

First-Time Buyer's Guide

Answers to the common questions you may have when buying your first home



Introduction

The strict definition of a First-Time Buyer (FTB) is someone who has never owned a property bought using a mortgage. However, it can get complicated! Some mortgage lenders will still classify you as a FTB even if you have not owned a property using a mortgage in the last 3-5 years, while others will allow you to be a FTB even where you have owned mortgaged property before but, not in the previous 10 years!

Buying a property usually involves two processes: arranging the mortgage finance required and going through the legal process of acquiring the property you are looking to buy.

To complicate things even further, there are fundamental legal differences buying a property in England and Wales compared to buying in Scotland.

Please be aware this guide applies only to buying a house for you to live in, in England & Wales

Where to start when looking to step onto the property ladder?

When thinking seriously about buying a house, your first move should be to see a Mortgage Adviser. Why? Well, you wouldn't start driving on a long journey you'd never done before without first using Google Maps! Similarly, you wouldn't start looking for a house without knowing what you can afford to borrow, which is where a qualified Mortgage Adviser comes in.

A Mortgage Adviser will usually have a wide amount of knowledge regarding mortgage lenders' products and their criteria at their fingertips. This means they can find the lender, and product, which meets your needs, circumstances, and objectives.

You could decide to find a mortgage yourself but how will you know for sure that you're getting the deal and rate that suits you best? Alternatively, how would you anticipate how the lender might react if they find something in your credit history not previously disclosed?

They could decide not to lend to you! Therefore, it is worth considering using a professional to do the job for you, but also to have someone in your corner to consult and gain advice from on things you don't know or are unsure about.



But which type of adviser should you choose?

Most banks & building societies have their own in-house mortgage advisers, and a lot of first-time buyers go to the bank with whom they have saved with for most of their life, looking for help and advice. However, by doing this you are limiting yourself to one lender from over a 100+ lenders!

Estate agents will request you use their mortgage broker, but most of these are limited to the lenders they can recommend from.

Estate agents work under The Property Ombudsman, a code of practice for residential estate agents which forbids pressure such as you must see our mortgage broker.

With a whole of market mortgage adviser, they can research many different lenders, unlike a bank adviser, who can look at one lender's products only i.e. the one they are employed by. You have more choice and chance of finding the deal that suits you best with a whole of market adviser. It always pays to ask if the adviser can advise you on products and rates from the whole market and, furthermore, ask them to provide a list of mortgage lenders whose products they can advise and quote on.



What happens when I use a Mortgage Adviser?

When we take on a new client, we start off with a conversation to find out what your need's circumstances and objectives are. You will be then sent a document called a Factfind, which is usually in an electronic format. You will need to answer all of the relevant questions, which will help me find the mortgage that meets your requirements the best. At the same time, we will ask you to email me all of the relevant documentation we will need to help show that the details provided on the Factfind are indeed correct. It is very likely the lender will need to see copies of these too.

Once we have received your fully completed Factfind & supporting documents, we will 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 search the internet & local estate agents, and book some viewings and then, when you find the perfect property, you will need to contact me to let me know.



We can then get to work on providing you with a Decision in Principle (DIP), which the estate agent advertising the property will ask for. A DIP is, essentially, a shortened form of a full mortgage application which, usually, is where a lender carries out some basic checks, including a credit check and, if successful, provides a decision to lend subject to a full application being made, and a valuation of the property you are buying being carried out.

Once everyone is satisfied with the DIP, we will then submit a fully completed mortgage application form to the lender recommended and set the wheels in motion to get the mortgage you need.

We will need to know which solicitor or, as some are called, a licensed conveyancer you wish to use. Many lenders have a panel of solicitors and conveyancers who they permit you to use.

We have access to a panel of solicitors whom we use regularly and can recommend if needed. We will at the same time check they are on the lender's approved list. At this stage, your part is pretty much done. The mortgage adviser, lender, conveyancer & estate agent will now communicate between each other progressing your purchase. You will be contacted if, as and when needed. Time to let us, and the other professionals, take the strain for you!

Things to consider as a First-Time Buyer

Answers to the common questions you may have when buying your first home



How much deposit is needed?

Typically, you will need a 5% minimum. However, the more deposit, the lower the loan to value (LTV) will be. The lower the LTV, the better the interest rates are that are offered generally.

For example:

- £200,000 House with a £10,000 deposit would be 95% 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 business risk to them.



Mortgage terms & monthly payments - how does this work?

As an adviser, we will advise in your best interests, which means we will always recommend you take out the shortest-term mortgage possible given your current affordability & personal situation.

This keeps the amount of mortgage interest you pay over the whole term to a minimum.

Each month over the agreed term, the period over which you agree to repay your mortgage loan, you will pay an amount of the original mortgage loan back plus interest. This is called a capital and interest repayment loan.

You can decide to take out a longer term if you wish. This means, overall, that you will be paying more interest, but by taking out a longer term 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. It is very important that you provide accurate information about your personal income and expenditure to your adviser. They will ask you for documents to prove the details stated on the application form are accurate.

Please remember if you provide false information this could lead to your application being cancelled and, worse still, your details can be added to a database used by lenders called Hunter which captures applications submitted to lenders where fraud is suspected. It's not worth the risk.

What Fees are involved with the house buying process?

The fee details provided below are given as a rough guide, and do not mean that is exactly what you will be paying. You will get a list of all the fees you will have to pay in your Key Facts Illustration (KFI), which your adviser will give to you.

You must check the KFI over and agree you are happy to proceed to the next stage, which is to obtain a Decision in Principle (DiP)

Adviser Fee - This is the fee we will charge you for the work we do, which includes but not limited to, researching all of the lenders, formally making the mortgage application, and ensuring this all runs as smoothly as possible.

We will also contact you annually to ensure everything is okay, for which there is no charge.



Lender Arrangement Fee - This is the highest charge however, not all products have an arrangement fee. Nevertheless, many do, and on average, you can expect to pay between £999 - £1,999. Normally, you can choose to pay this upfront or, you can add it to the mortgage. So if you were borrowing £100,000, and the fee was £999, your total borrowing would then be £100,999 and you would pay interest on this figure at whatever the agreed rate of interest is.

Lender's Booking or Reservation Fee - Some lenders also charge a separate Reservation Fee to secure a particular product e.g. fixed-rate, tracker, or discount deal. Generally, this costs between £100 - £200 but is always payable by the applicant upfront and is non-refundable, although, 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 substantially, and it repossesses the property from you and then sells the property to recover its debt.

The cost of the valuation depends on the property's value and your lender. 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. You will receive a copy of the survey report.

The valuation and survey will also provide a re-instatement value for Buildings Insurance purposes. It is your responsibility to ensure that cover is in place at completion and thereafter for as long as you remain the owner of the property. Your adviser will assist you to arrange this.





Legal Fees - This is paid to your legal adviser (solicitor or conveyancer specialising in property transactions) at completion i.e. when you take the keys to the property, and covers the cost of all the legal work associated with buying your new home such as local authority and other searches to check for hidden nasties, such as legal restrictions, third party rights to access, or other issues that could affect your use of the property.

They will also register you as the legal owner along with the lender's details at the Land Registry, which is a UK Government department controlling all aspects of land ownership in England & Wales.

Legal fees are generally in the region of £1,400 - £1,600 as a guide based on a £250,000 purchase price. We will always provide you with a quote.

Some lenders, occasionally, will offer a cashback which you can put towards the legal costs. Again, we will point these options put to you if you are on a tight budget.

Stamp Duty and Land Tax (SDLT) - For first time buyers Stamp Duty is, currently, not payable for the first £425,000 and is charged at a rate of 5% on property prices between £425,001 - £625,000.

Therefore, if you bought a house for £500,000, SDLT is calculated as follows:

£0 - £425,000 = No charge

£75,000 x 5% = £3,750

Total Tax Payable = £3,750



The tax is paid by your legal advisor at completion. They will ask you to pay this amount to them, along with your deposit funds needed for the purchase.

(Information correct as of 10th August 2023)

What to do next?

Contact Veterinary Finances



07458 301 818 / 07455 235 211



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PLEASE NOTE: This is a basic guide. If you have any further questions, of any kind, feel free to contact us. We will be more than happy to help.

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The information in this guide is correct as at the date on the document.

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