HOUSING Matters

THE MAGAZINE OF THE JOINT SERVICE HOUSING ADVICE OFFICE

August/September 2011

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BUYING WITH A PARTNER

TYPES OF MORTGAGES

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HOUSING Matters

THE MAGAZINE OF THE JOINT SERVICE HOUSING ADVICE OFFICE

I am delighted that during what many consider to be the holiday month you have found time to pick up and read the August/September edition of Housing Matters.

Invariably when I sit down to write my editorial I try to identify topics which appear to have come to the top of the agenda. On this occasion I intend to pick up on a variety of issues that are having significant impact on you all. Firstly, for those of you intending to buy, a number of you have expressed interest in the Affordable Housing Schemes that are available throughout the UK. Following the announcement in May and the government's pledge to the Armed Forces in the form of the military covenant, MoD Personnel are now the top priority, along with social tenants, for Low Cost Home Ownership Schemes. Please check with the regional HomeBuy Agents to get up to date details of the options available to you.

If you are seeking social housing to rent as you leave the Service community please be aware of the acute shortage of council and housing association housing in much of the UK. Despite the change to the rules by which time spent in Service accommodation counts towards establishing a local connection your chance of being allocated a council or housing association house as you leave is not high as it is needs based.

For those of you wanting to learn more about how you find housing to suit your needs come along to one of the Housing the Options briefings. Put your application to do so in through your nearest resettlement centre now. Briefings are free and do not count towards any resettlement entitlement. You may also attend a Housing Brief at any stage during your Service career and we do encourage you to bring your partners along too. We have now added and additional nine dates to the autumn programme so you should find them even more accessible. Details of dates and locations are published on the back inside page of this magazine and on our website at www.mod.uk/jshao.

Finally, we also have some great news within JSHAO. On 25 July we welcomed Christine Hodges to the organisation as our MoD Referral coordinator. Christine is a much needed addition to the JSHAO team. Her aim will be to house as many of you as she can into accommodation provided by Housing Associations across the UK.

James Turner

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BUYING WITH A PARTNER

If you buy a home with another person, you need to decide how you will share ownership of the property. This is important whether you want to buy with your spouse, civil partner, partner, a family member or a friend.

The decisions you make will affect the rights you have if one of you dies, your relationship ends, or one of you wants to leave.

THINGS TO CONSIDER

If you are buying a home with other people you need to decide who will be the legal owner(s) and what financial share each of you has in the property. If you don't do this, it may be difficult to agree what you are each entitled to if anything should happen to your relationship later on.

Everyone's situation is different, so it's a good idea to get advice before you decide. Your solicitor can discuss the options with you.

LEGAL OWNERSHIP

The owner of a property is the person whose name is on the Land Register OnLine, check at **http://www.landreg.gov.uk/** (or the title deeds if your home isn't registered). You can decide that there will be only one legal owner or that you will share ownership between you. It's possible for up to four people to be joint legal owners of a property. If you are a joint owner no one else can:

- force you to leave unless they get a court order
- sell the property without getting your agreement or a court order
- take out a loan against the property without your agreement.

There are two different ways in which you can be joint owners. You can be either joint tenants or tenants in common. The option you choose will affect how ownership of the property is shared between you and who can inherit your home if you die. It's a good idea to discuss the options with a solicitor before you decide. You will have to sign a written agreement confirming what you have decided before the sale goes ahead. This ensures that the correct name(s) are included in all the paperwork.

For more information, please see the section on Joint Ownership on the SHELTER Website **http://england.shelter.org.uk/get_advice/finding_a_place_to_live/Buying_and_selling/buying_with_other_people/joint_ownership**

FINANCIAL SHARES

Even if you decide that only one of you will be the legal owner of your home, the other person may still be entitled to a financial stake in the value of the property check the SHELTER website at **http://england.shelter.org.uk/get_advice/families_and_relationships/relationship_breakdown/options_for_homeowners/beneficial_interest** Depending on your circumstances, this may give the non-owner the right to:

- stay in the home even if the owner wants her/him to leave
- get a share of the profits if the property is sold
- inherit the property if the owner dies.

You can agree what financial share of your home you each have as part of the legal preparation when you buy. This may help to settle any later disagreements about what you are entitled to. Verbal agreements can be legally binding, but can be difficult to prove. You may prefer to:

- put both names on the Land Registry or the title deeds
- sign a separate legal agreement (a trust deed).

Being joint owners doesn't necessarily mean that you would each get half of the property. The share you are entitled to will depend on any agreement you made when you bought the property.

Splitting up

If your relationship breaks down, see the SHELTER website at **http://england.shelter.org.uk/get_advice/families_and_relationships/relationship_breakdown** and if you don't have a formal legal arrangement and can't agree what should happen to your home, you will probably have to go to court to get a judge to decide. This can be expensive and you will need help from a solicitor.

This normally depends on whether you are joint owners or only one of you is the legal owner. Your rights may also depend on your personal circumstances, such as:

- how long you have owned the property together
- whether you are married/civil partners and/or have children with the other owner
- whether you had a verbal or written agreement about what you are entitled to
- how much money each of you has spent on your home.

Joint ownership

If more than one name is on the Land Registry or the title deeds to your home, you are joint legal owners. The type of joint ownership you have will affect how you share your home and who can inherit it if you die, but you will normally both have the right to stay in your home if you split up. This can only be changed if you both agree or a court orders one of you to leave.

This section only gives an introduction to the law. If your relationship ends and you are worried about what will happen to your home, use the Advice Services Directory on the SHELTER website at **http://england.shelter.org.uk/get_advice/advice_services_directory** to find a housing aid centre, citizens advice bureau or other advice service in your area.

Types of joint ownership

Up to four people can be joint legal owners of a property. There are two different ways in which you can share ownership of your home:

- as joint tenants
- as tenants in common

The option you choose will be particularly important if you are not married to the other joint owner. The word 'tenants' is used to describe the different types of joint ownership, but it has nothing to do with renting.

JOINT TENANTS

Many couples who are married, registered as Civil Partners on the SHELTER website at **http://england.shelter.org.uk/get_advice/families_and_relationships/civil_partnerships**, or in long-term relationships buy as joint tenants. This means you have equal rights to the whole of the property rather than a specific share.

If you die, the other joint owner automatically inherits your share of the property. This is the case regardless of anything that is said in your will. You can only leave your share of the property to someone else when you die if you change the legal ownership to a tenancy in common. This can be done quite easily by giving the other person a formal written notice (a notice of severance). You don't need the other person's agreement, but you have to follow the correct procedure. Get advice or contact a solicitor if you want to do this.

TENANTS IN COMMON

Couples in new relationships and friends and/or relatives who are buying together often choose to be tenants in common. This means that you each own a specific share of the property. You don't necessarily have to have equal shares.

If you die, your share of the property doesn't automatically pass to the other legal owner(s). It will go to whoever is named in your will or, if you haven't got a will, to your next of kin. If you want to leave your share of the property to the other legal owner(s), you can say this in your will. You can also change your legal ownership into a joint tenancy, but only if the other owner(s) agree to it.

Mortgage payments

If you have a joint mortgage you will both be responsible for the monthly payments, even if one of you has moved out. This means that your lender can ask you to pay the whole amount if your partner (or friend) stops paying. If the payments aren't made, your home could be repossessed and sold to pay off your mortgage. If you are worried about mortgage payments, get advice immediately. An adviser can help you work out your options and/or negotiate with your lender.

Staying in your home

If you are joint owners, you have equal rights to live in the property. This means that none of the joint owners can be forced to leave without a court order. If you want to sell the property or take out a loan against it (a second mortgage) all the joint owners have to agree.

If you decide that you don't want to live together any more and can't agree who should stay or whether the property should be sold, get advice. The rules about what you are entitled to will depend on any legal agreement you made when you bought your home and your personal situation (such as whether you are married or civil partners, and/or have children). You may need help from a solicitor.

You might have to get a court order to decide:

- who can stay in the short term
- whether the property should be sold or not
- if the property isn't sold, who can stay in the long term
- what financial share of the property each joint owner is entitled to.

IN THE SHORT TERM

If another joint owner tries to force you to move out before you can agree what will happen to your home, you can ask the court for an Occupation Order, see SHELTER website at **http://england.shelter.org.uk/get_advice/families_and_relationships/relationship_breakdown/occupation_orders** This will give you the right to stay in your home until an agreement is made but won't necessarily mean you can stay there long term. The court will have to assess the housing needs and conduct of each joint owner when deciding whether to grant an occupation order.

If you are experiencing domestic abuse but want to remain in your own home you may also be able to get a court order (an injunction) to keep the abusive person out of your home, or prevent them coming near your home or contacting you.

You can get more information on injunctions from a housing aid centre, or CAB (Citizens Advice Bureau). They may be able to help you find a solicitor specialising in family law. They can also put you in touch with the Police Community Safety Unit.

IN THE LONG TERM

What the court will decide normally depends on whether you are married, registered as civil partners or living together, and/or whether you have children. If you are married to or in a civil partnership with the other joint owner, the divorce court can order:

- that the property has to be transferred into one person's name
- that the property has to be sold
- that the partner caring for the children stays in the home
- that one partner can stay in the property and pay rent to the other.

These orders can also be made if you are living together and have children, but only if the order would be in the best interests of the children.

If you are living together but don't have children, the court can't transfer ownership into one person's name. However, it can order:

- who can live in the property
- that the property has to be sold
- that the property cannot be sold yet.

Financial shares

Being a joint owner doesn't automatically mean that you will each get half of the proceeds if the property is sold. If you didn't make a legal agreement about the shares you are each entitled to when you bought your home, it will be more difficult to prove. You will probably need help from a solicitor. If you can't come to an agreement, the courts can decide. The court's decision may depend on:

- whether you are married to each other or not
- whether you have a registered civil partnership or not
- whether you had a verbal agreement
- how long you have been living in your home
- whether you paid part of the deposit when you bought your home
- whether you have made regular payments towards the mortgage.

If you are married and are getting a divorce, or ending a civil partnership, the courts may decide to give you a bigger share. This will depend on your personal circumstances such as what income each partner has, and who will be responsible for looking after the children.

If you are not married or registered as civil partners, the court is less likely to do this. Its decision will probably be based on what was agreed when you bought the property.

Sole ownership

If only one name is on the Land registry or the title deeds of your home, then only that person is the legal owner. S/he will have more rights than the non-owner. However, if your relationship ends you may both have rights to live in the property and/or get a share of the profits if it is sold.

This area of law is very complex. The information in this section is only an introduction and not a comprehensive guide. If your relationship ends and you are worried about your home, get advice immediately. The rules about what you are entitled to can be very complicated. Your rights will probably depend on your personal circumstances (such as whether you are married to each other and whether you have children) and whether you have a legal agreement.

Mortgage payments

The legal owner is normally responsible for the whole of the mortgage. However, if you are married, the non-owner also has the right to pay it. This can be helpful if the owner moves out or stops paying the mortgage. The non-owner won't be held responsible for missed payments unless the court has ordered that s/he has to pay them.

If you have problems paying the mortgage, you should get advice immediately. It's also important to talk to your lender as soon as possible. If you don't, your lender may try to evict you (and your partner) and sell your home.

Married couples and civil partners

If you are married or registered as a civil partner, the non-owner doesn't have to leave unless the owner gets a court order. The owner can't just throw the non-owner out. The non-owner may also be able to stop the owner from selling the property or taking out any loans against it until the courts have decided how your property should be divided.

STAYING IN YOUR HOME

If you can't agree about living arrangements in the short-term, the non-owner can apply to the court for an Occupation Order, see SHELTER website at **http://england.shelter.org.uk/get_advice/families_and_relationships/relationship_breakdown/occupation_orders** This will give her/him the right to stay temporarily even if the owner wants her/him to leave.

Decisions about who can live in your home in the long-term are normally made as part of your divorce proceedings. The court may decide:

- to transfer the property into the non-owner's name
- to sell the property and divide the proceeds between you
- that the partner caring for the children stays in the home
- that one partner can stay in the property and pay rent to the other.

FINANCIAL SHARES

Even if you don't have a formal written agreement, the non-owner may have a right to a share of the value of the property if:

- s/he has anything in writing that says s/he should have a share
- you had a verbal agreement (such as if the non-owner gave up somewhere else on the understanding that s/he would be able to stay long-term)
- s/he has paid towards the deposit or made mortgage payments.

Unmarried/unregistered couples, friends and relatives

As a non-owner you may have fewer rights if you are either not married or not registered in a civil partnership with the legal owner of your home. In some circumstances, the non-owner will have the same rights as a tenant renting accommodation from the owner. Even if you are paying half of the household expenses, this can still be considered rent, rather than mortgage payments. If you are worried about your home, get advice immediately.

STAYING IN YOUR HOME

In most cases, the legal owner doesn't have to get a Court Order. See SHELTER website at **http://england.shelter.org.uk/get_advice/families_and_relationships/relationship_breakdown/options_for_homeowners/court_orders** if s/he wants the non-owner to leave, but has to give reasonable notice. The non-owner should get advice immediately if this happens. If s/he doesn't want to leave, s/he may be able to apply to the courts for an Occupation Order, see SHELTER website at **http://england.shelter.org.uk/get_advice/families_and_relationships/relationship_breakdown/occupation_orders** This will allow her/him to stay in the home temporarily until a long-term decision can be made. The court will have to assess the housing needs and conduct of both sides when deciding whether to grant an occupation order.

However, if you were in an unregistered lesbian or gay relationship or bought the property as friends or family members, the non-owner can only get an occupation order if s/he has proof that s/he is entitled to a financial share. This will probably be the case if you signed a formal written agreement when you bought your home.

The non-owner can only stay in the home long-term if s/he can prove to the court that s/he has a financial stake in property. If you have children together the non-owner may have more rights. The court may decide that it would be in the best interests of the children to:

- sell the property and split the proceeds
- transfer the property into the non-owner's name, or
- allow the partner who is caring for the children to stay in the home.

FINANCIAL SHARES

The non-owner may have a right to a financial stake (a beneficial interest) in the property. If you can't agree what share s/he should get, you can ask the court to decide. The court may recognise the non-owner as having a financial share if:

- you have a written agreement saying that s/he has a share, or
- s/he paid part of the deposit when you bought your home, or
- s/he has paid part of your mortgage payments, or
- you have a verbal agreement (such as if s/he gave up somewhere else on the understanding that s/he would be able to stay long-term).

The owner may be able to sell or re-mortgage the property in the meantime. The non-owner may be able to stop her/him from doing this until a decision can be made by getting a court order or registering her/his Beneficial Interest on the SHELTER website at **http://england.shelter.org.uk/get_advice/families_and_relationships/relationship_breakdown/options_for_homeowners/beneficial_interest** and with the Land Registry on their website at **http://www.landregistry.gov.uk/** However, this can be very complicated.

If you are in this situation, get advice immediately from a Shelter advice centre, Citizens Advice or contact a solicitor. Use the Advice Services Directory on the SHELTER website at **http://england.shelter.org.uk/get_advice/advice_services_directory** Use our directory to find an adviser in your area.

Housing laws vary between England and Scotland.

This applies to England only.

For advice relating to Scotland, visit: http://scotland.shelter.org.uk/

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ADVERTISING FEATURE

MY FIRST HOME:

My family and I decided the time was right to commit to buying our first home back in the UK.

Our homes until now had been in military married quarters. Many of my colleagues had managed to get onto the property ladder, and were renting out their houses until needed. I knew I should have made provision for leaving the Military and bought a house back in the UK many years ago. Unfortunately, the busy life we live had meant that this had never happened, and it always seemed so difficult and complicated being based overseas.

Forces Property Direct has over 10,000 homes every year to choose from all over England, Scotland and Wales, so finding the perfect home for my family was easy. That just left the issue of a deposit, I wanted to use my Gratuity as a deposit but found out that by the time I had it and had left the military, it would be much harder to secure a mortgage.

Forces Property Direct secured me an Interest Free loan for 15% of the gross purchase price against my Gratuity as part of their RESETTLEMENT package. I used this as part of my deposit. They also secured me a further 5% discount as part of their military discount, on top of this they negotiated free of charge carpets throughout my new home and landscaped my rear garden, a total package worth over £37,000! I bought a lovely three bed detached family home, brand new and fully guaranteed for £164950, I got £8250 discount, £4000 worth of free carpets, £600 worth of garden landscaping and an interest free loan against my gratuity for use as deposit of £25,000 and I found out I could have it interest free for up to five years before leaving the forces! I thought there must be a catch but checked around and found out Forces Property Direct help over 300 forces clients every year and incredibly it's completely free of charge.

They also provided excellent advice on the application procedure for obtaining the Long Service Advance of Pay (LSAP) which provided us with our own 5% deposit.

Nigel and Steve at Forces Property Direct have changed my life forever and I can honestly say that if I had known about their free service and incredibly easy way of securing my family home before then I would have done it years ago!

Contact Steve Matthews 07872 157617. www.fpdirect.uk.com

Jason Boothby British Army BFG

Types of mortgage

When you choose a mortgage, you'll need to think about the repayment method, interest rate deals and special features of some mortgages. The best one for you will depend on your circumstances - so it's important to understand your options and shop around

Repayment methods

There are the two main ways you can pay off your mortgage. These are called 'repayment' or 'interest only'.

Repayment mortgage

With a repayment mortgage you make monthly repayments for an agreed period (the term) until you've paid back the loan and the interest.

Every month, your payments to the lender go towards reducing the amount you owe as well as paying the interest they charge. So each month you're paying off a small part of your mortgage.

The pros: It's a simple, clear approach – you can see your loan getting smaller.

The cons: In the early years your payments will be mainly interest, so if you want to repay the mortgage or move house in the early years, you'll find that the amount you owe won't have gone down by very much.

Interest only mortgage

With an interest only mortgage you make monthly repayments for an agreed period but this will only cover the interest on your loan. You'll normally also have to pay into another savings or investment plan that'll hopefully pay off the loan at the end of the term.

Your monthly payment only pays the interest charges on your loan – you're not actually reducing the loan itself. Your monthly payments will therefore be lower than an equivalent repayment mortgage.

The total cost of an interest-only mortgage may be more expensive though, as you must also pay back the loan at the end of the term and this will depend partly on how you intend to pay it back.

Although you can choose how you pay back the loan, you should make sure you know from the beginning how you will be able to pay it back – see Paying back an interest-only mortgage.

Interest-only mortgages can be helpful but they are not suitable for everyone so you should always consider getting financial advice.

The pros: Because you're only paying off the interest, and not the loan itself, your monthly payments to the lender will be lower.

You can choose between a number of ways of paying back the loan at the end of the term.

The cons: It is not guaranteed that the mortgage will be paid back by the end of the term.

You will have to review your plans regularly to make sure you are on track to pay off the mortgage and make changes if necessary.

If you wait until the end of the term before paying back the loan, you will pay more interest than the interest charged on an equivalent repayment mortgage because you pay interest on the whole amount over the whole term.

If you can't repay the loan at the end of the term you could lose your home.

Interest rate deals

As well as deciding on your repayment method, you'll need to look at the interest rate deals on offer, for example:

Standard variable rate

With a variable rate mortgage your payments go up or down with the lender's standard interest rate. This often changes following Bank of England base rate changes.

Standard variable rate with cashback

With these deals you get a cash lump sum as well as the loan when you take out the mortgage. You're usually tied into the variable rate for a set period.

Discounted rate

You pay a lower interest rate to begin with then move to another rate (usually the lender's standard variable rate) after a set period.

Tracker

Tracker rates are linked to the Bank of England rate or some other 'base rate'. This means they'll always go up or down in line with changes to the base rate.

Fixed rate

You pay a fixed rate of interest for a set period, so you know exactly what you'll be paying each month during that time. When the fixed period ends, you'll usually move to the lender's standard variable rate. There are usually penalties if you pull out early.

Capped or cap and collar

With a capped rate you pay a variable interest rate, but there's a ceiling so your payments won't go above a certain amount for a set period. Some deals include a collar too - this is the lowest rate you'll get. If interest rates fall below the collar, you'll lose out.

Type of interest rate deals How does it work? Early repayment charges What does it mean for you?

Standard variable rate:

Your payments move up or down at the lender's discretion. Their decision may be influenced by changes in the Bank of England's interest rate.

- Early repayment charges: Not usually, but check and see.
- What does it mean for you?

Usually you can leave your lender without any penalties.

You're in control. You can usually pay back extra amounts (and cut your interest costs) without a penalty.

It may be expensive compared to other deals.

If the lender decides to increase the rate your monthly payments will increase.

If the Bank of England rate goes up, your lender may decide to increase your rate.

They will choose when and how much to increase your rate.

Tracker rate:

A variable rate loan with an interest rate that's equal to or a set amount above or below the Bank of England or some other base rate. It tracks (moves up or down with) that rate. Other base rates may still be influenced by changes in the Bank of England's rate. At the end of the deal period, the lender usually charges you its standard variable rate.

- Early repayment charges: Sometimes during any special deal period and maybe even after the period too.
- What does it mean for you?:

It can pay to go for a tracker if you can afford to pay more when interest rates go up, in exchange for benefiting when they go down.

It's not a good choice if your budget won't stretch to higher monthly payments.

Discounted interest rate:

Your monthly payments can go up or down, but you get a discount on the lender's standard variable rate for a set period of time. At the end of the deal, you usually change over to the full standard variable rate.

- Early repayment charges: During the special deal: yes, almost always. They can apply even after the end of the special deal period as well.
- What does it mean for you?

It gives you a gentler start to your mortgage, at a time when money may well be tight. But you must be confident you can afford the payments when the discount ends.

The discount period is limited, so budget for higher repayments.

You may not be able to make overpayments and pay off the loan early without penalties.

If the lender decides to increase the rate your monthly payments will increase.

If the Bank of England rate goes up, your lender may decide to increase your rate.

They will choose when and how much to increase your rate.

Fixed interest rate:

Your payments are set at a certain level for an agreed period. At the end of that period, they'll usually switch you to the standard variable rate.

- Early repayment charges: During the special deal period: yes, almost always. They can apply even after the special deal period, too.
- What does it mean for you?

Your payments will stay the same in that period, even if the Bank of England's rate or your lender's other interest rates go up.

This gives you the security of knowing that you can afford your payments and will make it easier for you to budget.

If rates go down, you won't benefit. Your payments will stay at the higher rate.

You may not be able to make overpayments and pay off the loan early without penalties.

Capped rate:

Your payments are variable and often linked to a base rate, but fixed not to go above a set level (the 'ceiling' or 'cap') during the period of the deal. At the end of the period, you are usually charged the lender's standard variable rate.

Changes in the Bank of England's interest rate may influence the lender's rate. The impact depends on if it's tracking a base rate or not.

- Early repayment charges: During the special deal: yes, almost always. They can apply even after the end of the special deal period as well.
- What does it mean for you?

You know the maximum you will pay for a set period of time.

Useful if you want the security of knowing that your payments can't rise above the set level, but still benefit if rates fall.

If the Bank of England rate goes up, you may see your monthly payments increase.

Collared rate:

May be used in combination with a capped rate or a tracker (or both). Your payments are variable but will not fall below a set level (the 'collar').

- Early repayment charges: Not usually, unless it is used in combination with a capped rate or a special-deal tracker rate (or both). But check and see.
- What does it mean for you?

It may be part of another interest-rate deal which otherwise appears attractive. But note that if the rate payable is only just above the 'collar' and you think rates will fall, you may not get the full benefit of a reduced payment.

If the Bank of England rate goes up, you may see your monthly payments increase.

Which type of interest rate is suitable for you?

Suitability of different deals will depend on your personal circumstances and any tie-ins or penalties that may be attached.

- For more information on the pros and cons of different interest rate deals visit the Money Advice Service website.
- **AND** seek the advice of an **IFA** (Independent Financial Advisor) who is listed on the SIIAP (Service Investment & Insurance Advisory Panel) website **http://siiap.org/**

You'll also find information on how the 'APR' (annual percentage rate), which is always quoted alongside interest rates, can help you compare deals.

What is APR?

APR stands for the Annual Percentage Rate of charge. You can use it to compare different credit and loan offers. Find out more, including what to ask a lender.

The APR is a standard way of showing the costs of borrowing, so you can work out which option is the cheapest. The APR will vary from company to company and between products. The APR works best when comparing similar types of credit over similar periods.

The APR includes important factors such as:

- the interest rate you must pay;
- how you repay the loan such as the length of the loan agreement (or term), when you should make the repayments, and amount of each payment); and
- certain fees associated with the loan.

All lenders have to tell you the APR before you sign an agreement (except overdrafts). The APR will vary from lender to lender. Generally, the lower the APR the better the deal for you, so if you are thinking about borrowing, shop around.

In advertising, the APR is shown in a 'representative example', and more than half of new customers should get this rate or better. Check whether the rate you're offered differs from the advertised rate and check again before you sign the credit agreement. It may be higher if you have a poor credit history.

But don't just look at the APR. It doesn't include all the costs associated with a credit agreement – such as charges for late or missed payments, or balance transfer fees on a credit card. And the APR works best if you are comparing similar types of credit, over similar periods. Also look at the total amount payable – and check that you can afford the repayments.

Questions to ask the lender

If you find a deal with a low APR, ask the lender the following questions:

- **Does the interest included in the APR vary, or is the rate fixed?**

If the rate is variable, your repayments could go up or go down. If the rate is fixed, your repayments will stay the same.

- **Are there any charges that are not included in the APR?**

This could cover charges for optional payment protection insurance, default charges (for missing a payment or being late or going over your credit limit), and certain other charges such as balance transfer fees. Make sure you understand:

o what the extra charges are;
o whether you really need the services offered;
o how much you would have to pay; and
o when you would have to pay.

- **What are the conditions of the loan or credit and do they suit you?**

For example, do you have a choice about how and when you make the repayments? How much will it cost you to pay the loan off early – in whole or part? Are there charges for early repayment, and if so how much? What if you want to change the date of regular payment, for example if you change jobs?

- **Can you afford the monthly payments**?

A more expensive loan (with a higher APR) could have lower monthly payments if they are spread out over a longer period of time. That might suit you better if your budget is tight, but you will pay more in the long run. Check that you can afford the regular repayments – and that you will be able to keep up payments over the term of the loan. What if interest rates rise, or your circumstances change? You may want to protect your borrowing.

Top tips

Use the APR to help you shop around and compare deals. But also look closely at the interest rate and charges, and check that you can afford the repayments.

Flexible, current account and offset mortgages

Flexible, current account and offset mortgages give you more control to vary your monthly payments. They can be used with repayment or interest only mortgages. For example you can:

- pay less one month and more the next
- make lump sum repayments (and sometimes draw these back)
- take a 'payment holiday'
- pay off your mortgage early

Mortgage features

As well as different costs, mortgages can have different features. Make sure you know the different types so you find the right mortgage for you.

Some examples of different mortgage features are:

Cashback Mortgages, Flexible Mortgages, Offset Mortgages and Current Account Mortgages.

Look at the sections of the 'Key Facts' about the mortgage document (also known as a Keyfacts illustration or KFI), which will explain the features of the mortgage.

Cashback mortgage

This may be offered with an interest-rate deal. The lender pays you a substantial sum (for example 3-5% of the amount you borrow) shortly after you take up the loan. If you move to another lender in the early years you'll have to repay some or all of the cashback received.

Is it right for you?

Possibly yes, if you need a large cash sum – for example, to buy furniture, or you expect the sum to more than compensate for any higher interest rate you may have to pay during the penalty period.

Possibly not, if you can manage without the cashback now and can get a better overall deal elsewhere.

Flexible mortgage

A flexible mortgage gives you some scope to change your monthly payments to suit your ability to pay. It's also useful if you want to pay off your loan more quickly. Several flexible features are becoming common and they aren't limited to mortgages with 'flexible' in their name. Here are some flexible features:

- **Overpayments** – you can pay more than your normal monthly mortgage payment or pay off a lump sum, or both. If you pay off a lump sum you benefit from paying less interest each month (because the amount you owe is now less) or if you continue paying at a higher level, you will pay off your loan more quickly. You can get the benefit straight away if you have a mortgage on which interest is calculated daily or monthly. Check whether any restrictions apply.
- **Underpayments and payment holidays** – you pay less than the normal monthly payment for a limited period (say six or twelve months). You may even be able to stop making payments altogether (a payment holiday). This could be useful if, say, you lose your job or take time off to care for a child.
- **Borrow extra (loan drawdown)** – you can borrow extra without further approval from your lender, provided the total loan does not go above an overall limit. Alternatively you may be able to 'borrow back' against earlier overpayments.

Is a flexible mortgage right for you?

Possibly, yes, if you are likely to use these features, for example if you're self-employed and have a variable income.

Possibly not, if you are unlikely to use these features. A less flexible mortgage may be cheaper or more suitable for you.

Offset mortgage

With an offset mortgage, your main current account or savings account (or both) are linked to your mortgage and are usually, but not always, held with the mortgage lender. Each month, the amount you owe on your mortgage is reduced by the amount in these accounts before working out the interest due on the loan.

So as your current account and savings balances go up, you pay less on your mortgage. As they go down, you pay more.

Current account mortgage

A current account mortgage is similar to an offset mortgage in that it **offsets** the balance of your savings against your mortgage. However, in this case, rather than your mortgage and current account being separate pots of money, they are usually combined into one account. This means that the account acts like one big overdraft.

Look at the Section (4) of the 'Key Facts' of the mortgage document to see whether it is a current account or offset mortgage and whether you have to take a current account offered by the lender as a condition of the mortgage.

Is an offset or current account mortgage right for you?

Possibly, yes, if you are a higher-rate taxpayer, have substantial savings to offset and like the idea of built-in flexibility to make overpayments and underpayments.

Possibly not, if after paying your deposit you don't have much left in savings and if other mortgages have a lower interest rate or other features that are more important to you.

Top tips

1. Read the 'Key Facts' document and use it to compare costs and features of other mortgages available.
2. Look for the APR figure alongside the interest rate. This will enable you to compare the overall cost and not just the interest rate.
3. Use Mortgage tables to help you compare costs and features of mortgages available.
4. Don't forget that discounts and special deals are temporary, and rates can go up when they end.

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Calculator to help you compare mortgage deals

You can use the Money Advice Service's online mortgage calculators to work out monthly payments based on different interest rates. But bear in mind that they don't account for extra costs, such associated insurance and investment policies.

http://yourmoney.moneyadviceservice.org.uk/tools.aspx?Tool=mortgage_calculator

Article has been drawn from:

http://www.direct.gov.uk/en/MoneyTaxAndBenefits/ManagingMoney/Mortgages/

http://yourmoney.moneyadviceservice.org.uk/products/mortgages/types_of_mortgage.html

http://yourmoney.moneyadviceservice.org.uk/products/mortgages/types/types_of_interest_rate.html

HOUSING IN SOUTH WEST ENGLAND

LOCAL AUTHORITIES IN SOUTH WEST ENGLAND

SOUTH WEST ENGLAND (**www.gosw.gov.uk**)

BRISTOL (**www.bristol-city.gov.uk**)

The city of Bristol is a Unitary area and separate from County based Local Authorities.

BRISTOL HOUSING REGISTER	01179 222400

CORNWALL (**www.cornwall.gov.uk**)

HOUSING	03001 234161
ISLES OF SCILLY	01720 422537

DEVON (**www.devon.gov.uk**)

EAST DEVON	01395 517469	EXETER	01392 277888
MID DEVON	01884 255255	NORTH DEVON	01271 327711
PLYMOUTH	01752 668000	SOUTH HAMS	01803 861234
TEIGNBRIDGE	01626 361101	TORBAY	01803 208723
TORRIDGE	01237 428700	WEST DEVON	01822 813600

DORSET (**www.dorset-cc.gov.uk**)

BOURNEMOUTH	01202 451467	CHRISTCHURCH	01202 495256
EAST DORSET	01202 864200	NORTH DORSET	01258 454111
POOLE	01202 633805	PURBECK	01929 558400
WEST DORSET	01305 251010	WEYMOUTH & PORTLAND	01305 838000

GLOUCESTERSHIRE (**www.gloucestershire.gov.uk**)

CHELTENHAM	01242 775168	COTSWOLD	01285 623300
FOREST OF DEAN	01594 812308	GLOUCESTER	01452 396396
S'TH GLOUCESTERSHIRE	01454 868005	STROUD	01453 754078
TEWKESBURY	01684 272212		

SOMERSET (**www.somerset.gov.uk**)

BATH & N.E. SOMERSET	01225 477000	MENDIP	01749 648999
NORTH SOMERSET	01934 426330	SEDGEMOOR	0845 4082540
SOUTH SOMERSET	01935 462462	TAUNTON DEANE	01823 356581
WEST SOMERSET	01643 703704		

WILTSHIRE (**www.wiltshire.gov.uk**)

HOUSING	03004 560100	NORTH WILTSHIRE	01249 706666
SOUTH WILTSHIRE	01722 434462	EAST WILTSHIRE	01380 734734
WEST WILTSHIRE	01225 776655		

If unsure which part of Wiltshire that you are interested in, comes under, then use the locator at: **http://www.wiltshire.gov.uk/contact.htm?area=west&postcode=**

SWINDON (**www.swindon.gov.uk**)

The city of Swindon is a Unitary area and separate from County based Local Authorities.

Swindon HOUSING REGISTER	01793 445503

HOUSING ASSOCIATIONS

Housing Associations vary in size dramatically from less than 50 properties to a stock of over 40,000. They are becoming the major providers of social housing in the UK, being responsible for almost a third of new housing. Their objective is to provide affordable good quality homes for rent or low cost home ownership. Some are able to accept direct applications whilst others will only take nominations by a local authority.

PLACES FOR PEOPLE is one of the largest property management and development companies in the UK. Their focus is on creating places where people choose to live. Their aim is to create sustainable communities by building homes for sale and rent alongside homes for reduced and part ownership, as well as commercial units, live/work apartments, homes with care and support and nurseries for pre-school children. You can contact Places for People by free phone within the UK on 0800 432 0002 or through their website at **www.placesforpeople.co.uk**

HAIG HOMES is an organisation dealing exclusively with ex-Service personnel nation-wide. They have over 1300 properties in the UK. All their properties are let to people with Service connections, priority being given to families with children.

For more details telephone: 020 8685 5777 or visit **www.haighomes.org.uk**