

First-time-buyer Guide

As a first time buyer, it can be tough to get to grips with the complexities of buying a home and getting a mortgage. At times it can seem like the whole process is set up to be as confusing as possible ... so we realise that the most important first step is to help you become better informed about how things will work. This guide aims to cover the main things you'll need to know as you consider buying your first home.

First and foremost, it's important to understand the costs that are involved in purchasing a property and getting a mortgage – you need to determine whether you can realistically afford to do so. These will include:

- **Deposit:** Due to current mortgage lending practices, you'll need to put down a deposit of at least 10% of the property value. Also bear in mind that the larger the deposit you can pay, the better the mortgage deal you may be able to get.
- **Mortgage fees:** Depending on the type of mortgage deal you take out, you should be prepared to pay an arrangement fee that can amount to several hundred pounds or more. Although this can seem exorbitant, securing a good mortgage rate can really benefit you in the long run, through lower monthly repayments.
- **Broker's fees:** If you arrange your mortgage through an independent mortgage broker or intermediary service, they may charge you a fee (either instead of or, more often, in addition to receiving a commission from the mortgage lender).
- **Surveyor's fees:** Although the mortgage lender will arrange to have the property valued, it's often recommended to arrange for a more detailed property survey. Some mortgage deals include a 'free valuation', but you should bear in mind that this will only cover a basic valuation and you would still need to pay if you wanted a full survey.
- **Solicitor's fees:** You will need a solicitor (or 'conveyancer') to handle the legal side of the property purchase, who will charge you directly for their services.
- **Stamp duty:** This is a form of tax paid to the government on property purchases. It's important to be aware of it, however first time buyers are currently only charged Stamp Duty Land Tax on purchase prices over £250,000.
- **Removal and/or furniture costs:** You need to be realistic about what you need, and how much it will cost to buy (or move) furniture and fittings for your new home.

It's a lot to take in, but only by being aware of and thinking honestly about the costs can you be sure that you can afford to buy a property. The deposit alone will usually amount to tens of thousands of pounds, but there are other ways of gathering a deposit over and above just hard saving! In addition to help from parents or family, it may be possible to take advantage of government initiatives (e.g. key worker or shared ownership schemes) or deposit incentive schemes from housing developers.

When you apply for a mortgage from a lender (usually a bank or building society), they'll carry out a number of checks to ensure you qualify, and that you will be able to afford your mortgage payments. Be prepared to provide full details of your employment, income, savings and

outgoings. You can help this process along by making sure you have copies of payslips and bank statements, and that you are on the electoral register.

The lender will also check into your credit history with one or more of the UK Credit Reference Agencies (Experian, Equifax and Callcredit). We suggest that obtain your own copy of your credit report before you apply – it will help you understand your overall credit rating, and also give you the opportunity to identify and query any anomalies or inaccuracies.

Last but by no means least; it will be useful to understand the types of mortgages that will be available to you. The detailed terms and conditions of any mortgage will vary from lender to lender, but there are just a handful of main rate types available:

- **Fixed rates:** The interest rate and monthly payment are fixed at the outset for an agreed term (typically two, three or five years). Fixed rates are a good way to budget in advance – you know exactly how much your mortgage payments will be and that they won't vary until the deal ends.
- **Tracker and discount rates:** These are variable rates that either track at a certain percentage above the Bank of England base rate, or are discounted below the lender's Standard Variable Rate, for a fixed period. There are some good tracker and discount deals out there, but as they are variable, you have to accept that your mortgage payments could go up, and consider whether there is scope in your monthly budget to allow for this. Conversely, if the prevailing rate drops you could see your payments decrease.
- **Capped rates:** Capped mortgages are usually tracker or discounted variable rates, but which have a fixed upper limit (or 'cap') above which your rate cannot rise. This allows for some variation in your monthly payment, but with the assurance that your payments won't be higher than a certain amount.

The important thing to bear in mind when choosing a mortgage deal (or 'product') is to consider the overall features and costs – the lowest rate might not necessarily be the best deal when other features are taken into account. Arrangement fees can vary significantly from product to product, and some deals may feature 'early repayment charges' that mean you are tied to that mortgage for a fixed term.

Purchasing your first property can be a confusing and daunting affair, and it helps to know what to expect. But always remember that it's not a journey you take alone. Solicitors, lenders and mortgage brokers recognise the value of every mortgage customer that comes to them, and you might be surprised at how helpful they can be in getting you into your first home.