

First-time Buyer's guide

First Time Buyer (FTB) The definition of a first-time buyer is someone who have never owned a property with a mortgage. Some lenders will class you as a FTB if you have owned property with a mortgage over 3-5 years ago and some lenders will never class you as a FTB if you had a mortgaged property over 10 years ago.

The purchase of a property usually involves two processes: setting up the mortgage and buying the property.

It should be noted that owing to fundamental differences between the law applicable to England and Wales and that applicable to Scotland, the processes are entirely different. This following should therefore only be considered in relation to English/Welsh law.

Where to start when looking to get into the property market?

The first port of call when considering buying a house should be a mortgage advisor. Why do you start by finding a mortgage broker...? Because you wouldn't start driving to Scotland without using google maps first! And you don't start looking for a house without knowing what you can afford, which is where a mortgage advisor is needed.

A mortgage advisor has a wide amount of knowledge regarding lenders & their criteria's, this means they are best suited to match you to the right product. You could decide to source your mortgage yourself but how will you know for sure that you're getting the best rate available, or how would you know that further into the process, the lender has found that there is a reason such as credit history to why they have decided they will not lend to you. Therefore, it is worth using a professional to do the job for you, but also to have in your corner to consult & gain advice from.

But which type of advisor should you choose?

Most banks & building societies have their own in-house mortgage advisors, and a lot of first-time buyers go to the bank who they have saved with for most of their life looking for advice. This is not the right choice because, by doing this you are limiting yourself from 100+ lenders in the market down to just one! And the chances that they are going to be offering you the best rate available on the market is very slim. Same goes for trying to find your own mortgage

The alternative to this is using a Mortgage advisor like ourselves who are independent & whole of market. This means we have access to all lenders on the market, which results in being able to find you, the customer, the best rates available.

The initial process of a mortgage advisor?

When we take on a new client it starts with a conversation to find out your goals, needs and situation. Then you will be sent a fact find, which is an electronic form that will ask you to answer all relevant questions needed to find you the perfect mortgage, at the same time we will ask you to email us all the relevant documentation needed. Once we have the fact find & documents, we go

away and get all geeky with numbers, we will work out how much you will be able to afford based on things such as your income, financial commitments, credit history etc. Once you have this estimated figure you are then able to start looking at properties you can realistically afford. You can scour internet & local estate agents and book some viewings and then when you find the perfect property, you will need to contact us to let us know as we can then get you a decision in principle which the estate agent advertising the property will ask for.

Once everyone is satisfied with this, we will then submit a full application to get the mortgage offered to you. Once you know which lender has offered you the best rate then it is time to choose your conveyancer. A lot of lenders have a panel of conveyancers who they permit you to use. So, it is best to find your conveyancer once you know the lender. As a firm we have a panel of solicitors who we regularly use & can recommend if needed and we can make sure they are on the lenders approved list. At this stage in the process and decision making, your part is pretty much done, the mortgage advisor, lender, conveyancer & estate agent will now communicate between each other progressing your purchase and you will be contacted if, and when needed.

Things to consider as a first-time buyer.

How much of a deposit is needed –

Typically, 10% minimum. However, the more deposit, the lower the loan to value (LTV) will be. The lower the LTV the better the rates are that are offered generally. For example

£200,000 House with a £20,000 deposit would be 90% LTV

£200,000 House with a £40,000 deposit would be 80% LTV and would get you a better rate. This is because you have more equity in the house so from a lenders perspective it is less of a risky agreement.

Mortgage terms & monthly payments –

As an advisor we will always advise in your best interests. Which means we will always recommend you take out the shortest-term mortgage possible for your current affordability & situation as this keeps the interest over the whole term of the mortgage you pay to a minimum. However, you can decide to take out a longer term if you wish, this means overall you will be paying more interest, but by extending the term it will reduce the monthly payments to a figure you feel more comfortable with.

How much will they lend you?

Historically, lenders simply multiplied your income to work out how much to lend you. Typically, a single person could borrow four times their single salary while a couple would be offered four times their joint salary. Now it is all about affordability. Lenders look at your income compared to your outgoings (bills and other debts) and work out how much spare cash you have each month.

Fees involved with the house buying process –

The below fees are given as a rough example and do not mean that is exactly what you will be paying, when looking at a particular mortgage, you will get a list of all the fees you will have to pay in your Key Facts Illustration (KFI) you will be sent this, then you must check it over and agree you are happy to proceed to the next stage, which is Decision in Principle (DiP)

Arrangement fee - This is the highest charge, not all products charge an arrangement fee, but most do and on average you can expect to pay between £999 - £1999. With this fee normally you can choose to pay upfront or you can add it to the mortgage, so if you were borrowing £100,000 mortgage and the fee was £999 your total borrowing would then be £100,999 at the agreed rate.

Booking or reservation fee - A few lenders also charge a separate reservation fee to secure a fixed-rate, tracker or discount deal. This costs about £100-£200, is always payable upfront and is non-refundable. This is not a common cost for a first-time buyer.

Valuation fee - This covers the cost of an inspection of your new home. This checks a) the property exists and b) estimates a value to reassure the lender that it can get a decent price if you miss payments and it repossesses and then sells your home to recover the debt. The cost of the valuation depends on the property's value, and your lender, but assume it will be about £250. This is not to be confused with a survey, which is optional but advisable (especially if you are buying an old property). While a valuation is for the lender's benefit, a survey is a more thorough check-up of the property for your benefit. It can spot things such as damp or structural problems and costs between £400-£700.

Legal fees - Paid to your solicitor, this covers the cost of all the legal work associated with buying a home such as conveyancing and searches of local authority data to check for hidden nasties such as poor drainage. If you have to pay for your conveyancing, you are looking at £500-£1,500.

Stamp duty – For first time buyers stamp duty is not payable for the first £300,000 and is 5% from £300,000 - £500,000. Meaning if you were to buy a house for £350,000 it would be as follows.

£0 - £300,000 x 0% = £0

£300,000 - £350,000 x 5% = £2,500

this is based on standard rates

Total SDLT due would therefore be £2,500. This is paid via your solicitor after completion.

What next

Contact the team at Try Financial on:

Tel: **01473 462288**

Or

Email: enquiries@tryfinancial.co.uk

This is a basic guide, if you have any further questions feel free to contact us, we will be more than happy to help.