First Time Buyers

A guide to buying your first home



There's a lot to think about when you're buying your first home. So, whether you've just started saving for your deposit, or you're ready to start your property search, here's a step-by-step guide to help you through the process

Find a Property / Make an Offer Choose a Conveyancer (Solicitor)

Affordability Check

Here at Mortgage Scout, we can carry out a quick affordability check based on your income and outgoings, to help confirm how much you can borrow

When to do it: Before you start your search

Once you've discussed your affordability options, it's time to begin the search for your first home! Offers can be made directly to the estate agent selling the property, just let us know when your offer has been accepted and we'll handle the next steps!

You'll need to decide which conveyancer to use prior to your mortgage application being submitted. They'll need to be registered with your chosen lender and will handle all the legal aspects of the property purchase

When to find one: It's best to be prepared, so the sooner the better, but you won't need to instruct them until your offer has been accepted and you've submitted your mortgage application

Hint: Mortgage Scout can recommend a conveyancer if you'd like a helping hand!

Apply for your Mortgage

Not all mortgages are the same, so you'll need the one that's right for you. Your Mortgage Scout advisor will search our comprehensive range of lenders from across the market to find your ideal option, ensuring you receive the most competitive rates available. Now is the perfect time to instruct your conveyancer

When to do it: After your offer has been accepted

Completion / Move In

On the day of completion, your conveyancer will liaise with the estate agent to confirm when the keys can be released. Congratulations you're officially a homeowner!

Now it's time to make it your own

Mortgage Scout will be in touch when it's time to remortgage!

Exchange Contracts

This is the final step before completion. Once your conveyancer has completed the legal work and reviewed your mortgage offer, you're ready to exchange! At this stage, your conveyancer will ask you to transfer across your deposit and will confirm a suitable completion date with all parties. The contract to purchase the property becomes legally binding once exchange has taken place

Insurance & Protection

Once your mortgage offer has been issued, you'll need to discuss the various insurance & protection options available that work alongside your new mortgage. Mortgage Scout can walk you through every step!

When to do it: All insurance & protection policies need to be in place before you exchange contracts. You'll need to check if your employers provide any benefits, but Mortgage Scout can help with everything else

Remember: The mortgage gets you in the property, the protection keeps you in the property!

Mortgage Offer!

You're now just a few steps away from moving into your new home!

At this stage, copies of the mortgage offer will be sent across to you and your conveyancer

Valuation, Conveyancing & Searches

Once your mortgage application has been submitted, the lender will begin reviewing your application and will also instruct a valuation on your chosen property. At this stage, your conveyancer will begin working on the legal aspects of the purchase, conducting searches as part of their process

Hint: Read our 'Survey Smart' section on the next page to find out more about the types or surveys available, as well as our 'Jargon Buster' to help get to grips with mortgage terminology

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Get Survey Smart

There are lots of different types of survey, here are some of the more common ones:

Mortgage valuation

This is a valuation rather than a survey and is carried out on behalf of the

mortgage lender to make sure the property is worth the agreed price. It's geared towards satisfying the mortgage provider that the property provides sufficient security for the loan. It doesn't guarantee the property is free from defects and you might not receive a copy of the report

Homebuyer Report

This gives you general information about the condition of the property. It usually involves a surface examination of the parts of the property that are visible and readily accessible, making use of a 'traffic light' system to highlight any areas of concern. Services are not tested as part of this report. If you'd like the services tested, then you'd need a building survey

Building Survey (Full Structural Survey)

This tends to be the most detailed report and provides a comprehensive look at the condition of a property, dealing with hard to reach places and structural issues. Although it's one of the more expensive survey types, the level of detail in the report makes it vital when buying older properties

Most lenders offer options to upgrade to a Homebuyer Report or Building Survey as part of your application, but Mortgage Scout can recommend other surveyors if you'd prefer to arrange this separately

Getting Organised

Here's a list of the things you'll usually need when you apply for a mortgage:

- Proof of income e.g. 3 months payslips or 2 years tax calculations & tax year overviews
- **3 months bank statements** showing salary credits
- ID & proof of address e.g. passport, driving licence, utility bill
- Details of loans or credit cards, even if these are to be repaid
- Proof of deposit

Other documents may be required by the lender, based on your individual circumstances, but we'll confirm everything prior to submitting your application

Government Schemes

The government runs several schemes designed to help first time buyers get on the property ladder

Shared Ownership

Shared Ownership allows you to buy a share of the home from a housing authority and pay rent on the rest. This means you take a smaller mortgage, so the deposit you need to save is lower, but you'll need to account for the rent you'll be paying on the rest of the property

Help to Buy (HTB)

Help to Buy is designed to help you purchase a new build property. The government lends you up to 20% in England and Wales (40% in London) towards the cost of your home, so you'll only need a 5% cash deposit

Help to Buy ISA

Although registration for the Help to Buy ISA will be closing on 30/11/2019, applicants who already have a savings account can still benefit from the 25% bonus. You do not have to purchase a Help to Buy property to use the ISA

The Lifetime ISA (LISA)

The Lifetime ISA is a savings account designed to help people aged between 18 and 39 save towards their first home or retirement. You can save up to £4,000 in a Lifetime ISA each tax year, tax free, until the age of 50. The government will also pay a 25% bonus on your contributions, up to a maximum of £1,000 a year. The Lifetime ISA can be a great way to boost your deposit when you're saving for a house. To use your Lifetime ISA to buy your first home, you must have made your first payment into it at least 12 months ago. If you withdraw funds before your 60th birthday for any reason other than buying your first home, you'll incur a 25% government withdrawal charge on the amount you withdraw, which would mean you'd get back less than you paid in, so it's best to only use the LISA if you're sure the cash is for one of the two defined purposes

Jargon Buster

Mortgage – Loan secured against the property Lender – Bank or building society providing the mortgage Deposit – Amount you need to pay towards the cost of the property

Loan to value (LTV) – Size of your mortgage as a % of the property value

Mortgage Term – Amount of time it will take to repay your mortgage

Agreement / Decision in Principle (AIP / DIP) – Lenders confirmation that you can borrow a certain amount, subject to full checks

Product / Arrangement Fee – Set-up fee from your lender. This is usually added to your loan

Fixed Rate – Mortgage payments are guaranteed to stay the same for a set period of time, usually 2, 3 or 5 years

Standard Variable Rate (SVR) – Default mortgage rate charged by lenders after initial deal ends

Early Repayment Charge (ERC) – Penalty fee for repaying mortgage during specific period

Vendor – The current owner of the property being sold **Conveyancing** – Legal process of buying and selling a property

Searches – Various checks carried out by the conveyancer to ensure the property is suitable

Exchange – The point at which the contract to purchase the property becomes legally binding

Completion – Ownership of the property transfers to the buyer

Call us on **0800 1444 744** to speak to a Mortgage Scout advisor, or visit <u>www.mortgagescout.co.uk</u> for more information



We'll find you the best mortgage

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