Your guide to **buying your first home**

MORTGAGE WINNERS

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Buying for the first time

Thinking about starting your home buying journey? Let's dive in…

Buying your first home is a significant moment in your life, as it's likely one of the biggest financial commitments you're ever likely to make. While there's plenty to think about, we're here to help.

In this guide, we'll take you step-by-step through the buying process, from getting yourself mortgage-ready to providing helpful checklists to ensure you don't miss anything important.

We explain everything in simple terms that are easy to understand, but if you do have any further questions or need more details, our team of advisers are on hand.

What is a mortgage?

If you don't have enough money to buy a house outright in cash - which is the case for most people - you'll need to take out a mortgage.

A mortgage is a loan that enables you to buy your property.

The money you borrow will need to be paid back over a set period of time, usually at least 25 years, and is repaid via monthly payments.

The lender will take your income and outgoings into considerationin order to determine how much money you're able to borrow.

You'll need to put down a deposit, which is usually a minimum of 5% of the cost of the property.

Your mortgage is taken out against the property, therefore your home may be repossessed if you don't meet your mortgage repayments.

How to get mortgage ready

Getting mortgage ready about six months before planning to purchase your first property can strengthen your position with lenders, and potentially speed up the mortgage approval process.

When applying for a mortgage or remortgaging, the lender will ‘stress test’ your affordability. This will determine if you’re able to afford the repayments alongside any other financial commitments. The tests will look at your income versus your expenditure, so it’s important that you’re able to show you’re able of keeping your finances in order.

Consider your credit rating

Using a credit card responsibly can help improve your credit score, showing that you’re able to look after your own finances and pay off any outstanding debts within a certain timeframe. Just make sure you register the card to the address you’re actually living at and make the payments on time.

The ins and outs of credit scores

Show an account history

Start by proving you have a good history when it comes to managing your finances. Having a history of bank accounts (a current account, savings accounts, ISAs, and credit card) will ensure your mortgage adviser has sufficient credit history to look back through.

Don’t miss repayments

Despite your best efforts, missing repayments does show that you’re struggling to manage your finances, which doesn’t look good to a lender.

If you have bad credit, stop applying for more

We always recommend not applying for more credit if you’re working on clearing existing debt. Applying for more credit entails a hard credit check, which will temporarily lower your credit score, and you’re likely only adding to your debt.

Don’t keep unused cards

Holding onto credit cards you no longer use not only poses a fraud threat, but can also be misleading as to how much available credit you have. Make sure you cancel any accounts you don’t use and cut up the card before throwing it away.

What can I afford?

How much money you can borrow plays a significant role in determining the kind of home you can afford. Once you have a clear understanding of this, you can establish a budget that works for you.

While this is a useful indicator, your mortgage adviser will take the time to assess your financial situation. They'll take your lifestyle into consideration to make sure you don't over-stretch yourself to the point where you may struggle to meet your mortgage repayments.

Getting a Decision in Principle (DIP)

Before you apply for a mortgage or make an offer on a house, it's advisable to get a Decision in Principle (DIP). This certificate states how much a lender is willing to loan to you. A decision is made based on a number of checks, such as looking at your income against your outgoings and checking your credit rating.

Having a DIP shows the estate agent and the seller that you're ready to act quickly when it comes to buying, as you've already established how much you can borrow, subject to your full mortgage application.

Check out our borrowing calculator on our website to work out how much you could borrow.

First time buyer schemes

Taking advantage of a first time buyer scheme is a great way to climb the property ladder. They have historically made it easier to afford a deposit, a first home, or even allowed for partial ownership of a home until you can afford the full mortgage.

Let's take a look at the first time buyer schemes available:

First Homes scheme

The First Homes scheme is targeted at first time buyers, and those participating must buy a house that is either brand new and built by a developer, or an existing home that was originally purchased as part of the scheme. However, while it sounds good on paper, it's catering to a niche group of buyers.

First, your combined household income must not be more than £80,000 (£90,000 if in London), you must be a first time buyer, and the home must cost less than £250,000 after the deposit has been taken (£420,000 for London).

Own New

The Own New scheme will allow you to buy a new build home (or flat) with as little as a 5% deposit, and you'll need a 95% mortgage to cover the rest. This could be ideal if you have more complex financial circumstances.

The bank of Mum and Dad

With many young people struggling to find the money to put down a cash deposit, it comes as no surprise that the majority are leaning on their parents to help them find the money.

If you've made plans for your parents to help you financially, then just be aware that there's a set procedure to follow, as this money has to be officially 'gifted'.

What is gifting money and what does it involve?

The difference between being loaned and gifted the money is that you don't have to pay a gift back.

You will need to ask your parents to write a letter detailing how much they'll be gifting, and that the money does not need to be repaid.

If your parents would rather loan you the money, i.e. it does need to be paid back, then your mortgage adviser will have to take these payments into consideration when working out your total repayment (mortgage and loan to parents).

Guarantor mortgages

A close relative can act as a guarantor on your mortgage, with their income taken into account when working out how much you can afford to borrow. Therefore, you may be able to borrow more than if you were applying on your own. However, if you're unable to make the repayments, your guarantor will be expected to make them on your behalf.

Finding a property

Searching for your dream property is an exciting experience, but it can be tricky to know where to begin.

Where to look for properties on the market:

- Online - Rightmove, Zoopla, estate agents' websites
- Local newspapers
- Property developers - show homes
- Driving around and looking for sale boards
- Auctions

Before you start viewing properties, it's a good idea to write a wish list of all the requirements you want from your house, including:

- Kitchen
- Downstairs W.C
- Off-road parking
- Garden
- Near to local shops

This way, you can weigh a property up on paper and decide whether you think it could be right for you before you book a viewing.

How does the local area look?

- Is it peaceful or is it a busy, built-up area?
- How long would your commute to work take you?
- Are the transport links good?
- Are you nearby to local shops?
- How close are you to local schools and nurseries?
- What's the parking like during the day and in the evening?

Choosing solicitors and surveys

Having a survey carried out on a property can be invaluable, as it can highlight issues that would otherwise remain hidden, or that are visible but perhaps not to the untrained eye.

What surveys are available?

Mortgage valuation - This often comes as a free service that most lenders will offer. However, it is purely a valuation of the property for the purposes of the mortgage lender. This is not a survey.

Homebuyers survey - If your property appears to be in a reasonably good condition then this survey might be a good one to go for. This will include a property valuation and will check for any major faults and repairs needed to the property, giving an average repair cost too.

Full structural survey - It's common for older or listed properties with extensions to have a full structural survey, as it checks for major and minor faults, along with estimated repair costs. This gives you the ability to challenge anything with the seller from a legal perspective.

Condition reports - These are common for fairly new build properties and are a good way to find out what condition the property is in. It doesn't include any advice or recommendations for repair or maintenance work .

The more in-depth the survey, the more it will cost. The total amount can vary between each lender or local surveying firm.

Choosing solicitors and surveys continued...

Solicitors and conveyancing

Once your offer has been accepted, you'll need to find yourself a solicitor/conveyancer to take care of the legalities involved with buying a property.

What work will the solicitor do?

Contact the seller's solicitor - They'll contact the seller's solicitor who will give them a draft contract and other items requested, which usually includes fixtures and fittings.

Searches - More often than not, your solicitor will carry out the conveyancing process too. This includes environmental searches, as well as any other searches and enquiries with the local authority. This can help to reveal any planning issues affecting the property.

Sign the contract - Your solicitor will report back to you on all the investigations they've made and, if you're happy to proceed with the purchase, they'll finalise the terms of the contract and explain these to you.

Exchange contracts - You'll pay your deposit to your solicitor in order to exchange contracts on the purchase. Exchanging contracts with the seller's solicitor means you've entered a legally binding contract to buy the property.

Completion - This is the final stage in the conveyancing process when your solicitor:

- Receives funds from the lender
- Repays any existing mortgage or loan that may be a condition of your mortgage offer
- Pays the stamp duty and any other fees due
- Transfers the purchase funds to the seller's solicitor
- Ensures the keys to the property are made available once completion takes place

Choosing surveys and solicitors (Scotland)

In Scotland, all offers on properties for sale need to be made through your solicitor. It is therefore a good idea to have a solicitor act on your behalf before you start your search, so you're ready to go once you've found a property you like.

Home Reports

The report gives you an overall view of the house as it reports on the condition of the property (completed by the seller), provides a survey and an Energy Performance Certificate (completed by a surveyor).

It's important to see the Home Report before you make an offer and it's also really handy to see this before going to view a property. You can usually download these instantly from the selling agent's website.

Surveys

Despite having a Home Report, you may still wish to have a survey carried out. In some cases, your mortgage lender may require an independent report. This can be anything from a simple mortgage valuation (if not included in the Home Report) to a full building survey. Your solicitor will be able to instruct a surveyor on your behalf or you can make your offer subject to survey, so you only pay for the survey if your offer is accepted.

What work will the solicitor do?

Once you've found a property you want to buy, your solicitor will advise you on how to make an offer. If the property is on sale for a fixed price or you are the only person interested, you may be able to make an offer.

Choosing surveys and solicitors (Scotland) continued…

However, if there are other people interested, the sellers may set a closing date, and your solicitor will submit your offer prior to this. At this stage all offers are 'blind', so you have no idea what the other interested parties are bidding. The highest offer is normally the one accepted, and you will usually know within a few hours of the closing date if you have been successful.

Manage the process post-offer

Offer accepted - Your solicitor will receive a written acceptance (qualified acceptance) from the seller's solicitor. Your solicitor will go through the details of the offer with you before responding to the seller's solicitor on your behalf.

The missives - Please note that once a contract has been signed, neither party can pull out without a penalty. The solicitor at this stage will check all ownership documentation (title deeds etc.) and will go through all of these with you. In Scotland, deposits are rarely paid by the purchaser.

A new title deed (disposition) is required to transfer the title of the property into your name. This is prepared by your solicitor, checked by the seller's solicitors and signed by the seller.

Complete the purchase

This is settled on the date of entry. The deeds are delivered to your solicitor, the price is paid to the seller's solicitor and you get the keys to your new home. Your solicitor will then deal with all the Stamp Duty and Land Registry requirements.

Cost and fees

What fees will I need to pay?

Buying a house is one of the most significant financial decisions most people will make in their lives. While owning a home can be a rewarding investment, it does also come with several costs.

Upfront fees - Upfront fees will consist of anything you need to pay as a one off, and if you haven't budgeted for them, they can come as a bit of a surprise. Here's some of the upfront costs you need to consider:

Product and arrangement fees - Some mortgages come with a product fee that can either be paid upfront or added to the cost of your mortgage. There's often also an administration charge made by the lender for arranging the credit of your mortgage.

Mortgage adviser fee - This is a separate fee charged by the adviser for their specialist knowledge.

Legal fees - You'll need to use a solicitor/conveyancer in order to complete on your mortgage. They deal with all the contracts, documentation, and searches amongst other things.

There are other additional costs that you may also need to be accounted for:

Stamp duty

As of September 2022, first-time buyers in England and Northern Ireland are exempt from paying stamp duty on properties costing up to £425,000. However, if your property costs between £425,001 and £625,000, you'll have to pay 5% stamp duty - but only on the value above £425,000. Stamp duty thresholds and legislation apply in
Wales and Scotland.

Check out our stamp duty calculator on our website to work out if stamp duty tax applies to you

Being in a chain - what does it mean?

A property chain refers to a group of people who are connected as they're buying and selling one another's properties.

Each vendor (the person selling a property) will have a solicitor, lender and an estate agent attached to it.

> **!** Note:
>
> If you're a first time buyer moving into a vacant property then you won't be involved in a chain and things could, potentially, move quicker. This makes you a very desirable buyer for any potential seller.

Unfortunately, the chain will only move at the pace of the slowest person, so it's important to keep on top of your admin duties and stay in touch with your solicitor, lender, and estate agent.

Applying for a mortgage

When you're ready to apply for your mortgage, you can easily get in touch to arrange an appointment with one of our mortgage advisers.

We'll explain each stage of the application, making sure you understand what documentation we need from you.

How we can help

Our advisers are able to access mortgages that you wouldn't necessarily find when searching the market yourself. We have regular contact with a wide range of lenders, some of whom you may not even know exist.

Having access to more than 90 lenders will ultimately save you time, as you won't have to search or contact each individual lender to compare the mortgage terms and rates - we'll do all that for you.

Moving in checklist

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Six weeks before

- Confirm your moving in date
- Ensure you have insurance that covers you from the time of exchange
- If you're going to use a removals company, start getting some quotes
- Sort through your things (declutter and get rid of anything you no longer use)
- Pack the things you won't use before the move

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Four weeks before

- If you aren't using a removals company, order/start collecting packing materials
- Ask any friends or family if they're free to help on moving day
- Book a storage unit if required
- Continue packing up as much as you can

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Two weeks before

- Arrange for childcare/pet care on moving day if needed
- Start using up any food in your freezer
- Notify people of your change of address
- Arrange for necessary services to be transferred or installed shortly after you arrive at your new home

Moving in checklist continued…

One week before

- Arrange key collection with the estate agent
- Confirm date and times with the removals company
- Begin dismantling flat-pack furniture
- Finish packing everything except for essentials
- If you're moving out of a rented property, perform a thorough deep clean

Night before

- Pack a 'first night' bag with essentials
- Finish packing all belongings, including valuables and paperwork
- Charge mobile phone fully
- Carry out final checks and last-minute cleaning
- Provide final meter readings to utility supplier

Moving day

- Collect the keys from the estate agents
- Direct removal teams to items that need moving and ensure they're loaded before departing
- Carry out a final walkthrough to ensure nothing is left behind
- Unpack and organise your belongings

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Your home may be repossessed if you do not keep up repayments on your mortgage.