FIRST TIME BUYER GUIDE

A stress free guide to buying your first property

Julie Gilbert

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Author: Julie Gilbert

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Introduction

So, you are toying with owning your own house and do not know where to start. Well this guide should hopefully help you, I have now been a mortgage broker for nearly 18 years. I have owned 2 properties and have renovated both of them. I was a first time buyer personally at the age of 21!

Anyway, having now advised probably over a 1000 people in my 18 years, I really don't know the correct figure, but I would like to say I have helped a number of first time buyers get their first house which has to be one of the most exciting times in your life.

So have a read, see what you think and hopefully it helps you make the right decision. And Good Luck!

After reading this book you will be armed with majority of the information you need to decide if buying a house is right for you or not.

This guide does not replace financial/mortgage advice specific for your needs, the only way to get this from me, is to get in touch.

You can email me directly: julie@1stmortgageservices.co.uk

Call us on: 01845501830 or 07525688329

1st Mortgage Services Charging Structure

A fee of £250 is payable on application of a mortgage. We will also be paid commission from the lender of which we retain. The fee & commission is charged for the advice, administration involved in packaging your mortgage application and securing a mortgage offer.

Regulatory Warnings

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

Content

Before getting a mortgage!

CREDIT SCORE

Your credit score needs to be good/amazing and you need to have one! What are they? There are various credit searching companies and currently new ones are popping up daily. The main ones the mortgage companies use are:

- Experian
- Equifax
- Call Credit

Months before you start looking at houses please get your credit report!!!! If you have never borrowed money before you will find it extremely hard to get a mortgage as you will have no credit history. Parents think they are doing the right thing by telling their children never borrow money, save, save, save. In fact, this is as bad as missing payments on your credit.

If you were to lend someone 100s of 1000s of pounds would you not want to make sure that the person you are lending to will repay you on time every month?? I would! So, the credit history companies report on each and every person's credit. So if you borrowed £1000 on a credit card each monthly payment you made is reported to these companies, what's outstanding, what your payment was, if it was made on time and all the details of that particular credit account.

So, when you apply for credit, the company you are applying for credit with will request your information from the credit search company to make sure you are a good/amazing person to lend to.

If you have never had any credit borrowed before there will not be much useful information to them. So, I would recommend in this instance to purchase items you would normally buy on a 0% credit card and set up monthly MINIMUM repayments on a direct debit basis. So that the minimum repayments come out of your bank account automatically. If you chose to pay them manually by cheque or bank transfer you MUST pay them ON TIME. If you do not this will make your credit history worse and may affect you getting a mortgage at all! You should continue to do this right up until you obtain your mortgage. This will show the mortgage lender you pay back your debts on time and this is the type of customer they want. However never borrow more money than you can afford to repay back, and this small extra monthly payment will be considered for the affordability assessment for the mortgage. It may affect what you can borrow in total so as I say do not borrow more than you can afford to repay.

Voters Role – make sure that after the age of 18 you are registered on the voter's roll. You need to contact your local council to do this, but if you are living at your parents' house you must make sure your parents do this if not do it for them. This is a search the lenders do to show your address history. When you have been at the same address for over 3 years this will increase your credit score.

Landline telephone number – if you have the internet you will have a landline number whether you use it or not. When applying for credit you must put this number into the home telephone box, this also makes a difference to your credit score.

How long you have had your bank account – if you have the same bank account for 10 years or more again this increases your credit score.

The higher your score is and the more credit history you have the more likely the cheapest most suitable mortgage company will accept your mortgage application.

These are all things you can do in the previous 6months to a year leading up to applying for a mortgage.

So how much can you borrow?

Each lender has a completely different affordability calculator to the other. Years ago, it was 2 to 5 times your annual income/net profit. Now it is several factors that affects what you can borrow mainly:

- Credit score/history

- Income – salary, other income – bonuses/overtime. Secondary employment. Benefits, Net profit where self-employed. Salary & dividends where a 20% or more shareholder in a Ltd Company. Pension income. Where any legitimate money is paid to you on a regular basis a lender may take into account
- Age on application & end of mortgage term
- Committed outgoings – credit commitments like, credit cards, loans, hire purchase, maintenance payments.
- None committed outgoings – Childcare costs (this is rapidly becoming a cost that lenders are looking at as this is now a huge cost to applicants. Its secondary to a mortgage but in a lot of cases just as expensive as a mortgage)
- Amount of deposit

This is why a mortgage lender needs to know lots of details about you to get a good picture of you financially as they want to know if they are going to get their money back.

Deposits

I have seen in the last 18 years many changes, but this has to be one of the biggest. I now see parents gifting deposits to their children on a very regular basis. But there are still people who do not have this ability and so I will detail the difference on how a lender will look at these for you.

The higher deposit you have available to put down on a property purchase the lower the interest rate charged by the lender. Why is this the case? Well if you did not pay this mortgage back and the mortgage company had to sell your property quickly to get its money back then the least money that should be repaid the better for them. They can then put this property on the market to sell for a cheap price and get their money back quicker. If there was only a little if no money/equity in the property then they would probably have to take a loss when selling the property or have it on the market longer waiting for a buyer willing to pay that price for it. So, from a lenders perspective if there is a higher deposit in the property then their risk is lower, and they can give that benefit to you by offering a cheaper interest rate to you.

My parents constantly told me when I was little to save save save! Now I agree with them, however then I did not, and I wanted to live life to the fullest. It was cool to have a good car, to wear new clothes and to buy the most up to date things. Property ownership was not on anyone's agenda I knew, at the time. My advice to any young person whilst living at home with

parents which is the cheapest time you will ever have, save!! Take advice on this too, I am not an investment adviser, but I do value financial adviser's advice. You will be so much further forward financially, and you will be in a far better financial position later in life by doing so.

So, the minimum deposit you need to have is 5% of the purchase price, but I also advise that this is not the only money you need. You need to pay for a valuation/survey on the property so that the lender knows that the security i.e. the property is suitable to secure a mortgage against it. So, making sure it is worth what you are paying for it and that it is not in disrepair. It must be habitable, so it must have a working kitchen, bathroom windows. The types of survey you can pay for vary and this is explained further in this guide.

You need money for your legal costs again this is discussed in detail further on. Stamp Duty is charged on completion of the purchase and usually the solicitor will ask for this money shortly before completion. You then need funds to pay for initial furniture & white goods. Again, this depends if you buy brand new or second hand but will still cost you money.

A good idea for first time buyers to do before they buy is to save on a monthly basis the amount of money you expect the mortgage plus bills will be. If you then find this comfortable and ok, you will know that it will be affordable for you. I must admit a lot of my clients could borrow way more than they need to, I do feel clients are now far more financially savvy people and do not want to put themselves at any financial risk.

Gifted deposits – this is where an immediate family member, so parents, grandparents' brothers or sisters, husbands or wives want to help by gifting money towards a property purchase to help with a deposit. Now-a-days most lenders require this to be a gift, not at all ever repayable to the person gifting it and they will have no interest legally in the property once purchased.

This does cause some issues if in the case of a joint purchase one set of parents is gifting money and the other set either not at all or not as much. Rightfully so they worry for their child/family member should the other partner/wife/husband separate. Will they have access to this money? In short YES. Especially if they are married. Only a few years ago you could put a legal "deed of trust" around this money to protect it so that should the applicants separate the money given will stay with that child/person after separation. Unfortunately, not many if any lenders now allow deeds of trust because the lender wants to be the 1st to be repaid in the event of the property being repossessed or sold.

So, what are your options, ensure your solicitor has a legal note held with the deeds of the property stating who has gifted the money and when and how much. Draw up a prenuptial agreement. Try and arrange gifts to be for the same amount either side. Or take the risk that it is a gift and could be divvied up to the non-family applicant. It is worth taking legal advice on this.

You will be expected to provide proof of deposit funds whether this be your own savings, or family members. If it is a gift from a family member then you may be asked for proof of the savings in the family members names, their identification, and their address verification. This is only to ensure the money is coming from a legitimate source.

The best rates available on the market today is where you can put a 40% deposit down on a property (this is usually in the case of re-mortgages when you have paid some mortgage off or the property has grown in value). But the interest rates available where a 25% deposit is put down are not that dissimilar from those with a 40% deposit in the property. It totally depends on your savings and gifts that you will have and on the purchase price of the property.

I would always recommend to still have some savings left after completion too so that you can afford any one-off items that may need to be paid for. Its recommendable to have at least 3-6 months' salary in savings as a rainy-day fund.

Why become a property owner?

Why do people want to own property, well I always say whilst you are young and earning money you don't consider that at some point your income will decrease because you are too old to work – now this is a very different world now a days. Retirement ages are increasing, some people don't want to retire because they love their jobs/lifestyle as they are.

I know my Father is one of them he's 70 this year, fighting cancer and still runs our family farm. He doesn't want to stop because that would be boring! Having nothing to do. I can now see what he means I always want a purpose in life and I think it is important to work to keep your head/brain matter going.

But for some people working isn't an option may be for health reasons so this must considered. I dread to think what rental income will be like in the next 30 years plus. I cannot see it reducing so if your income goes down, but rents are increasing where do you live, how do you afford to live? This is my main reason for owning my own home and I personally think every young person should consider this. They say in retirement your income reduces 2 thirds well that is a scary amount, could you live now with only 1 third of your income? I know I couldn't.

Another reason for owning your own home is because it's yours, you can do what you want with it to a degree and no one can say, sorry we are selling you have to move or we need the property back get out!

The difference between owning & renting is huge. When renting you have your rent to pay and that is it., no property repairs because you call your landlord and they should if they are a good landlord sort out the problem.

Being a property owner any repairs to the property you will have to cover the cost. In a rising property market this doesn't bother you too much as most work you would do to the property will add value. In a stable/decreasing market, which we are just coming out of, you do feel that your money is spent on boring items like leakages, painting, windows etc. Not nice holidays, clothes etc. But it's worth it.

I have owned properties in both scenarios now. My first we doubled the value in 5 years, we bought it thinking it was the height of the market but then it just continued to go up in value. We put new windows in the property, re-decorated throughout, transformed a building to a summerhouse/office and made it a stunning little home for someone.

Our latest house we bought at the height of the market in 2007 – intending to do the same. But we also bought with the knowledge that if we needed to, we could live here for at least 10 years – no need to move unless it was of choice. We have put a lot of money into this house because it has needed total renovation, kitchen, bathroom full re-decoration. The garden also needed a huge change and we have not finished yet. We bought this property purely for location. Would we get the money we have put into the house back, not sure – and to be fair I am not bothered. We love living here and this is a long, long term home and now as our children go to a local school and have friends around here I doubt we will ever move from this house and I would miss my view!

If we had bought a new build property – we probably would be financially better off in that not only would our mortgage have reduced but also we may not have had to put as much if any money into the property as it would have been perfectly finished from the start. But in our village, are there new builds? – NO. And that's why we made this choice.

If I see first time buyers, I discuss with them do they want location, new build, a doer upper. If you are buying on location, you may have to opt for a smaller property than you want because you will not look anywhere else. If you go for a new build you may be able to buy a higher value/bigger property because you know you will not have to pay for any work to your new home. If you have spare cash, then you can look for a larger older property in the location you want because you have sufficient money to pay for the work needed to do your property up.

One thing I have learnt with this job is nobody's circumstances are the same. Lots of people ask me what is the cheapest rate available at the moment? I can never answer this because it depends on so many circumstances from an individual's personal situation.

You may want to buy your own house because you don't want a monthly rental payment to go to a landlord you would prefer it to benefit you. You also want any growth in the value of a property to benefit you not a landlord.

Types of Mortgages

There are 2 types of ways to repay a mortgage, a capital & interest repayment mortgage or an interest only mortgage.

A capital & interest repayment mortgage is where you are not only repaying the interest the lender is charging you on the money borrowed initially, but also you will be paying back some of the money you have borrowed too. So that if you keep up with your monthly repayments in full by the end of the mortgage term the mortgage will be repaid in full and you will owe no further money to the mortgage company.

An interest only mortgage is exactly what it says, you would only be paying the interest the lender is charging you back. The amount you originally borrowed will stay outstanding and at the end of the mortgage term you would be required to pay that initial amount borrowed back. In the past individuals would have used a repayment vehicle to hopefully do this for them. Then also prior to the credit crunch of 2008 some lenders would not even need a repayment vehicle in place they were happy that you would sell the property you mortgaged/lived in to repay the mortgage back. Why would lenders do this? When the property prices were rising at a healthy percentage each year the lenders became quite relaxed on getting their money back because at the end of the day the property would have a decent amount of equity (money) in it at the end of the mortgage term therefore they thought customers would be able to buy then sell the property, repay the mortgage and downsize or move in with family/relations.

Unfortunately what's happened is that the equity hasn't been as high, or have not been able to move in with family so there are a huge amount of mortgages where customers are just on the lenders interest rates, with an interest only mortgage and have no way of repaying the mortgage unless they sell. However, lenders are not horrible people they are working with these customers to organise a strategy to either continue in the property or a way of selling & repayment the loan.

All lenders that accept interest only mortgage now, usually apply a minimum income received by the customers or that the mortgage is more than £300,000. But also, that the repayment vehicle whether that be investments, pensions or other property is in place, is owned by the customer and has a value now or a minimum value in the future of the mortgage amount required.

Interest Rates

All mortgages have a rate of interest charged on the amount borrowed. So a lender will lend you money subject to you meeting their criteria, in return for you also paying them a rate of interest on that amount borrowed. This is the lenders profit/gain by lending you the money. There are different types of interest rates that lenders offer as explained below.

FIXED RATE LOAN **– Mortgage payments stay the same during the fixed rate period**

These rates have been extremely popular. A fixed rate mortgage is where a lender offers you a fixed rate period 2, 3, 5 years or longer. Also, they tend to get higher the longer you fix the rate for. At the end of your fixed interest rate period your mortgage will revert to the lenders standard variable rate of interest. The benefit of a fixed rate is that you know exactly what your monthly repayments will be during the fixed rate period. They cannot change even if the Bank of England increase their rate. Over the last 6 years they have been exceptionally low due to the Bank of England base rate being so low. Therefore, a fixed rate has been a very popular interest rate to have.

Please remember that most fixed rate loans early repayment charges that will be charged if the mortgage is redeemed/repaid during and sometimes after the fixed rate period. You must check the early repayment charge details given on your mortgage illustration.

VARIABLE RATE LOAN – mortgage payments can go up or down

These interest rates are whereby the rate offered can/may change. Most mortgage companies offer these rates, they are generally higher than others they have available. The benefit of these types of interest rates are that they may not have any early repayment charges applied to the mortgage meaning if you repaid the mortgage at any time the lender would not charge you any penalty for doing so. One thing to note with these rates is that it is completely up to the lender when and if they increase the interest rate charged. It does not have to be because of other influential rates increasing it can be just because the lender feels like it/wants to do it. It is a changeable/variable rate which means your monthly payments can increase or decrease during the period it is on this variable rate.

DISCOUNTED RATE LOAN - mortgage payments can go up or down

All lenders have a standard variable rate, this is a nominal rate (higher than majority of their other rates on offer) most mortgages revert to this rate after their initial mortgage deal ends. The standard variable rate is also the rate that most mortgage companies allow customers to have without any early repayment charges.

A discounted interest rate means that the lender is going to give you a discount off their standard variable rate. Usually in return for you guaranteeing you will stay with them for this initial period. The way you do this is by locking yourself into this rate for a period of time (in most cases a 2, 3 or 5 year period). During this time the mortgage would have a penalty applied if you did for whatever reason repay the mortgage back in this initial discounted period.

As the rate is a discount off a lenders variable rate, this is still an interest rate which is variable. How, well because if the lender changes their variable rate then your discounted rate as it is a discount from the lenders variable rate will also go in the same direction as what the lender has decided to do to their variable rate.

So, in simple terms If a lenders variable rate was 4% and they gave you a 2% discount then the interest rate charged in that initial deal would be 2% (4% (variable rate)-2%(discount given) = 2% (discounted interest rate charged).

If the lender decided to increase their variable rate by 1% making the new variable rate 5%. Then your discount margins stays the same i.e. they remain to give you a 2% discount from the variable rate charged, however because they have increased their variable rate to 5% the new rate you are charged is 2% off this which now equals 3%.

Calculation explained - 5% (new increased variable rate) – 2% (original discount given) = 3% (new interest rate charged).

During your initial deal the discount given will not change, however depending on the lender either increasing or decreasing their standard variable rate the interest rate actually charged to your mortgage may go up or go down depending on what the lender does with their standard variable rate. In turn either increasing or decreasing your mortgage payments. There is usually no floor to the rate or cap either so a person who is happy to have a rate like this is someone who is prepared to take some degree of risk with their mortgage payments as you cannot guarantee what they will always be.

CAPPED RATE MORTGAGES

With these rates the lender puts an upper limit on the interest rate it will charge for the given period. This means you then know what the maximum interest rate the lender could charge if interest rates increased during your rate period. These rates are rarely available now.

CASHBACK MORTGAGES

A number of years ago now some lenders offered large cashbacks on completion of a mortgage, this helped clients spend this cash on work or setting up a home. Of course the lenders would charge a higher rate for this privilege so to be fair clients will have probably saved money overall had they chosen a cheaper fixed/discounted/tracker rate. Again, these rates are now rarely available.

LIBOR LINKED LOANS

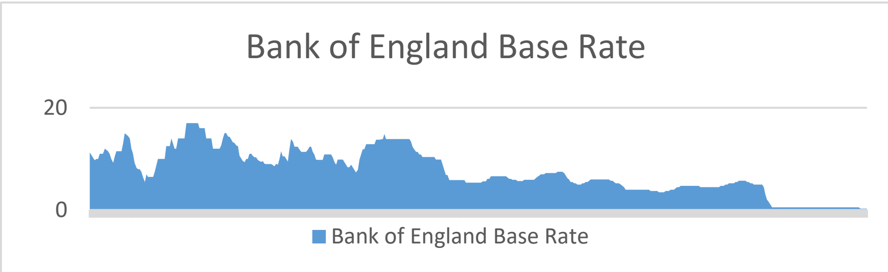
These mortgage rates are linked to the London Interbank Offered Rate which is a barometer of world money market rates. You should be aware that sudden money market rate swings could have an adverse effect upon your mortgage payments. They work in a similar way to tracker rates, they track the LIBOR rate and go up or down along with it.

TRACKER MORTGAGE

A tracker mortgage is a variable rate loan where the rate of interest charged is linked to the Bank of England base rate. If this rate increases, your rate will increase; if it reduces, your rate will reduce. The margin between the two rates and the specific period for which the tracker effect will be maintained, are confirmed on your mortgage illustrations.

At the end of the preferential tracker period the cost of your mortgage may increase as the rate will resume onto the lenders standard variable rate. Because you cannot guarantee the mortgage payments you need to be sure that you have budgeted for – and can afford – any potential increase in payments at the end of the tracker period.

Please see below a diagram of the Bank of England base rate fluctuations over the last 18 years.



FLEXIBLE MORTGAGES

Flexible mortgages are most suitable for people who wish to pay off lump sums from their mortgage (and have the ability to do so). The benefit is that this offers the prospect of a considerable interest saving over the long term and also the potential of paying the mortgage off early. One of the key features of this type of scheme is that interest is calculated daily thus giving immediate credit for any additional payments as and when they are made.

A flexible mortgage also allows you to take advantage of any overpayments you have made, by way of payment holidays for a limited period, or drawdown facilities.

OFFSET MORTGAGES

The offset facility is suitable for people who have a reasonable degree of savings including any credit balance in their current account. By linking these funds and the mortgage together, significant benefits can be achieved. In essence you elect to forego receiving any interest on your savings. By the same token, on an equivalent amount of your mortgage balance, you are relieved of paying interest.

This netting-off effect provides a saving of interest and may also provide tax benefits.

Fees

It is an expensive time buying a property! The fee' have changed dramatically over the last 18 years. I am now going to list typically what to expect when you are applying for a mortgage.

Application/Booking fee – Some lenders charge this type of fee; it is to book the interest rate applied for and is charged when the application is submitted. The amounts vary from £1 to £250. Card details will be taken at application stage to pay for this. Do not confuse this charge with a valuation fee! That will be taken at this stage too and is on top of this fee.

Valuation/Survey fee – Some mortgage rates offer a free mortgage valuation report, but the cost when charged will depend on the purchase price of the property. Again, the typical charges change with each lender but can range from £178 upwards. The different types of valuation/survey you can have is explained further in **this book.**

Lenders arrangement fee – this fee has changed massively over the years; it is common now to see fees of £995 to £1999. They can be paid up front if you wish but majority of my clients opt to add to the loan as you are in a situation where all your money goes into buying a property & kitting it out with furniture. You pay more interest over the term by adding the arrangement fees and this should be explained to you when applying for a mortgage.

Legal costs – these again vary and you can easily get comparisons online now, but I highly recommend paying for a good service in this area. I have supported clients in many situations whereby they have not been able to get in touch with their solicitor or have heard nothing or even been talked to in inappropriate manners. Please do not forget you are paying them to act for you! They also act for the lender you have chosen but you are their customer so ensure that they treat you with respect!

There are many out there that are wonderful and lovely, and it is better to pay for this service than for one you do not trust.

The main thing you need to check with solicitor is that the lender will accept them, they must be on the lenders panel. If not lots of solicitors outsource this to another local firm that is on the lenders panel but you then have a double cost for this as both the original firm will charge you and the firm that is on the lenders panel.

So, I would advise you check they are acceptable by the lender before you instruct the solicitors to act on your behalf.

So, solicitors will have a service charge, which is what they will charge you for the work involved and then disbursements. Which are fees/costs for various searches that the solicitors must carry out because the lender requires them, and each have their own charge, and this is then passed on to you.

Things like, Local authority search, land registry search, drainage search, bankruptcy search….

You will then have VAT to pay on top. Then the lovely Stamp Duty which the thresholds are detailed below. This cost including the solicitor's fees will be payable just before exchange of contracts along with the deposit you are putting down.

STAMP DUTY THRESHOLDS

(when owning only 1 property at the date of completion)

Purchase Price	SDLT Rate	Amount to Pay
£0 - £125,000	0%	£0.00
£125,001 - £250,000	2%	£0-£2,500
£250,001 - £925,000	5%	£2,500 - £36,250
£925,001 - £1,5000,000	10%	£36,250 - £93,750
Anything Above £1,5000,000	12%	£93,750 - £ No Limit

What do you do first?

You need to know how much you can borrow, to know what purchase price you can look for, so I would recommend booking an appointment with me, to go through your circumstances so I can let you know what figure you are able to borrow.

Once I have this information, I research the marketplace to give you an idea of what you can borrow. Only when you have your deposit saved and are actively looking would I carry out a decision in principle with a lender.

As obtaining this can affect your credit score should it fail, and I would not want this to stop you getting a mortgage. Once you have an accepted decision in principle you can make offers on the property you want to buy. You will have the confidence that you can get a mortgage subject to the application process & document been assessed by a lender. Below is the process my clients go through with approximate timescales they can be quicker or slower if clients wish this.

The 9 Step Mortgage Process

WEEK ONE

STEP 1. Factfinding Meeting – I will complete a fact find of your current circumstances. I will use this information to research available mortgages that suits your needs, and where your current circumstances match the lenders criteria. Mainly your income & current financial commitments need to match the lenders affordability calculators to get the total mortgage you need to be able buy the property.

WEEK ONE/TWO

STEP 2.

Obtaining a decision in principal from a lender – this is a guarantee that the lender will offer a mortgage if the information provided on the application form is correct and backed up with Payslips, Accounts, Bank statements & P60s.

STEP 3.

Submit the Application to the lender – along with certified copies of Bank Statements, Paylsips, P60s, Accounts etc

STEP 4. Lender Assesses the info provided and if they are happy with this info and require no further information, they will then instruct the valuation.

WEEK TWO

STEP 5.

A surveyor goes out to the property, to confirm it exists, that it is worth the value you are paying and that it is suitable security for mortgage purposes

WEEK THREE

STEP 6.

The lender assesses the valuation report, then issues the mortgage

offer

STEP 7.

Mortgage offer is sent out to Me, You & the Solicitor

WEEK FOUR/FIVE

STEP 8.

Solicitor collates all info needed legally to complete the purchase, arranges with you to sign the contracts.

WEEK SIX

STEP 9. The solicitor then arranged exchange of contracts & completion of the purchase.

What paperwork will you need

- Identification – copies of passports or driving licenses (if driving license, I will also need the green A4 sheet)

- Address Verification – Must be dated in the last 3 months, in either both names or one each for a joint application. Examples are utility bill or front page of a bank statement

- If Self Employed and/or A shareholder of a LTD company – Contact the Inland Revenue as soon as possible on 03002003310 ask for your last 3 years SA302s and tax overviews, they take up to 10 days to come and the phone to request them can be 30mins plus. Hence why I say get them ASAP! Or you can now obtain these online & your Accountant can assist you in getting these.

- If Self-Employed I will also need last 3 years signed Accounts

- If Employed - Latest 3 months Payslips & latest P60

- If Retired – Latest Pension statements

- All Cases - Latest 3 months personal bank statements showing salary credits from employer

Types of Surveys

MORTGAGE VALUATION SURVEY

The sole aim of the mortgage valuation is to satisfy the lender that your desired property is worth the price you are paying – or at least the amount it's lending – before they approve your mortgage.

A valuation is just that – it will not point out repairs or structural problems that you will have to pay to fix. Generally, you will pay for the lender's survey. The cost is based on the value and size of the property and is typically £150 to £1,500. Sometimes lenders offer mortgages with free valuation surveys. If the property is valued below your offer price, you can either:

- Go back to the seller or the estate agent, and offer a lower price based on the lender's valuation
- Dispute the valuation by providing evidence, if possible, of similar properties in the area selling for the same price or higher

RICS HOMEBUYER REPORT

A HomeBuyer Report is a survey suitable for conventional properties in reasonable condition. Costs start at £400 on average.

This will help you find out if there are any structural problems, such as subsidence or damp, as well as any other unwelcome hidden issues inside and outside. But the HomeBuyer Report does not look beyond the floorboards or behind the walls.

Some homebuyer's reports include a property valuation, so you may be able to revise your offer if the survey reveals a lower price than the mortgage lender's valuation.

If there is no valuation included, you could use the report's suggestions for repairs to renegotiate the price. For example, if it's going to cost you £5,000 to carry out work on the property's damp walls, it's reasonable to offer £5,000 less than the asking price.

BUILDING OR FULL STRUCTURAL SURVEY

This is the most comprehensive survey and is suitable for all residential properties. It is particularly good for older homes or homes that may need repairs. This type of survey typically costs upwards of £600 and provides detailed advice on repairs. It is very extensive and in some circumstances worth the extra money, but it does not usually include a valuation.

Although this survey and can't look under floorboards or behind walls it should include the surveyor's opinion on the potential for hidden defects in this area. The surveyor should also provide information on potential repair options. Again, you could try to save money by comparing the details of the repairs required against the lender's valuation.

Dealing with Estate Agents & making an offer

It is extremely exciting picking up the phone to an estate agent to book a viewing of a property for the first time. All estate agents work differently. The larger group organisations tend to be more pushy/nosey than the independently owned agents.

Credit where due Estate Agents are now far more professional than in the past. Your experience with them now should be a nice one and they should help you achieve the completion of a purchase as it is in their best interests to do so. In most cases it is not the Estate Agents fault if things are not going to plan, it is probably the vendors to be honest who is stipulating how the Estate Agent communicates information back to you. Sometimes their hands are tied, and they can only do as the vendor says because they are their clients not you!

Some estate agents now say that they need to independently financially verify you before they can discuss offers with their vendors. This is not the case at all you are able to use whomever you wish to organise your mortgage. The reason why they do this is because they can see what mortgage you can afford, and they will then know your limits. But also, it is extra business for them. I always think personally you need someone to act for you independently to the agent as they are acting for the person you are buying from.

An estate agent may ask for proof of a mortgage being agreed in principle before they agree an offer of purchase. This once an adviser has all your circumstances it can take as little as 10 minutes to get an agreement in principle. Providing the lender gives an instant decision as sometimes they can defer the decision for 24 hours as they would like to look in more depth at your application.

You do not want to be doing multiple decision in principles, because this can affect your credit score. Therefore, I would advise you say to the estate agent to decide if your offer is accepted subject to a decision in principle being provided. This enables you to get the negotiations underway and a final figure agreed then your decision in principle with a lender can be done once only on the agreed figures.

Where to start with an offer & what price – this all depends on how long the property has been on the market, how many people are interested in it, what the vendors situation is financially and why they are selling. They will not tell you what their financial situation is but there are other questions you can ask.? **What questions suggestions?**

Once you have this info you will know if you can start at a low price & increase if needs be or go in at the full asking price – this I would only recommend doing if

a) you really want the property and point blank do not want any others.

b) If other potential buyers are interested as they will/may see them off.

Either way make sure that once the price has been agreed and you have provided proof that you can obtain a mortgage, the agents takes the property off the market and cancels all future viewings.

For estate agents we act as introducers only.

When to Instruct a Solicitor

You need to have chosen your solicitor when a full mortgage application is submitted, the estate agent will also ask for details of your solicitor once the purchase price of the property has been agreed.

My advice is to instruct them, send them any initial documents or information they need however do not send any payments for any work until the valuation has been carried out. If the survey of the property comes back as not suitable security for a mortgage then you will have not only lost the fee for the survey but also for any legal work done on a property you can't buy.

It may be worth taking the risk if you are buying a property that has a specific completion date and with new builds you have to complete the purchase usually in 28 days. In these scenario's it is rare the property you are buying is not mortgageable. The solicitors may ask for some money on tap to pay for things like local authority searches etc. and this may be for about £300.

You will pay for the rest of the legal costs at exchange of contracts i.e. when your deposit is required or at completion. This is also when the stamp duty cost is paid as you will send the money for this bill to the solicitor.

For solicitors we act as introducers.

Final Summary

You are now armed with majority of the information you need to decide if buying a house is right for you or not.

This guide does not replace financial/mortgage advice specific for your needs, the only way to get this from me, is to get in touch.

You can email me directly: julie@1stmortgageservices.co.uk

Call us on: 01845501830 or 07525688329

1st Mortgage Services Charging Structure

A fee of £250 is payable on application of a mortgage. We will also be paid commission from the lender of which we retain. The fee & commission is charged for the advice, administration involved in packaging your mortgage application and securing a mortgage offer.

Regulatory Warnings

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

£4.99

"Don't let the fear of not having
the correct information
stop you from buying your first home!"

1st Mortgage Services
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Julie Gilbert - 1st Mortgages Services

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