



# FIRST TIME BUYERS GUIDE

The Red Abbey mortgages guide to buying your first home.

When buying your first home there is always a lot to consider. If you have just started saving for a deposit or are now in a position to start looking for your new home, here is our step by step guide to help you through this process.

## 1. Affordability –

Here at Red Abbey Mortgages we can work out how much you can borrow based on your income and outgoings. We recommend you this before you start your property search.

## 2. Make an offer

Once you have found a property that you like its time to make an offer. This can be made to the estate agent selling the property. Once your offer has been accepted let us know and we will take the next steps in making you secure the property.

## 3. Choose a solicitor.

Before you we can submit your mortgage application you will need to choose a solicitor as they will handle all the legal aspects of the property purchase. You do not need to instruct one before you have an offer accepted and here at Red Abbey mortgages we can help you find one.

## 4. Submit your mortgage application.

Red Abbey mortgage will search its extensive range of lenders to get you the most competitive rates in the market. Once we have discussed this with you and we have chosen the correct product for you we will submit this application and track it all the way through to offer so you don't need to do a thing. We will also discuss the various insurance and protection options available to you with your mortgage package to make sure you stay in the home if the worst happens.

## 5. Application review

Whilst the chosen lender reviews your application they will instruct a valuation (different types of valuation will be listed below to help you choose) on the property and your solicitor will begin all the legal requirements needed for the purchase of your new home.

## 6. The mortgage offer



At this point the chosen lender is happy with all their checks and have now issued you a formal mortgage offer, copies of which will be sent out to you and your solicitor.

#### 7. Exchange of contracts.

Once all the legal work has been satisfied along with the offer being checked by your solicitor, you can now exchange contracts. Your Solicitor will ask you to transfer across your deposit and will confirm a suitable completion date with both you and the seller. The contract to purchase the property becomes legally binding once exchange has taken place.

#### 8. Move in day

Congratulations , you are now a home owner. Today is completion day and when you move into your new home. Your solicitor will liase with the estate agent to confirm when the keys to the home will be realised to you.

### Types of valuation

#### Mortgage valuation

This is a valuation rather than a survey and is carried out on behalf of the mortgage lender to make sure the property is worth the agreed price. It's geared towards satisfying the mortgage provider that the property provides sufficient security for the loan. It doesn't guarantee the property is free from defects and you might not receive a copy of the report.

#### Homebuyer Report

This gives you general information about the condition of the property. It usually involves a surface examination of the parts of the property that are visible and readily accessible, making use of a 'traffic light' system to highlight any areas of concern. Services are not tested as part of this report. If you'd like the services tested, then you'd need a building survey.

#### Building Survey (Full Structural Survey)

This tends to be the most detailed report and provides a comprehensive look at the condition of a property, dealing with hard-to-reach places and structural issues. Although it's one of the more expensive survey types, the level of detail in the report makes it vital when buying older properties



## What we need from you

Below list a list , not exhaustive , of what we documents we usually require from you in order to submit your mortgage application.

1. ID and proof of address
2. Last 3 month payslips or last 2 years tax overviews and tax calculations
3. Last 3 months bank statements
4. Proof of deposit

Other documents may be required by the lender, based on your individual circumstances

## Government Schemes

The government runs several schemes designed to help first time buyers get on the property ladder

### Shared Ownership

Shared Ownership allows you to buy a share of the home from a housing authority and pay rent on the rest. This means you take a smaller mortgage, so the deposit you need to save is lower, but you'll need to account for the rent you'll be paying on the rest of the property.

### Help to Buy ISA

Although registration for the Help to Buy ISA has now closed, applicants who already have a savings account can still benefit from the 25% bonus

### The Lifetime ISA (LISA)

The Lifetime ISA is a savings account designed to help people aged between 18 and 39 save towards their first home or retirement. You can save up to £4,000 in a Lifetime ISA each tax year, tax free, until the age of 50. The government will also pay a 25% bonus on your contributions, up to a maximum of £1,000 a year. The Lifetime ISA can be a great way to boost your deposit when you're saving for a house. To use your Lifetime ISA to buy your first home, you must have made your first payment into it at least 12 months ago. If you withdraw funds before your 60th birthday for any reason other than buying your first home, you'll incur a 25% government withdrawal charge on the amount you withdraw, which would mean you'd get back less than you paid in, so it's best to only use the LISA if you're sure the cash is for one of the two defined purpose



## Jargon Buster

Mortgage – Loan secured against the property

Lender – Bank or building society providing the mortgage

Deposit – Amount you need to pay towards the cost of the property

Loan to value (LTV) – Size of your mortgage as a % of the property value

Mortgage Term – Amount of time it will take to repay your mortgage

Agreement / Decision in Principle (AIP / DIP) – Lenders confirmation that you can borrow a certain amount, subject to full checks

Product / Arrangement Fee – Set-up fee from your lender. This is usually added to your loan

Fixed Rate – Mortgage payments are guaranteed to stay the same for a set period of time, usually 2, 3 or 5 years

Standard Variable Rate (SVR) – Default mortgage rate charged by lenders after initial deal ends

Early Repayment Charge (ERC) – Penalty fee for repaying mortgage during a specific period

Vendor – The current owner of the property being sold

Conveyancing – Legal process of buying and selling a property

Searches – Various checks carried out by the conveyancer to ensure the property is suitable

Exchange – The point at which the contract to purchase the property becomes legally binding

Completion – Ownership of the property transfers to the buyer

*Your home may be repossessed if you do not keep up with repayments on your mortgage.*