



UNIT 30: SUPPORT MATERIAL

RENTING AND BUYING PROPERTY

What is a mortgage?

A mortgage is basically a loan used to buy a property. The dictionary defines a mortgage as: 'a conditional conveyance (legal transfer of ownership) of property as security for the repayment of a loan.' In plain English, that means it is money borrowed



from a lender - such as a bank or building society - for the purchase of a property and that property forms the security for repayment of the loan. So if the borrower can't repay the loan, the lender has the right to repossess the property and sell it to recover the money it has loaned.

Where can you get a mortgage?

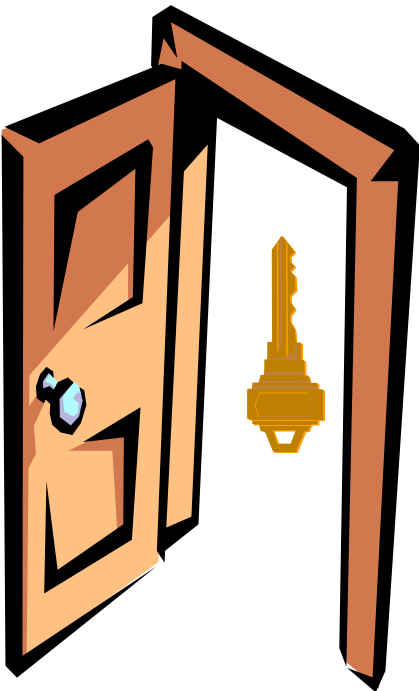
Mortgages used to be the sole preserve of mutual societies, such as building societies and Friendly Societies, which were set up for the benefit of their members. These societies encouraged people to save before advancing them money for their homes.

Nowadays, you can get a mortgage from banks, building societies, former building societies which have converted into public limited companies, insurance companies and finance companies. The lender you choose is up to you but

you may have a better chance of being granted a loan from your current bank or building society.

Why Rent a House?

If you are in the position of not being able to buy a house for any reason, the only real alternative is to rent. Renting a house can be cheaper for a person if they share with other people. A typical example of this is a student house where they pay a set amount per week. This allows them to live in a comfortable house without the threat of the a mortgage bill arriving in at the end of the month. The reduced living cost means that the student can live more economically.



Cost of renting a house in your area	Cost of a mortgage for the same house.

If we look at a family renting a house, they may be living in it for various reasons. The obvious reason is that they My Be moving between houses.

The alternative reason may simply be that they cannot afford a the mortgage repayments on a house. The family needs a house and therefore the only sensible option is to rent a house. This will mean that the family can continue to function without the threat of the bank manager.

It could be advisable for you to compare the cost of a mortgage on a typical house in your area with the cost of renting the house. The family that is renting a house may well have made a very wise decision, it may allow them a better quality of life style or let them save money to pay off a debt. A rented house is also protected from the trap of negative equity (this is when the value of your house is less than the amount you borrowed to pay for it.) There are many families who face the problem of negative equity and renting is one way for a family to avoid this trap.