

Buying your first house

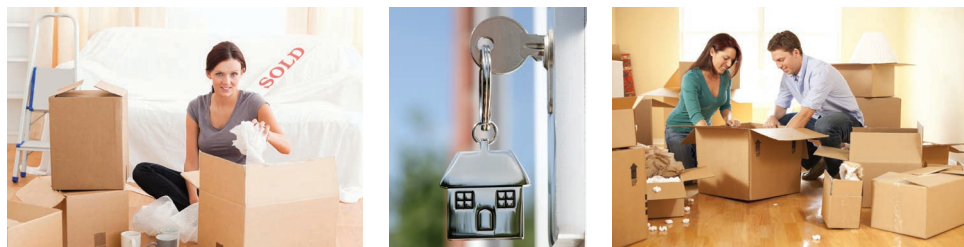
with



DALES
Independent Mortgage Advisers

P N DALES LTD, are an Independent Financial Advisers specialising in mortgage advice. We help our clients find the most suitable mortgage for their needs, after researching the whole of the market. Our independence means we work for you and not the lender, we will get you the best deal and not just sell you what we've got. Each lender has different requirements, so we will tell you which one you fit best, and help with what features may be of benefit to your circumstances.

Our principal Philip Dales has been advising clients on their financial planning needs for nearly 20 years. Our service is tailored to each client, so whether you are in the Armed Forces and find yourself away from home frequently or you're round the corner from one of our offices, while your mortgage is being processed we will communicate with you in a way that works for you.



About the guide

This guide is only meant to be a general short guide and while you are reading though it you may have many question that have not been covered, maybe you want to understand the help to buy scheme or you are self employed and want to know how many years books you will need, feel free to email advice@pndales.co.uk or call our **0333 772 0501** (local rate even from a mobile) and we will endeavour to help.



First Time Buyers Guide

There is nothing quite like buying your own home and the independence it gives you - the ability to have pets or to decorate and change things how you want them.

However, the journey from kerbside & Internet browsing to becoming a Home Owner can be a little daunting. We at DALES are here to help you every step of the way.



Different Ways To Buy your first home

House prices may seem high at times but there are many different options to help you get your foot on the ladder especially for first time buyers.

- Standard Mortgage
- Help to Buy Mortgage Guarantee Scheme
- Help to Buy Equity Loans
- Government Home Buy Schemes
- Forces Help to Buy Scheme
- Gifted deposit from family
- Repossessed Properties
- Property Auctions
- Shared Ownership



Your adviser will run through whether you are eligible for these schemes and if any of them are a suitable approach for you.

Before you start to look at properties you need to have a sense of how much you can borrow, how much deposit you need what fees and other costs are involved.

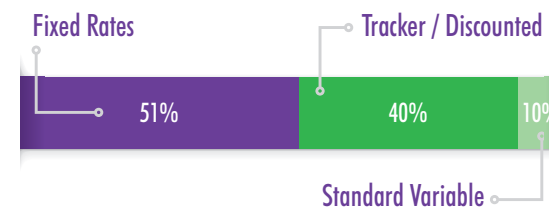


Different types of mortgage deal

Most deals are for 2/3 or 5 years, with 7 and 10 year deals sometimes being available, nearly all will have an arrangement fee of some description and an increasing trend of a booking fee on initial application, to cover the lenders initial administrative costs.

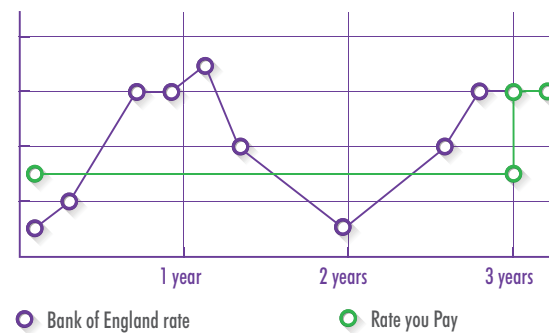
UK Mortgages Breakdown

Total UK households with mortgages - 11.74m

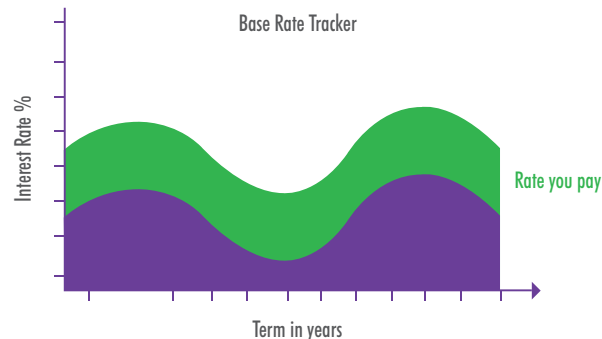


Source: Council of Mortgage Lenders

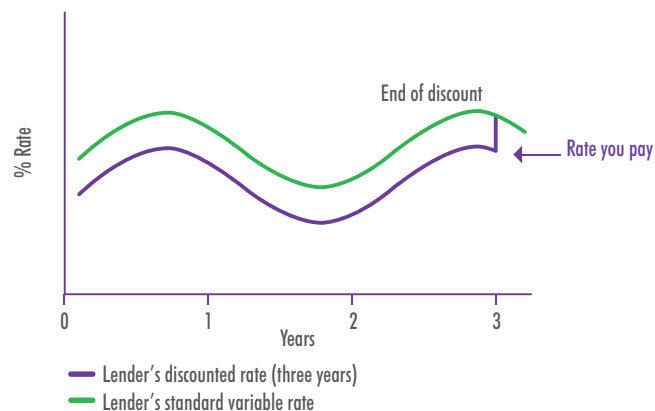
- **Fixed rates** - many homeowners like to know exactly what their monthly payment is going to be. This leaves you less affected by interest rate changes, and fundamentally helps with budgeting. You can decide to fix for 2-10 years, the interest rate may be a bit higher than the standard rate but for the piece of mind it gives, many people take this option.



- **Tracker rates** - these mortgages track at a fixed percentage above the Bank of England base rate so your monthly payment can go up as well as down, these deals typically last for 2 or 3 years although sometimes lifetime tracker are available.



- **Discounted rates** - this type of mortgage has a percentage discount from the lender's standard variable interest rate (SVR), for a specific length of time, typically 2-3 years. Your mortgage payment will go up or down in line with the lender's standard variable rate.



Discounted rates are similar to the Bank of England tracker but with one important difference, the lender's SVR is set by the lender, so if interest rates fall, the SVR will not necessarily follow. Speak to us for more info on this.

- **Repayment mortgage** - This is the main stay of the market post the 2008 crash. This mortgage is based on gradually repaying the debt over the term of the mortgage; it is a safe guaranteed way to repay the debt by the end of the term. Each month you pay some interest and some capital off, until at the end of the mortgage term there is nothing left to repay. This type of mortgage works in the same way as most "normal" loans.

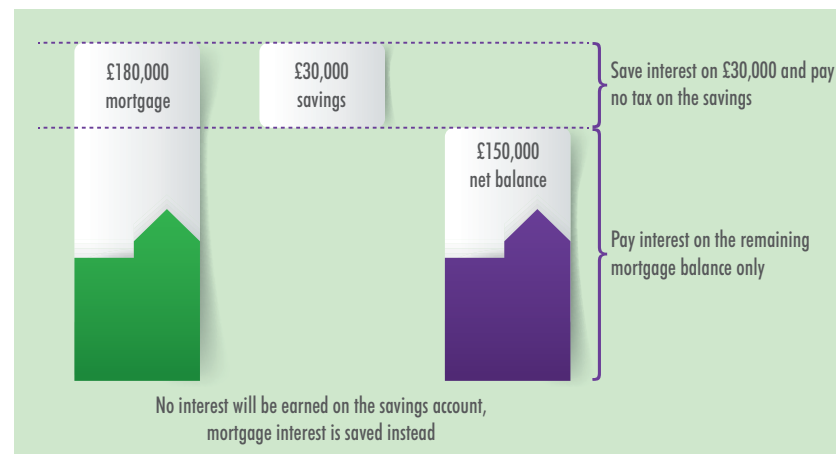
- **Interest only mortgage** - since the Financial Conduct Authority's mortgage market review, which came into force in 2014, interest only mortgages are virtually unobtainable for standard purchases. If this is something of interest to you please contact us to discuss in what circumstances this may still be viable. In essence you don't repay the capital until the end of the loan term. The difficulty was that in the past many people did not have any way to repay the lump sum at the end of the term.
- **Offset mortgage** - this type of mortgage can be a fixed or tracker rate. Attached to your mortgage account you will have a separate instant access savings account, whereby any savings that you have in that account reduces the interest accruing on your mortgage.

For example: if you have £2,000 in your savings account you do not earn positive interest on it, BUT, it will effectively reduce the mortgage balance by £2,000 therefore reduce the interest you pay (negative interest) on your mortgage.

In brief, you do not earn any positive interest on your savings, instead, you pay less interest on your mortgage.

Interest is calculated daily so every day you have savings in your account you are benefitting from them, especially as high street instant access savings rates are taxed and low.

The main point to recognise is that whilst your savings are working hard, to reduce the interest element of your monthly mortgage payment, you have not 'locked' your savings into your mortgage, you can still have your savings for that rainy day.



How Much Can I Borrow?

We will help you to work this out; it will depend on a number of factors:

1. If you are purchasing with someone else or alone.
2. How much you earn and how you are paid.
3. If you have any other financial commitments.
4. How you have handled any credit or borrowing you may have now or had in the past.



A good place to start is by looking at what your monthly outgoings are likely to be, taking into account Council Tax and utilities and including home insurance and life/ income protection, by deducting this from your monthly income, you can see what you might have left for a mortgage payment.

We will arrange an 'Agreement in Principle' for you, this will normally be required by an Estate Agent for you to offer on a property. It is confirmation from a mortgage lender of how much you can borrow.

What else should I do to prepare?

You will be credit searched by a mortgage lender; this will form the basis of their initial decision to lend to you.

To ensure that your credit report is as good as it possibly can be, **ALWAYS**:

- Register on the electoral role (with your local authority) and re-register every time you change addresses, so that your address history can be traced.
- Close any unused Credit Cards or Loans, because lenders will view this as instant access to additional borrowing, or potentially an 'appetite for debt'.
- Ironically if you have never had any credit before, it can adversely affect your rating. A credit score is based upon how you handle credit, so if you have never had any credit, how can anyone tell how you would handle it? The simplest way to overcome this to apply for a credit card with your current bank; an online application with your existing bank is the quickest way to do this.

Use the card and then **clear** the balance every month (which should mean you do not pay any interest – depending upon the individual card) a credit card can be a useful way to separate out fluctuating monthly outgoings like your shopping or petrol, so that you can see exactly how much you spend on these things – it might be quite a surprise!

If you are concerned about your credit rating then get a copy of your credit report from a credit reference agency such as Call Credit or Experian and we will help you to translate it. If you are not sure how to get this, speak to one of our staff who will be able to help you.

What costs should I expect?

- **Deposit** - you will normally need a minimum of 5% of the purchase price. **However** the larger your deposit the less you have to borrow and the lower the Loan to value- (LTV). A low LTV will generally mean a better interest rate and a much wider choice of lenders.
- **Stamp Duty Land Tax** - this is a tax payable to HM Land Registry, which your solicitor will ask you for, and then pay on your behalf. It is calculated based on the purchase price. Stamp duty is now calculated using a banding system similar to the way income tax is done, where the first £125,000 of the purchase price is tax free, the next £125,000 is calculated at 2%, between £250,000 to £925,000 it increases to 5%, £925,000 to £1.5M its 10% and over £1.50 M its 12%. Example: Purchase price of £275,000: 0% on the first £125,000, 2% on the next £125,000, 5% on the final £25,000. This gives a total of £3,750.
- **Solicitor's fees** - these can start from £400 (plus Vat) but there will also be mandatory search fees and Land Registry charges; so getting a quote is essential. We can help you with this by searching for the most competitive Solicitor on your behalf. You will normally be expected to pay for the searches up front, usually between £250 to £350, the rest of their bill is paid before completion.
- **Mortgage lenders fees** - these include arrangement, valuation, booking and money transfer fees. These will vary from lender to lender and deal to deal, and may not all be payable. We will give you a full breakdown of all costs for the recommended mortgage before we make the application on your behalf. Usually the lenders will allow you to add the arrangement fee, but the valuation and booking fees are paid when you submit your application
- **Removal fees** - this could be from van hire to fully packed removal service.
- **Connection charges** - for services such as TV / phone and broadband.

What Is The Process?

1. Contact DALES to discuss your circumstances and how much you can borrow. We will then arrange an Agreement in Principle for you.
2. Search on the internet and with local Estate Agents, view as many properties as possible as this gives you a good understanding of what you can get for your money, as you may need to act quickly, when you see your dream home come up!
3. Make an offer 'subject to valuation' on the property to the Estate Agent, we can help you with this if you wish. Agree any fixtures and fittings / white goods that you want included at this stage.
4. Ring DALES to discuss your mortgage options in more detail; DALES will recommend a mortgage lender and the deal that is most appropriate to you, the exact fees that are required and how and when you will need to pay them. DALES will apply for the mortgage and life cover/ income protection on your behalf. Don't forget we're independent and will review mortgages from the whole market to find the most suitable one for your circumstances.



5. We can get comparison quotes for solicitors' charges, and instruct them on your behalf. We will also give your solicitors' details to the Estate Agent so that they can notify all parties by sending a memorandum of sale.
6. The mortgage lender will instruct a Surveyor to carry out the mortgage valuation / Survey of the property.
7. Once the mortgage valuation and underwriting have been carried out the lender should make a formal offer of a mortgage, assuming they are satisfied that you and the property are suitable. You must also make sure that you are satisfied that the house is in a good state of repair and follow the advice of the valuation / survey report with respect to any additional reports or investigations that they feel necessary. The mortgage lender will potentially make any works deemed to materially affect the value of the property, a condition of lending on that particular house. If a Surveyor does not think a property is worth what you have agreed to pay, then its probably not!
8. The solicitor will carry out local authority water and drainage searches, possibly environmental and/or mining searches. They will ask you for your deposit and send or invite you in, to sign the contracts ready for exchange and completion.
9. You will need to have buildings insurance and life cover in place for EXCHANGE of contracts as you are legally bound to buy the property at this stage, so need to protect it. A condition of your mortgage will be that the property needs to be insured by you at all times, Dales will compare the market to get you the cover you want at a price you are prepared to pay.
10. The contracts need to be physically exchanged. A completion or moving date will be agreed at this stage.
11. Book your van hire or removals and service provider installations, as you now have a fixed date of moving.
12. If you are renting a home then you will need to serve your one months notice at some point. The wisest time to do this is **after** exchange of contracts, as this is the earliest time in the process when your move is definite and you have a fixed moving date.
13. On completion day you will get a call from the Estate Agent when the key is ready to be picked up, the key will only be released when solicitors confirm that all funds have been sent through from your mortgage lender correctly, so rarely before midday.
14. Sit down in your new home and have a glass of wine!

For further information please call **01636 870 069**



Things you'll need

- Proof of your Identity & Address
- Proof of your Deposit
- 3 Months Bank Statements
- 3 Months Payslips or Accounts
- 3 Years Address History
- Mortgage Statement (only if home mover)
- Land Lords details (if renting)
- Details of the New Property
- Solicitors details (we can help you with this)

The process

1. Contact Dales and obtain your Maximum Borrowing
2. Find a property
3. Contact us & get your Agreement in principal
4. Make your offer, negotiate and get offer accepted
5. Submit the full mortgage application
6. Instruct a solicitor
7. Lender will obtain a Valuation
8. Lender will Underwrite case
9. Lender Makes offer
10. Solicitor Exchanges Contracts
11. Complete Purchase
12. MOVE IN





DALES

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P.N.DALES LTD is Authorised and Regulated by the Financial Conduct Authority. Our standard fee for first time buyer mortgage advice is £299, However, the precise amount will depend upon your circumstances and could be up to 1% of the mortgage amount. However, we will discuss your payment options with you and confirm the actual amount before we begin to provide our services.