GUIDE TO BUYING YOUR FIRST HOME

JOHN CHARCOL™

INDEPENDENT MORTGAGE EXPERTISE

THIS MAY BE YOUR FIRST TIME BUYING A PROPERTY BUT WE'VE BEEN DOING THIS FOR OVER 40 YEARS.

DURING THIS TIME, WE'VE HELPED THOUSANDS OF PEOPLE JUST LIKE YOU GET THEIR FOOT ON THE PROPERTY LADDER.

Here's how we've helped them and how we can help you too.

WE'RE INDEPENDENT

That means we're not tied to a set number of mortgage providers on a panel. Instead, we can search the whole UK market to find the mortgage that's right for you.

We're also not driven by the commission we receive from lenders. That means we'll only give you the right advice to help you get the best mortgage deal.

WE'RE EXPERTS

When you're buying a home for the first time, you'll probably experience the full spectrum of emotions. We aim to do our bit to take the stress out of buying a home.

That means:

- You'll speak directly to your own personal adviser and case handler. They'll stick with you until the job is done.
- Your adviser will speak to you in plain English, get to know you and your requirements and be totally transparent with regards to any fees and charges.
- We'll provide advice on more than just your mortgage, from home insurance and conveyancers to building surveys and protection insurance. Wherever we can, we'll help you through the process of buying a house and ensure everything is as smooth and stress free as possible.

96%
OF OUR CLIENTS RECOMMEND US ON*

REVIEWS

*Correct as of Dec 2018

WHAT TO EXPECT WHEN BUYING YOUR FIRST PROPERTY

The time has come to stop paying rent or to fly the nest and get your foot on the property ladder.

Right now you're probably feeling a mixture of emotions. On one hand, buying your first property is exciting – it's a place you can truly call home and a base from which other aspects of your life plan can begin. On the other hand, buying a property (whether it's your first time or not) can be daunting and stressful.

In this guide we'll explain everything you need to know about buying your first house. By the time you've finished reading, you'll be better prepared to embark on your property buying journey with confidence. That means you can concentrate on the exciting bit of finding your first home!

WHAT IS A MORTGAGE?

Forgive us for stating the obvious but buying a home will, for many of us, be the most expensive purchase you'll ever make. Unless you're fortunate enough to have wealthy parents, win the lottery or receive some sort of huge inheritance, you're unlikely to be able to pay for a house outright. That's why you'll need a mortgage.

You may have previously owned a car on finance or taken out a personal loan to go traveling. Effectively, a mortgage is a very big loan which is lent to you on the condition that if you can't repay it or maintain the payments, the lender will repossess your house. The difference between a mortgage and an unsecured loan is that lenders take a number of factors into consideration in order to work out how much you can borrow, how much you have to pay off per month and how long you have to pay it off.

WHAT YOU NEED TO CONSIDER:

MONTHLY REPAYMENTS

You may already pay rent on a monthly basis and your monthly mortgage payment will work in a similar way. Only instead of paying your landlord, you pay your mortgage lender. The most common form of mortgage is a repayment mortgage where you make monthly repayments. In each of these repayments you'll be paying back the money you have borrowed (the capital) and the interest charged. By the end of your mortgage term (normally 25-30 years) you should have paid back the full amount of money you borrowed plus all the interest owed.

INTEREST

Interest rates are how banks make money. When you take out a loan or a mortgage, the bank is effectively selling you money. The interest is how much they profit by doing so.

TERM OF YOUR MORTGAGE

You'll need to agree with your mortgage lender the period over which you'll pay off your mortgage. The length of time you agree on will have an effect on your monthly payments so it's important to know your monthly budget.

DIFFERENT TYPES OF MORTGAGE

Like any goods or services, mortgages come in many shapes and sizes. Some of the terminology can sound like another language so we've put together a no-nonsense break down of the most important mortgage options that you should be aware of.

FIXED RATE

This option makes it easier to plan your budget month to month. A fixed rate means that the interest rate charged won't change for a certain period of time (typically 2-5 years). When the end of that period is near, it's a very good idea to discuss your options with your broker such as moving to a new mortgage product or remortgaging.

TRACKERS

The minimum interest rate (the base rate) is set by the Bank of England. A tracker mortgage directly follows the base interest rate plus a margin set by the lender.

COMPARE 1000s OF MORTGAGE DEALS WITH OUR INTERACTIVE COMPARISION TOOL:

charcol.co.uk/BestBuys

DIFFERENT REPAYMENT TYPES

CAPITAL AND INTEREST
This is the most common repayment set up. It's similar to a personal loan in the sense that each month you pay something towards the cash you owe plus a bit extra to cover the interest. By the end of the lending period, you should have paid off all the cash you borrowed plus the interest.

INTEREST ONLY
On an interest only mortgage, you only pay the interest back until the lending period ends. This sounds very attractive in the short term but when the lending period ends, your lender will want all of the cash you borrowed back too. That means you must have enough cash to cover the amount you borrowed when you took out the mortgage.

OFFSET
Offset mortgages can get quite complicated and only really suit those who have, or have access to, a large amount of savings. They tend to suit people who may want to have their savings readily available, perhaps because they run a business or are planning to pay for something like an extension. It's best to ask your broker about offset mortgages to make sure you understand all their complexities before taking the plunge.

HOW MUCH CAN I BORROW?

If we could all borrow as much as we liked, we'd all live in mansions and penthouses. Sadly that's not the case, so in order to establish how much you can borrow, your mortgage lender will take the following into consideration.

DEPOSIT
Your deposit is the amount you have to put down to secure your property. Normally at least a 10% deposit is required to secure a mortgage however, there are specialist first time buyer mortgage providers who will lend to buyers with a 5% deposit.

AGE
The older you are, the less time you have to pay off your mortgage and this means your monthly repayments will be higher on a repayment mortgage.

HOW MUCH YOU EARN
It stands to reason that lenders will be more willing to let you borrow a greater amount of money if you have more disposable income. If you're buying with a partner or even a friend, your joint income and expenditure will be taken into consideration.

SPENDING
If you go on shopping sprees on a regular basis, you'll want to curb that habit in advance of applying for a mortgage. If a mortgage lender sees that you have high expenditure and high debt they will be less willing to let you borrow as much money as you may want.

CREDIT RATING
Your ability to borrow any money is subject to a good credit rating. Lots of things can affect your credit rating such as credit card repayments and timely bill payments so it's a good idea to keep on top of everything well in advance of applying for your mortgage. If you're not sure what your credit rating is, you can check using websites such as Experian or Equifax.

BEING ON THE ELECTORAL ROLL
Your mortgage lender can ascertain some information about you if you are or have been registered to vote. So, being on the electoral roll is looked upon favourably by lenders.

FIND OUT HOW MUCH YOU CAN BORROW WITH OUR ONLINE CALCULATOR

charcol.co.uk/mortgage-calculators

ADDITIONAL FEES

As if the cost of the property itself wasn't eye watering enough, you'll also incur a few fees along the way - here's a breakdown of the major fees you'll need to factor in to your savings:

STAMP DUTY
Stamp duty is the tax paid on residential property purchases. The amount you pay as a first time buyer will vary depending the value of the property you are buying.

up to £300,000

From November 2017* if you are a first time buyers buying a property worth £300,000 or less, you'll pay no stamp duty.

up to £500,000

For first time buyers purchasing a property between £300,000 and £500,000 you pay 5% stamp duty on the amount between £300,001 - £500,000

over £500,000

If you're buying your first home and it's worth more than £500,000 - you'll end up paying the standard rate that is paid on all residential properties purchased over £125,000.

CALCULATE THE STAMP DUTY YOU'LL PAY WITH OUR ONLINE TOOL
charcol.co.uk/mortgage-calculators

*These changes apply to buyers in England, Wales and Northern Ireland.

VALUATION
Your mortgage lender will need to confirm the valuation of your property before they lend you the money. Some lenders might not charge you for this, depending on the type of mortgage product you select. The lender's valuation is not like a full structural survey so it might not identify all the repairs or maintenance that might be needed – and you won't always get a copy.

HOMEBUYER REPORT/PROPERTY SURVEY
A property survey will help you find out about the condition of the building you are buying and, if there are problems. This can sometimes give you a powerful bargaining chip for negotiating the buying price down or asking the seller to fix the problems. Most surveyors provide three types of survey: a valuation report, a HomeBuyer's report and a full structural survey. While the HomeBuyer's report tends to be the most popular, there are no hard and fast rules about the type of survey you should choose.

LEGAL/CONVEYANCING
As you can imagine there are a lot of legal ramifications involved in buying a house. You'll need a good conveyancer/solicitor to help guide you through the minefield of contracts and ticks in boxes. Plus, they'll also represent you and talk to the seller's solicitor to ensure all the required actions are completed before you complete your property purchase.

MORTGAGE BROKER FEE
The role of a broker is crucial in simplifying the process of securing a mortgage and some charge a fee to advise you on your mortgage. Using an independent broker, allows you to compare a large number of lenders and 1000s of mortgages, to potentially save you hundreds or even thousands of pounds. Going direct to a lender means that you will only find out about their deals (which are limited in number) and they won't advise you on if you could potentially get a cheaper or better mortgage elsewhere.

REMOVAL FEES
As much as moving in can be the most exciting part, don't forget to factor in the cost of moving your furniture and possessions into your new home.

FINDING A PROPERTY

When looking for your first home a great place to start is with an estate agent in the area you're looking to buy. They can help you find a great property and will have local knowledge of the area you're buying in.

Online sites such as Zoopla or Rightmove can help you find estate agents in the area you're buying, take note of the details and be sure to register with them.

Once you're in touch with a few local estate agents, they'll be able to provide you with a more personalised service and look for properties that fit your criteria (which may not be online yet).

HOW YOUR TYPE OF PROPERTY AFFECTS YOUR MORTGAGE

HOUSE VS FLAT
Generally, buying a flat or a house doesn't affect your mortgage. However, many flats are leasehold properties which does affect your mortgage (see right).

INSURANCE
You must have buildings insurance in order to get a mortgage. If your property has a special construction feature e.g. a thatched roof or a timber frame, this may mean you also need specialist insurance cover before you can get your mortgage approved. Similarly, some areas need specialist insurance such as areas at risk of flooding.

FREEHOLD VS LEASEHOLD
If a property is freehold, it means you own the building and the land on which it stands. Leasehold on the other hand, means you have the right to occupy the building but you will have to pay ground rent and often a service fee. Leases only last for a set time, and the value of a leasehold flat diminishes as the lease gets shorter. You should always be sure to ask how long is left on the lease. If you are hoping to buy a property with a relatively short lease (less than 70 years remaining, say), you should take advice, prior to purchasing the property on whether you would be able to extend the lease, and how much this would cost. Getting a mortgage on properties with short leases isn't impossible. However, you may be faced with a restricted number of lenders as a result. Not to mention the cost you may face to increase the term of the lease.

VIEWING THE PROPERTY

It's tempting to look at a property at face value. Does it have the right number of bedrooms, is it in the right area, can I see myself living here are all questions you'll probably be asking yourself when you look around. Here are a few other questions you should ask your estate agent or the property owner:

- What are the neighbours like? Does the area feel safe and secure?
- Is the area quiet?
- What are the traffic levels?
- Is parking a problem?
- Which direction does the house or garden face? (you can check this yourself on a map)
- How much does it cost to heat the property? (you can also check this for yourself using the Energy Performance Certificate Register)
- What are transport links and public transport like locally?
- What is the local catchment area for schools and what are the schools like?
- How much is Council Tax, gas, electricity, water, etc?

In relation to your mortgage, you should also ask about the condition of the property including:

- Structural problems e.g. cracks in brick work or misaligned lintels
- Wiring and electrical (check the fuse box in particular)
- Boiler and plumbing – ask to see the boiler service history to check this thoroughly
- Woodwork and windows
- Damp-proofing – if you see water damage on the walls, this could be a sign of inadequate damp proofing
- Insulation
- Gas certificate, if applicable

If a number of problems come to light, this may affect your ability to get a mortgage or obtain the amount you require to purchase that particular property. In this circumstance there are options, such as a bridging loan but if you want to keep things simple, it's best to go for a property that's in tip top condition.

SECOND VIEWINGS

First impressions are very important. You're likely to have made 80% of your decision to buy on the first visit. But don't be too hasty. Even minor factors such as the weather affect the way a property can come across on a particular day.

If you've had an offer accepted on a home and you've received a surveyors report, a second viewing is also a great opportunity to assess the extent of any problems.

On the next page is a list of questions to ask yourself and the estate agent when you look around a property you're planning to buy for the second time.

FOR THE VIEWING:

- ☐ Have you viewed the property and area at different times of the day?
- ☐ Have you spent enough time looking around the property and at least half an hour walking around the area you're buying in?
- ☐ Have you checked what the area is like at rush hour, when the pubs close, and how you'll get around?
- ☐ Have you checked your commute to work or school during rush hour?
- ☐ Have you seen the property's energy performance certificate (this will help you understand how efficient the property)?

WHEN CHECKING THE EXTERIOR BRICKWORK:

- ☐ Can you see any cracks or signs of wear?
- ☐ Is there any render or specific finish – how well has this been maintained, how easy is this to maintain?
- ☐ How old is the property?

THE ROOF:

- ☐ Can you see any tiles missing or any broken tiles in the floor?
- ☐ Do the chimneys look straight?
- ☐ Is the flashing (lead that makes external joins waterproof) secure?
- ☐ Are the drains and guttering in good condition/new?
- ☐ If it's raining can you see any signs of leaking?
- ☐ Are the fascias (the wooden section under the roof) in good condition?

THINGS TO TEST:

- ☐ Do the taps work in the bathroom/kitchen/toilet?
- ☐ How long does it take for the hot water to come through?
- ☐ Do all the light switches work?
- ☐ Do all the windows open and close easily?
- ☐ How secure are the windows – are they double glazed?
- ☐ How secure is the front and back door (it's a good idea to try opening and closing yourself)?

INSIDE FOR EACH ROOM:

- ☐ Are there any signs of damp that you can see or smell?
- ☐ Is there any condensation on the wondows?
- ☐ Are there any visible exposed wires?
- ☐ Are there any cracks big enough to put the edge of a 10p in?
- ☐ Would you want to redecorate any of the rooms?
- ☐ Do any of the rooms need new flooring?
- ☐ Are there enough power sockets?
- ☐ Are the phone points in a convenient location?
- ☐ Is there enough storage?
- ☐ Can the neighbours see in to any of the rooms?

IN THE BATHROOM:

- ☐ Does it have an electric shower?
- ☐ Does it have power and is it earth bonded?
- ☐ Is there a shaver socket?
- ☐ Is there any mould?

ADDITIONAL QUESTIONS TO ASK:

- ☐ Where is the boiler located?
- ☐ How old is the boiler and when was it last serviced?
- ☐ Is there loft access? If yes, ask if you can see it.
- ☐ Do any chimneys work?
- ☐ When was the consumer unit/ fuse box last checked?
- ☐ Are there smoke or carbon monoxide alarms?
- ☐ Has any work been done recently on the property?
- ☐ If yes, what guarantees are there on that work?

QUESTIONS FOR IF IT'S A FLAT:

- ☐ Is it leasehold or freehold?
- ☐ If it's leasehold, how many years are left on the lease?
- ☐ What access is there to the garden?
- ☐ What services are shared, eg drainage?
- ☐ If there are flats above, what are the noise levels like?

THE BUYING PROCESS

So far, you've read all about the 'whats' and 'whys'. Now it's time for the how. The process of buying a home isn't always smooth and you may need to go back and forth at a few stages but all being well, this is how you buy a house.

1. TALK TO A MORTGAGE BROKER OR ADVISER
At this stage, you'll be able to establish how much you may be able to borrow and the type of mortgage that's best for you. You may even be able to get a 'decision in principle' which you can show when it comes to putting in an offer on a property.

2. FIND A PROPERTY
This is the fun bit! Searching for a home can seem stressful but try to remember that it's also exciting to purchase something you can truly call yours. So, enjoy shopping around and be sure to ask all the questions we noted earlier in this guide.

3. PUT IN AN OFFER
Once you've found 'the one' it's time to put your money where your mouth is and put in an offer. Your estate agent will be able to advise you on whether or not to go in at the asking price or above/below. Remember, in order to get your mortgage approved, your lender will need to carry out their own valuation so you may have to renegotiate if they think the property is worth less than your offer.

4. OFFER ACCEPTANCE
Success! Your offer has been accepted by the seller! Now we're getting serious!

5. MAKE A FORMAL MORTGAGE APPLICATION
Now it's time to go back to your broker or adviser to apply for your mortgage. It's at this stage that the recommended lender will run their own checks on you and the property you want to buy to ensure you're 'safe' to lend to. When satisfied, they will issue a formal mortgage offer to you and your solicitor.

6. CONVEYANCING
This is when the lawyers come in to do their thing. They'll check that everything is above board and draw up all the relevant contracts. They'll also take care of things like the local authority search and land registry amendments.

7. EXCHANGING CONTRACTS
This is pretty much the final hurdle. Contracts get signed, sealed and delivered and you're the proud owner of a home… on paper.

8. COMPLETION
You've done it! The money changes hands, the keys are released to you and all that's left is to arrange your move in date and get that house warming party arranged. On a more serious note, you should also tell some more 'official' people you've moved.

People like:

- Your bank(s)
- Credit card providers
- Insurance companies
- Utilities suppliers
- Your local council
- TV licensing
- The DVLA

INSURANCE

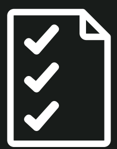
You can't get a mortgage without buildings insurance as a minimum. During the process of applying for a mortgage, our in house insurance team can advise you on the most suitable insurance and arrange it using our panel of trusted insurers. In addition to buildings insurance, there are other forms of insurance you should think about when applying for a mortgage.

BUILDINGS
All lenders require you to have 'bricks and mortar' insurance. Insurers will often insure your property based on the 'rebuild value'. You can find out this figure from your property valuer. If you're buying a leasehold property, buildings insurance is usually included in the annual service charge.

CONTENTS
This isn't a necessity when it comes to getting a mortgage approved however, it's definitely a good idea.

INCOME PROTECTION INSURANCE
This insurance helps cover your mortgage repayments in the event you are unable to work due to sickness or injury. This cover will usually last until you go back to work or you reach your chosen retirement age.

SPECIALIST
If your property has a special construction feature, is in a high risk area or is likely to be unoccupied for a long period of time, you'll need a specialist insurance policy to provide you with more appropriate cover. Again, we can help arrange this.



USE OUR HOME CONTENTS CHECKLIST TO CALCULATE HOW MUCH YOUR POSSESSIONS ARE WORTH

charcol.co.uk/ HomeContentsChecklist

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