



CURCHODS
MORTGAGE SERVICES

First Time Buyers Guide



This guide is perfect for those diving into the exciting journey of purchasing a property in the UK for the first time. We're here to unravel the intricacies of the house-buying process and demystify the mortgage journey.

In simple terms, a mortgage is like a legal handshake with a financial institution, typically a bank or building society, where they lend you money at interest in return for temporarily holding the keys to your property while there's an outstanding debt.

It's crucial to grasp the ins and outs of property acquisition to ensure you're hunting for the perfect place within your budget and finding the right mortgage tailored to match your unique circumstances.

Our professional mortgage adviser will be able to guide you through each step of the house-buying process and maximise your chances of achieving the home that you desire by making you a suitable candidate for the vendor, (seller) to agree to sell their property to you. This begins right at the start with our professional mortgage adviser helping you obtain an agreement in principle which confirms that you can obtain the funds required.

Want to delve deeper into the role of a mortgage adviser? Just ask for our guide, and we'll break it down for you.

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.

The House-Buying Process

- Before diving into looking for your dream home, your first move should be connecting with our professional mortgage adviser. They're not just experts; they're your ticket to figuring out how much you can borrow, setting a budget, and pinpointing the dream homes within your mortgage reach.
- Once armed with this financial clarity, it's time to hit the ground running—register with estate agents and embark on your search. You will be able to really focus your search because you will know exactly what your finances will cover.
- The property market can move fast, so once you have found a place you like, put in an offer as soon as you can. You will likely then negotiate with the seller on price. When your offer is accepted, the estate agent may ask you for a deposit.
- Our professional mortgage adviser can help you find a property solicitor or licensed conveyancer. The legal specialists will oversee all the legal paperwork for you. Later in the process they will also manage the exchange of contracts, deposit payment and money transfers from the lender to the seller. They are experts so you can relax knowing it's all in safe hands.
- The lender will then survey the property to make sure that it is suitable for the mortgage. We recommend that you arrange a separate valuation too. This will give you peace of mind that the lender has made a fair assessment. There are two options available for this: a Homebuyers Report or the more comprehensive Building Survey. If that sounds complicated, don't worry - our professional mortgage adviser can explain this in more detail and recommend independent surveyors you can trust.
- Once the lender gives the green light, you'll receive a mortgage offer take your time reviewing it alongside your solicitor before signing and sending it back to solidify your mortgage.
- When the exciting moment of exchanging contracts arrives, you will need to pay a non-returnable deposit, typically 10%. At this point, you're all in. Pulling out means forfeiting the deposit and possibly facing extra costs. As soon as you exchange contracts, it is your responsibility to insure the property so you must have buildings insurance cover.
- Finally, the most rewarding part awaits—completion. Completion day can range from a few days to weeks post-exchange. As the sale concludes, the remaining funds are settled—your mortgage lender transfers funds to your solicitor, and you cover any outstanding balance. Legalities are squared away, keys are handed over, and voila, the home is officially yours.

Things to consider

Deposit

You need to consider how much of a deposit you can put down towards your first purchase. First-timers usually kick off with a 5-10% down payment, but hey, it might lean a bit heavier based on your savings stash. More deposit equals a friendlier loan-to-value ratio, often luring in lower interest rates. Our professional mortgage adviser will help you work out this deposit.

Term

The term of the mortgage can vary depending on your needs, age, and budget. The mortgage term can range from 5 to 40 years. The longer the term the more interest you will pay back but the monthly payments will be lower and the shorter the term the less interest you will pay back, and you will be mortgage free quicker. Our professional mortgage adviser will work out the most suitable term for you – sometimes this is not the longest possible!

Repayment Option

There are two ways to repay your mortgage. The most common is to repay both the capital and the interest over the term that is recommended. This will mean that if repayments are kept up in full, the outstanding debt will reduce year on year.

The other method is to only repay the interest to the lender. This means that the outstanding debt does not reduce but will be repaid by some other means that you may have.

Our professional mortgage adviser will recommend the most appropriate for you once they understand your circumstances.

Product Types

There are various products available, and our professional mortgage adviser will recommend a product that suits your needs. The main two types of available product types are fixed and variable. Fixed will mean that your payments will be set for a specific period and variable will mean that your payments can go up or down depending on various factors linked to the product.

Product Fees

Some products come with fees set by the lender and usually, the products that attract a fee also attract a lower interest rate or other incentives like a free valuation or a cashback on completion. Sometimes it is possible to add the product fee to your loan however this will incur interest and will be paid back over the term of the mortgage. Our professional mortgage adviser will compare the available products for you and discuss your options.

Credit Score

Lenders typically conduct a credit check to evaluate your current and past financial standing, resulting in a credit score. This score plays a crucial role in the lender's decision regarding your mortgage application. It might be beneficial to perform your own credit check, and our professional mortgage adviser will guide you through the process.

Your income and affordability

Unlocking the loan depends on your affordability. This means that our professional mortgage adviser will need to understand all your financial income and expenditure. Whether you earn through employment, self-employment, contract work, dividends, or partnerships, our adviser will offer guidance on the necessary documentation to support your application.

Stamp Duty

In the UK, Stamp Duty is a land tax paid on property purchase. First-time buyers may qualify for an exemption from this duty. Stay informed about the ever-changing stamp duty rules; our professional mortgage adviser is well-equipped to discuss the current regulations with you, as they are set by the government.

Legal Fees

Additional fees will be explained by your solicitor or conveyancer. Let them walk you through the details of these charges.

Useful information

What exactly is a new build?

Well, a new build typically refers to a property that hasn't been constructed yet or one that's completed but has never been sold or occupied—this includes those stylish show homes. Mortgage lenders often categorise new builds as:

- Any conversion, like turning a townhouse into flats.
- A property that has undergone significant renovation or extension.
- Homes constructed in the last couple of years.

Our professional mortgage adviser can help you decide if a new build is the right choice. One benefit is that you can often tailor the specifications to your own taste, and you can move in immediately, no need for any improvements and no previous owners to worry about.

There are some extra points to consider though and our New Build guide gives you more information.

What government schemes are available to help me buy my home?

Over the years, the government has introduced a number of different schemes to help. They are designed to make it easier to own your own home at a time when property prices are rising faster than many people's incomes.

Shared Ownership

This is a scheme involving a housing association or housing authority where you buy a share of between 10% and 75% of your new home. You then pay a subsidised rent on the remaining share to the housing association or housing authority along with a monthly service charge.

The share that you purchase will depend on the vendor, what you can afford and the eligibility criteria. Eligibility can vary between different housing associations, but normally shared ownership is only available to first-time buyers unless other defined circumstances are met. E.g. buying your first property alone after a divorce or family breakdown.

Other exceptions will depend upon the housing association's individual terms. Many housing associations require buyers to be UK/EU/EEA citizens while others will consider non-UK citizens, subject to visa status.

You will be able to buy additional shares in the property, usually a further 1% share each time. This is called Staircasing, and the current market value will dictate the price that you pay.

Our professional mortgage adviser can explain more regarding shared ownership including how stamp duty land tax is calculated and can be paid and which lenders will consider a shared ownership application.

If you want to know more, our Shared Ownership guide gives you more information.

You will see from all this information above that the house-buying and mortgage process can be complicated, and it is important to not only understand the commitment that you are undertaking but to ensure that you have the right mortgage borrowing, term, repayment method, product, and lender to suit your circumstances.

Our professional mortgage adviser will guide you through this process.



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