Pro Mortgages

BUYING YOUR FIRST HOME

YOUR GUIDE WHEN IT COMES TO TAKING THOSE FIRST STEPS ON THE PROPERTY LADDER

CONTENTS

Think carefully before securing debts against your home. Your home or property may be repossessed if you do not keep up repayments on your mortgage.

Getting on the property ladder

Congratulations on making the decision to buy your first home!

So you've decided to buy your first home. This is one of those standout moments in your life, so cherish it! However, we also understand it can be quite overwhelming, especially as buying a house is most likely one of the most expensive purchases you'll ever make.

We know it can be difficult deciding where to start, therefore, in this guide, we've explained the whole process step-by-step, so that you can understand everything that's coming your way. But if there is anything you need explaining in further detail, please don't hesitate to get in touch.

WE CAN ALSO HELP WITH...

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Bridging finance
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and much more!

What exactly is a mortgage?

Good question!

Most of us may not have enough money to buy a house outright, so a mortgage is a loan that you use to buy a property.

As a mortgage is a loan, you'll have to repay it. This is done via monthly payments, and usually lasts up to 30 years.

Your adviser will take into consideration how much you earn, and how much you spend to calculate how much you'll be able to borrow.

At least 5% of the cost of the property is put down as a deposit beforehand.

The mortgage you take out will be against the property, so if you do not keep up with your mortgage repayments your home will be repossessed.

Where to start

To put you in a stronger position before applying for a mortgage we've compiled a series of tips to get you ready!

By using these tips ahead of time, you should be able to speed up the process when you finally want to get the process moving for purchasing a home.

Keep your finances in order

Your Adviser will want to see that you are able to keep your finances in order. They'll often look at your expenditure vs. your income. This will help them determine that if you're able to afford repayments, and other financial commitments you may have. Ultimately, they'll want to place you on a mortgage you can afford.

Ensure that you repay any outstanding loans, avoid taking out additional loans, and keep on top of all bills you currently have. This will show your Adviser that you are suitable for a mortgage.

Electoral roll

One of the easiest things you can do ahead of time is get registered on the electoral roll. This will allow easier tracking when it comes to your current address, when you need to prove it officially.

This is also a simple way to boost your credit score.

Saving

Do you have a savings account on hand? The great thing about regularly saving, is that it can be traced on your bank statements, and therefore is easy for you to:

1. Show how you saved for your deposit.

2. Show your Adviser that you're able to save money or a set amount each month.

Improve your credit rating

Credit cards, when it comes to your credit score, will really help show that you're able to look after finances, and pay them off within a certain amount of time.

Take a look at what you're currently spending money on. Are you making good use of that subscription box? Are you actively using your gym pass?

If the answer is no, consider cancelling them to save a bit of extra money, just for now anyway.

Credit ratings

As mentioned in our last section, a good credit score helps Advisers and Lenders decide:

- Whether to lend you money;
- How much to lend you;
- And how much interest to charge.

There are a number of ways to improve your credit score, and as a result, show lenders and your adviser that you are able to responsibly manage your finances.

Proof of address

Make sure you have proof of address by signing up for the electoral register and ensuring all bills and financial commitments are registered to your address. This way it's easier to confirm your identity for any Advisers and Lenders.

Ensure you're responsible with your credit card

Available credit refers to the difference between your outstanding balance, and your total credit limit.

If, at any point, your available credit is low, your adviser and any potential lenders may think that you are struggling financially.

Our top tip is to make sure you avoid ever withdrawing cash from your credit card. This goes against your credit score, and will appear as though you're withdrawing money because you have no money in the bank. Even if this is not what is actually happening.

Have a history of accounts

Prove you have a good financial history by having a variety of previous bank accounts. For example: a savings account, ISA, credit card, etc. This will allow your Adviser the opportunity to view where your credit has previously gone.

Pay on time

This may sound pretty obvious, but paying on time shows that you are capable of managing your finances and paying bills, which is great when you're trying to apply for a mortgage.

How much can I afford?

Finding out how much money you can borrow, will help you determine what home you will be able to buy based on the budget.

One way of finding out how much you can, potentially, borrow, is through using online affordability calculators. These are a quick and easy way to get an idea of what may be available to you.

You do this through putting in your income against your outgoings, and it'll do the rest, by calculating a potential total you can borrow.

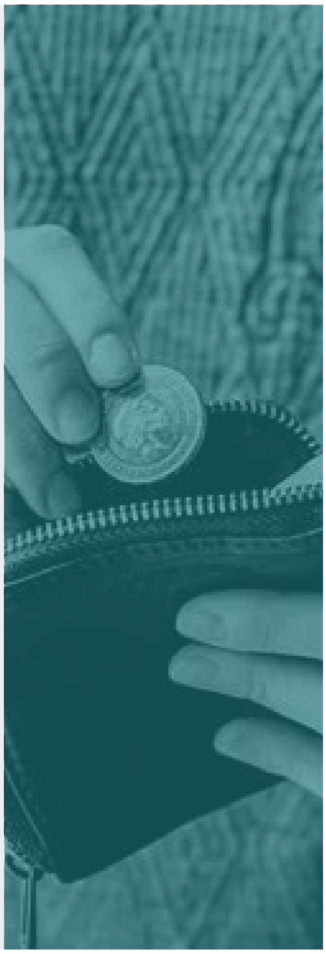
However, a mortgage adviser will be able to fully assess your financial situation, including your lifestyle, to ensure you don't over-stretch when it comes to getting the right mortgage for you.

What is a Decision in Principle?

A Decision in Principle, also known as a DIP, is certificate stating how much a lender is willing to lend you.

We advise that before putting an offer on a house, or applying for a mortgage, you speak to your adviser who can help you apply for a DIP ahead of time. The 'decision' is made through running a number of checks including looking at your outgoings, income and credit score.

Having a DIP ready shows estate agents and sellers that you're ready to move quickly when it comes to buying, and already know how much you can borrow, subject to your full mortgage application.



Help to buy and Lifetime ISAs

In 2013 the government introduced a number of different Help To Buy schemes, including the Help to Buy Equity Loan scheme, the Help to Buy ISA and the Help to Buy Shared Ownership Scheme, aimed at those who were struggling to get on the property ladder.

Help to Buy Equity Loan scheme

This is only available to those who want to buy new build homes only, and is open to first time buyers, as well as those who own an existing property but want to move home.

There are different schemes available for different areas of the UK such as England, Wales and Scotland. The following details only apply to England and Greater London only.

- The government will lend you up to 20% of the cost of your new build home. (If you're purchasing a property in London, you can get up to 40%.
- You contribute a minimum of 5% of the purchase price of the

property against which you can use contributions from your Help to Buy ISA or Lifetime ISA.

- You will therefore have 25% towards the purchase price of the property. You will then also need to take out a mortgage for the remaining 75% using a Specialist Help to Buy mortgage product.
- The Equity Loan is interest-free for the first five years, and you won't need to make any repayments at all during those first five years.
- Thanks to having a larger deposit you won't need to raise as much of a mortgage. It will also mean your initial mortgage payments will be lower.

After five years you'll be charged interest on the Equity Loan at the prevailing rate. Remember you can pay off the loan at any point, and either reduce your Equity Loan amount or pay it completely.

Important: Remember, you've borrowed a percentage of the value of the property from the government. Meaning if your Equity Loan is 20% of the value of the property, when purchasing, if the value of your home rises, you'll need to repay 20% of the new value of the property when you sell it or pay it off, not the original amount you borrowed.

Help to Buy ISA

In November 30th 2019, the Help to Buy ISA closed to new applicants.

Already have money in a Help to Buy ISA? Not to worry, you can keep saving into the account until 30th November 2029 when all accounts close.

You must claim your bonus before 1st December 2030.

Lifetime ISA

When it comes to a Lifetime ISA, you are able to save up to £4,000 per year, and receive a 25% bonus on your savings.

You can keep saving up to £4,000 per year until you're 50 years of age.

With the Lifetime ISA you're able to use the savings and the bonus towards the purchase of your first home, providing it is under £450,000.

Just like the Help to Buy ISA, if you're buying with another first time buyer, you can both combine your savings and bonuses from both of your Lifetime ISA accounts.

Help to Buy Shared Ownership

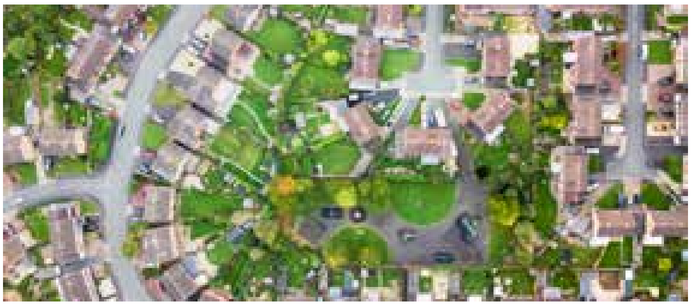
Can't quite afford a 100% mortgage of a home?

The Help to Buy Shared Ownership scheme gives you the opportunity to buy a share of between 25% and 75% of your home's value, then pay rent on the remaining share, and then start 'staircasing'.

Staircasing refers to the process of increasing the size of your mortgage until you own the property in it's entirety.

Using the Shared Ownership scheme may be the right fit for you if you're a person, or couple, who may not be able to get the money for a mortgage that is big enough to buy a home, but means you can own at least part of the property you live in, and benefit from any increase in value over time.

The other great thing is that you'll be able to benefit from long-term security, which is better than just renting a property.



How does it work?

The Shared Ownership scheme relies on you getting a mortgage for half the purchase price of a property, and then paying a deposit of 5% on this amount.

This would make it easier for anyone on a lower income or those who find themselves struggling when it comes to saving a deposit. Of course, every scheme comes with eligibility conditions. You can use this scheme if:

- Your household earns £80,000 a year or less outside of London;
- Your household earns £90,000 a year or less in London;
- You are a first time buyer;
- You used to own a home, but now can't afford to buy one;
- You're an existing shared owner looking to move.

Help to Buy (Scotland)

Don't have the money for a deposit of more than 5%, but know you can afford monthly mortgage repayments?

If you're a first-time buyer or a home mover, there are two schemes available if you're looking to get a new build property, but are struggling to get a deposit together; one is for large homebuilders, and the other is for small homebuilders, two different schemes, but the rules for both are the same.*

How does it work?

After you put down a deposit of at least 5% of the property price, the Scottish government will provide you with a loan of up to 15%, interest-free. Your mortgage will then need to recover just 80% of the rest.

Important: The Scottish Government is entitled to the following: it's money back, a share in the future sale proceeds of the property, this is equal to the percentage contribution it made to assist your property purchase.

What terms and conditions are there?

This scheme is only open to participating homebuilders on homes up to £200,000, which are complete on, or before the 31st March 2019.

When your mortgage term finishes, or if you sell your home, you will have to pay back the equity loan. This can be paid back at any time, with no annual interest.

*Help to Buy (Scotland) can change at any time.

Time to start looking

When it's time to start viewing properties, let's face it, it's ultra exciting, as it'll be the first time it begins to look like a reality.

Your dream home checklist

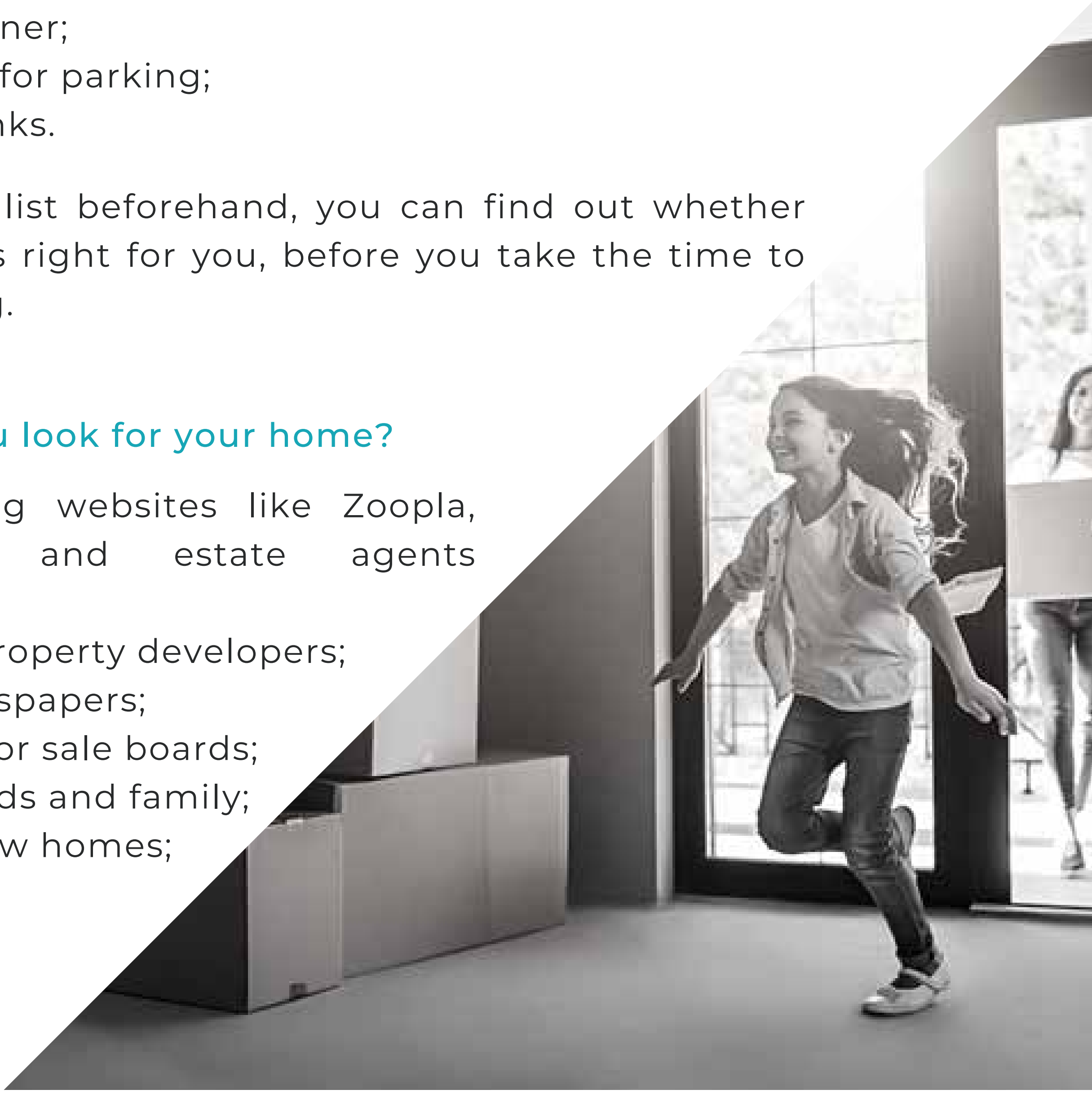
Before you start viewing properties, online or in person, it's worth writing down every 'must-have' from your house. This might include:

- Local shops and supermarkets;
- A big garden;
- A kitchen-diner;
- Good space for parking;
- Transport links.

If you write a list beforehand, you can find out whether the property is right for you, before you take the time to book a viewing.

Where can you look for your home?

- Online using websites like Zoopla, Rightmove and estate agents websites;
- Talking to property developers;
- In local newspapers;
- Looking at for sale boards;
- Asking friends and family;
- Viewing show homes;
- Auctions.



Things to keep an eye out for

In the area you wish to purchase is it...

- Near local shops?
- Near good transport links?
- In a peaceful area?
- In a busy area?
- Near local schools?
- Near local nurseries?
- Offering good parking?

Property inside and outside

Does your property include...

Outside

- Off-road parking?
- A garden?
- Security? (Alarms, gates, etc.)
- Cracks?
- Mould or damp?
- Good guttering?
- A good roof?

Inside

- An energy rating?
- A heating system?
- Mould or damp?
- Big rooms?

Make sure the property meets your wish list. And if you're worried about structural problems, don't panic, these are picked up in the survey (should you choose to have one), but keeping an eye out for signs of damp and large cracks, could prepare you ahead of time.

Once you've found that 'dream house' that fits most of your wish list, and you have your Decision in Principle (DIP), you can make an offer!

Surveys, Solicitors, and Property Chains

Surveys

If you decide to have a survey carried out on a property (at a fee), you can have some invaluable things highlighted that may have remained hidden otherwise. Here are some of the surveys you can have carried out:

Mortgage valuation

This is a free service, that most lenders offer, that is just a valuation of the property for the mortgage lender. This isn't a survey, and you won't receive a report.

Condition reports

With a new build property, these are fairly common, and a good way to find out what condition your property is. Doesn't include any advice.

Homebuyers survey

If your property appears to be in good condition, this survey will give you a property valuation, and check for any faults and repairs. It even includes a repair cost.

Full structural survey

This is the most in-depth survey you can get and is referred to as a 'building survey'. This is best for older properties, or properties with extensions. It helps you challenge anything legally, and checks for faults, and includes repair costs.

Solicitors and conveyancing

When your offer gets accepted, the next stage of your house buying process is to use a solicitor/conveyancer who can take care of the legalities that buying a property involves.

But...what does a solicitor do?

Talking to the seller's solicitor

On your behalf, your solicitor will reach out to the seller's solicitor. The sellers solicitor will then provide them with a draft contract, and other items requested.

Conveyancing process

Most times, your solicitor will be able to carry out the conveyancing process. This includes things like environmental searches, and enquiries with the local authority. This tends to be useful when it comes to revealing any planning issues that may affect your property.

Investigations and contracts

Once they've completed their investigations, if you're happy to proceed, they will finalise your contract and explain it in further details to you.

Contract exchange

Your solicitor will be paid a fee to exchange your contracts on purchase. Once you've done this, you're now legally entering a binding contract to buy the property.

The final stage of the conveyancing process will see your solicitor: receive funds from the lender, finish repaying any existing loan or mortgage that may be a condition of your offer, pay the stamp duty and any other fees, transfer the funds to the seller's solicitor, and finally ensure the keys to the property are made available when completion takes place. Your adviser can recommend you a solicitor during your mortgage process.

Property chains

What is a property chain? A property chain refers to a group of people who are connected since they're buying and selling each others properties.

Each person selling the property (also known as a vendor) should have a designated solicitor, lender, and estate agent attached.

As a result, if one vendor is behind in any capacity, whether it's a missed phone call, or a late filled document, the whole process can be slowed down and delay everyone else in the chain.

What fees will I be paying?

Aside from your deposit and mortgage repayments, there are other costs involved in buying a house you'll want to take into account so you'll have money available from the start.

Valuation Fee

Depending on the survey you decide to go with, you'll be charged different costs. The more in-depth the survey, the higher your fee will be.

Removal Costs

It's not mandatory, but if you need help with the move, you can consider removal services. Just keep in mind, these tend to be more expensive during spring/summer.

Legal Fees

A solicitor/conveyancer is crucial when it comes to completing your mortgage. The solicitor deals with all contracts, documentation, searches etc.

Product Fees

You'll find that some mortgages come with a product fee that you'll need to pay either upfront or tagged onto the cost of your mortgage.

Insurance

Ensure that you take out buildings and contents insurance when taking out your mortgage.
This will protect your home in the case of any damage, and your belongings. This is something you can talk to your adviser about.

There are also other insurances you can use to financially protect you and your home in the case of illness.

Arrangement Fees

Keep an eye out for the administration charge. This is a charge made by the lender for arranging the credit of your mortgage.

Stamp Duty

Buying a house over a certain price can lead to you paying stamp duty. It has various names including Stamp Duty Land Tax (SDLT) in England, Land Transaction Tax (LTT) in Wales, and Land and Buildings Transaction Tax (LBTT) in Scotland.

The amount that you need to pay will depend on the property, but you're exempt from paying the tax on properties up to £300,000 (if you're a first time buyer).

Applying for your mortgage

Ready to apply for your mortgage? Our team are on hand to help you with expert advice from start to finish. Arrange an appointment with one of our Mortgage Advisers.

Whether you are a first-time buyer, moving home or looking to re-mortgage, our specialists are here to make the process easier, so you can get on with everyday life.

With everything under one roof, you can rest assured that we can find a mortgage deal that will suit your needs.

Get in touch today:

Call:

Email:

Website:

Our handy first time buyers checklist

Six weeks before

- [ ] Ensure that you know your moving in date.
- [ ] Get that insurance covered from the time of the exchange.
- [ ] Start 'Marie Kondo'-ing your home, by decluttering and removing anything you no longer use.
- [ ] Begin to pack anything you won't use between now and the move.

Four weeks before

- [ ] Call in a favour with a friend, or two, by asking if they're free to help on moving day.
- [ ] Not using a removal company? Not a problem! Start wrapping items in bubble wrap, and collect some packing boxes.
- [ ] More than you can handle? Book a storage unit if you need it.
- [ ] Continue to pack!

Two weeks before

- [ ] Have children or pets? Ask for someone to look after them for moving day.
- [ ] Have a feast with any items you can in your freezer.
- [ ] Start notifying people of your impending change of address.
- [ ] Arrange for the services you need, such as broadband, to be transferred/installed in your new home.

One week before

- [ ] Book a time with your estate agents to pick up keys.
- [ ] Get your flat-pack furniture dismantled.
- [ ] Make sure all packing is done, apart from essential items.
- [ ] Call up your removals company to confirm the date and the time.
- [ ] Deep clean your current property.

The night before

- [ ] Finish packing everything, including valuables and paperwork.
- [ ] Pack an overnight bag including any essentials.
- [ ] Charge your mobile.
- [ ] Carry out final checks.

Moving day

- [ ] Collect the keys.
- [ ] Direct your removals team with all items that need moving.
- [ ] Carry out final checks and ensure nothing is left behind.

You may be charged a fee for mortgage advice. The precise amount will depend on your circumstances but we estimate it will be <insert amount>