

Choosing the right mortgage

A brief guide to help you start on this exciting journey

Looking to buy your first home is a big step. This will probably be the biggest purchase you will ever make. We have put together this first-time buyer guide to help along the way as there are certain decisions you will need to make when considering a mortgage.

What is a mortgage?

A mortgage is a loan you borrow from the lender, the lender being a bank or building society. The bank/building society will loan you the money by way of a mortgage, the mortgage will be secured against the house you are buying. They do this for security, so if you were unable to pay the mortgage back the bank/building society can get the money they lent to you by repossessing (taking back the house) and selling the house. It is important to make sure you can afford the monthly mortgage payments, never stretch yourself too far.

How much can you afford?

For many first-time buyers they can make the mistake of trying to borrow as much as they can and really stretch themselves. Leaving themselves exposed to interest rate increases, because when this increases, your mortgage payments may also increase. This would also leave you exposed to life's general uncertainties. The amount a bank/building society will loan you in the way of a mortgage will often differ from bank/building society to bank/building society. A bank/building society will also take into consideration the affordability of the mortgage.

The amount you can borrow will depend on your salary or combined salary if you are buying with someone. The affordability is typically worked out by ensuring that your household bills, loans and mortgage payments do not exceed around 60% of your monthly net income. These are typical calculations and may differ from bank/building society to bank/building society

If you are unsure of what mortgage you are looking for or have any unanswered questions then contact us and we'll be happy to help.

Key areas you will need to cover when considering a mortgage

Deposit

When choosing a mortgage you need to have a minimum deposit. There is a help to buy scheme available. Please contact us to discuss this option and eligibility. The more deposit you can put down, the lower the rate of interest you will be charged

How do you repay the mortgage?

Capital repayment is where your monthly repayments pay back both the amount you borrowed, known as capital as well as the interest charged by the lender. This is a good method and most common because at

the end of the mortgage term your mortgage will be paid off as long as you keep up repayments on your mortgage. The other method is interest only, this is where you only pay off the interest to the bank or building society so at the end of your mortgage term, usually 25-30 years you would still owe the amount you borrowed as you have only paid back the interest.

Interest Rates

Once you have chosen your method of repayment, you need to consider whether you want a fixed or variable rate of interest. A fixed rate means your rate is fixed at that % and your monthly repayments stay at that amount for the period of the fixed rate. The other types of interest rates are discounted or variable rates. This is where the rate could go up or down based on what the Bank of England or bank or building society decides to do. This would mean your monthly repayments could go up or down. A lot of first-time buyers chose a fixed rate because they want to budget and know how much they are paying back each month and be certain that the mortgage payments do not increase.

Charges and fees

Lenders charge arrangement fees: the size of these fees depends on the rate of interest, typically the lower the rate of interest charged the higher the fee. There are also other fees to pay when purchasing a property. These include solicitor, valuation fees and stamp duty. It is not just the fees the mortgage lender (bank/ building society) will charge you.

Residential properties Stamp duty charges

You'll pay:

- Nothing on the first £125,000 of the property price
- 2% on the next £125,000
- 5% on the next £675,000
- 10% on the next £575,000
- 12% on the rest (above £1.5m)

Example:

If you buy a property for £275,000, you'll pay £3,750 of SDLT (Stamp Duty Land Tax) This is made up of:

- Nothing on the first £125,000
- £2,500 on the next £125,000
- £1,250 on the remaining £25,000

*Correct at the time of writing (24/10/2019)Source : www.gov.uk/stamp-duty-land-tax/residential-property-rates

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Types of house survey

There are three main types of survey. The type of survey you choose will mostly depend on how much detail you want about the property you are buying and its age.

The most popular type of survey to get done is a home buyer's report, but you may decide a different one would be better for your situation.

Different types of house surveys

Survey Type	What Does it include?	When is it Suitable?
Condition Report	<ul style="list-style-type: none"> ▶ The most basic survey you can get ▶ Will give you an overview of the property's condition and highlight significant issues, but won't go into detail ▶ Will give traffic ratings for the condition of different parts of the property 	<p>A condition report is useful for a modern house in good condition..</p> <p>It will provide you with reassurance if you just want to double-check everything is ok.</p>
Homebuyers report	<ul style="list-style-type: none"> ▶ More detailed than a condition report ▶ Will highlight problems with the property, such as damp or subsidence ▶ Includes advice on necessary repairs as well as ongoing maintenance advice ▶ Will point out anything that doesn't meet current building regulations ▶ The survey will be non-intrusive - the surveyor will not look behind furniture or under floor boards, so they'll only be able to identify 'surface-level' problems ▶ It will take about two to four hours to complete 	<p>A homebuyer's report is suitable for most modern properties as well as older properties, provided they're in a reasonable condition.</p> <p>It's a good option if you have some concerns about a property.</p>
Building survey	<ul style="list-style-type: none"> ▶ The most thorough survey you can get ▶ Provides a comprehensive breakdown of the structure and condition of the property ▶ Will list defects and advise on repairs and maintenance ▶ The surveyor will be 'hands on' and will do things like checking in the attic and looking under floorboards ▶ You can ask for the report to include projected costs and timings for any repair work ▶ Depending on the size of the property it may take a day to complete 	<p>Building surveys are particularly useful if you're buying an older or unusual property, or one that's in a poor condition.</p> <p>If you're planning to do significant work or have major concerns about a property you should get this kind of survey done.</p>

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