

## OTHER COSTS

Getting the deposit and the mortgage sorted out is often the first thing that people think about when buying their own home. But when you're working out your budget, don't forget the other costs too. Some of the expenses are 'one offs' that are simply part of the buying process – for example, fees for solicitors and surveyors, and stamp duty. Others, such as mortgage protection, become long term commitments.

**Extra security:** Most lenders are happy to consider lending up to 75% of the purchase price or valuation of your home. If you want to borrow more than this, the lender may need extra security. This usually comes in the form of an insurance policy which the lender will arrange for their own benefit. You may have to pay the one-off premium for this. (This is known as a 'Higher Lending Charge'.) If you do, most lenders will allow you to add it to the mortgage amount.

The insurance policy covers any loss the lender may incur, after repossessing then selling your home, if they do not recover the full amount of the mortgage. If this happens, you will be legally responsible for any shortfall on the mortgage. Even if the lender has insurance in place the insurer generally has the right to recover the shortfall from you.

**Surveys: (Valuation Report)** you normally have to pay the lender a fee for a surveyor to value your new home. This is done for the lender's benefit, to confirm the property is adequate security for the loan. It should tell you if there's something seriously wrong with the property, but it doesn't involve a detailed inspection. The percentage of the value you can borrow will be based on the figure in the report, and not necessarily on the price you have agreed with the seller.

**(Other Surveys)** for your own peace of mind, it is a good idea to arrange your own survey. If you're buying an older property or planning to live in an area that's suffered from subsidence in the past, we strongly recommend you get a survey done. You may be able to save money by using the same surveyor who carries out the lender's valuation.

A 'homebuyer's report' is usually more thorough than the lender's report and tells you whether the property is structurally sound. But it gives no guarantees. A 'full structural survey' costs more but gives the added guarantee of legal protection against incorrect information.

**Tax: (Stamp duty)** Stamp duty is a tax on buying property, and applies to all properties\* worth over £125,000, as the chart below shows. Your solicitor will collect the stamp duty.

\*Since November 2001, the purchase of property in certain designated disadvantage areas has been exempt from stamp duty, where the purchase price does not exceed £150,000. Your solicitor or HM Revenue & Customs can let you know where these areas are.

<b>PURCHASE PRICE</b>	<b>STAMP DUTY PAYABLE</b>
Zero to £125,000	Nil
Over £125,000 to £250,000	1% of the purchase price (on the whole amount)
Over £250,000 to £500,000	3% of the purchase price (on the whole amount)
Over £500,000	4% of the purchase price (on the whole amount)
These limits may change	

**Solicitors:** As well as paying a solicitor or licensed conveyance for the work that he or she does, you will have to pay the cost of land registry charges and local search fees. The whole process means that once the sale goes through, the property really belongs to you and you are fully aware of any factors affecting the property.

**Application fees:** Some mortgage lenders now charge an application fee to cover their initial administration costs. Fees are especially common with limited offers like fixed rate deals and may not be refunded if your purchase falls through. Some lenders offer mortgage deals with cash back which cover some or all of these fees.

Your mortgage consultant or lender can prepare a full written quotation which shows how you'll have to pay each month and what the upfront charges are.

It may also be helpful to look at the annual percentage rate (APR) on your mortgage quotation. This should account for the true cost of the mortgage, including everything you have to pay to get the loan, like an application fee or higher lending charge. But remember that the APR spreads the upfront charges over the whole period of the loan, even though, on average people move home every 13 years. So, the charges can make more difference than the APR might make you think.