coreco

Buying your First Home

Contents

Buying for the first time

So you're thinking about buying your first home – how exciting!

Although this is a really great moment in your life, it can also be quite overwhelming as it's the first time you've gone through the buying process. Also, because your home is likely to be the most expensive thing you've ever bought, it's important to get it right!

In this guide, we explain the whole process step by step, right from how to get yourself mortgage ready, through to Help to Buy schemes and helpful checklists to make sure you don't forget anything.

We talk about the buying process in simple terms that are easy to digest and understand, but if there's anything you'd like explaining in a little more detail, please don't hesitate to get in touch with us.

What is a mortgage?

**Let's start with the basics...
what actually is a mortgage?**

If you don't have enough money to buy your home outright with cash (which most people don't), then you'll have 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 which normally consists of capital and interest.
- The lender will take into consideration your income and your outgoings in 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 a loan secured against your property, therefore your home will be repossessed if you don't meet your mortgage repayments.

What fees will I need to pay?

There are certain costs involved with buying a home, aside from the usual deposit and mortgage repayments.

It's important to take these extra costs into account when planning out what money you'll need to have readily available from the outset.

Product/Arrangement Fees – Some mortgages come with a product fee that can either be paid upfront or added on to the mortgage balance. There's often also an administration charge made by the lender for arranging the credit of your mortgage.

Mortgage Advice Fee – This is a separate fee charged by the mortgage adviser for their specialist knowledge in searching the market for your mortgage deal, and ultimately for getting your mortgage to the finishing post and moving you into your new home.

Legal fees – You'll need to use a solicitor in order to complete on your mortgage. The solicitor deals with all the contracts, documentation and searches amongst other things.

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

Stamp Duty – If you buy a property over a certain price, you'll have to pay stamp duty. In England and Wales this is called Stamp Duty Land Tax (SDLT). The amount of stamp duty you pay will depend on the purchase price of the property. If you're purchasing a home in Scotland, they have something different called Land and Buildings Transaction Tax (LBTT) which you'll have to pay instead.

Valuation Fee – If you choose to have a structural survey or a homebuyers survey report, then these come with an additional cost to the standard mortgage valuation. The type of valuation you choose will determine the cost (the more in-depth the survey, the higher the fee).

Insurance – You're required to take out building insurance with your mortgage if you're buying a freehold property. This will cover you against damage to your home caused by fire, flooding etc. If you're buying a leasehold flat, the building may be insured by the freeholder; your solicitor will be able to advise you if you need building insurance. Most people also choose to take out contents insurance alongside this to protect their belongings.

Protecting yourself and your family – It is important that you seriously consider how you would continue to stay in your home should something unexpected happen. We highly recommend seeking advice on the types of insurance available, such as income protection, life insurance and Critical Illness Cover (CIC).

Removal Costs – Not a necessity but something you might want to consider if you're unable to carry out the move yourself. Removal costs tend to be higher during the busier months (peak moving time tends to be during the spring/summer months).

How to get yourself mortgage ready

When the time comes for you to buy for the first time, there are certain things you can do to speed up the process.

If you can get yourself as mortgage ready as possible (around six months prior to you needing a mortgage) then when the time finally comes, you will be in a much stronger position and your mortgage could go through much quicker.

So what can I do to get myself mortgage ready?

When applying for a mortgage or when remortgaging, your lender will perform an affordability test on you to see if your finances are in order. This will determine whether you're able to afford the repayments, alongside any other financial commitments you may have, and ultimately make sure you have a mortgage you can afford.

The tests will include a look at your income vs your expenditure, so it's important that you're able to show you are capable of keeping your finances in order.

Loans

If you have any outstanding loans, it's advisable to pay these off before you apply for your mortgage, and avoid taking out any more loans in the meantime. However, don't let this put you off speaking to a mortgage adviser as it doesn't necessarily mean you aren't suitable for a mortgage.

Keep on top of payments

Pay all your bills on time. This can be anything from a phone bill, to general household utility bills. This will prove you're reliable and financially independent.

Electoral Roll

A simple but effective thing to do is to register on the electoral roll. Also, make sure any bills you have are registered to your current address, so everything is easy to trace. This is surprisingly important and one of the simplest ways to significantly boost your credit score.

Regular Saving

If regular savings can be traced on your bank statements, this can be good for a number of reasons. Not only can it show where the money for your deposit has come from, but it can also prove to your lender that if you're able to save £500 a month, for instance, then this is money that can then go towards paying off a mortgage.

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 pay the payments on time.

The main thing is to prove that your spending patterns are in line with how you see yourself when you have a mortgage. If there are any cutbacks you can make, then now is the time to make them. Perhaps if you have a gym membership that you don't use regularly, or you have a subscription to satellite TV that you probably don't need, then it would be a good idea to cancel them for now, just to save you that extra bit of money. After all, every penny counts!

The ins and outs of credit ratings

If you were about to lend someone a large amount of money then you'd want to know that they're responsible, capable of paying it back and aren't hiding anything below the surface, right?

That's why all lenders look at credit ratings to help decide:

A. Whether to lend you money

B. How much to lend you and sometimes,

C. How much interest to charge

Given this, there are a number of ways to prove you can manage your finances responsibly, and are able to pay back what you borrow. If you have a good credit score, then you'll stand a better chance of getting the mortgage deal you want, and ultimately will be able to borrow the maximum amount to help you buy the home that you want.

Check your credit score

The first place to start is to find out how good or bad your credit score is. There are various companies i.e. Experian, Equifax, Callcredit, who can give you your credit score.

This will be a thorough report of all your credit accounts, including outstanding loans and any missed or late payments over the last six years, as well as any other people who are financially linked to you. Sometimes the reports do contain inaccurate information, if this is the case, you can get this put right before applying for a mortgage.

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 e.g. a current account, savings accounts, ISAs, credit card etc. will give your mortgage adviser a decent history of your credit to look back through.

Declare your address

Lenders will need to see proof of your name and address in order to trust you are who you say you are. Register on the electoral roll and make sure all of your bills and credit commitments are registered to your current address. This way, everything is easy to trace back to you and confirms your identity.

Use a credit card responsibly

Always try to retain a good amount of available credit. Available credit is the difference between what your outstanding balance is and your total credit limit. If your available credit is low, this would indicate that you're struggling to keep tabs on your finances. Also, never withdraw cash from your credit card. This will go against your credit score as it looks like you're having to make the withdrawal because you have no money left in your own bank account, even if this isn't the case.

Don't miss repayments

This may sound like an obvious one but missing payments will have a detrimental affect on your credit score. Despite your hard efforts to do everything else, missing repayments shows that you are incapable of managing your finances and paying your bills on time – which isn't great if you're trying to get a mortgage.

If you have bad credit, stop applying for more credit

If you know for a fact that you have bad credit – having multiple credit searches carried out in a short space of time can go against you. It's advisable that in the meantime, you don't apply for anymore credit and concentrate on clearing your existing debt instead.

Don't keep unused cards

Holding on to 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, so make sure you cancel any accounts you don't use and cut up the card before throwing it away.

How much can I afford?

It's important to be realistic about how much money you can afford to borrow. This way you can determine what your budget is, plus you can have a clearer idea of how to cut your cloth accordingly, if necessary.

Using online affordability calculators are a quick and easy way to see, potentially, how much you could afford to borrow. It will simply subtract your outgoings from your earnings and tell you what you have left at the end.

This is a useful indicator but your mortgage adviser will fully assess your financial situation in more depth, taking into consideration your lifestyle, in order to make sure you don't over-stretch yourself to the point where you struggle to pay back your mortgage repayments.

Getting an Agreement in Principle (AIP)

Before you apply for a mortgage, or make an offer on a property, it's advisable to get an Agreement in Principle (AIP). This certificate states how much a lender is willing to lend 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 an AIP shows both 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.

Starting the property search

Viewing properties for the first time can be very exciting as the possibility of what could be, begins to look like a reality for the first time.

Where to look for properties on the market:

- **Online** – Rightmove, Zoopla, estate agent's websites
- **Register** with local estate agents
- **Property Developers** – show homes
- **Auctions**

But before you start viewing properties, it's a good idea to write a list of all the requirements you want from your home, aka, your wish list!
This might include some of the following:

Open plan/3 bedrooms/outdoor space/close to schools/good transport links

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

What to look out for
How does the local area look?

- Is it **peaceful** or is it quite a **busy, built up** area?
- Have a trial run of your **commute** to work – how long does it take you?
- Are the **transport links** good?
- Are you nearby to **local shops**?
- Is there a high **crime rate**?
- How close are you to **local schools** and **nurseries**?
- What is the **parking** like? Not only during the day, but in the evening when everyone has returned home from work

Starting the property search

Preparation
Have your checklist ready! There will be many little questions and tests you need to carry out on your viewing and you don't want to miss anything. Are the rooms big enough for your needs? Is the plumbing up to scratch? Are the windows double-glazed? How's the water pressure in the shower? Is the roof fully intact? Are there enough power points (in good condition)?

Perspective
Be wary of staging. Sellers use many tricks to make their property seem more appealing but really they just give you a false impression. These could include good smells, clever positioning of mirrors, optical illusions and strategic lighting. They all give the misleading impression of the property is more spacious, well-lit and newer than the reality. Stay focused on what you need to look for.

Bring a friend
Don't go alone. It's also a lot easier to discuss points and have someone to bounce ideas off, plus an extra set of eyes will give you twice the chance to spot something out of place. Ideally bring someone who has gone through this process themselves recently. They may well have had an experience where they forgot to ask a question in the viewing and it affected their new home. Their pain is your strength!

Take a proper look outside
Watch out for peeling paint, tide marks or loose tiles. It's also worth considering which way the property is facing and how much sun will come in during summer. You'd be surprised how much a home filled with sunlight can affect your mood!

While you're out there, be sure to take a proper look at the roof. Replacing a roof is expensive and since the average life-expectancy for a roof is 15-20 years, it's wise to ask how old it is.

Plumbing
How old is the boiler, and do the radiators actually work in the property? Don't feel shy about asking to use the toilet. Does the toilet flush? Cause, you know: deal-breaker.

Check the bills
If they're willing to share, have a look at the previous bills for the property. It'd be good to have a decent idea of how much the council tax, gas, electric etc. comes to.

Damp
This is the bane of homeowners so it's imperative you investigate thoroughly! You can usually tell if there is damp in a property due to smell, steamed up windows, watermarked walls/ceilings or flaky plaster.

Overall, you want to see how far the property meets your wish list.

Then, once you've found a home that meets all your needs, and you have your Agreement in Principle (AIP), you're ready to make an offer!

Choosing surveys and solicitors

When buying a home you already have a lot to pay out, so the thought of paying for something else on top of that can seem rather annoying. Yet having a survey carried out on a property can be invaluable as it can highlight things that would otherwise remain hidden, as well as those things that are visible but perhaps not to the untrained eye.

What surveys are available? – There are many different types of surveys available and it can be quite confusing trying to decide which is right for you.

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 – This is the most in-depth survey you can have and is often referred to as a 'building survey'. It's common for older properties 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 buyer from a legal perspective.

Condition Reports – These are common for fairly new build properties and is 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

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. To be clear, this isn't a survey and you often won't even receive a copy of the report at the end.

Each survey comes with a different fee, the more in-depth costing the most money, and these costs can vary between each lender, or local surveying firm.

Solicitors – Once your offer has been accepted, you'll need to find yourself a solicitor to take care of the legalities involved with buying a property. We can recommend a solicitor if you'd like some guidance.

The estate agency might recommend a solicitor to you, as may your friends and family. You could opt to go with someone local to your area, but you aren't limited to staying local. The work carried out by solicitors can be conducted anywhere, as long as you can communicate via email and telephone.

What work will the solicitor do?

1. **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.

2. **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. Your solicitor/conveyancer will carry out duties such as flooding, mining and contaminated land searches, if necessary.

3. **Sign the contract** – Your solicitor will report back to you on all of the investigations that 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.

4. **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.

5. **Completion** – Completion 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

How to manage the chain

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. If, for whatever reason, a vendor misses a phone call from one of these professionals, is late filling out a document or perhaps is struggling to find a property to move into, this can slow down the whole process and delay moving dates for everyone involved in the chain.

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 keep in touch with your solicitor, lender and estate agent.

This is where a good broker like Coreco comes in. We are at the centre of the transaction, there to ensure everyone is communicating and you are not rushing around chasing people.

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 as there are likely to be less hold ups. This makes you a very desirable buyer for any potential seller

Help to Buy explained

Trying to get a foot on the property ladder can be a struggle for many people. Often with university debt stacked behind you and a low paid, entry level first job, saving enough money to put down a deposit is a common problem.

The government has introduced a number of different Help to Buy schemes, all aimed to help get you to where you want to be on the property ladder.

Help to Buy: Equity Loan

This scheme is applicable for First-Time Buyers looking to buy new build homes only, so if new builds appeal to you, then it might be worth reading up on the terms and conditions of the equity loan.

- The government will lend you up to 20% of the cost of your new build home or up to 40% if you're buying in London
- You find the minimum 5% cash deposit upfront
- You therefore have an overall 25% (or 45% if buying in London) deposit against the purchase price of the house/flat

- You won't be charged loan fees on the equity loan for the first five years
- In the sixth year you will currently be charged a fee of 1.75% of the loan's value. After this, the fee will increase every year in line with inflation. The annual increase in the fees is worked out by using the Retail Prices Index (RPI) plus 1%. For instance:
  - Years 1-5: no fees
  - Year 6: 1.75% of the loan
  - Year 7 onwards: 1.75% + RPI + 1%
  - These fees do not go towards paying off the government loan.

However, the larger the deposit you put down, the more mortgage products you'll have available and, generally speaking, the bigger the deposit, the better the mortgage deal.

Regional Purchase Price Caps

There are different limits to the scheme dependent on where about in England you are looking to buy. Each area now has a maximum purchase price for a Help to Buy Property. In London for example, the maximum purchase price is £600,000; in the South East it is £437,600; in East of England it is £407,400; in the South West it is £349,000; in the East Midlands it is 261,900; in the West Midlands it is £255,600; in Yorkshire and The Humber it is £228,100; in the North West it is £224,400; and in the North East it is £186,100.

Lifetime ISA

If you are going to wait at least a year before purchasing your home, a Lifetime ISA (LISA) is a good option for you as it allows you to save in a tax free environment and receive a bonus from the Government.

- The government will boost your savings by 25%
- You can save up to £4,000 per year and receive a government bonus of up to £1,000 per year
- You can use this money to buy a home worth under £450,000 anywhere in the UK.

Shared Ownership

Shared Ownership lets you buy a portion of your own home, which you can usually increase over time, until you gradually own your own home, outright. This is a good way to step into the housing market as the deposit amount is based on the share you buy, so it will be much less, sometimes no deposit is even required.

Many people decide that for example owning 50% of a home, is still much better than owning 0% of a home if they continue to rent.

- You find the minimum 5% deposit of the purchase share upfront (although some lenders will now accept a 0% deposit)
- Purchase a percentage share of your property (between 25% and 75% of the market value)
- Pay monthly rent to your housing association on the remaining portion
- You can increase your ownership share as and when you can afford to do so

To find Shared Ownership properties available in your area, visit sharetobuy.com/properties

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 (aka the bank of Mum and Dad).

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 the money and gifted the money is that with a gift, you don't have to pay it back.

On the whole, mortgage lenders tend to prefer the money to be gifted. You just need to ask your parents to write a letter detailing how much they'll be gifting, that the money does not need to be repaid, and that they will have no financial interest in the property.

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 how much you'll have to repay in total (mortgage and loan to parents).

Guarantor Mortgages

A close relative can act as a guarantor on your mortgage. This is often an attractive option for first time buyers as the guarantor's income is taken into account when working out how much the borrower can afford to borrow. Therefore, you may be able to borrow more than if you were applying on your own. However, this does mean that if you're unable to make your repayments, your guarantor will be expected to make them on your behalf. A guarantor would therefore need to be able to afford all of their own current commitments and lifestyle, as well as your mortgage, should you not be able to pay.

Joint Mortgage, Sole Proprietor

Unlike a standard joint mortgage, a 'Joint Mortgage, Sole Proprietor' mortgage allows a parent, or other "guarantor" to join their child's mortgage without being named on the deeds.

The parent's income is added into the affordability assessment which can help to increase the maximum loan available, but as the property is just in the First-Time Buyers name alone, this avoids the stamp duty surcharge for second properties.

It is important to note however that although the property is only registered in one name, because the mortgage is in joint names both parties are still jointly and severally liable for the loan and monthly payments.

Before taking out such a mortgage we highly recommend you take out appropriate legal advice so both parties fully understand the way it works and their responsibilities.

Applying for a mortgage

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

Whether face to face or over the phone, we can offer the same expert advice and will be there to talk you through the whole mortgage process, from beginning to end. We'll be sure to explain each stage of the application, making sure you understand what documentation we need from you.

How Coreco 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 thousands of mortgages will ultimately save you time, as you won't have to search or contact each individual lender in order to compare the mortgage terms and rates; we'll do all that for you.

Our Promise To You

Explaining the fees – We'll explain all the different fees involved, what they're for, and take them all into account when finding the right mortgage for you.

Knowledge – Our knowledge of different lenders' criteria can be invaluable. Together, we can go through your expenditure which will be beneficial to you when completing your mortgage application.

Duty of care – We have a duty of care to you. We take your individual circumstances into account and understand that one size doesn't fit all. It's vital that you and your adviser have honest and thorough conversations in the run up to finding and applying for a mortgage.

Experience – Getting a mortgage can seem like one of the most daunting tasks, but it doesn't need to be. The important thing to remember is that every lender is different in what they view as the 'perfect candidate' to lend to. So even if you don't fit one lender's criteria, it doesn't mean you won't fit another's. Having an expert on your side will ensure your application goes to the right lender for your individual needs.

Protection – Not only will we help find the right mortgage for you, we'll also help make sure that your home, and the people in it, are protected. Whether this means Critical Illness Cover, life insurance or income protection, our protection advisers will be more than happy to talk through the terms and conditions of different policies with you.

6 weeks before

- Confirm your moving in date.
- If you are renting, notify your landlord (in writing).
- Make sure you have insurance that covers you from the time of exchange.
- If you are going to use a removals company, start getting some quotes in.
- Start sorting through your things (declutter and get rid of anything you no longer use).
- Start packing the things you won't use before the move.

4 weeks before

- If you aren't using a removals company, make sure you order or start collecting some packing boxes and materials e.g. bubble wrap.
- 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.

2 weeks before

- If you are moving with children and/or pets, arrange for someone to look after them on moving day.
- Notify people of your change of address (friends and family, opticians, doctors, dentists, banks and building societies etc.)
- Arrange for any services you require, such as TV packages or broadband to be transferred or installed in your new home shortly after you arrive.
- Start using up any food in your freezer.

1 week before

- Arrange a time to collect the keys from the estate agent.
- Confirm date and times with the removals company.
- Start dismantling any flat-pack furniture you have.
- All the packing should be done apart from essential items.
- If you are moving out of a rented property, deep clean the house/flat from top to bottom.

Night before

- Pack a 'first night' bag (bedding, PJs, snacks, tea, coffee, essential toiletries, change of clothes, phone charger etc.)
- Finish packing everything, including any valuables and paperwork.
- Charge mobile phone fully.
- Carry out final checks.
- Last minute cleaning.
- Give final meter readings to utility suppliers.

Get in touch

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Our Lifetime Promise

A mortgage is often the biggest financial decision any of us will make, which is why a good mortgage adviser is invaluable. We will help to relieve any stress and make sure you feel confident to make the right financial decision for your circumstances.

We don't stop there. As our client for life, we will contact you to help when the mortgage product we arrange for you is nearing an end. And, if you're ready to upsize, downsize, invest or sell – we are ready to help.

We are experts in everything from First Time Buyer loans and Buy to Let mortgages, to complex specialist facilities and large mortgage loans.
As you move through life, we will be at your side.

Coreco – a better way

coreco.co.uk

Your home may be repossessed if you do not keep up repayments on your mortgage.
A fee of up to 1% of the mortgage amount may be charged depending on individual circumstances. A typical fee is £495.