

# *Thinking about buying a home?*

A guide to the main costs, and sources of help

## About Us

Housing Options Scotland is a Scottish charity that aims to resolve the housing problems faced by disabled people. This leaflet is one of a series of general information leaflets about different aspects of home ownership.

When we use the term 'disabled' this includes people with learning difficulties, sensory impairments and mental health problems. It also includes families who have a disabled person in their household.

Buying a home involves financial and legal transactions which can be complex. We provide information and advice, but we are not lawyers or financial advisors. Everyone should seek appropriate professional advice.

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## *Before you buy*

Before you decide to buy, take a look at all your housing options:

- Renting from the local authority
- Renting from a housing association
- Renting privately
- Shared ownership
- Full ownership

Think carefully about which option suits you best. Ownership is not always the best option - for many people, renting meets all their needs, including getting a house with suitable adaptations. If you have considered these options and still want to own a home of your own, here is a guide to the costs you can expect to pay.

## *Costs of buying*

### *The mortgage*

Mortgage is the legal name of a loan where you give the lender the title to your home in exchange for the loan of money to buy it. People take out mortgages to buy a home or to do repairs and improvements to their existing homes. The loan usually lasts for 15 – 25 years. Most people raise the money to buy a house through a mortgage lender - a bank or building society. A lender will fund part or most of your house purchase, depending on the size of deposit you are able to make on the house.

There are several different types of mortgage, and which one you choose depends on your circumstances. The range of mortgages offered by a lender will come with different monthly payments and conditions. To find out which one suits you best you may want to talk to a Financial Adviser. Advisers can either be 'tied' to one financial

lender, or they can be independent and represent a selection of lenders. Whichever you choose, ask to see a choice of mortgage packages from different lenders.

Once you have found a lender who offers a suitable mortgage, you will need to tell them about:

- Your income and where it comes from
- The value and costs of the house you want to buy
- Your financial situation - do you have other loans or debts? Do you have rent or mortgage arrears? Are there any bad debt or court judgements against you? What are your savings or investments?

### *The deposit*

Lenders will usually require a deposit of at least 10% of the value of the property you want to buy. If you need to borrow more than 75% of the value of the property, your mortgage will be considered 'high loan to value', and most lenders will require a fee from you to cover the additional risk of lending such a high percentage of the value.

### *Legal fees*

In Scotland, you need a solicitor in order to buy a house. They will charge fees for professional advice, and for providing the legal documents for the mortgage and house purchase. The cost of legal fees varies according to the cost of the property and how complicated the transaction is, but you should budget for around £1000. If you have a house to sell, you will also have legal and estate agency fees to pay, and the amount will depend on the value of your home. Ask your solicitor for an estimate.

### *Home report*

The Home Report was created in December 2008 to replace surveys being commissioned by all the prospective buyers of a property. It comprises three documents: a Single Survey, an Energy Report and a

Property Questionnaire. The seller will make the Home Report available to prospective buyers of the home.

- The Single Survey contains an assessment by a surveyor of the condition of the home, a valuation, and an accessibility audit for people with particular needs.
- The Energy Report contains an assessment by a surveyor of the energy efficiency of the home and its environmental impact. It also recommends ways to improve its energy efficiency.
- The Property Questionnaire is completed by the seller of the home and contains additional information about the home, such as Council Tax banding and factoring costs.

### *Land and Buildings Transaction Tax*

If you buy a house costing below £145,000 then you do not have to pay any Land Buildings and Transaction Tax. However, if you buy a house costing more than £145,000 you will have to pay LBTT. The amount of LBTT payable depends on the tax band your property falls into. For a house costing between £145,000 - £250,000, LBTT is charged at 2% on anything over £145,000. For example, for a house costing £200,000 you will pay no tax on the first £145,000 and 2% on the remaining £55,000, totalling tax of £1,100.

If the house costs between £250,000 - £350,000, you will again pay nothing on the first £145,000, 2% tax on the amount between £145,000 - £250,000 and 5% tax on anything above £250,000. The table below shows the tax bands and corresponding rates currently in place:

<b>Purchase price</b>	<b>LBTT rate</b>
Up to £145,000	0%
Above £145,000 to £250,000	2%
Above £250,000 to £325,000	5%
Above £325,000 to £750,000	10%
Over £750,000	12%

### *Additional Dwelling Supplement*

In addition to LBTT, if you or your partner (including cohabitants) already owns a house at the time of purchasing a second property, you will have to pay a second tax called Additional Dwelling Supplement (ADS). This is payable on all second properties costing over £40,000 at a rate of 3% of the value of the total purchase price. The rules surrounding this tax can be quite complex so it is worth consulting a solicitor if you think this may be applicable to you.

### *Insurance*

Depending on the type of mortgage you take out, and your family circumstances, you may need life assurance to ensure your mortgage is repaid if you die before the end of the loan period (usually 25 years). Because disabled people can be viewed as a higher risk by insurance companies, you will find it helpful to consult a financial adviser who understands your situation to get the best deal on assurance.

### *Interest rates*

Interest rates go up and down and, unless you have a fixed rate mortgage, the amount you have to pay each month will normally change to reflect this. Before you take out a mortgage, work out how much extra you can afford if the interest rate goes up. If you do not keep up your mortgage payments, you could lose your home.

### *Property values*

Property values also go up and down, although in the long term, they generally increase. It is important to consider the risk of a short-term fall in prices and how this would affect you, before you take out a mortgage.

### *Moving costs*

Moving to a new house incurs costs such as installing a telephone, white goods, carpets and furniture that are not included in the house price. You may also need to make adaptations to the house, such as installing a ramp at the front door. Check what you will need before you move so that you know you will have the money to cover it.

### *Budgeting*

If you already have your own house, you will be used to budgeting for the usual running costs of a home. Remember that, if you previously rented and are now buying your first home, many of the costs previously met by your landlord will have to be paid from your own income now.

If this is your first home, you will have to budget for running costs such as gas and electricity, telephone, council tax, maintenance and repairs. The survey report should identify areas that might need attention in the near future, such as window or roof repairs. Money Advice Scotland offers free advice on budgeting.

### *Help with costs*

All of the costs listed so far can add up to a substantial amount of money, so it is important that you know how you are going to manage. If you do not have savings set aside, you may be able to get help with some of these costs:

- Gifts and loans e.g. from family members
- Adding certain initial costs to your mortgage e.g. legal fees
- Community Care Grant from the [Scottish Welfare Fund](#) (administered by your local council)

If you receive certain welfare benefits, you may be eligible for extra benefit to help pay the mortgage interest. Our leaflet 'Benefits based

borrowing' explains this - ask your adviser if you think you might qualify.

If your new home needs adaptations, your occupational therapist can help identify what you need and how to get specialist technical advice. You may be eligible for a local authority grant towards the cost of adaptations.

### *Getting further advice*

Buying a house can seem complicated but 60% of people in Scotland have already done it successfully. You will get a lot of help along the way – much of the process can be handled by your solicitor and financial adviser. Ask for help and advice from:

- Your solicitor
- Banks or building societies
- Independent Financial Advisers
- Solicitor's property centres
- Estate agents
- Builders or developers
- Any [Citizens Advice Bureau](#)

### *Other useful contacts*

The [Council for Mortgage Lenders website](#) will give you information about mortgages and buying a home.

You will find lots of fact sheets and booklets about mortgages on the [Money Saving Expert website](#)

And of course, Housing Options Scotland is ready to direct you to the most appropriate source of advice to meet your needs. See page 2 of this leaflet for our contact details.