

# First Time Buyers Guide



Speak to us today to see how we can help...

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Your initial mortgage consultation is obligation free. There may be a fee for our mortgage service of £395 though in some circumstances this may be waived. Being independent we also offer a "fee only" option which is typically 1% of the amount borrowed and any commission derived from the lender is returned to you. The precise amount will depend on your circumstances and mortgage loan amount, and will be discussed and agreed on before you make a mortgage application.

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

# Home Buyers' Guide

Buying your first home can be a daunting task. It is one of the biggest steps you can make in your life and for most of us it'll be the most expensive thing we will ever buy! It is important you understand every aspect before making your decision. This guide is designed to provide as much information as we can, helping you get your foot on the property ladder.

This guide includes:

- Steps to buying your home
- Costs
- Budget planner
- Jargon buster
- Moving checklist

There are lots of options available to you such as shared ownership schemes, family guarantor mortgages and many more. It is essential to do your research and find the right mortgage for you. Thankfully we can help you through this whole process including insurance services ensuring you and your home is protected.

# Home Buyers' Guide

## Steps to buying your home

1. We will go through your requirements and find the right mortgage for you

2. You will be given a decision in principle and a Key Facts Illustration which will detail everything you need to know

3. All relevant documentation will be required and credit searches will take place

4. The valuation will take place to check the value of the property

5. The lender will then underwrite the mortgage and give you a formal mortgage offer

6. The solicitor will then complete the pre-exchange of contracts including deciding on a completion date

7. The exchange of contracts will then take place, you are now legally bound to purchase the property

8. The deposit is then paid and your solicitor will finalise all mortgage arrangements

9. Land registry fees and stamp duty are paid

10. You are then ready for completion, the funds are transferred and your purchase or remortgage are completed. At this stage the keys to your new home will be ready!

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## Costs

There are a number of costs when purchasing your new home, these include:

### Stamp Duty:

Stamp duty is dependent on the property price, this can also vary depending on government changes. They are currently:

- 0% up to £125,000
- 1% up to £250,000
- 3% up to £500,000
- 4% up to £1,000,000
- 5% if you are buying at anything over this level

### Legal fees

For any purchase you will also need a solicitor to complete all the legal work. This can vary from company to company however we would suggest this would be around £650. We can assist you finding a suitable solicitor.

### Survey/Valuation fee

A lender will insist on a valuation of the property, however this will only confirm the property value, it will not assess any potential problems with the property or need for future repair or maintenance. You can opt to carry out either a Home Buyers report or a building survey which will go onto much more detail. We are able to advise you of the differences between all three and help you choose the right option for you.

### Arrangement fees

Most lenders will charge either an arrangement or a booking fee when you apply for a mortgage. Again we can advise you of these costs and find the most cost effective option for you. Some lenders will allow you to add the cost of the fee to the overall loan meaning you do not need to pay this upfront.

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## Budget Planner

Before looking at which mortgages you can obtain, it's important to calculate exactly how much you can afford on a monthly basis. Do bear in mind that you should also allow for emergencies such as repairs. Use the budget planner below to help.

Incoming money	Amount	Notes
Wages/Salary applicant 1		
Wages/Salary applicant 2		
Interest from savings		
Benefits		
Other income		

Outgoing costs	Amount	Notes
Current Mortgage		
Current Rent		
Hire Purchase / Rental Agreement		
Other loans		
Credit / Store cards		
Maintenance for Dependants		
Utility bills		
Council Tax		
Telephone/Mobile		
Food and clothing		
Car ( <i>inc fuel, tax and insurance</i> )		
Other travel		
Contributions / Pensions		
Educational fees		
Going out, holidays, other leisure		
Alcohol/Tabacco		
Household goods		
Home insurance and other household services		
Medicines, hairdressing, other		
Regular savings		
Other		

	Amount	Notes
Total Income money		
Total outgoing money		
Total disposable income ( <i>Total income minus outgoing</i> )		

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Jargon Buster

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**APR:** APR is the Annual Percentage Rate of the total charge for credit: this is the standard way of working out the true interest rate. All lenders are legally obliged to show the APR alongside quoted interest rates for each mortgage term, this enables you to accurately compare mortgages from different lenders to work out exactly how much you will repay on your loan each month.

**Bank of England Base Rate:** The Bank of England Base Rate determines how much other banks and building societies pay for the loans that they take out from the Bank of England. These base rates will in turn affect the interest rate paid for loans including the loan on your mortgage.

**Capital Repayment:** There are two ways of repaying a mortgage either by the capital repayment or interest only route. With a capital repayment mortgage, the capital and interest elements of the loan are paid off with each monthly instalment, with the balance reducing over the length of the loan term. During the capped rate period the interest rate can fall below the capped rate but will never rise above it.

**Conveyancing:** This is the legal process involved when buying or selling property. Most people use a solicitor or a licensed conveyancer when buying or selling a property because there's quite a lot of detailed work to do when transferring ownership of a property.

**Disbursements:** These are the fees your solicitor has to pay on your behalf (e.g. Stamp Duty, Land Registry fees and search fees) which will be added to your conveyancing bill from the solicitor on completion of the buying or selling of a property.

**Discount Rate:** A discounted rate mortgage offers you reduced repayments for a given term. This interest rate is discounted from the published lender standard variable rate, for an agreed period from the start of the mortgage. The standard rate can go up and down, but the discount amount remains fixed during the agreed period.

**Equity:** This is the positive difference between the value of your property and the amount of any outstanding loans secured against it. For example if your home was worth £300,000 and the mortgage on your property was £100,000 your equity would be £200,000.

**Exchange of Contracts:** This is the stage in England, Wales and N.Ireland when both the buyer and seller have legally committed themselves to the sale and purchase of a property and are legally bound to complete the transfer.

**Fixed Rate:** This is a mortgage rate where the interest rate is agreed at the start of the mortgage and will not change during the term of the fixed rate.

**Freehold:** When you have the freehold on a property this means that you solely own the property and the land it is situated on.

**Interest Charges:** These are the charges made on a loan, calculated as a percentage of the total amount that you borrowed on your mortgage.

**Interest Only:** An interest-only loan is a loan in which, for a set term, the borrower pays only the interest on the principal balance, with the principal balance unchanged. If you do choose an

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interest only mortgage you are responsible for ensuring that you have sufficient funds available to repay your mortgage at the end of the term.

**Leasehold:** This is a system used mainly in England where you own the property for a set period before handing back ownership to the freeholder. When you hold a leasehold on a property, it remains the property of the freeholder. A leasehold, will set out the details of obligations of the leaseholder for repairs and maintenance of the property.

**Legal Fees:** These are the fees charged by a solicitor or other qualified individual to carry out the legal work associated with buying a property.

**Mortgage Rate:** In a nutshell this is the interest rate on a mortgage loan.

**Offer of Loan:** This is the formal document approving the mortgage you have requested. This document, details the terms and conditions that will apply during the whole term of your mortgage.

**Re-mortgaging:** This is the term used when moving your mortgage from one lender to another without actually moving house. You may do this to save money. This might be possible by switching to another mortgage product with the same lender or by switching your mortgage to a competitor.

**Searches:** These are the enquiries made, usually by your solicitor, at the Land Registry, the Land Charges Register and Local Authorities to ensure there is nothing to cause concern about title to the land and the property you intend to buy.

**Stamp Duty:** Stamp Duty Land Tax (SDLT) is charged on land and property transactions in the UK. The tax is charged at different rates and has different thresholds for different types of property and different values of transaction.

- Up to £125,000 - nil
- £175,001 to £250,000 - 1% of the purchase price of the property
- £250,001 to £500,000 - 3% of the purchase price of the property
- More than £500,000 - 4% of the purchase price of the property

**Title:** This is the legal right to the ownership of your property

**Tracker Mortgage:** This is a variable rate mortgage where the interest rate is linked directly to the Bank of England Base Rate. Therefore, when the Base Rate changes the rate on your tracker mortgage, changes by the same amount.

**Valuation:** This is an independent assessment of the value of a property carried out by an approved surveyor and paid for by you the customer. All lenders insist that a valuation is carried out on a property. The valuation is used by the bank or building society to decide how much they are willing to lend you.

**Variable Rate:** This rate can go down as well as up during the course of your mortgage and is usually based on The Bank of England Base Rate.

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*There are many things to think about when moving home. We have put together a helpful list of things to consider when moving.*

## 6 weeks before your move

- Organise a removals company – remember to get several quotes, references and check the limits of their insurance.
- Book storage space if required.
- Confirm the date of your move, if you're renting, notify your landlord of your moving date.
- Notify all relevant companies of the change of your address – see our check list of companies to contact.
- Give notice for any media suppliers, most companies will need at least one month's notice
- Ensure your home insurance cover starts on the day you move in.
- Start removing any possessions you no longer need. The Council will collect any unwanted bulky items.
- Think about any furniture or carpets you might need and order these now.
- Clean out your cupboards and start packing anything you do not need until you move in.
- Book time off work around your move in date.

## 2 weeks before your move

- Finalise times and directions with your removal company.
- Arrange a time for your key collection.
- Keep all moving related documents in one folder for easy access.
- Organise all your important documents and keep together in one box.
- Stop any regular deliveries such as milk or newspapers.
- De-register from your doctor, dentist and optician if you're moving area.
- Arrange for any mail to be forwarded to your new address.
- If you have children or pets ensure someone can look after them on your move date.
- Notify your bank of any changes to direct debits and standing orders.

## The day before your move

- Ensure that you have picked up your keys.
- Do one last check of your home to check that everything has been packed.
- Strip your beds and keep them together so you can use them on your first night.

## The day of your move

- Make sure that you record the all utility metre readings when you move in
- Before leaving check that all windows are secure and water, gas and electricity supplies are switched off
- Charge your mobile phones.
- Defrost the freezer.
- Leave any manuals for central heating and any other appliances you are leaving.
- Keep a small toolkit separately to help you with anything that may need fixing at your new home.

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*There are a number of companies that will need to be informed of your new address. Please also be aware that some companies such as media providers will require at least one month's notice.*

## Financial

- Banks or Building societies including savings accounts
- Credit card or loan companies
- Your employers
- All Insurance companies
- Pension companies
- Council tax department
- Inland revenue and Social security

## Utilities and other services

- Electricity
- Water
- Gas
- Telephone
- Media, TV and internet providers
- TV licensing

## Motoring

- DVLA
- Vehicle registration
- Vehicle insurance
- Breakdown recovery company

## Others

- Friends, Schools/colleges
- Health companies such as Doctor, Dentist or opticians
- Magazine Subscriptions
- Milk delivery
- Newsagent
- Sports club
- Library