First Time Buyer Mortgages – What You Need to Know

It can be a very exciting time when you are buying your first home, but undeniably the process can be a lengthy and stressful time. There is never a guarantee that your mortgage application will be accepted, however working with an experienced and trusted mortgage broker could remove some of the stress of the situation for you. There are many factors to be considered from your salary and credit score through to the property type, so why not enlist the help of an expert in the field?

What Is A First Time Buyer (FTB) and how is the process different?

Typically you are considered a First Time Buyer if you are purchasing a property for the first time. It is often assumed that the process of buying a property is very different for First Time Buyers, but this is not necessarily the case.

You do need to be aware that First Time Buyers present a greater level of risk for lenders. As such, you may need to save a larger deposit. Potentially, you can get a home with a deposit of 5%. However, as an First Time Buyer, to access the repayment rates on your mortgage you'll ideally need to save more than this.

Specifically, we recommend First Time Buyers aim to save between 10 and 25% of the total cost of the home. First Time Buyers can also explore help to buy schemes available from the government.

How Much Can A First Time Buyer Borrow?

Simply put, you can borrow as much as you can afford. This is determined by your affordability and it's measured by subtracting your outgoings from your gross income.

Some lenders have stricter policies than others and will factor in everything from loan repayments to your credit card bills.

Many people will turn to an online mortgage calculator to estimate this figure, but the best advice is to speak to a broker, who can really drill into the detail of your mortgage application to find the type of mortgage that will work for you. Amount you can borrow and Interest rates are not the only thing you need to consider.

What Is An Agreement In Principle?

An agreement in principle (or decision in principle) means that there is confirmation from a mortgage lender that they would be willing to lend you a certain amount in principle. This is done with a soft credit check (that does not show up on your credit file). It shows that you are able to secure the money that you will need to buy the property. Whilst it does not constitute a mortgage offer obtaining an Agreement in Principle (AIP) makes you a more attractive prospect to a seller.

How Do I Know What My Credit Score Is?

You can check your credit score online through various resources such as:

Check my file(www.checkmyfile.com),

Credit Karma (www.creditkarma.co.uk),

Experian (www.experian.co.uk) and

Equifax (www.equifax.co.uk)

How Do I Improve My Credit Score?

There are numerous ways to improve your credit score such as paying off any debts hanging over your head. Check your credit cards and make sure that your repayments are being completed on time. Make sure you are on the electoral register.

If you borrow and pay the money back on time, your credit score will always improve.

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What Help Is Available For FTBs?

As of November 2017, if you are a first-time buyer and you're purchasing a home for less than £300,000, you don't have to pay any stamp duty at all.

There are also schemes run by the government to help first-time buyers purchase a home. One of these is the Help To Buy Scheme which only requires a small deposit. This applies to people who want to buy a new build, and the price must be less than £600,000. You can borrow 20% of the price interest-free for five years as long as you have 5% of the deposit.

There is also the Right To Buy Scheme. This allows tenants who currently rent their homes from the local council, to buy it at a discount.

Or, you could look into shared ownership. This is where you buy a share of the home from the landlord and then rent the remaining share. You have to pay a mortgage on the share that you own, and a reduced rate of rent on the share you don't. If you want to, you can decide at a later date that you want to buy a bigger share.

What Fees Are Involved When Buying A House?

The first fee that you're going to have to pay is called the arrangement fee, and depending on the value of your home, it could be the highest.

You're also going to have to pay a booking or reservation fee to secure a fixed-rate. Not all lenders charge this, but it is always upfront and non-refundable. However, some lenders join this with the arrangement fee so you might not even know it exists.

Then, you have the valuation fee which is the cost of an inspection of the new home. This estimated the value of the property to ensure that the lender can get a decent price should they need to repossess the home.

Another fee that you have to pay is stamp duty. The amount that you have to pay here will depend on the price of the property. However, due to recent changes, you won't need to pay stamp duty on the first £300,000 of a home.

Don't forget that you are also going to have to pay legal fees. You need a solicitor or conveyor to carry out the legal work when you are buying a home. The legal fee depends on who you choose to handle this for you.

How Do You Go About Arranging A Mortgage?

You are going to need to find a lender willing to offer you a mortgage. It is quite common to use a broker as they are able to give you access to mortgage offers across a range of lenders. Also, it's a good idea to have this professional looking out for your best interest.

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