

**Deakin-White**

## **First Time Buyer's Guide**

Your Guide to Buying Your First Home



## Step 1: Deposit/Budgeting

Your first step to get on the property ladder is to think about your 5% deposit on the value of the property. It's important to be realistic in how much you have available to be able find that dream home.

There are lots of different savings accounts you can use. Hopefully a lot of you got involved with the Help to buy ISA scheme to take advantage of the government bonus. Whether you are buying alone or with a partner or a family member or a friend then saving a good deposit is the name of the game! You can't rely on potentially receiving gifts from parents or inheritance as mortgage lenders may not like this but we will cover that later on.

There are lots of saving methods people use but with the average price of a property for a first time buyer in the south east being £275,000 you'll need a minimum of £27,500 to be able to get a 90% LTV (Loan to Value) mortgage. This is being written (March 2021 and the budget has just been announced) meaning 5% mortgage guarantee scheme has been announced but we will cover that later.

It's not just the deposit you need to save for... other 'costs of moving' should be included: Typically we say to budget around £5,000 for this although you may not use it all. This is for your Solicitor fees (up to £2,000); mortgage arrangement fees (up to £700); mortgage valuation fee (sometimes free but can be up to £500); removal costs and buildings insurance and this is all before you've brought a T.V. or a bed!



You may also need to budget for stamp duty. As a first time buyer the nil band for paying Stamp Duty Land Tax (SDLT) is £300,000 so if you buy at £300,000 or below you don't pay any stamp duty. However if you buy at £375,000 you will need to pay so must budget for this. You don't pay stamp duty on the entire £375,000 it works almost like your tax free allowance on your income. You only pay stamp duty on the £75,000 over the £300,000 "allowance" so you'd pay 5% on the £75,000 meaning your total Stamp Duty would be £3,750 on a £375,000 purchase instead of it being over £8,000 if you were selling a property to buy another.

Tax Band	%	Taxable Sum	Tax
Less than £300k	0(2/5)	£0	£0
£300k to £500k	5%	£75,000	£3,750
£500k to £925k	5%	£0	£0
£925k to £1.5m	10%	£0	£0
Rest over £1.5m	12%	£0	£0

## Step 2: Mortgage

Unless you're caked in cash then more than likely you will need a mortgage to buy your first home which may be daunting for some but fear not, there are people out there to make it as simple as it can be. So how much can you borrow?

Once you have a deposit ready then the absolute next thing you should do, again before you look on property portals, is **SPEAK TO A MORTGAGE BROKER**. A good mortgage broker is worth their weight in gold and can save you an absolute fortune.

Most people will put their income into an online calculator or just speak to their bank and say: 'Okay, let's go and view, unfortunately it doesn't work like that. I'm not saying your bank may not have the best deal for you but in my experience this rarely happens to be the case, a second opinion from a broker would mean you know rather than hope to have the best deal. Look at it this way... if you approach your bank then you're fighting for the bank to give you a good deal and you end up paying more. A broker has access to hundreds of banks and products and effectively the banks fight for you, beating each other with interest rates and product fees all the time. I'm no financial adviser or expert in mortgages so it would be wrong of me to give any advice apart from 'Go and use one!'

I asked our mortgage adviser, Matt Hayes from Dunstable Mortgage Advice Centre, for some tips to pass on to you all. Linear is one of the largest broker companies in the country so has access to all the best deals & products. A lot of the time the best mortgage products are actually only available through brokers and you can't go directly to the bank to get them.



## I asked Matt for his top 10 tips on what to do/not to do:

1. Go to a broker not your bank
2. If new build, get impartial advice not an NH broker
3. Be aware of all additional costs
4. Get a budget planner
5. Get an Agreement in Principle (AIP) done before you view
6. Good Credit
7. NO Pay day Loans
8. NO online betting
9. Don't assume anything, always ask
10. Do not miss repayments on any credit you have

Some very good tips there. Make Experian your best friend too, it gives very good advice on increasing your credit score and brokers will ask for a copy when you speak to them too.

Other questions we always get asked are: 'Can I get a mortgage with credit cards/loans outstanding?' and the answer to that is YES. Matt said: "Some lenders are more lenient than others but it comes down to overall affordability of each case with them. It's similar when it comes to car finance/leases, your car doesn't have to affect you getting a mortgage if the lenders deem it 'affordable' alongside paying a mortgage, it may affect the amount you can borrow, however, it doesn't mean you can't get a mortgage entirely.

Another thing which we mentioned earlier is gifted deposits / inheritance etc. This is something you really need to tell your broker about because although you have cash for a deposit you haven't saved that yourself. This means there's no evidence of you being able to commit to paying large amounts every month, like when saving, so some lenders think 'They couldn't put £500 a month away to save so how are they going to pay a £700 mortgage?'. Some lenders have caps on the amount of deposit or some may not accept it at all so it is VITAL you let them know this information too.

## What about the process and how it works?

A mortgage broker will ask you for lots of details and paperwork such as payslips; bank statements; credit reports; P60's or tax calculations if you're self employed and more. The more you give them the better they can help you. Please do not hide anything from the broker as it could affect you and also cost you money. For example, if you were to hide a loan repayment, you would pay £500 for your mortgage application & survey and then your credit search would reveal this repayment and your application could be declined. You'll lose that £500 all because you didn't let the broker know, and then it'll make it even tougher to get a mortgage with that search and decline on your record, so be as open and honest as possible.

Once the broker has all the documents they need they will find you the best lenders that work best for your circumstances and affordability, including monthly payment costs, interest rates etc and then let you choose. Some will then tell you an amount as your maximum budget and tell you to view without an AIP (Agreement in Principle) but we recommend asking for an Agreement in Principle first. If a property vendor knows you are organised and have that in place, they are more likely to consider your offer over someone who doesn't have one. It also gives you, as a buyer, a little more confidence as the bank has already done a 'soft search' on you and are open to giving you a mortgage subject to further checks.

Once you have an offer accepted for a property you need to make your broker aware that you've had the offer accepted and they will need the address and details of the property you have gone for. This is when they submit your full mortgage application and where you start to make a financial commitment to purchasing a property. Usually the broker charges a fee & then the bank charges a valuation fee (not all of them do, but some do). The mortgage valuation is the bank instructing a surveyor to go to the property to make a short report on the value of the property to help them decide if the property is suitable security for the loan they are going to provide to you.

Your broker will explain the stages the lender goes through such as underwriting etc but in normal circumstances the valuation tends to be the last thing the bank needs before they issue you your mortgage offer. Once this is issued most people breathe a sigh of relief, you and your solicitor both get sent a copy which you have to sign and return to them and then you are unlikely to hear from your broker again until the end of the process as their work is pretty much done. (If you do not keep up mortgage repayments your home may be repossessed).

Start to do your due diligence by getting yourself a solicitor/conveyancer sorted. A good solicitor is worth their weight in gold, don't just go for the cheapest online conveyancer you can find. It's like picking a £5.99 flight from a well known Airline, that £5.99 soon goes into the hundreds when they add on everything else you need to do and pay for. Make sure you find out ALL costs involved in a solicitor's quote – not just their legal fee because with all search fees & disbursements it usually doubled. Why would you spend hundreds of thousands of pounds on a home, the most expensive thing you'll buy in your life and then skimp out on a cheap solicitor? You need to make sure the job is done properly to save you hassle when you come to sell! We have the Deakin-White Conveyancing Hub working with an excellent solicitor so get in touch if you need any advice.



### Step 3 – Viewing

#### Now, the exciting part. VIEWING!

So you've got your mortgage AIP and your solicitor sorted so now it's time to go and view some houses! We really don't recommend going to view 30 houses in your first week because they'll all blur into one. Most agents won't let you view 5/6 properties at once with them either, especially at the minute. Really nail down what it is you are looking for but also keep an open mind. It's about wants and needs. Do you really need a three bed or do you just need one? don't miss out on a huge two bed because you're not searching for two beds. A well priced property sells fast so don't delay with viewing, most people know within two minutes of viewing whether the property is for them so get out there. The current times have also brought us the new concept of virtual viewings! There are video tours / virtual tours available on most properties these days so you can have an even better idea rather than just looking at photos which can be taken to make rooms look bigger & better. View the video tour and then if you live close by maybe even go and do a drive by of the area, see the property from the outside, see how busy the road is at peak times, see how far it is from your work, see if you can really see yourself living there. By doing all this before you actually view will again help you decide whether you want to waste your time. Also as agents we obviously don't want to waste our time or our vendors' time as they will have to tidy their whole house, maybe even get the kids and dogs out, or an elderly relative just so you can have a look around. So make sure you are genuinely interested in the property and don't just fancy a day out.

When you call the Estate Agent to view a property some may just want your name & number and book you in. However at Deakin-White we don't do this, we like to find out as much info as we can about you, your needs & wants, not because we are nosy or want to waste your time or sell you rubbish but because we genuinely want to help you find your dream home!



We take immense pride in helping buyers find their dream homes so be nice to the estate agent and build that rapport. They might not have the home you want when you call up to register but if you build that relationship I guarantee you any good agent will call you when they get your dream home across their desk before it even hits the market and get you in there before anyone else gets to see it, all because you took that 10 minutes to chat to the agent and tell them exactly what you are looking for.

Once you have viewed the property you may get asked for feedback. This does not mean the agent is trying to force an offer out of you so you don't have to go on the defensive. A good agent likes to give their vendors genuine feedback the same day of the viewing so they really want to know your true and honest thoughts in case there is anything the vendor can do such as declutter or redecorate. The feedback you give on a viewing can also help build your relationship with the agent and help them determine what you are really after, e.g. you realise a flat isn't for you as you really want a garden!

## Step 4: Making An Offer

This is it, you've found the one. Your dream property. It's time to make your move! Some people will know instantly it's for them and make the offer there and then to the agent but some people will want to go away and discuss the offer or their finances first. The truth is you should know your finances before you go and view the property. What if the agent has had four viewings at that property? Two people made an offer there and then. By the time you're ready to offer they will have a deal tied up. You're more than welcome to make an offer at any point as a vendor will pick the people who made it clear they were serious and loved the property immediately. You might just think that whoever offers the most money will get the property but that's not always the case. Nobody gets anywhere until completion so a vendor will want to choose the buyer who they believe is the best to get them there, this links back to having your AIP & solicitors ready. It's music to vendors' ears if an agent puts forward an offer saying "These first time buyers are great, they have their AIP ready which I have seen and even have solicitors in place, they love your home and are ready to go immediately." Your offer is far more likely to be accepted.

We're not saying you have to offer on the spot as soon as you see it, that's just if you feel like it's your dream home and if multiple people are interested the price will be closer to the asking price (trust me the agent will tell you, it helps us get an even better price for our vendor). Sometimes you genuinely need time to step back and think about it, it's the most expensive thing you'll buy and you have to make sure it's right, that's fine too, so don't worry! Sometimes you may want to go back for a second viewing as you always notice more and to see if you get the same feel for it. You may even want to take your parents to view it as they have more knowledge. (However they might not have bought a home for 30 years so don't listen to everything they say as it's a bit different now.



So.. when you're ready to make an offer it would be wrong to advise you on how much to offer, that's entirely your decision you may feel the home is worth every penny and pay the asking price or you may want to negotiate but just remember to look into things properly, think like a surveyor. What did another property sell for down the road? Does it need any major works or has this already been taken into account in the advertised price? Some vendors will say they have already listed their £300k house at £280k because they know £20k of work needs to be done. Take into account if any extensions have been added, maybe it's the only house in the road with an extension, it's harder to compare properties with no extension to one that has an extension. One thing I would advise is not to wind the vendor up with a really low ball offer as they are less likely to work with you through negotiations if you upset them with your opening offer. How would you feel if someone offered you £15,000 off a home you were selling? When you submit your offer your job is to make yourself and your offer look as good as possible. Send your offer in an email and attach your deposit, your ID, your AIP and any other information you think your agent will need, this will save them having to wait for the info from you and when they speak to the vendor they will say "They've already sent me absolutely everything, they are the perfect buyer." Vendors get nervous, if they hear "Oh, they haven't got their mortgage in principle (AIP) sorted yet!" they are less likely to accept your offer until you do, and someone else with their documents together can swing in and take the property from you. So absolutely sell YOURSELF to the agent and if you do make an offer below an asking price then state why you have. "I'd like to offer £295,000 on a £300,000 home because I feel like the property needs a new bathroom as it is dated" sounds a lot better than "I'd like to offer £295,000 because I'm a first time buyer and I want some money off".

As much as the estate agent works for the vendor and wants to achieve the best price for the vendor, they also want to build that trust and bond with you some more as they're about to be in your life for the next 20 weeks whilst the house deal goes through. So trusting the agent and letting them do their job is vital!

Another reason to put yourself across in the best light is something known as Gazumping. In England, anyone can make an offer on a property right up until exchange and legally the estate agent HAS to tell the vendor within 24 hours of receiving that offer whether they like it or not, then it's up to the vendor. If you've built that rapport, done everything you should have with the mortgage and the legals then the vendor is more likely to stick with you, even if they've been offered a bit more money.

We see this everyday, vendors choose a lower offer or stick with their original buyers because they trust you and feel more confident that you will be able to get through to completion. Look at it this way, their mortgage might be £1000 per month but if they feel you can complete 8 weeks earlier than someone else can, yes, they're rejecting £2,000 more for their house but they have to make two less mortgage payments saving them that £2,000. Or maybe they're buying a property where there are set timescales which they have to hit to be able to get it, so as you are the bottom of the chain you're the foundation and the most important part, without you nobody can move!

## Chains

Many people are confused by the term "chain" which is effectively the amount of properties and people involved in one transaction. If a property is advertised as 'chain free' this means the owners of the house you are buying are not buying another property or if they are not adding it to the house they are selling. This effectively means all you have to worry about is yourself and the property you are buying. As a first time buyer you are the bottom of the chain, without you the vendor of what you buy cannot move. If the vendor of what you are buying ends up buying a property then the chain begins. Eventually there will be a chain free property and this is known as the top of the chain. The annoying thing with chains is that you have to make sure everyone is ready at the end of the transaction before you can complete and move. No matter how fast you have your legals done others in the chain can slow things down. Some vendors will do what's called 'breaking the chain' where they move out into rented or stay with family to allow completion on their property thus securing the cash they need and then they effectively becoming the bottom of their chain but you don't care because you're into your new home! Your estate agent should have a sales progressor or team that are constantly chasing the rest of the chain making sure everyone is doing as they should, but obviously the more transactions the more risk of it not happening!

## Step 5: Offer Accepted Congratulations!

Offer accepted, the vendor is happy to accept your offer of their property and they are willing to remove it from the market and mark it as Sold STC (subject to contract) to you!

Agents will require ID & proof of address for anti money laundering checks. Then they'll need to see proof of your deposit and your mortgage agreement in principle & brokers details. If you are well prepared they have already had that when you made your offer. Some agents will also require you to sign reservation agreements and pay reservation fees which is entirely normal and unless stated you'll get this back once you have your keys. It's just to show a financial commitment to the vendor and build that confidence in you as a buyer!

The estate agent will also need the name of your solicitors. Again you should have these organised already. Ultimately, how you act at the start of a purchase determines how fast you get your keys at the other side. Once the agent has your solicitors and the vendors' solicitors they will issue a Memorandum of Sale. This is just a brief summary of the transaction and usually includes yours and the vendors' names and solicitors, the local authority (council), the amount agreed for the property. Quite often timescales are given if any have been agreed.

At the same time as you wait for this you need to instruct your solicitor! They will send you some forms to fill in and sign to formally instruct them to act on your behalf. It's pretty simple compared to the hundreds that vendors have to fill in! They will also need you to put some monies into their account, usually around £500, so that they can apply for searches (the quicker this is done the better) and pay for other disbursements. 90% of solicitors then wait for draft contracts before they apply for searches but try to push them to do it before if you can, we'll talk about that in the 'conveyancing step' later on.



At the same time, this is when you tell your mortgage broker that your offer has been accepted and get him to submit the full application and pay for the valuation. A buyer that pays for searches and their mortgage valuation is an Agent's absolute dream and they will support you if anything happens. There is no reason that this should take any more than a week to do as it's all relatively simple and the quicker it's done the quicker you can get the keys. If you delay the agent and vendor may lose confidence in you and if there is another buyer sniffing around and they may allow them to see the property and potentially buy it instead, although that is rare. Once you have paid for searches and your mortgage valuation things may go a little quiet but don't worry! The agent knows you have done what you need to do and doesn't need much more from you for the time being!

**Then the joys of the conveyancing process begins...**

## Step 6: The Conveyancing Process

Now it's time for the solicitor you've chosen to take over and sort out all the super confusing legal work that comes with it. You're not going to understand half the language and terms that you'll read, sometimes even we don't as agents but that's why they're the experts.

Initially your solicitor will wait for draft contracts to arrive before they apply for searches. A draft contract, in simple terms, is a lot of basic information about the property you are buying. It includes the title and fixtures and fittings form, which is the fitted furniture and appliances that may stay with the property. It will also contain a property information form which is from the vendor detailing everything about the property such as the age, any work they have done etc. Most solicitors will wait for this before they apply for searches but sometimes the vendors have so much info to get it can take a while, so a small selection of elite solicitors will pay £3 and order the title from the Land Registry themselves to be able to apply for searches almost instantly. We can't recommend these solicitors enough and if yours doesn't do this, then ask them to do so.

So I've mentioned searches a lot but what are they? You don't actually have to get searches but good luck getting a mortgage if you don't.

Your mortgage lender will require this and it's often just cash buyers who don't but most will do searches to protect themselves. We've sold hundreds of houses and think someone hasn't got searches maybe twice and both were cash buyers. There are normally three main searches: Local authority searches, environmental searches & water/ drainage searches. The environmental and water/drainage searches are usually back within a week or two. The environmental search highlights any flooding issues, landslide/subsidence issues & contaminated land issues. The water/drainage search is effectively what it says, who owns the drains and maintains them, whether the property is connected to main sewerage, whether any pipes run under your garden so if you go to extend you will need planning permission if so. The Local Authority search is the one you'll hear your agent and solicitor talk about most because this takes the longest, it can take around 10 weeks to come back from the council, this is why we say it's vital to get them ordered as early as possible to speed up the transaction. The Local Authority search highlights highways issues, pollution issues along with building and planning issues such as whether you can extend the property, any planning permission any neighbours may have accepted or rejected and more.



Now that your searches are ordered and you understand why, your solicitor will start to raise enquiries. The objective of the buyer's solicitor, when raising enquiries with the seller, is for them to satisfy themselves that the property being purchased is both 'mortgageable' and 'sellable' on the open market (even if you aren't getting a mortgage). Imagine buying a property to discover that there hadn't been planning permission or building control sign off and now you own a property that you can't sell for what you bought it for! This is why you need a solicitor to review all of the legal paperwork to spot issues such as this. They will raise lots of enquiries and it's a sort of a Q&A session between your solicitor and the vendors' solicitor. This video from the Deakin-White Conveyancing Hub Solicitors Jamieson Alexander explains the process perfectly <https://www.youtube.com/watch?v=HrL-LQSRiZI&feature=youtu.be>.

If the link doesn't work search on Youtube - Jamieson Alexander Legal – Residential Conveyancing Video, it's 4 minutes 35 seconds long, uploaded 10th October 2018.



Hi, you're back from the video which explains the legal process better than any estate agent could have. One thing I now want to cover is **Leasehold vs Freehold** when buying.

Freehold, in simple terms, means you own the property and the land the house is on, no lease, no ground rent, no leaseholder to answer to, you own the grass, the foundations and every brick. Leasehold is very different. When you buy a leasehold which 95% of the time is a flat or maisonette you're effectively buying the lease from someone as you do not own the land the property is on. This is owned by a leaseholder. Every leasehold property will have a management pack that is needed during the conveyancing process which contains the details of the lease, management company and also payments to be made such as service charge and ground rent. Every leasehold property also has a lease length which commonly started with a 100/125 year lease. However governments are now changing this to a 999 year lease length. As first time buyers you may not know that the length of the lease is pretty much the biggest factor in the value of a leasehold property. If the lease is below 80 years then a lot of lenders will not offer a mortgage on the property, although it is possible to get a mortgage on a lease between 50–80 years if you put down a larger deposit and have a smaller mortgage term. However, if the lease is below 50 years you'll see 'cash buyers only, low lease' because you can't get a mortgage on that property, so please take the lease length into account! Look for 100+ years lease lengths as you need to think about when you come to sell how many years will be left on the lease! You also need to make sure you know about the ground rent & service charge payments as this affects your affordability. For example, if service charge and ground rent is £100pcm, which is about average, that's "£1200 a year times by your 25 year mortgage term which is £30,000. This amount then usually comes off your affordability so if you could afford a £200,000 leasehold property the most you could borrow and buy up to would be £170,000 instead as it's a payment that has to be paid. Your mortgage broker will advise you of this.

So that's Freehold/Leasehold covered and you've watched the video and understand what happens between conveyancers during the legal process. Once you've got your mortgage deed signed, searches are in & enquiries have been answered your solicitor will do what's called 'reporting to client' which is when they send you a shed load of things to read and sign! This is an entire summary of the property you are buying, everything you need to know about the property, the area, the ground it's on, the drains even down to what light switches will be left in the property! Make sure you read this carefully and thoroughly as these are super important documents. When you have signed and if your solicitor is local then go and hand deliver them. Even if they're not that local and you fancy a drive then go and hand deliver them yourself so you know that they actually make it there. Your solicitor needs the originals to exchange contracts and the postal system isn't exactly the most reliable at the best of times and you don't want any delays in the final stages.

Once your solicitor says they are ready either they or your estate agent will contact you regarding exchange and completion dates. Now most people don't realise the difference so your exchange date is the date you 'exchange contracts' and is the day you pay your deposit (usually the day before) and the transaction becomes legally binding, meaning nobody can pull out and all the stress will leave your body and you'll feel three stone lighter. Completion day is the day your solicitor transfers the mortgage funds to the vendor's solicitor and the property ownership is transferred to you. Congratulations, you are now a home owner! Get down to Ikea and live the dream! (Don't forget to organise your home and contents insurance!) Completion normally happens around midday but can actually happen at any time, the vendor has until 1pm to vacate their sold property unless organised with yourself prior. The agent will be in touch about when and where to collect the keys, you did it!!



## FREQUENTLY ASKED QUESTIONS:

### What about new builds?

All the information so far has been in regard to buying a resale home, however, lots of people will buy a new build home. We are no experts in new homes so for any specific questions get in touch with my colleagues in our Land & New Homes department on 0208 050 3604. In reality the pure basics are similar regarding mortgage, searches & enquiries etc but the process just happens a lot quicker as you may buy directly from the developer and they have all the answers and searches ready to go. There are more fees involved with Help to Buy too so make sure your solicitor makes it clear, their bill is usually more.

### What's the difference between Help to Buy and Shared Ownership?

Okay, so both are government backed initiatives to make it easier for people to get on the property ladder. In short, Help to Buy is a deposit scheme where you have to put down a 5% deposit and the government lends you 20% deposit so you only have to get a 75% LTV (Loan to Value) mortgage. You do have to pay this 20% back though eventually and also 20% of any profit you may make on the property. Most people remortgage after five years and use the equity to pay this off but that's when you'd go and see your broker. Note that Help to Buy is only available on some new builds and for first time buyers. Shared ownership is exactly what it says on the tin 'a share of ownership'. You do not own the entire property and shares can start as low as 25%. This means you get a mortgage for 25% or 50%, or whatever % you went for, of the property. So a 300k house at 50% share you'd get a mortgage for 150k – minus your deposit. You can use 5% deposit for shared ownership which is the real benefit as you can get on the ladder for a very low deposit, £7500 if we use the case above. However this isn't all you pay because you have to pay rent on the remaining share you have and also service charges as these properties tend to be leasehold. Any new development to be granted planning permission usually has to give away 30% of the development to a Housing Association and rented out.

The benefit of shared ownership is that you can get on the ladder with just a small deposit and then you can do what's known as staircasing! This means slowly buying a larger share in the property until you own the whole thing. However, it does end up being a lot more expensive every month with the mortgage, the rent & the service charges all to be paid. This outlay does make it difficult to save up and buy out more but at least you are building up some equity in your property should you want to move. A lot of the time you have to be able to afford the property outright to qualify, so if you can, save up a bit more and buy it normally or use Help to Buy!

### What affects my credit score?

We are not in any position to give you financial advice so your best bet is to look up his tips. Just consider his basic suggestions i.e paying credit cards off in full, don't use the full balance, don't make any late payments in general, even down to your phone bill. You don't want anything to scare the mortgage lenders off. Have a track record of having money at the end of the month, not missing payments and general good saving habits.

### What's a fixed rate mortgage?

Speak to your broker for a more in depth response! In simple terms you get a mortgage usually over 25 or 30 years but you don't want to be paying that same interest rate the whole time do you? Usually there's a 2, 3 or 5 year fixed rate meaning your interest rate and monthly payments are fixed for whichever you pick. Once that period runs out you go to your broker and remortgage, which could mean changing the product you have and saving some money or taking equity out for improvements.

## How long does it take to get the keys?

So from having your offer accepted to completion there isn't really a set answer. Each case is different and so much has to be taken into account such as how long your searches take, whether you buy a leasehold or freehold, whether there is a chain, how fast the vendors you're buying off are at doing paperwork and answering questions, how good your solicitor is, which mortgage company you use and so much more. The current process time in February 2021 is around the 18–20 week mark, this is due to delays with lenders & search companies caused by the Pandemic and also a huge surge of sales with everyone trying to hit the June 30th deadline to save money on Stamp Duty! Before this happened the average time was 12–14 weeks but I've seen cases complete in 6 weeks and I've seen cases take up to 9 months, there really is no set time. If everything goes to plan and you're a first time buyer who is buying a chain free property there's no reason why you can't get your keys in 12–16 weeks at the moment, but that's if you're lucky and don't have too many hiccups from third parties.

## How much deposit do I need?

We covered this mostly in the mortgage step, so as of March 2021 the government has announced a 5% mortgage guarantee scheme running from April 2021 to December 2022. This means you can put down a 5% deposit instead of the 10% before, meaning it is slightly easier to get on the ladder. Not a lot of info has been released as of right now however last time they did these interest rates were on the higher side and we expect around 4–6% mark so although you can use less deposit, monthly payments will be higher and it will be capped at 4.5 times your salary. Again your broker will be able to help!

## How do I work out my monthly payments when I buy?

This is actually a tough one to nail down exactly due to lots of external factors and depending on the deals you can get.

Your mortgage broker will tell you how much your monthly payment on the mortgage will be, you can also find out how much council tax you'll pay pretty easily just by putting the postcode into a council website. Things such as a tv license are also simple as it's a set amount for everyone, however things like internet and utilities are so hard to nail down as it depends on how many people live in a property, the deal you get, the size of the property and more. Zoopla have a pinwheel with estimates on how much things will cost so keep an eye on that.

## Do I trust portal property estimates online?

Honestly, no. In my experience whenever I see them they are way off the actual value of a property and most agents know this, so if you quote it when making an offer it's unlikely this will help. The data they use will be from sold prices close to the area but could have absolutely no relevance to the property at all. A 3 bed semi in a higher value area will be worth a lot more than a 3 bed mid terraced house in a not so nice area but these portals don't take that into account, they assess purely by bedrooms and price, that's it. We've had a 3 bed semi we sold for 350k with multiple buyers come up at 240k on there before. The new portal Homesearch is the best we have seen for comparing prices.

## Tell me more about help to buy, how does it work now it's changed and what happens after 5 years?

So Help to Buy previously was for first time buyers and current homeowners if they are moving. However the new scheme for 2021 is for first time buyers only. There is also a cap on the pricing of the property, in south east England where we are, it's £437,000. You do pay a premium for a new build property and also will have a small yearly service charge to pay as the council may not adopt the roads so a service company will maintain roads and communal areas. As explained earlier you can put down a 5% deposit and the government puts down 20% meaning you need a 75% LTV mortgage.

Another benefit of this is actually lower interest rates. On average currently a 90% LTV mortgage is around the 3.5% interest mark however a 75% LTV mortgage is around half of that, meaning your monthly payments are less. For example (please don't take these figures as gospel as it's just averages at this time), a £300k house, you put down a 5%, £15,000 deposit, the government then lends you £60,000 meaning you need a £225,000 mortgage. Rough monthly payments at around a 1.7% interest rate would be around £920 over 25 years. So let's compare it to a purchase without Help to Buy. Same £300k house, this time you would need to put down 10%, a £30,000 deposit minimum and get a 90% LTV mortgage at a higher interest rate of around 3.5%, your monthly payments will be around £1300. That's a difference of £380 per month, every month. That's £4560 per year and £22,800 saved in the first 5 years of paying your mortgage.

Obviously the government is going to want their money back as it is an equity loan after all. So the first 5 years are interest free, you don't pay a penny in interest. After 5 years the interest begins, initially the interest rate is 1.75% then increases every April using the consumer price index (CPI) measure of inflation. One thing to also consider is the government effectively owns a 20% share of your property, so if your property value increases then that 20% share they own also increases so you will have to pay back more, this does also work however if the property value goes down.

### So how do you pay it back?

You don't have to pay it back all in one go, 20% of your property's value is a large chunk, however you do have to pay back at least 10% of the properties value. The properties value is decided by a Royal Institution of Chartered Surveyors (RICS) Surveyor. This will cost you a fee of around £300 but can be more. Alternatively you remortgage, which you would need to speak to a broker for, but say you have been on a 5 year fixed mortgage you can take your equity out and borrow more to pay the Help to Buy loan off in full. But please contact a financial adviser before you decide.

### Types of things to look for to avoid spending too much money

So firstly get yourself a good solicitor! I mentioned it earlier but a bad solicitor can cost you so much more money than you think. Make sure when you get quotes that the quote is in FULL. Some solicitors will just quote you their legal fee so say £799. This does not include search fees, mortgage fees and lots of other disbursements that all add up. If you are buying a new build there are even more extra charges that also get added, hence why we said to budget around £2000 just for your solicitors alone.

Secondly, regarding home buyer surveys, make sure you get proper advice when you get one of these because a lot of it is normal but can be marked as Level 3 red on a surveyor's report. If you're buying a 100 year old period property you should have known it's not going to be perfect before you buy it. A home buyer survey is conducted by a RICS surveyor and is a thorough examination of the property and can reveal if any hidden works may be needed such as structural damage or even damp issues. These aren't cheap.

Next thing is again the lease & service charges. If you buy a flat the lease on it will come down every year so if you buy a flat at 84 years lease and stay there 5 years, that will leave you a 79 year lease flat to sell which will be a lot more difficult as opposed to say if you have a 120 year lease. Which means you may have to sell under market value to get it sold. Service charges & ground rent can also be increased at any time but you will be notified.

Last thing to save yourself money is GO TO A BROKER. I can't recommend this enough. They will literally show you how much money you can save, I see it most weeks, someone goes to their bank, they then speak to Matt our broker and he saves them hundreds of pounds a year. For the sake of a 30 minute initial phone call it's stupid not to.

## What if I have to pay Stamp Duty?

If you have to pay Stamp Duty then this has to be paid within 14 days of completion, it has to be cash in the bank and can't be added to your mortgage. Your solicitor usually calculates it and pays the stamp duty for you.

### Bit of vocabulary you may hear and not get:

**FTB** – That's you, first time buyer.

**LTV** – Loan to value – how much % of the property is mortgage.

**S/O** – Shared Ownership.

**Vendor** – Homeowner who is selling.

**Period** – An old property usually 100+ years old.

**Listed** – A building that has special architectural or historic interest considered to be of national importance and therefore worth protecting. Normally can't be knocked down or modified much.

**Character** – Usually features of an older property, such as high ceilings, gorgeous coving and a cellar.

**ATE/ATP** – Authority to exchange & authority to proceed, these are usually involved with Help to Buy giving the green light for you to proceed with a new build.

**TR1** – Legal document detailing the transfer of a property.

**AIP** – Mortgage agreement in principle (the bank agreeing to lend you an amount subject to checks and valuation) Sometimes called DIP – Decision in principle.

**BTL** – Buy to let.

**GCH** – Gas Central Heating.

**EPC** – Energy performance certificate – every residential property has to have one of these.

**HMO** – House of multiple occupancy.

**LTB** – Let to buy, home owners can let out their current home and use the equity to buy another one.

**OIEO** – Offers in Excess of – the homeowner is expecting slightly over the advertised price.

**OIRO** – Offers in region of – the homeowner is expecting as close to asking price or just over.

**POA** – Price on application, may be a new build or a property with significant interest.

**ROI** – Return on investment.

**SDLT** – Stamp Duty Land Tax.

**SSTC** – Sold subject to contract.

**VP** – Vacant possession – Property is sold with nothing inside & vacant.

# Deakin-White

Here at Deakin-White we really care about helping people, we have everything you need under one roof. From the Deakin-White Conveyancing Hub, to mortgage broker Matt Hayes to even recommendations for surveyors, removal companies and even the best restaurants when you move in.

If you have any additional questions do not hesitate to contact me or any of the team!



**Jack Wright** – First Time Buyer Advisor

Email: [Jack@DWRealEstate.co.uk](mailto:Jack@DWRealEstate.co.uk)

Mobile: 07802 368 326

Telephone: 01582 343 548

Instagram: [JackDWRealEstate](https://www.instagram.com/JackDWRealEstate)

**Disclaimer:**

These illustrations do not constitute legal or professional advice. The information expressed in this illustration should not be relied on or used as a substitute for legal or professional advice.

This illustration contains links to other websites and to material contained on other websites. Deakin-White is not responsible for the content of such websites and disclaims all liability in respect of such content.