



Evaluating the benefits of Rent-to-Buy vs. Renting

Below is a hypothetical example of how the Rent-to-Buy Scheme could benefit you:

Without the scheme

If you were to pay rent for 2 years you would be paying;

£700 / month for 24 months = £16,800 over 2 years

This money is paid to a landlord who retains all of the money.

The Problem

To be able to save a deposit of 10% (for a property valued at £210,000) over two year's whilst paying rent at the same time, you would need to save a total of £21,000 or monthly:

Savings per month to achieve a 10% deposit = £875/month

Therefore, rental and saving for a deposit would result in a total expenditure each month of £1,575 or £37,800 over 2 years.

This presents many people with a problem of how to pay rent while saving for a deposit.....?

THE SOLUTION – Rent-to-Buy Scheme (for a property valued at £210,000)

You take an option to purchase the property at a price we agree today; in return you would pay an enhanced level of rent into the scheme, in this example £1,221/month for 24 months. After 2 years, we will refund 10% of the purchase price.

This refund is then used as the deposit to obtain a mortgage for the purchase of the property.

Result

The total outgoing for the Rent to Buy scheme to obtain your 10% deposit after two years

Rent paid per month - £1,221 / month

Total over 2 years £29,304 vs. the £37,800 you would have had to save and pay in rent to a landlord

This results to a benefit of £354/month or £8,496 over two years.

After 2 years you would use the 10% refunded as the deposit to obtain a mortgage of £189,000 as you have already paid off 10% of the purchase price via the deposit..... this means that the on-going monthly payments for a repayment mortgage of around £1,099/ month.