



**TMS**

THE MORTGAGE SHOP



# First Time Buyer Guide

# The Mortgage Shop

## We're Here to Help

Buying a home for the first time can be a daunting process, with a vast array of mortgage products available from a wide range of sources, you could be left feeling stressed and confused about the decisions you need to make.

The Mortgage Shop can help you every step of the way, with our experienced advisors and committed support team, you will feel looked after throughout the process.

This guide is the first step, designed to introduce you to the process of securing a mortgage through The Mortgage Shop.



# 1

## Buying Your First Home

### Getting Started

The first step is to speak to one of our Mortgage Advisors.

As brokers, we have access to the whole range of mortgage deals available including ones that may not be offered by larger lenders or accessible as a direct customer.

Your Mortgage Advisor will help you answer key questions:

- How much can I borrow?
- What sort of deposit will I need?
- What are the different types of mortgages available?
- How much will the mortgage payments and associated insurances cost each month?
- What happens now?





A hand with pink and glitter nail polish holding a set of keys against a yellow background. The hand is wearing a yellow sweater. The keys are silver and have a large keyhead.

## 2

# Buying Your First Home

## Agreement in Principle

If you feel that you can afford to buy a property based on your discussions with your Mortgage Advisor, you can ask for them to obtain an “Agreement in Principle” from the mortgage lender.

This means that when you find the right house, you can make an offer on it and the Estate Agent and Vendor will know that your offer has credibility.



# 3

## Buying Your First Home

### Applying for your Mortgage

Once you find your perfect first home and have had an offer accepted, you are ready to apply for your mortgage.

You will need to be aware of, and ready to pay for, the upfront costs associated with your purchase including:

- Survey Fees - your Mortgage Advisor will discuss the various options available, but you should be aware that the cheapest option, the Mortgage Valuation, is a report carried out on behalf of the lender. A more detailed Home-Buyers report is likely to be a better option, especially for older properties.
- A Local Search at the beginning of the legal process.
- Stamp Duty Liability- although there is sometimes a First Time Buyers' exemption. Your Advisor will be able to guide you on this too.

You will also need to provide evidence of your salary (including self-employed income), and deposit, plus bank statements.





# 4

## Buying Your First Home

### Protecting your Home and Yourselfes

Your Mortgage Advisor will discuss with you the very important area of Mortgage Protection.

This will involve making sure you have suitable insurance coverage including;

- Life Cover
- Critical Illness Cover
- Income Protection Cover
- Buildings & Contents Cover

Applications will be submitted to various companies in readiness for when you complete on your purchase and you own your first home.



# 5

## Buying Your First Home

### Choosing a Solicitor

Once your offer is accepted, you will be asked to confirm your solicitor.

The solicitor is there to act not only for you, but also your mortgage lender to make sure the property offers suitable security.

The Mortgage Shop has access to a large, nationwide panel of solicitors who specialise in conveyancing.

The benefits of using one of these solicitors are;

- They are often less expensive than local firms.
- Our team can provide support with paperwork you receive.
- Online tracking 24/7.
- In the event of the property sale being aborted there are no fees to pay other than any initial fees paid.





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## Buying Your First Home

### Exchanging Contracts

Your chosen Solicitor will then complete local searches, Land Registry checks, and liaise with the Vendor's solicitors before finalising their enquiries.

Once they have done this they will look to obtain an 'Exchange Date'.

This legally commits both parties to the sale/purchase and will require you to provide your deposit to the solicitors.





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## Buying Your First Home

### Completion Day

The final step is for you to be issued with a 'Completion Date' meaning the date you can move into the property.

On completion day, all the necessary steps and payments will have been made, meaning that you are able to collect the keys and move into your new home!



## Our Top Tips

The Mortgage Shop have helped many First Time Buyers over the years and understand there is a lot to consider.

Based on this experience we have put together our **Top Ten Tips** to help you as you start thinking about buying your first home.



1

Ensure that you are **realistic** when working out exactly how much you can afford to spend on your new house.

Check the intended mortgage is affordable by doing a budget calculation.

Even a newly built house will require some sort of furnishings, whereas older properties may require extensive work, such as re-flooring, tiling or renewing the wiring.

Make sure that you factor in all these likely expenses, in addition to the purchase price, and other fees such as conveyancing and stamp duty.

## MONTHLY BUDGET

	Budgeted	Actual	Difference
<b>INCOME</b>			
Income1			
Extra Income			
Total			

### EXPENSES

Rent
Insurance
Electricity
Gas
Cable
Water
Groceries
Dinning/Eating out
Entertainment
Gym



2

If you have been used to living at home with your parents, remember to budget for expenses such as council tax, gas and electricity bills, boiler servicing, and other home repairs.

These are costs you may not have had to think about before but they are important to factor into your budgeting.







3

When buying for the first time, there may be several details in the houses you are looking at, which you may not pick up.

**Always take an experienced home buyer when looking at property,** such as one of your parents, or a home-owning friend.

If this is difficult to arrange, then make sure you at least get some assistance once you have selected a property you like and are arranging a second viewing.



4

Make sure you know what the likely council tax charge will be in your new property.

The Estate Agent should be able to tell you what tax band the house you are interested in buying is in.

If they are unable to tell you the exact cost each month, you can find details of the rates online.





5

Always consider how your transport arrangements and costs will change in your new house.

If you have a car, your insurance premium may increase dramatically if you move from a town with relatively low crime into a city centre with higher crime rates or if you move from your parent's house with a locked garage to a house with on-street parking.



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Even if you do not have children, remember that property in the catchment area of good local schools will always be much easier to sell on.

However, this may also be reflected in a higher purchase price.



School



# 7

Consider the availability of **public transport services**, making sure you find out local bus routes, the frequency of train services from your nearest station, and, if you are moving a long distance, the range of flights available from your local airport.

Even if you drive everywhere, **this information will be useful for anyone coming to visit you who does not drive.**

It can also make a difference to your house value when you are looking to sell on.





An aerial view of a multi-lane highway with traffic during sunset. The sun is low on the horizon, casting a warm, golden glow over the scene. The highway has several lanes in each direction, with a central median. Various vehicles, including cars, vans, and trucks, are visible on the road. The surrounding area is lush with green trees and vegetation. A large white circular graphic is overlaid on the right side of the image, containing the number 8 and several paragraphs of text.

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Try to find somewhere to live that is close to your main place of work.

Commuting can be one of the biggest household expenses, and as you are likely to be spending more time on domestic chores/DIY, living somewhere which minimises your commuting distance will be important.

If property is more expensive nearer to your place of work, make sure you weigh up this additional expense, when compared to the costs and time of commuting.

You may wish to ask colleagues living in the area about the possibility of lift sharing.



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Write down a list of local amenities which are important to you. This may include shops, restaurants, pubs, sports centres, parks, and cinemas.

If you enjoy activities such as walking, or cycling, the neighbourhood you plan to move in to may be very different to the one you current live in and may not have the same access to parks and recreational facilities.

Before making any final decision about where to move to, take a stroll or bike ride around the local area, and consider if the amenities match what you are looking for.





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If you are a heavy internet user, check to see that broadband or other high-speed internet is available in the street you are looking to move to.

You should be able to find this information online if not through the Estate Agent/seller.



## Jargon Buster

As you go through the process, you will see and hear lots of different terms which you may not be familiar with.

Let's cut to the essential terms you will want to understand as you start taking steps to secure your first mortgage.







**AIP – Agreement in Principle**

A document from a mortgage lender confirming that you will be able to borrow a certain amount. You can use this to prove to a seller that you can afford to buy their property.

**APR – Annual Percentage Rate**

The overall cost of a mortgage, including the interest and fees. It assumes you will have the mortgage for the whole term, so may not be a useful way to compare deals.

**Base Rate**

A rate of interest set by the Bank of England, which tracker mortgages and standard variable rate mortgages usually follow.

**Buildings Insurance**

Insurance that covers you for damage to the structure of your home.

**Capital**

The amount of money you borrow to buy a property.

**Conveyancing**

The legal process you must go through when you buy or sell property. This can be done by a solicitor or licensed conveyancer.

**ERC's – Early Repayment Charges**

Penalty fees you have to pay if you want to leave your mortgage during a specified period, usually the period of the initial deal.

**Equity**

The amount of the property that you own outright i.e. your deposit plus the capital you've paid off on your mortgage.

**FTB- First Time Buyer**

Individual(s) who has never owned a property before. I.e. someone getting a mortgage who isn't a homeowner, home mover, buy-to-let investor or just remortgaging an existing property.



### **Fixed Rate Mortgage**

The mortgage interest rate stays the same for the initial period of the deal, which can be anything from one to 10 years. This means you can be sure of exactly what you will be paying on your mortgage each month, as your rate won't go up - or down - with the Bank of England base rate.

### **Flexible Mortgage**

A flexible mortgage deal allows you to overpay, underpay or even take a payment holiday from your mortgage. This can help you pay off your mortgage early and save money on interest, but flexible mortgages are usually more expensive than conventional ones.

### **Freehold**

You own the building and the land it stands on (in contrast to Leasehold)

### **Guarantor**

A third party who agrees to meet the monthly mortgage repayments if you are unable to. This is most common with first-time buyers, and the guarantor is usually their parent or guardian. Read more about guarantor mortgages.

### **Help to Buy**

The government has launched a number of different Help to Buy schemes, including equity loans, mortgage guarantees, ISA's and specific schemes for Scotland and Wales. They all aim to make home-buying easier.

### **Joint Mortgage**

A mortgage taken out by two or more people. This might be used if you buy a house with a partner or friend and can also be used by parents who want to help their children buy a property.

### **Leasehold**

You own the building but not the land it stands on, and only for a certain period, anything up to 999 years. (Also see Service Charge)





**LTV – Loan to Value**

The size of your mortgage as a percentage of the property's value.

**Monthly Repayment**

The amount you pay your mortgage lender each month. If you're on a repayment mortgage (the most common kind), the payment will cover a percentage of your mortgage plus interest.

**Mortgage Deed**

A formal contract between lender and borrower, outlining the legal obligations of the borrower and the rights the lender has if the borrower fails to make a repayment.

**Mortgage Term**

The amount of time you are taking the mortgage out for – 35 years, for example.

**Remortgage**

When you change your mortgage without moving to a new house. You can do this to save money, to change to a different type of mortgage or to release equity from your home.

**Repayment Mortgage**

You pay off the mortgage interest and part of the capital of your loan each month. Unless you miss any repayments, you are guaranteed to have paid off the mortgage by the end of the term.

**Service Charge**

The fee paid to a managing agent for the ongoing maintenance of a leasehold property.

**Shared Ownership**

You buy a share of a property (usually between 25% and 75%) and pay rent on the remaining share, which is owned by the local housing association.



## Stamp Duty

This is a land tax usually payable when you buy a property for more than £125,000 (or £40,000 if it's a buy-to-let or second home).

**However, as a first-time buyer you will pay no Stamp Duty on properties worth up to £300,000 and for properties costing up to £500,000, you will pay no Stamp Duty on the first £300,000.**  
*[Accurate at time of print in Dec 2019 but subject to change]*

## SVR - Standard Variable Rate

The default mortgage interest rate that your lender will charge after your initial mortgage deal period ends. This could be higher or lower than your original rate.

## Tie-in Period

This is the period during which you are 'locked in' to your mortgage deal. You'll have to pay an early repayment charge if you leave your mortgage during this period.

## Tracker Mortgage

The interest rate on your mortgage tracks the Bank of England base rate at a set margin above or below it.

## Valuation Survey

Lenders always carry out a valuation survey to check whether the property is worth roughly the amount you're paying for it.

## Variable-rate Mortgage

The interest rate on your mortgage can go up or down according to your lender's standard variable rate.

## Vendor

In property sales the vendor is the name given to the seller of the property.







## Information Overload?

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We know that there is a lot of information to take in when you are doing this for the first time.

That's why we're here to help you.

We have helped many First Time Buyers, and here's what they had to say.





# Happy Customers

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*"The fantastic team at The Mortgage Shop helped us buy our first home and most recently supported us with our remortgage! They answer any questions we have (no matter how small) and always support us through the process making it hassle free and painless!"*

*"They ensure we get the best deal but also take the time to talk to us and make sure it's what's most appropriate for our circumstances! I always recommend the team whenever anyone asks and will continue to do so - we honestly wouldn't go anywhere else now!"*

Chantelle and Lewis, First Time Buyers, now Remortgage Clients



*"My partner and I have just bought our first home with The Mortgage Shop and had a great experience. They took all of the stress out of the process with easy communication and lots of useful information.*

*We couldn't have asked for an easier process. We would 100% recommend working with them and will be doing so again!"*

**Ryan and Victoria, First Time Buyers**







*"The team at The Mortgage Shop have been incredible. From the first meeting, to all of the help along the way, the whole team really made buying our first home as stress free and quick as possible.*

*TMS really helped by being very proactive, offering lots of advice and just generally getting things done for us efficiently. But more so than this, we really felt that the team really cared about us as individuals and getting us the right mortgage.*

*Everyone you encounter at The Mortgage Shop is friendly and professional, it has a real family feel to it and we recommend them to all of our friends wanting to get on the ladder.*

*We cannot thank you enough!"*

Lauren and Louis, First Timer Buyers





*"Me and my boyfriend purchased our first house and used TMS to get our mortgage in place. They have been absolutely fantastic and have made the process stress free and simple!"*

*I will recommend TMS to anyone who's looking to buy a property in the future. Thanks again for all your help and making it so quick and simple!"*

**Charlotte and Nathan, First Time Buyers**







# You're In Safe Hands

01843 600666



[info@themortgageshop.co.uk](mailto:info@themortgageshop.co.uk)

## Helping First Time Buyer's Since 1997

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