your Right to Buy discount as your deposit, while others will not.

It's worth shopping around to compare the deals available to you, and get impartial advice before making up your mind. The Money Advice Service is a good place to start – they provide free, unbiased advice.

You could take a look at comparison sites and online calculators to help you get an idea of costs. You could also talk to a

bank, building society, mortgage broker or an independent financial adviser (IFA). Some brokers and advisers charge for their services. Ask before appointing them and whoever you speak to, make sure they are regulated by the Financial Conduct Authority (FCA).

Many lenders will also charge a fee to set up a loan or mortgage. Make sure that you understand the terms and all the costs involved before you commit to anything.

Check out carefully any person or company offering to help you buy your home as some of them may charge a fee.

The company may be offering a deal which is far better for them than for you.



Checklist

- Shop around.
- Get advice.
- Check all the costs upfront (the cheapest quote may not be the best one for you).
- Check out carefully anyone offering to help.

Other costs of buying a home

There are some one-off costs when buying your home, as well as ongoing costs. Costs below are correct at time of publication and are only provided as a guide. See our 'useful contacts' on page 20 for more information.

One-off costs

Mortgage advice

You may choose to get advice from an independent financial adviser or mortgage broker.

Costs vary and may be a set fee or percentage of the loan.

Survey

You may want to get an independent survey done. This will highlight any problems (such as repairs) you'll need to know about before you buy.

Costs can vary depending on the type of survey. Typically they start at around £250 for a basic valuation survey.

Legal fees

You will need to hire a solicitor or other licensed conveyancer for the legal aspects of your purchase (searches, land registry fees, deeds etc.).

Costs can vary. Typically £500-£750.

Stamp duty

This is a one-off tax you pay when you buy a property. The amount is based on a percentage of the purchase price and varies according to the property value. Stamp duty does not apply to properties under a certain value (currently £125,000).



Things
to consider
before
you buy

Ongoing costs

When you buy your home, you take on some ongoing costs and responsibilities that you might not have as a tenant. These include:

Maintenance and repairs

As a homeowner, your landlord will no longer organise repairs to your home. You will need to organise and pay for these yourself. This could include electrical and plumbing jobs through to more expensive repairs such as a new boiler or repairing your roof.

It's a good idea to set aside some money each month for maintenance and repairs. Be aware that you may need permission for some changes (such as planning permission for an extension) so check before you get started.



Service charges when buying a flat or leasehold house

Flats (and some houses) are leasehold properties. When you buy a leasehold property, the freeholder (your current landlord) will still be responsible for maintaining the building and the surrounding area (communal areas) – as defined in your lease.

As a leaseholder, you will pay your share of these costs – known as the 'service charge'. When major repairs and maintenance are needed in your block or estate, you'll have to pay a share of the costs too.

This can be several thousands of pounds should, for example, a new lift or new windows be needed.

You are protected from unexpected costs for the first 5 years. When you buy, your landlord must give you an estimate of your service charges for this period (see step 4 on page 17). They can only increase this amount to take account of inflation – even if something unexpected needs doing.

After 5 years, the service charge can rise to reflect actual costs. Your landlord must consult with you before starting any major works. Before you buy, ask about any long-term plans for repairs, works or improvements to your block of flats or surrounding area.

Home improvements for leaseholders

You may need permission from the freeholder (your current landlord) to make certain changes to your property. This should be set out in your lease – check it carefully with your solicitor before you sign it.

The same rules apply to all leases (whether it's a council or a private property).

Where to get help if you're thinking of buying a leasehold property

It's worth talking to local leaseholders to learn about their experience of service charges in your area.

Free information and advice is available from the Leasehold Advisory Service. You'll find their contact details on page 20.

Insurance

You may already have insurance for the contents of your home. As a homeowner you will also need to insure the building (if you are a leaseholder you will pay your share of this cost).

You may also want (or be required by your lender) to get income protection or life insurance in case anything happens to you while you're paying off your mortgage or loan.

Other considerations

As a homeowner you will not be eligible for housing benefit.

Your home could be at risk if you aren't able to keep up your mortgage or loan payments.



Checklist

- Check if you are buying a leasehold property and look into the costs.
- Work out your monthly outgoings. Don't forget to include all your living costs, such as food, clothes etc.
- Set aside some money for repairs.
- Think about what you'll do if things change in the future.
- Fill out the table on pages 14 and 15.

Selling or transferring your home later

Once you buy your home through the Right to Buy, you can sell it whenever you want. But there are some things you should be aware of.

If you sell within 10 years:

you first have to ask your former landlord if they want to buy your home back, at market value. If they say 'no' then you can sell it on the open market.

In addition:

If you sell within 5 years:

you will usually have to repay some or all of the Right to Buy discount – the amount depends on the price you sell at and how long you have been the owner.

This also applies if you agree to transfer ownership to somebody else.

If you live in a rural area:

you may only be allowed to sell your home to somebody who lives or works locally. Ask your landlord about this.

Working out the costs

Being a homeowner can bring many benefits, but it also brings important responsibilities. Use this section to help you work out the costs, benefits and drawbacks of home ownership for you. Fill out the table below to help you work out your current monthly outgoings as a tenant, and compare that with the costs of being a homeowner. When working out what you can afford, it's important to factor in all of your outgoings, such as food, clothes, utility bills, phone, car etc.

Compare your outgoings to your household income.

One-off costs when you buy (see page 10 for details)			
Legal fees	£	Stamp duty	£
Survey fees	£	Other costs	£
Total			
Income		Now (tenant)	Homeowner
Wages		£	£
Housing benefit		£	n/a
Other income (benefits etc)		£	£
Total		£	£
Ongoing costs (monthly)		Now (tenant)	Homeowner
Mortgage repayments		n/a	£
Rent		£	n/a
Council tax		£	£
Utility bills (water, electricity, gas, telephone, etc)		£	£
Insurance (buildings and contents)		£ Contents only	£
Life assurance and illness cover		£	£
Internal upkeep/maintenance (repairs to heating system, DIY etc.)		£	£
Major repairs / improvements		n/a	£
Service charges (if applicable)		£	£
Other costs (general living expenses such as food, going out, clothes etc.)		£	£
Total		£	£
		Now (tenant)	Homeowner
Total monthly income		£	£
Less monthly outgoings		£	£
Your money left over each month		£	£

Advantages of buying

Advantages of renting

Possible drawbacks of buying

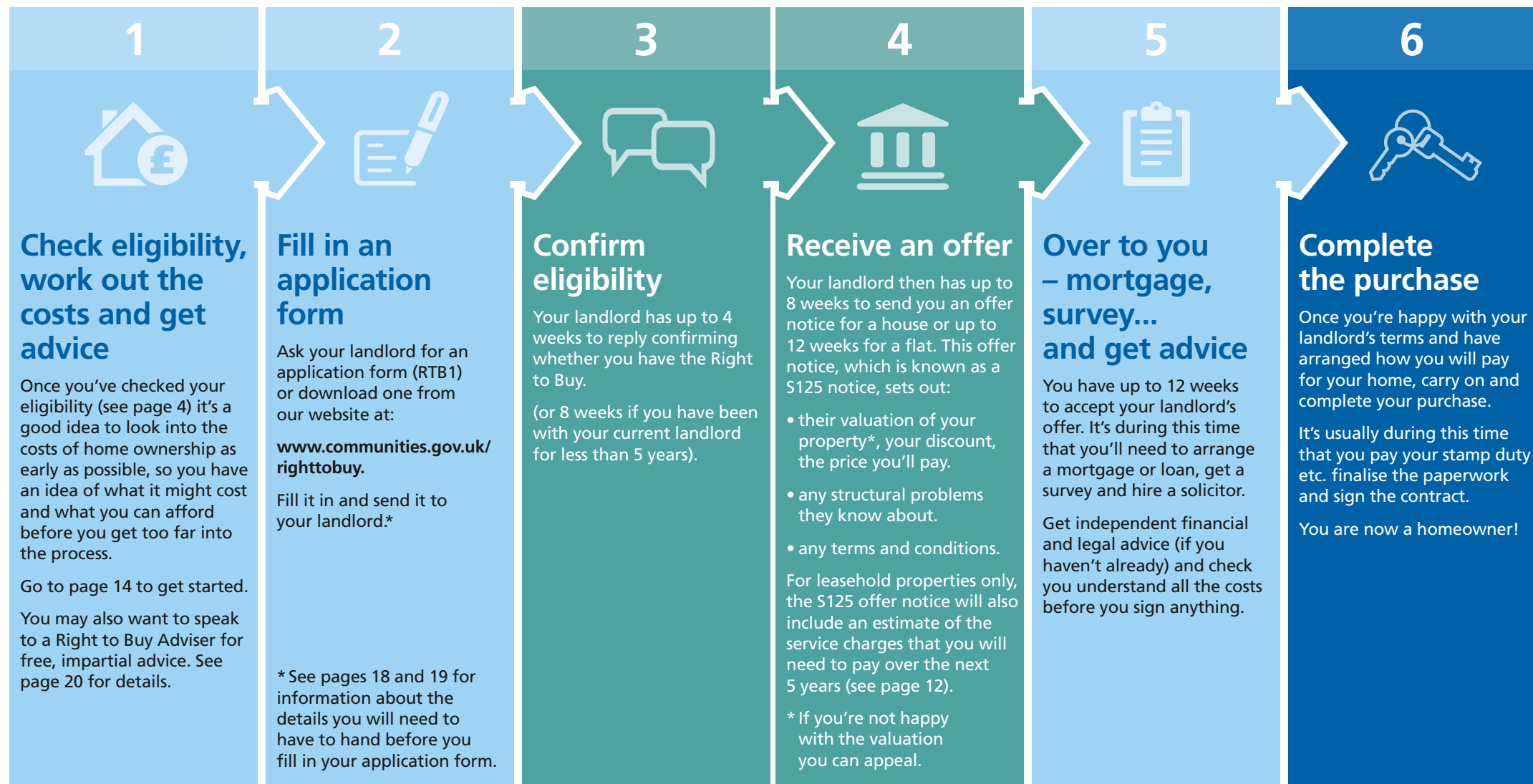
Possible drawbacks of renting

Summary

The Money Advice Service has a range of tips and tools to help you budget and work out what you can afford. See page 20 for contact details.

Right to Buy – step by step guide

If you're eligible for the Right to Buy discount you could be on your way to owning your home. Here are the six key steps you need to follow.



What to do if your landlord doesn't meet the timescales

Buying a home can be a long process and can take several months. Your landlord must process your Right to Buy application within certain timescales (shown in the diagram). If they don't meet these timescales or delay without reason, you could get a reduction in the sale price. Find out more about **delay notices** on www.communities.gov.uk/righttobuy



Guide to completing your application form (RTB1)

If you think you are eligible and feel ready to apply for the Right to Buy, you need to fill out the RTB1 application form.

You can download it at www.communities.gov.uk/righttobuy on the 'How to apply' page or get one from your landlord. Make sure you have the following information to hand before you fill out your application form. Our Right to Buy advisers can help you complete the form. See page 20 for their contact details.

Part A The property

The full address of the property you want to buy
Remember to include the area where you live and the full postcode.

The name of your landlord
For example Basildon Council.

Part B The tenant(s) and family member(s)

The full names of everyone listed on your tenancy agreement (or 'rent book')
For example RICK SMITH would probably be RICHARD JAMES SMITH. Remember to tick the boxes to say whether the property is each tenant's only or principal property, and if they wish to buy. On joint tenancies, not all tenants may wish to buy.

The full names of family members who wish to share the Right to Buy with you
They must be a spouse, civil partner or wider family members and over 18. Wider family members can also join in but they must have lived in the property as their main home for at least the last 12 months.

Part C Qualification and discount

Details of your current and previous tenancies
You will need dates, names of tenants, addresses and name of landlord for your tenancies. This includes those of your spouse/civil partner, those of your former spouse/civil partner who you have separated from/ divorced, or who has died, and parents who previously held the tenancy.

Details of any other properties you have bought under the Right to Buy scheme, or at a discount through any other Government scheme, for example Right to Acquire
You do not need to give details of applications, only purchases.

Part D Previous discount(s)

Details of any discount previously received under the Right to Buy
You might get a slightly lower discount if you have purchased through Right to Buy on another home. Include details of address of the property purchased, name of landlord and date of purchase.

Part E Tenants' improvements

Details of any improvements you have made whilst living in the property
The improvements may have increased the value of the property. If you list them in your application, the value of the improvements will not be included in the valuation of the property so you don't pay twice.

Part F Signatures

Signatures of all tenants
Make sure all tenants sign in the correct place. On page 10, the first set of boxes are for family members who are not tenants but want to share the Right to Buy. The second set of boxes on page 11 are for tenants who do not wish to share the Right to Buy.

Questions to ask yourself before you buy

Do I have the Right to Buy?

Before you start this process use the checklist on page 4 to see if you might have the Right to Buy.

Can I afford it?

Use the checklist on pages 14 and 15 to work out the costs, benefits and possible drawbacks of buying. It's worth doing this before you get too far into the process.

Can I afford it if things change in the future?

Remember that your home could be at risk if you're not able to keep up your mortgage or loan repayments. So work out your budget, don't over-extend yourself financially and make sure that you have some savings set aside for a rainy day.

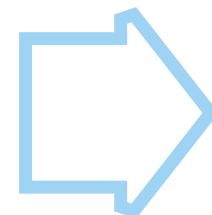
What are the benefits and risks?

Owning a home can be a good investment for the future, and gives you more freedom to make your home your own. But make sure you've also considered the risks and responsibilities.

Where can I get advice?

See page 20 for contact details of organisations that can give free and unbiased advice on buying your home.

See back for
more useful
contacts



Once you've completed and signed the form, send it to your landlord.

Where to get the advice you'll need

Useful contacts

Buying a home can be exciting but there is a lot to think about. Your landlord can help you with part of the process, but you need to arrange other parts (such as finances) yourself.

The Government works with a number of organisations who provide free and unbiased advice and can help point you in the right direction.

To find out who your landlord is, look for contact details on a recent letter or newsletter.

Right to Buy Agent Service

The Government's Right to Buy Agent service offers free and impartial advice on Right to Buy and, if you decide home ownership is the right choice for you, can help you through the process of buying your home, including providing information on finding a mortgage, appointing a solicitor and arranging a survey. You can get in touch with a Right to Buy adviser by phoning the helpline to get started, or, if you've already begun the Right to Buy process, to take the next steps.

Telephone: 0300 123 0913
www.communities.gov.uk/righttobuy

Money advice

The Money Advice Service is an independent organisation set up by government.

They provide free, impartial advice on a range of financial matters. This includes tips and tools to help you budget, choose a mortgage and work out whether you can afford monthly repayments.

Telephone: 0300 500 5000
www.moneyadviceservice.org.uk

Buying a leasehold property

The Leasehold Advisory Service (LEASE) provides free, unbiased advice on leasehold properties, including guidance on service charges and ground rent.

Telephone: 0207 383 9800
www.lease-advice.org

Stamp duty

For information on stamp duty and the latest rates go to:

www.gov.uk/stamp-duty-land-tax-rates

General Right to Buy information

Visit the Government's dedicated Right to Buy website, with eligibility quiz, discounts calculator, application form and guidance, delay notices and further information.

www.communities.gov.uk/righttobuy

Not eligible for Right to Buy?

For information about other government home ownership schemes visit GOV.UK at:

www.gov.uk/affordable-home-ownership-schemes