



First Time Buyers Mortgage Guide

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Taking your first step onto the property ladder is something many of us dream of, but how do you get started? All first-time buyers will follow a similar process and here City Mortgages will guide you through the process, making it as stress-free as possible. Let us help you finance your first permanent home.

1. CONSIDER YOUR DEPOSIT

Before you can begin to look at properties or mortgage finance, you need to save your deposit. Most lenders will expect buyers to put down at least 10% of their desired property's purchase price, though 90% loans are becoming rare and the majority of lenders want 15% as a deposit. This can be a difficult sum to save, especially if you are living in rental accommodation and have to pay rent as you save. It can also be difficult if your local area has high property prices. For a home with a value of £120,000 you will need at least a minimum of £12,000 but areas where first homes begin at £200,000, you'd be looking at £20,000 or more. Online calculators can help you understand how much you need to save before starting the process.





2. USE SAVINGS SCHEMES TO BOOST YOUR DEPOSIT

The Help to Buy ISA was the most popular choice for first-time buyers looking to boost their deposit but unfortunately this has now ended. Instead, you can consider different savings options. First-time buyers under 40 looking to buy a property worth up to £450,000 can open a Lifetime ISA. This savings account allows you to save up to £4000 a year until you're 50. Every £4 you save will be matched by an additional £1 from the government, giving you up to £1,000 a year extra in savings. Keep in mind that any withdrawals from your fund before you're 60 which are for any purpose other than buying a home will come with a 25% penalty on the amount withdrawn so keep in mind that deposit figure you need.

3. LOOK AT HOW MUCH YOU CAN BORROW

The value of the mortgage you can get will depend on many factors, but this is key to whether you will be able to purchase the home you want. The size of the mortgage you are eligible for combined with the deposit you have save will determine the budget you have for your new home. Most mortgage lenders offer you a loan of between 3x and 4.5x your annual income, plus that of anyone you are buying with. A person with an income of £32,000 may be offered a maximum of £144,000 for their mortgage. Outgoings and existing credit commitments (e.g. outstanding loans and credit cards) will also affect the amount lenders will offer First Time Buyers.

4. RESEARCH FIRST-TIME BUYER SCHEMES

There are many schemes out there designed to help first timers secure their dream home. Government schemes have been planned to ensure even more people can own their own home. They include schemes such as the Help to Buy Equity Loan and Shared Purchase property options. Help to Buy Equity Loans allow you to borrow up to 40% of the cost of a new-build home, though you do still need your deposit for the property price and a mortgage for the remainder of the home's cost. Shared ownership properties usually allow first-time buyers to purchase between 25% and 75% of their home, whilst paying rent on the remainder. These schemes have their pros and cons which may suit different types of buyer so be sure to research them in full.



5. EXPLORE FIRST-TIME BUYER MORTGAGE OPTIONS

As well as specific government schemes, there are first-time buyer mortgage options too. Sometimes first-time buyers find they cannot borrow enough for their chosen home. There are other options when this occurs, with specific mortgages designed to help first-time buyers maximise their cash and take that first step on the property ladder. The main alternative mortgage options for first-time buyers are:

- 100% mortgages: these allow you to borrow the entire cost of your home, without the need for deposit. This is a risky option, and they aren't very common but they could be right for people in certain circumstances.
- Guarantor mortgages: guarantor mortgages involve a family member taking on some of the risk of your mortgage. They may be able to ensure you get a mortgage or can borrow a larger amount to ensure you can get the property you're hoping for.

6. SECURE A MORTGAGE PROMISE

Once you've reached your savings goal and have the deposit ready to put down on your new home then it's time to apply for what's known as an "agreement in principle." This is a statement provided by a mortgage lender confirming how much they would be willing to lend you. This can be valuable when looking for your new home as you can search for property's in line with this budgeted amount. It can also support your bid if you do make an offer. Arranging an agreement in principle usually only requires a soft search on your credit report.

7. HOUSE HUNT REALISTICALLY

Once you have your agreement in principle you have a good idea of how much you can budget for a property. Be sure to explore areas and properties in line with this budget so you are not disappointed if you look into properties which are more expensive and unlikely to be possible. Build a shortlist of areas you'd be happy to live in and features you consider non-negotiable for your new home.

Once you start viewing properties have a clear checklist of what you need to see before leaving and ask any pertinent questions before even considering making an offer or taking the next steps. If you're looking at new build properties then ensure you thoroughly inspect the staged home and ask any questions about the plot your home will be on so you are sure it is exactly as you'd expect as you are unable to view it.

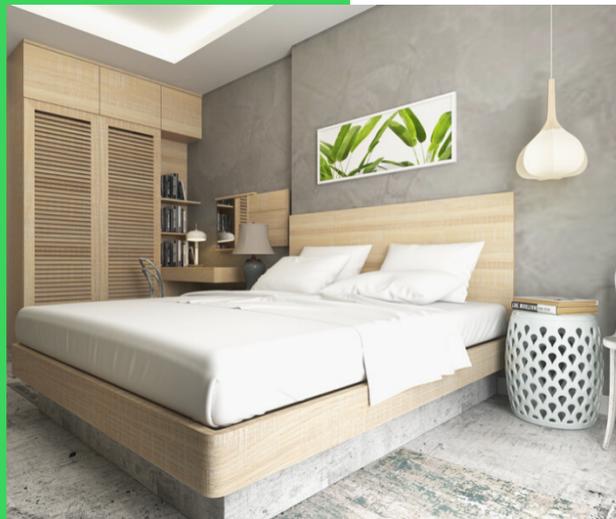


8. MAKE YOUR OFFER, PLAN THE MOVE

Once you've found the property you wish to call home, it's time to make your offer and start your formal mortgage application process. You may need to negotiate, or you may be lucky enough to have your offer accepted first time. Once you get this acceptance you can make your mortgage application. The right mortgage broker can help you to secure the best mortgage for your circumstances and give you a better understanding of which lenders may be likely to accept you at the rate and for the amount you're hoping for. Once this is organised and your mortgage is arranged, it's time for completion. You can begin planning your big move and set the wheels in motion for moving into your first home.

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