



FIRST-TIME BUYER MORTGAGE GUIDE

ISSUE 02

FIRST-TIME BUYERS



First-Time Buyer Mortgage Guide

Being a first-time buyer can be one of the most exciting things you will ever do, but it can also come with its concerns. This in part is due to much of the experience being an unknown.

Here at Just Mortgage Brokers, we are firm believers that knowledge is invaluable, so we've put together this handy First-Time Buyer Mortgage Guide to give you a little more confidence.

As a first-time buyer you should still have access to the wide range of mortgage options as any other purchaser, so with a bit of research and some sound advice you should still arrange the most appropriate scheme for you and your individual needs.

REMEMBER...

If you have any questions at all, our friendly team is always on the other end of the line.



Can you afford it?

It's important to understand that buying your first home is a serious responsibility. That's why we're starting this guide with a reality check.

A mortgage is a huge financial commitment that will stay with you for most of your life, so before you sign up to anything, you need to be absolutely sure that you can afford it.

Take some time to write down every single monthly outgoing you will have when you move into your new home and work out what you can realistically afford, then use our easy **online search tool** to get an idea of what is available on the mortgage market. Make sure you include your mortgage payment and any associated insurances.

Ultimately each lender will have their own way of assessing how much you can borrow which is again where we can help but, having an understanding yourself of the cost of home ownership is essential.

REMEMBER...

Be conservative! When you own your own home there is no landlord to call when something like your boiler breaks down, so you need to have some money set aside to cover maintenance costs.



How much can you borrow?

We'd love to be able to tell you an exact figure right now, but the days of simply basing a mortgage on a multiple of your income are gone. It's now a lot more complicated.

There is a huge number of different factors that have to be taken into consideration when calculating exactly how much you can borrow. These include income, outgoings, debt and size of deposit.

Most lenders have a specific online **affordability calculator** which makes a good place to start, however, don't take this number as final because it's likely to go up or down following a detailed analysis.

Our expert advisors can help you every step of the way, so **give the team a call** and arrange a time for us to get together. We'll let you know exactly how much you can get, so you can move forward with the confidence you need.

DID YOU KNOW?

There are some types of benefits that can be counted towards your mortgage application, but this all depends on the lender's specific rules – speak to one of our experts for full clarification.



What do you need?

To apply for a mortgage, the first thing to mention is that in the majority of cases you will need a deposit which is at least 5% of the lower of the value or purchase price of the property you want to buy. The greater the deposit, the likely larger array of choice and in turn possibly more advantageous rates.

Deposits usually come from personal savings, but they can also be a gift from a family member or in some circumstances a non-relative such as a friend (usually as long as it is not in return for any kind of financial interest in the property).

In addition to proof of this deposit, the mortgage lender will require details of all of your income and outgoings.

Proof of income will typically be in the form of payslips and bank statements for the past three months if employed, or your business accounts and/or tax return income summaries for the last 2 or 3 years (on occasion just 1 year) if self-employed, while details of outgoings should include any loans, credit cards, child care and travel costs.

This may sound like a lot to get your head around, but don't worry, we can help take all the stress out of it.

Which mortgage is right for you?

There is a vast array of mortgage schemes available out there and they are all designed for different situations. We understand that it might look daunting, but it's okay, our job is to guide you through it safely.

In the meantime, here's an overview of the most common types:



OR



Repayment

Monthly repayments are greater, but they go towards both the debt and the interest

Interest Only

Monthly repayments are smaller, but they simply cover the interest only



OR



Fixed

The current interest rate is locked-in to protect you against future rises

Variable

The interest rate moves with influences such as the economy, eg can go up or down



How much does it cost?

Costs vary depending on your situation, but it's important that you go into this with your eyes open, so take a look at the list below and make sure you budget for it.

Deposit: Usually at least 5% of the value of the property you'd like to buy.

Stamp Duty: The good news is that at present for first-time buyers, this is not applicable for homes under £300,000, but it works on a sliding scale for properties over this price.

Portion of consideration	Current standard rates	Rate for first-time buyers
Up to £125,000	0%	0%
Over £125,000 and up to £250,000	2%	0%
Over £250,000 and up to £300,000	5%	0%
Over £300,000 and up to £500,000	5%	5%

Source: gov.uk

Legal fees: This pays for your solicitor to do all the legal paperwork, otherwise known as conveyancing.

Other fees: These include Land Registry fees (to register the property in your name) along with any other third-party fees that might be required, such as a surveyor or a mortgage advisor.

Mortgage valuation: Your lender may require a separate survey to check that the property is adequate security for the mortgage and is valued at the amount you have agreed to purchase it for.



What help can you get?

After reading the previous sections you still may simply feel that buying your first home will remain nothing more than a pipe dream, but don't be dejected! Here are some options that have been designed to help.

Help to Buy: Equity Loan

In this scheme, the government relieves a bit of financial pressure by lending you up to 20% of the purchase price of your new home with no interest for the first five years.



Backed by
HM Government

This means you will only need to find a 5% deposit and a mortgage therefore of 75%, which could also bring with it lower rates, making for a beneficial option.

For London properties, the government loan is increased up to 40% and therefore a mortgage is required of up to 55%.

Lifetime ISA

A Lifetime ISA lets you save up to £4,000 every year which the government will top up by 25%. You are welcome to withdraw your money any time, but the government top-up can only be used to pay for a first home in the UK costing up to £450,000.

This means that you could get up to £1,000 of free money towards your home every year – what's not to like about that?



Guarantor Mortgages

If your current salary is not enough to get you the mortgage you need, but it is likely to go up in the future, a Guarantor Mortgage might be right for you.

With this type of mortgage, you name a third party who will be responsible for keeping up your mortgage repayments if you can't. This 'guarantor' will not have any ownership of your property, nor any financial interest.

A variety of different schemes are available where third parties are wanting to assist buyers and not all are classified as guarantor mortgages and indeed work in very different ways. Further options such as 'joint borrower sole proprietor' along with others may also be applicable for some.

REMEMBER...

Your guarantor will be required to prove that they can afford to keep up your repayments over the full term of the loan in addition to their own regular outgoings. The age of the guarantor therefore can be a very relevant factor.

Do yourself a favour...

There are many ways that you can make it easier for yourself to get a mortgage. This section outlines a few of the most effective.



Pay Your Bills on Time

Any bills that are missed or paid late could result in a bad credit rating which could cause issues with your mortgage choices.



Financial Housekeeping

Make sure addresses and other details are up-to-date on all accounts – from credit cards to phone bills.



Make No Other Applications

Numerous credit checks can have a detrimental effect so keep all credit applications to a minimum in the lead up to your mortgage where possible.



Boost Your Credit Score

Strangely enough sometimes the best way to improve your credit rating is to borrow money. One way to do that is to spend a small amount on a credit card each month, but make sure you pay it off on time each time!



No Cash on Credit

Withdrawing money on a credit card can be a warning to a prospective lender, plus it's typically not cheap, so best to avoid it altogether if at all possible.



Review Unused Credit

Look at any unused credit facilities on your file such as old credit cards that you no longer use. A large amount of available credit can be detrimental so close these completely.



Steer Clear of Payday Loans

Payday loans might seem like a lifeline, but for most mortgage providers they are an indication of cashflow problems. We recommend you consider alternative solutions wherever possible.

REMEMBER...

Before making any financial decisions, no matter how big or small, we strongly recommend that you get some expert advice. For more information, get in touch with our friendly team.



What if you're self-employed?

Seeing as your eligibility for a mortgage is based around your total income, being self-employed can make things a bit more complicated, simply because that income can vary year on year.

But don't worry, it should still be possible to get a mortgage and our specialists know exactly how best to do it.

Depending on your self-employed status, ie Limited Company, sole trader, partnership, etc this will dictate how a lender assesses your income. Indeed even then some lenders will look at this in different ways to others. For example some may look at salary and dividends for a company director of a limited company whereas another may use post-tax profits. Typically you'll need to show your business accounts and/or tax returns for the past two or three years. Some lenders will consider just 1 year.

We can help to make sure you have everything in order before beginning your application.



What if you have bad credit?

Having poor credit does not rule you out completely, but it could make things more challenging.

Lenders will analyse the data on your credit file when considering you for a mortgage, so it is a good idea to ensure everything is in order (refer to page 10 & 11 of this guide for some pointers).

But this isn't all they look at. They will for many also pay close attention to your general financial conduct by looking at your bank statements.

This is a very complicated process, so tackling this on your own can be tricky. That's why we'd recommend speaking to a member of our experienced team for guidance.

REMEMBER...

Entries such as County Court Judgments are removed from your file after six years, so if you can wait until this has happened, it may make your application a whole lot easier. Do not worry if not, still speak to one of our specialist advisers who will be best placed to advise you and work on a plan moving forward.



Don't rush into anything!

We can't stress enough that this is one of the biggest financial decisions you will ever make, so you need to be sure it's the right one. Here's a few places you can find guidance and advice that will help you to see through the jargon.

Family and Friends: They've been there, they've done it and best of all, they are usually completely impartial. However, they may not be an expert on your particular situation nor be abreast of the current market.

The Internet: There is a huge amount of information available, but some of it is completely irrelevant and it can be hard to separate the wheat from the chaff.

Lenders: Going straight to the source will guarantee you up-to-date expert advice on your individual situation, however, they'll be limited to their own deals.

Mortgage Brokers / Financial Advisors: As with the lender, you will get expert advice on your specific situation, but this time it will not be restricted to just one provider.

REMEMBER...

Not all mortgage brokers are unlimited as we are, so make sure you check before signing up!
Give us a call for more info.



Let us do all the hard work

Buying your first home can be a stressful and bewildering experience, that's why at Just Mortgage Brokers our team of experts are just as passionate about customer service as they are about finding the most appropriate mortgages.

We search the market as unlimited mortgage brokers to ensure you source the scheme that is most suited to your individual needs as a first-time buyer, so you can concentrate your energy on the more exciting elements of owning your own home.

If you need more advice, get in touch today.



Call us today
0808 250 6707