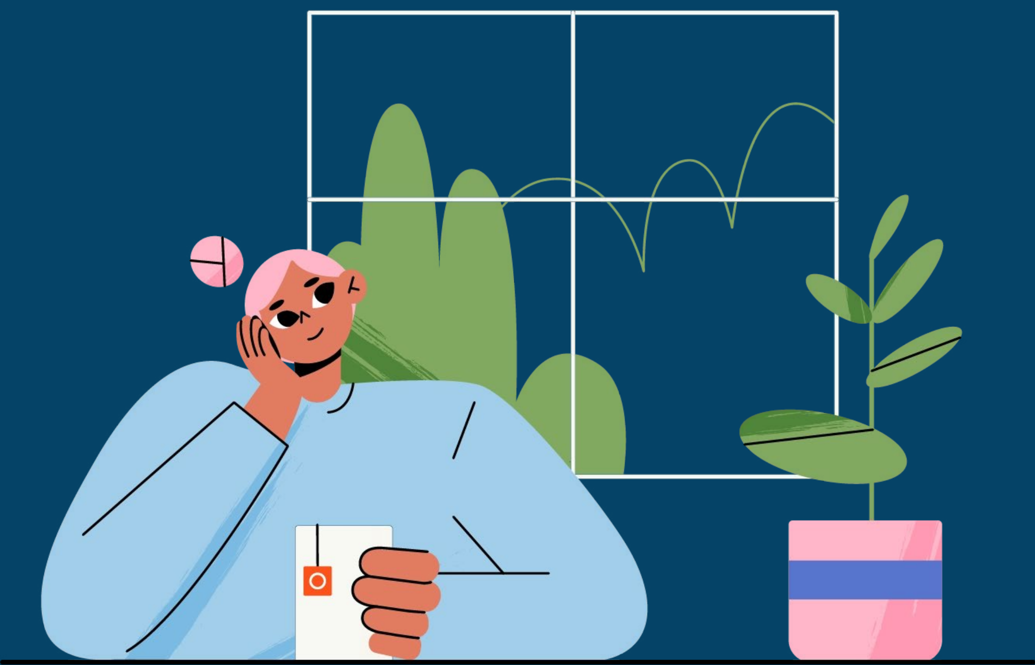
Barlow Irvin
Financial Services

First Time Buyers: *A Complete Guide*



Chapters:

Mortgage affordability

If you have decided now is the time to look for a home of your own, **the very first step is to assess what your current financial situation is and how owning a home may affect this.** After all, there's no point getting your hopes up on a dream house only to find that you can't actually afford it.

How much can you borrow to buy your first house?

To figure out how much you can borrow to buy your first home you should **look at your current income against any outgoings you have**, such as bills, regular spending and other monthly expenses.

Once you've established how much money you have left at the end of the month, you will then be able to see whether you have enough to cover a monthly mortgage payment.

You will also need to keep in mind that there will be extra costs when buying a home such as legal fees, property surveys, stamp duty and moving costs.

Most borrowers can expect to be able to borrow up to around 4.5 times their annual income.

However, if you have a strong financial profile, you may be able to borrow up to 5.5 times your income.

Checkmyfile

When establishing your affordability, it's a good idea to know what's on your credit report, as this will impact how much you can borrow. **We recommend a site called checkmyfile**, which is the most comprehensive credit report site available.

The QR code below will give you a **free 30 day trial of the site**, where you can check your credit report and even download a full copy of it for you mortgage broker. You can cancel the subscription at any time and, as long as it's within the first 30 days, then you will not be charged. **After the initial free trial, there is a monthly membership fee for the site.**

First time buyer deposits and savings

A deposit is the cash you put towards buying a home. As a first time buyer, this will normally come from your savings but there are alternative options.

Mortgage lenders will usually require a deposit of at least 5% or 10% of the property you'd like to purchase.

For example, if the house you wish to purchase is £180,000 and the lender prefers a deposit of 10%, you will need to save £18,000. The bigger your deposit is, the less you might need to borrow from your lender.

Ways to save for a deposit

Lifetime ISA (LISA)

If you're a first time buyer under 40, opening a LISA could give you an extra 25% boost on your savings. For example, if you put in £1000, the government will add an extra £250.

Savings accounts

If you're considering savings for a long period of time, you should look at the interest rates on different savings accounts. Some banks let you set up a separate pot for your savings goals and may even have their own reward schemes with them.

Cut down everyday costs

Simple things such as cutting down your everyday costs can help you to slowly save for a deposit. The money you save from cutting these costs can then be transferred into your savings accounts.

How gifted deposits work

For many first time buyers, their deposit may be gifted to them by friends or family members.

When you apply for a mortgage, your lender will usually ask where your deposit has come from. Many gifted deposits over £10,000 will require the person gifting the funds to complete a form as part of the application process.

It is also possible to **get a mortgage with no deposit**, which you can find out more information on in our dedicated guide.

Government schemes

Saving for your deposit can seem daunting, however, there are a few government schemes set up that can help you to get on the property ladder, such as **shared ownership** and the **mortgage guarantee scheme.**

These schemes do change regularly, so it's worth asking your mortgage advisor about any that may benefit you.

Applying for a mortgage with a broker

Once you've worked out how much you will need to save for a deposit and if you have anyone helping you out through gifted deposits, **the next step is to find a mortgage broker and get a Mortgage in Principle**.

Getting a Mortgage in Principle (or Decision in Principle)

A mortgage in principle, sometimes called a decision in principle, confirms that **the bank is willing to lend you money.** It usually lasts for 90 days and also lets estate agents know that you are ready to buy.

Having a mortgage in principle does not actually tie you into having a mortgage. It is more to show an estimate for how much a lender is willing to lend you and does not guarantee that the mortgage will be offered.

When you apply for a mortgage in principle, the lender will conduct a 'soft credit check'. This wont affect your credit score and will not affect your ability to apply for borrowing in the future.

Although some may say otherwise, having a mortgage broker can be one of your best assets when it comes to buying your first home.

Expert mortgage brokers, such as ourselves at Barlow Irvin, can provide you with all the advice and expertise you need when it comes to buying your first home.

We can assist you by finding the right lender to suit your needs, looking out for specialist products that may be better suited to you and your financial situation and can guide you through the whole process from application to completion.

Searching for your first property

Once your mortgage in principle is in place, it's time for the fun part- viewing properties!

Viewing properties and making an offer

Finding the right house is different for everyone. You may fall in love with the very first house you see, or you might end up looking at a lot of different properties before you actually find the right one for you.

Either way, it is essential you know what to do when you've found your dream house.

When you're ready to put an offer down on a house, you will need to have your mortgage in principle ready to show the estate agents. Some won't ask for this, but it is a good idea to have it ready anyway.

If your offer gets accepted, you can then speak to your mortgage broker who will get in touch with the lender for you to arrange the mortgage product. If you don't have a mortgage broker, then you should call the lender yourself or go into a branch for a one to one meeting with a member of their team.

Understanding mortgage rates and fees

There's more to a mortgage than the monthly repayments and it's important you are aware of the different rates and fees that you could expect to pay.

When you get a loan to buy your home, you will be charged interest on what you borrow. This is called the 'mortgage rate' and there are two main types:

Fixed rate mortgages

This is where the interest rate stays the same for a set number of years, usually between 2 and 10.

Variable rate mortgages

The interest can change. This type of mortgage includes tracker mortgages, standard variable and discounted variable.

When you apply for your mortgage, once your offer has been accepted, it is important you are aware of the differences between mortgage rates and the factors that may affect it.

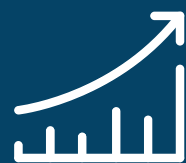
Choosing a fixed rate mortgage is often the preferred choice for many first time home buyers since the monthly repayments will always be the same amount each month for a set period of time.

Although choosing the right product can seem daunting, your lender and mortgage broker will explain all your options so you can decide which is best for you.

Factors that affect mortgage rates

Loan Amount

Mortgage Terms



Interest Rates

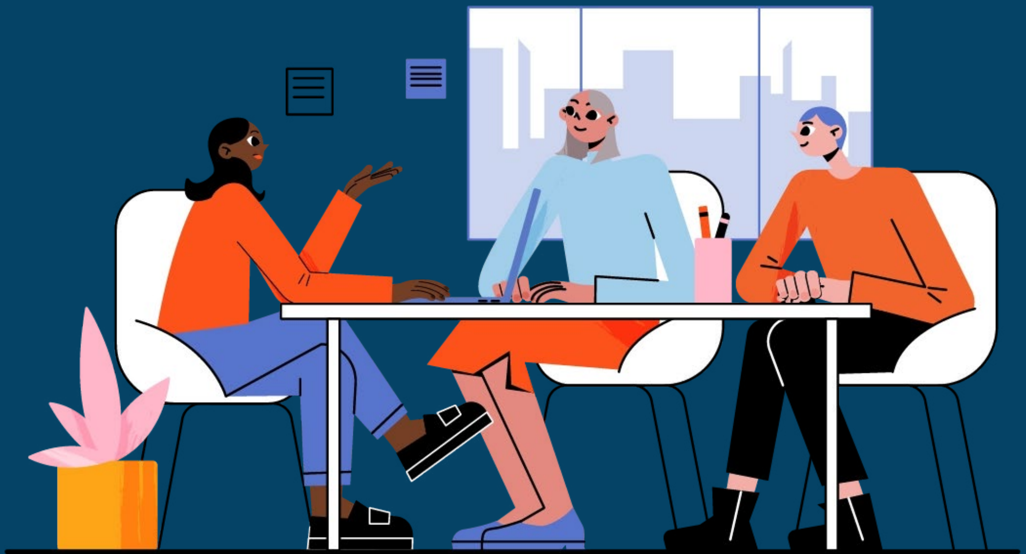
Deposit Amount

Appointing a solicitor to help you with buying a home

Once your offer has been accepted, you will also need to appoint a solicitor who will handle all the legal work that is required to complete the purchase of your home.

Your mortgage advisor can help you find a solicitor if you would like their help.

Appointing a solicitor is an essential part of buying your first home since the legal process begins as soon as your offer has been accepted.



Some of the jobs that your solicitor will undertake include:

- Carrying out identification checks
- Contacting the seller's solicitor on your behalf
- Reading over the contracts packs which include title documents
- Making payments on your behalf, such as Stamp Duty
- Receiving the title deeds from the Land Registry and declaring you as the new homeowner
- Conducting conveyance searches to determine if there are any environmental issues or potential hazards that could damage the property
- Arranging the exchange of contracts and the completion date

Legal fees

Solicitor legal fees for buying a house in the UK can vary, but they **typically range between £1,000 - £1,500 depending on the value of the property** you're purchasing and any additional services that you may need.

As we've mentioned, this is something you should keep in mind when you're saving for your home. This will help to ensure you aren't surprised by any fees that will crop up during the buying process.

Mortgage credit checks

Once you have applied for a mortgage with a lender, they will ask to see certain documents to confirm information about you and check that you're able to afford the monthly mortgage payments.

Your credit rating lets lenders know how likely they are to offer you a mortgage based on your past financial behaviour.

Your rating is based on how well you have managed borrowing money, such as credit cards and car finance, over the past 6 years. All of this information is gathered into a credit report. The higher you score, the better your chances of securing a mortgage.

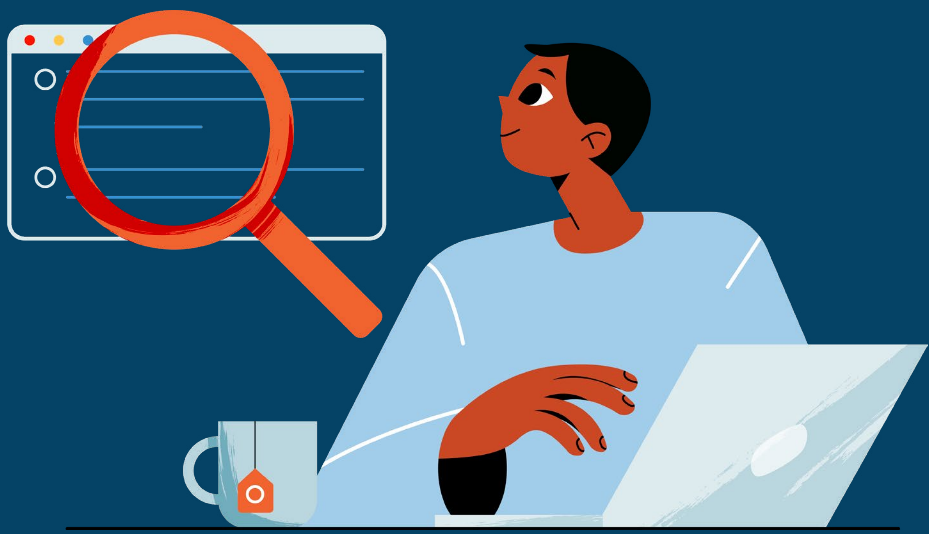
Credit ratings usually come in five score categories: excellent, good, fair, poor and very poor.

You can find out more information by reading our full guide on how credit checks work.

Lender valuation

A lender valuation, or mortgage valuation, is an independent survey conducted by your lender to confirm that the property is a suitable security for the loan. They are essentially making sure that the property you wish to purchase meets their lending criteria and is priced appropriately.

A qualified surveyor or Automated Valuation Model (AVM) is used to complete the valuation. In some cases, the surveyor may not actually need to visit the property and they are usually complete within 1-2 weeks.



Getting home and life insurance

As the buying process continues, your solicitor and mortgage lender are likely to ask you to have home and life insurance in place before the completion date.

Although it is not a legal requirement, it is strongly recommended to take out life insurance, despite buildings insurance being the only necessity.

Home Insurance

Before the completion date you will need to have home insurance in place. This covers you financially for damage to your home and it needs to be in place on the day of completion since this is when you will be the official homeowners.

There are a few different insurance policies you can choose from, but most lenders will require buildings and contents insurance as a minimum.

Signing contracts when buying a house

As the completion date approaches, one of the last things you will need to do is sign your contracts. Your solicitor will exchange them with the seller's solicitors, pay your deposit and agree on the completion date.

If you have a LISA, you will need to discuss with your solicitor when they will need the funds. Some banks have a processing time of up to 2 weeks, meaning you may need to request for the money to be released a bit earlier on in the process that anticipated. Your lender will discuss this with you when they need the deposit.

Completing on your first property

On completion day, the seller will receive the money from your solicitor and you can go and pick up the keys from the estate agent.

Your estate agent will be in communications with your solicitors and will inform you when your keys are ready to collect.

Paying your mortgage

On or shortly after your completion date, you will be able to see how much your first mortgage payment will be. You may receive this through an email, post or by logging into your banking app.

Your first payment will be more than the normal monthly payment that you will have agreed to in the mortgage offer. However, this is nothing to worry about since it includes the interest for the days between the date you moved in and the end of the month, plus your standard monthly mortgage charge.

This is something to bear in mind when you're establishing your finances, as it is usually an extra couple hundred on top of your monthly mortgage payment.

It's really important that you continue to make all your mortgage payments on time, as the mortgage is secured against your new home. This means that your mortgage lender can take your home from you if you do not maintain your payments.

You will see this very important message on all mortgage documentation: Your home may be repossessed if you do not keep up repayments on a mortgage secured on it.

Remortaging plans as a first time buyer

When you first took out your mortgage, you may have signed up for the best deal at the time. However, as this ends and new deals become available to you, it may be more cost effective for you to move to another lender. This is known as remortgaging.

Your introductory deal will be a fixed-rate and will usually last between 2 and 5 years and once this deal ends, you will be moved onto your lender's standard variable rate (SVR). When this happens, you will need to check to see if switching to a new mortgage deal will save you money.

Our team can help you do this by comparing mortgage rates and deals for you. We can help you decide whether switching to a different lender is the most cost effective option, as well as providing insights into the current market and how it affects your mortgage rates.

Barlow Irvin Financial Services

546 Blackburn Rd
Astley Bridge
Bolton
BL1 8NW

01204 208 438

office@barlow-irvin.co.uk