



A Guide to Buying Your First Home

Buying your first home is to likely be the biggest purchase you will make in your life, so it's important that you feel prepared. We know that there is a lot to get to grips with, especially when this is your first time going through the process. That's why we are here to help and have put together this handy guide.

What is a mortgage?

Most people who own a home have a mortgage, as they do not have the full amount of money to buy a property upfront. Instead, they borrow from a mortgage lender and repay the loan every month over an agreed period, with interest. The typical mortgage length used to be 25 years, but the average first-time buyer (FTB) mortgage is now 32 years¹.

To secure the property, you will need to pay a proportion of the cost upfront – this is the deposit. The more money you can put down, the less you will have to repay in the long run.

If you cannot keep up your monthly repayments, the mortgage lender reserves the right to repossess your home and sell it so that they can get their money back.

How much deposit do I need?

In most cases, you will need to put down a deposit of at least 5% of the property's value. So, for a home worth £250,000, you will need to pay a deposit of £12,500. The larger the deposit you put down on a property, the less you will have to pay in mortgage repayments. You will also normally have access to a wider range of mortgage deals.



Loan to value (LTV)

Loan to value, or LTV, is the amount of money you have borrowed from your lender compared with the total property price.

For example, if you have put down a 5% deposit of £12,500 on a home worth £250,000, you will have £237,500 left to pay, so your LTV is 95%.

The more you can put down as a deposit, the lower the LTV. The lower the LTV, the less of a risk you will be in the eyes of a mortgage lender, as you have a smaller loan to repay and are less likely to owe more than the property's value.



Freehold and leasehold

If you are buying a house, it is likely you will be buying the freehold – this means you are the owner of the property and the land it is built on.

If you purchase a flat or maisonette, it's likely to be leasehold. This means that, while you own your property, you do not own the building that it is in and the land it sits on – that will be owned by a separate freeholder. Therefore, you will be entering into a lease agreement with the freeholder, and you may have to pay a service charge to them for the maintenance of the building. It is important to make sure there is a long time left on the lease when purchasing the property leasehold (at least 80 years), or you could find it difficult to sell in the future.

Stamp Duty

If you are buying a property or piece of land in England and Northern Ireland that is over a certain price, you will likely need to pay a tax known as Stamp Duty.

The amount of tax you pay varies depending on the property price, not on your mortgage. First-time buyers are currently exempt from paying tax on homes up to £425,000.

In Scotland, the tax is called Land and Buildings Transaction Tax (LBTT) and in Wales, it is known as Land Transaction Tax (LTT).

Help for first-time buyers

It is widely understood that it is a difficult time to be a first-time buyer; however, there are schemes in place to help hopeful homeowners get their foot on the property ladder. We can advise if you are eligible for any government schemes that will help make your homeownership dreams a reality.

Factoring in other costs

Aside from your mortgage and deposit, there are other one-off costs incurred when buying your first home. You will likely have to budget for:

- A home survey to assess the property's condition
- The cost of a conveyancer or solicitor
- Buildings insurance
- Stamp Duty
- Cost of moving (removal vans, new furniture etc.).



Be mortgage-ready

Lenders will assess if you can afford the mortgage based on several factors. In the months leading up to your mortgage application, there are steps you can take to improve your chances of success.

Credit score

Lenders will check your credit records to ascertain if you will be able to meet the monthly repayments. Most lenders use one of three main credit reference agencies – TransUnion, Equifax and, Experian. You can check your reports for free now, so you have time to make any improvements before applying.

Spending

The last six years of your financial history are used to calculate any future risk when it comes to borrowing. Your existing accounts will be inspected – for example, a lender will check if you have consistently paid your phone and utility bills. They will also want to see if you've regularly used your overdraft or taken out loans, which could indicate that you struggle to manage your finances.

Lenders are required to carry out a stress test to check borrowers could still make payments if mortgage rates were to increase. So, any savings you can build up will help to prove that you could still make ends meet. Gambling and other habits that are considered non-essential are likely to be a red flag.

Go through old accounts

Any discrepancies in information could be a cause for concern in the eyes of a lender, so make sure all your old accounts have been updated with your current address. If you are no longer using some accounts, consider whether keeping them open would strengthen or weaken your mortgage application. For example, if you've had a credit card for a while, the longstanding financial relationship could prove your reliability. However, an old joint account with someone you are no longer financially linked to could put your credit score in jeopardy.

Mortgage application process

Applying for a mortgage can feel overwhelming, but we can help you through the process. You will need to supply a range of documents, so it is a good idea to collate these now. You will need:

Proof of identity and address

A driving licence or passport for ID checks, plus a recent utility bill or bank statement with your current address. Being on the electoral roll is also key proof of your identity, so make sure you are registered to vote.

Proof of income

If you are permanently employed, you might need your P60 and recent payslips.

If you are self-employed, you will usually need to supply HMRC documents from the last two years, including a tax year overview and tax calculations (SA302). If you have an accountant, you can ask them for this information.

If you have other income, such as benefits, you will need to supply proof of this (usually by providing bank statements).

Your outgoings

You will need to supply bank statements - the lender could ask for up to six months.

Proof of deposit

If your deposit is from your savings, you will need to provide proof of these. If your deposit is a gift, the benefactor will normally need to complete a form confirming the gift.



Finding a mortgage – how we can help

Getting a mortgage is one of the biggest financial decisions you'll make, so it's important to get it right. Getting professional advice is particularly beneficial if you are concerned that your circumstances may affect your application – for example, if you are self-employed or have a small deposit.

We search the market on your behalf and recommend the most suitable deal for your circumstances, to fit your financial situation and property goals.

- **Independent advice** – we provide unbiased advice on a range of mortgage products from various lenders, ensuring you get the most suitable deal for your individual circumstances. We also have access to deals you wouldn't be able to find on your own.
- **Market insight** – we have in-depth knowledge of the mortgage market and can help you understand the pros and cons of different mortgage types, such as fixed-rate, variable-rate, and tracker mortgages. We are also able to adapt quickly as the mortgage market changes.
- **Application support** – our experience means we know which lenders are best suited to your particular circumstances. We help you to prepare your mortgage application, increasing your chances of approval by presenting your financial situation in the best light.

The mortgage application process

- 1. Assessment of finances** – gather your financial documents, including payslips, bank statements, and proof of identity. We will assess your income, outgoings, and credit score. In some cases, it can be advisable to take steps to improve your credit score before putting in an application.
- 2. Mortgage in principle** – getting a mortgage (or agreement) in principle helps you to understand how much you could borrow before you apply for a mortgage. It shows sellers that you are a serious buyer.
- 3. Property search** – begin looking for properties within your budget. Once you find a property, inform us.
- 4. Full application** – we are here to assist in the completion of the mortgage application, submit it with the necessary documents, and liaise with the lender.
- 5. Valuation and survey** – the lender will conduct a mortgage valuation to ensure the property is worth the amount you wish to borrow. We can also advise you on your options for a home survey.
- 6. Offer and acceptance** – once the lender approves your mortgage, you will receive a formal mortgage offer.

We understand that buying your first home can seem daunting. We can take some of the stress away by helping you to understand the mortgage, protection, and insurance options for your first home.

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

It is important to take professional advice before making any decision relating to your personal finances. Information within this document is based on our current understanding and can be subject to change without notice. No part of this document may be reproduced in any manner without prior permission.

¹TSB, 2024

