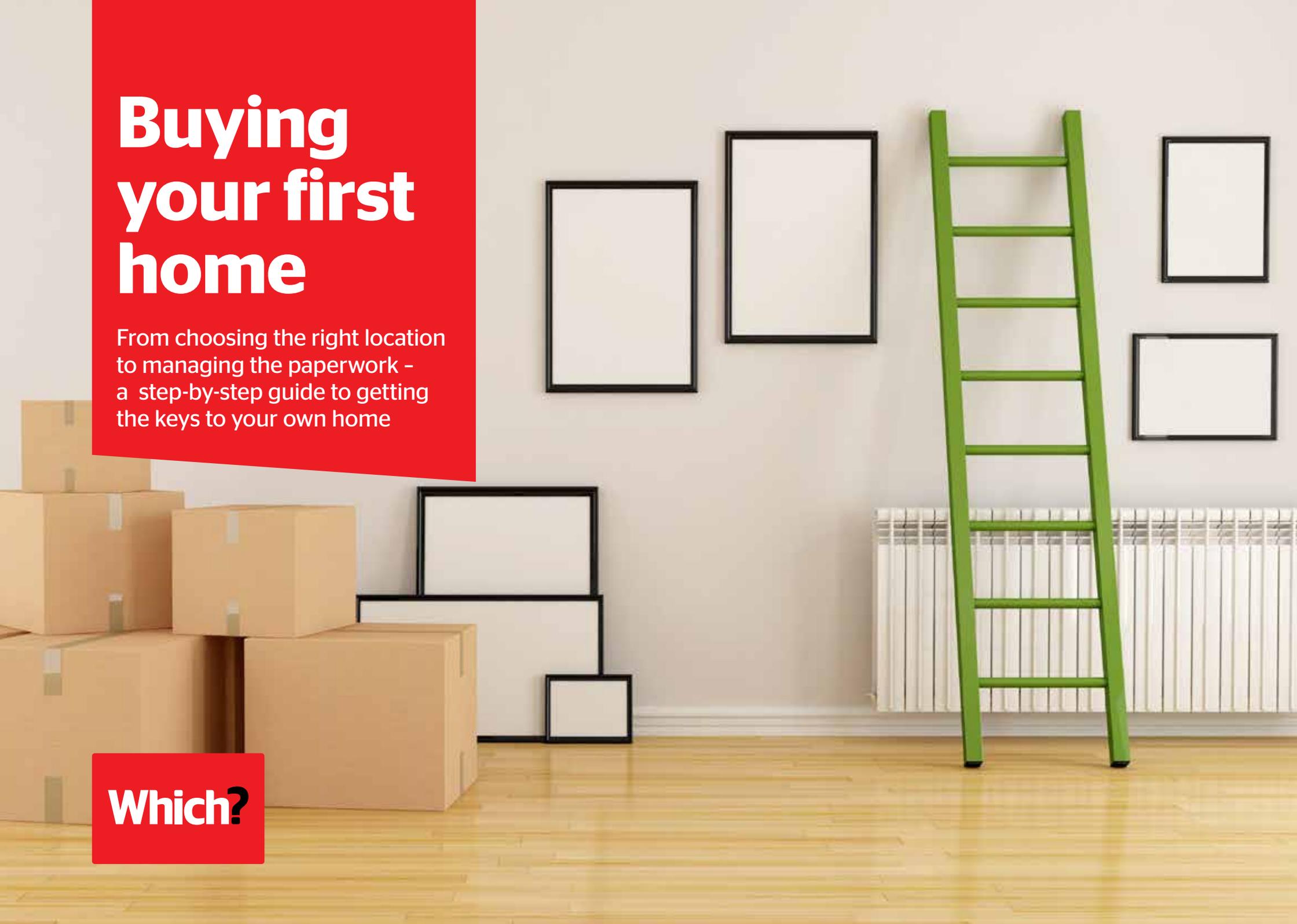


# Buying your first home

From choosing the right location to managing the paperwork - a step-by-step guide to getting the keys to your own home

**Which?**



# With you every step of the way

Buying your first home is an exciting time. It can be a long process with different elements to coordinate, but it's all worth it when you pick up the keys.

This guide will walk you through the process step by step to give you the knowledge you need to feel confident in your choices.

As you're reading it, if you're looking for more in-depth information and detailed help at any stage of your journey, you'll find plenty more at [which.co.uk](http://which.co.uk).

And to guide you through the process, we'll email you our top tips and insider advice over the next few weeks.

From finding the right mortgage through to choosing a trusted trader to fit out your dream home, we're here to help make buying your first home as easy as possible.

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



The handy icons below will help you navigate around the guide

-  Money
-  Location and property
-  Steps to take
-  Services you'll need

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# Where to buy

Before you start your search, spend some time considering the type of home you would like and the best location for your needs

You might have an idea of what you want – a well-appointed commuter home, an ultra-modern apartment or a period house with character and potential – but it also needs to fit your lifestyle.

## The location

You may have your eye on a property with original Victorian fireplaces, but if it's miles from work and shops, you might feel a bit left out in the cold. When thinking about the location, take time to consider:

- **The cost** – besides the house, there's council tax, travel costs, shopping and entertainment to consider. How nearby are the things you need? Do you need to factor in extra budget to travel everywhere?
- **Commuting** – a long commute can feel doable when you're viewing a property, but practically, after a few months it can wear you down. So try it out before you commit.
- **The atmosphere** – if you like a spontaneous night out locally, somewhere semi-rural might become repetitive and, ultimately, a bit isolating.

- Have a seven-year plan – first-time buyers stay in their first home an average of 5-7 years, and a lot can happen in that time. Will the property support you for that long, can you accommodate a new partner or even start a family?

## Know the market

You might have an idea of how much you can afford, but do you know what it will buy you? You can do more than just search for houses on property websites. On Zoopla, for example, you can search by location and estimated price bracket, to see the sale prices of the types of properties you're searching for.

There are two things to look out for:

- **If prices keep rising** – you're looking at a popular area, so if other people are keen on the house too, it could push the final price up above the marketing price.
- **The ceiling price** – this is the highest price paid for a property of the same type in the same area. If the price you're looking at is much higher or lower than this, ask if there's a good reason.

**See page 10 for more information on locations.**

# Get to know the process

The property buying and selling process has a number of stages. By understanding the process you can take control to move things along. Here's a timeline and checklist of the steps ahead

The process usually takes around 22 weeks, from starting to view properties to finally getting the keys. However, don't worry if it seems to be taking you longer, as timings can vary. This is how it can break down:

- **12 weeks** – this will take you from your first viewings to getting an offer accepted
- **4 weeks** – offer acceptance to agreeing the mortgage
- **4 weeks** – mortgage offer to exchange of contracts (the legal agreement that confirms the intention to transfer the ownership of a property from seller to buyer)
- **2 weeks** – exchange of contracts to completion (the final part of the transaction when the property title is given to you as the new owner and you receive the keys)

## Conveyancers

The legal process of buying and selling a property is called conveyancing. This can be dealt with by a solicitor specialising in conveyancing, or a licenced conveyancer.

You will need to instruct a legal company to carry out your conveyancing as soon as you

make an offer, so it makes sense to find one you're happy with ahead of this. **For more information on the role of conveyancers, see page 15.**

## What documents do you need?

Throughout the process, you'll need to put your wishes in writing, provide evidence of your earnings or sign documents. Here's a quick checklist of information you'll need:

- **Proof of income and spending** – mortgage companies want proof that you can afford your mortgage, so you'll need bank statements, payslips or tax returns, all on paper, which show in detail your income and outgoings.
- **Mortgage agreement in principle** – this is not a guarantee you'll be offered a mortgage, but comes from a provider or broker and reassures estate agents and sellers that you're in a realistic position to buy the property.
- **Offer in writing** – this is particularly useful if you want to make a conditional offer on a property; that is, agreeing to pay a particular price if the current owner carries out some specific repairs first. Any offer you make should be 'subject to survey'.
- **Organise a survey** – any hidden problems will be yours to fix, even if you have a mortgage valuation. The type you need will vary depending on the property you're looking at.
- **Proof of ID** – you'll need to produce your ID throughout the process, so keep your passport and latest utility bills handy.
- **Searches, contracts and mortgage acceptance** – your conveyancer and mortgage company will keep you on track with all the official documents. Always read them thoroughly before you sign, but try to get all the documents back to the right people as quickly as possible.

# Finding the money

The average household will spend approximately a third of its monthly income on the mortgage every month for around 25 years. So it's worth making sure you'll be able to afford it

Mortgage companies are keen to check you'll be able to make repayments, so before you apply for a mortgage, make sure your finances are in order.

## Top budgeting tips

■ **Check your credit score** – it's surprising how a forgotten payment or small outstanding credit-card bill can make you look like a bad credit risk. Check your score with credit checkers, and follow their tips to fix it if it isn't good.

■ **Cut out the money-wasters** – mortgage companies will interview you to check you can afford the monthly payments. Following the recent Mortgage Market Review, they want to know about every regular payment you make and your responsibilities. If you have a gym membership or a latte habit, now is the time to consider if they're vital.

■ **Do a financial health check** – use comparison sites to make sure you pay the best rate on utilities, mobile phones and broadband.

## Setting your budget

As well as the deposit and mortgage, there's also the cost of moving to think about.

Here's what to consider:

■ **Conveyancer's fees** – they vary depending on the house cost, but the average is £850.

■ **Mortgage arrangement fees** – a broker will research the market for you to get the best deal for your circumstances.

■ **Stamp duty** – zero up to £125,000, then on a sliding scale starting at 2%. Visit [www.gov.uk/stamp-duty-land-tax-rates](http://www.gov.uk/stamp-duty-land-tax-rates) for more information.

■ **Insurance** – you have to insure the building from the point you exchange, around two weeks before you get the keys, because legally the house is now yours.

■ **Removal vans** – it's quite easy for this to cost more than £1,000 if you are travelling a long way, or you need help with the packing.

## Include a financial cushion

Try to avoid overstretching yourself and build a cushion into your monthly budget to give yourself some wiggle room.

It means you'll have some extra money to cover things like:

■ **Repairs** – remember, it's no longer a landlord's responsibility.

■ **Improvements** – add to your standard of living and possibly the overall value of your home.

■ **Paying off more of your mortgage** – by putting a little extra in, you can reduce the amount you pay back each month, or the term, as well as the overall amount.

■ **A rise in mortgage costs** – a buffer will help to cover any increases in your mortgage.



■ **A growing family** – if you have a cushion it can help absorb a drop in salary from parental leave or childcare costs.

## The deposit

Deposits can vary from 5% upwards, but on average are around 20% of the total, so you'd need £40,000 for a £200,000 house.

It's worth getting as much together as you can. With a bigger deposit, you'll have more mortgages to choose from, as well as much better rates, as your loan-to-value ratio (LTV) – the percentage of the overall cost your mortgage provider will be putting in – will be lower.

When you're paying rent, saving a deposit can be tough, so here are some ideas to make it easier to raise what you need:

■ **Family help** – this might feel uncomfortable, but it's most people's first port of call.

■ **Co-buy** – if you get on well with friends or siblings you can share the deposit. Eventually, one of you may have to buy the other out or you'll have to sell the property to move on. Buy as 'tenants in common'.

■ **Home ownership schemes** – these accept lower mortgages for part-property ownership ([see page 9 for more information](#)).

# Get on the ladder sooner with first-time buyer schemes

There are several schemes designed to help first-time buyers get on the ladder. Here's how they work and how they can help.

## Help to Buy

Help to Buy was introduced to get those with smaller deposits on the first rung.

To qualify you need to:

- Have at least a 5% deposit
- Be buying a property worth £600,000 or less and be borrowing less than 4.5 times your salary
- Live in the property as your main home
- Not let it out or use it as a second home

Help to Buy has two options:

- **Mortgage guarantees** - a mortgage lender will lend you up to 95% of the property value and the Government will guarantee the difference between your deposit and 80% of the property value. You would need to apply with a lender that is taking part. The Government hopes it will encourage lenders to give mortgages to higher-risk borrowers.



- **Equity loans** - these loans are only eligible for new-build properties. The Government lends you up to 20% of the property value, while you put in at least 5%, with the rest covered by your mortgage. The equity loan is interest-free for five years, after which the interest will start at 1.75%, and then rise year by year.

These loans start out very cheap but, unlike your mortgage, you're not paying off any of the loan with your monthly payments, so you'll have to pay a lump sum if you leave it until the very end of your mortgage.

You can choose to pay it off early in chunks of 10% or 20%, or remortgage if your home increases in value, to pay off the loan.

## Shared ownership or 'part buy, part rent'

If you can't wait to raise a bigger deposit,

or are struggling to save more than 5%, then shared ownership with a housing association might be the answer to getting on the property ladder.

## How it works:

- You put down at least a 5% deposit
- Mortgage 25% to 75% of the value
- You pay rent on the remainder to the association

## Pros:

- The scheme can make it easier to get a mortgage if you're on a low income.
- You can remortgage while you live there until you own the house outright.
- You'll have equity in the house by the end if it rises in value.
- You can sell any time you please (usually after a period of eight weeks, but you can only sell to people on the 'shared ownership' list during this time).

## Cons:

- Shared ownership is only offered in certain locations.
- You'll be charged valuation fees if you want to top up or remortgage.
- You must pay a service charge, even if you own the whole property.
- Some developments are reserved for certain professions, such as nurses and teachers.
- Most houses available are a single style, usually new build.
- The rent increases in line with inflation.

## Right to Buy

If you're currently renting local-authority property and you like it, consider Right to Buy. It may allow you to buy the property at a discount. There are a few eligibility criteria to check, which you can access at [www.righttobuy.communities.gov.uk](http://www.righttobuy.communities.gov.uk).

Once you meet the criteria, you can choose how to buy your Right to Buy property in whatever way suits you.

## Parent mortgages

With the best will in the world, not every parent has a lump sum of cash floating around to lend to their child for a deposit. The alternative is a parent guarantor mortgage where a lender will offer a bigger mortgage or a better rate if the parent agrees to cover it if a mortgage payment is missed.

No one has to pay out any extra cash, but guarantor mortgages tend to be secured against the parental home, and in the worst-case scenario they could lose it. As long as no mortgage payments are missed, there's nothing extra to pay, apart from the higher interest.



# Choosing the perfect location

Location is the most important thing when it comes to buying a house. Other elements, like the décor or number of bathrooms, you can change



If you've been renting in an area and have fallen in love with it, the location question is mostly answered for you. You know the pros and cons and where you're going to look. If you find you're priced out of the area, try looking at 'up-and-coming' areas nearby.

If you're moving to a new area, there are a few things you'll want to research.

- **Amenities** - does it have all the shops, bars, transport links and schools that you need?
- **Costs** - what are the monthly costs of living there, from transport to work to council and water rates and service charges in an apartment block.
- **Noise and inconvenience** - rural or town, there will always be something to consider. On a summer's day, will you be

forced to close the windows because of airplane noise, smell from the farm or pub closing time?

- **Crime** - you can research statistics online to find out crime hotspots and decide if you'd rather stay well clear.
- **People** - a good mix of people is always nice, but you might want to be among young professionals or first-time parents for an instant neighbourly connection.
- **Up and coming** - check out recent house sales on websites like Zoopla. Are property prices generally rising or have they become stuck? Are you thinking of buying the most expensive house on the street? If you're thinking of pouring cash into your property to do it up and it's already the priciest on the street, you might find you're not able to make back your investment.

# Viewings properties - what to look for

Houses for sale often smell of fresh paint thanks to the seller's efforts to spruce it up before putting it on the market. So make sure you dig deeper to find out everything you need to know, and avoid falling for common sellers' tactics

People often talk about gut feeling when it comes to deciding on a house, and a little instinct isn't a bad thing. However, it's a good idea to have a checklist to keep your heart from ruling your head.

## Your checklist

Bring a list of what you need from a home. It'll keep your eyes open when you fall in love with a beautiful stairwell and start ignoring the lack of wardrobe space that's been driving you crazy for the last five years.

For example:

- Parking - you might not have a car now, but will you in the future?
- Extra bedroom
- Storage space
- Working fireplaces

Be prepared to ignore the décor. White paint is inexpensive, so you'll always be able to give it a fresh look. But if something like an avocado bathroom is a deal-breaker, make sure you have enough money left for renovations.

Look out for:

- Damp
- Window problems
- Biggish cracks in plasterwork
- Crooked bricks (particularly in chimneys)
- Age of electrics/gas system
- Age of boiler
- Water pressure

Don't be afraid to flick a light switch or count the power points. You can ask to run the taps, but agents don't like doing this without the homeowner present in case it leaks!

If you're interested, always ask for a second viewing, preferably at a different time of day. If you've noticed you're in an area with main roads or schools and you've viewed it mid-afternoon, ask to come back at rush hour.

Ask the agent:

- Has it been on the market long?
- When and why is the seller moving?
- Have many people seen it?
- What's included in the price?
- Have any offers been made/accepted/fallen through? However, by law an agent can't confirm how much has been offered.
- If the property is a flat or apartment, is it leasehold and how long is left on the lease? A leasehold flat means someone else (the freeholder) owns the land and rest of the building. The lease should be over 80 years long, as most lenders won't lend on a flat that has fewer than 80 years left.

# Choosing a mortgage

Mortgage terms can seem baffling, but essentially you only have two questions: how much deposit do I need, and how much can I afford to pay each month? Here are your options

There are a range of mortgage types at different prices, and there are a few specially designed to help first-time buyers as part of the schemes mentioned on page 8 and 9 of this guide.

The cost of your mortgage usually depends on the loan-to-value ratio (LTV). This is the percentage amount the mortgage company lends you versus the total amount the house costs. If the bank gives you a 75% LTV on a £200,000 house, the loan amount is £150,000.

Mortgages are usually either capital repayment – paying a chunk of what you borrowed plus this month's interest on top – or interest only, where you only ever pay the interest on the loan and have to find another way to pay off the original amount borrowed. Interest-only mortgages are very expensive and are rarely available for new homeowners.

## Types of interest

You'll see a variety of names given to mortgages and it's usually linked to how the interest rate works:

- **Variable** – you start on a typical interest rate based on the LTV and it varies, usually when the Bank of England changes its rate.
- **Capped rate** – can't go over a certain interest rate for a period of time, although it can go lower.
- **Discounted rate** – a set amount lower than the standard variable rate for a period, so it will fluctuate, just at a lower rate.
- **Fixed** – a deal over two, three or even five years where the rate doesn't change over that period. However, some contracts do allow for changes, so make sure you check this.
- **Tracker** – set at a margin above the Bank of England rate, it stays at that margin for the length of the deal.
- **Offset** – run alongside your current or savings account, the amount of interest repayable changes each month depending on how much money you have in your other accounts. This doesn't affect your rate – that will be set from the start and can also be variable, fixed or a tracker as well as offset.

It's a good idea to ask an expert for help when choosing a mortgage. You can get independent advice from Which? Mortgage Advisers. They search the whole of the market and compare thousands of mortgage deals to find the right one for you. They'll explain how they work, what they mean for you and they'll also handle the application forms for you. Visit [mortgageadvisers.which.co.uk](http://mortgageadvisers.which.co.uk) for more information.



## Making an offer

Making an offer can be nerve-wracking because you may already have fallen in love with the place. Here are some guidelines to follow to make sure you get the best deal

With your mortgage decision in principle (see page 5) in hand, you're ready to make an offer.

Before you make your offer, take a look at the guide price. The name says it all; it's just a guide – in Scotland it's usual to offer above it, while in England buyers tend to go below it, though when the market is buoyant you'll often find offers go above it too.

Consider the following:

- **Do your research** – is the house on a par with others that recently sold? You can increase or decrease your offer based on other sales.

- **Check the checklist** – if there are any fixtures and fittings that you expect to be included, make that clear in your written offer.
- **Go low** – as a first-time buyer you're often a more attractive prospect than someone stuck in a chain. If they reject your offer, be prepared to negotiate.
- **Be as certain as you can be** – the next step is a survey, and once you've paid for it you won't get that money back if you pull out.
- **Put it in writing** – include dates when you'd like to exchange contracts and complete. Include any conditions, such as checking a flaw subject to survey.



# Arranging a survey

Surveys are vital to make sure you get what you pay for and don't have any unexpected surprises after you move in

Surveys vary and can range from someone standing in the road looking at the house to going round with damp meters and ladders to check every nook and cranny. They're a non-refundable expense on a house you're not 100% sure you're going to buy yet. But a full survey is vital to ensure you're aware of any issues before you commit.

**Mortgage valuation** - this is compulsory and tells the lender the house is there and is probably worth what the seller says it is. Any big difference here and the mortgage company won't lend to you. It isn't a survey,

though, so you can't rely on it to tell you what might be wrong with the property. On top of this you'll also need one of the following:

**Condition report** - a general assessment of the house's condition, but not a valuation.

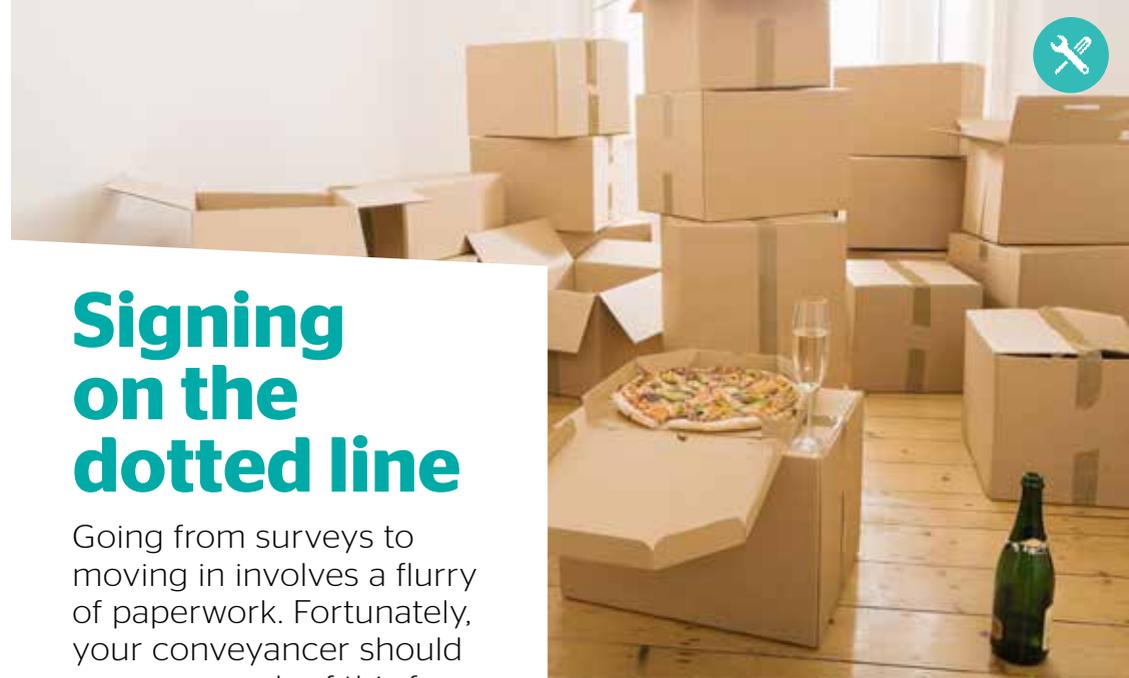
**Homebuyer report** - for standard, post-1930s buildings it covers the general structure, from walls, floors and ceilings to roof tiles, chimneys and windows as well as the location (for instance, does the property suffer from flooding or pollution?).

**Buildings survey** - much more thorough and a good idea for older properties, non-standard constructions and if you're planning any major renovations. Checks the condition of timber beams and potential pests and so on.

**Snagging survey** - if you're buying a new build, it's a good idea to get one of these. It roots out problems such as poor plumbing or ill-fitting sockets.

If your survey does find any problems, you have three options:

- Pull out
- Get quotes from tradesmen on how much it will cost to fix and put that in your budget
- Renegotiate your offer based on how much you will have to spend making good any problems



# Signing on the dotted line

Going from surveys to moving in involves a flurry of paperwork. Fortunately, your conveyancer should manage much of this for you, but it's up to you to manage the conveyancer

When you get close to the contract stage, everything seems to speed up and suddenly lots more people get involved.

As a first-time buyer you're attractive because you're not part of a chain, but your seller may be in a chain, so be prepared for any delays.

Here's a checklist of what needs to happen before contracts are exchanged:

- Title deeds acquired - usually from the lender of the property
- Local and environmental searches (for example drainage)
- Fixtures and fittings form
- Property information form
- Leasehold documents
- Survey and further action needed
- Answers to your questions - when was

- the boiler installed, for example
- Read the gas and electricity meters
- Written mortgage offer
- Contracts drawn up

It's essential that you have the agreed deposit prior to exchanging contracts. The deposit needs to be cleared in your conveyancer's account for exchange to take place.

You'll also need buildings insurance in place - on exchange (usually two weeks before completion) you become legally responsible, so your mortgage company will demand it and will want evidence the policy is in place.

## The final step - completion

Congratulations, it's time to move in.

This is the day all the money is transferred, the keys are handed over and hopefully you cross the threshold the excited owner of your first home!

# How much can you borrow?

At Which? Mortgage Advisers, we research the whole market and look at every deal available, to recommend the right mortgage for you.

You'll get your own, expert, dedicated adviser who'll run through your mortgage options and clearly explain the whole process. If you have any questions along the way, just pick up the phone.

## Why choose Which? Mortgage Advisers

We're not like most mortgage advisers - and here's why:

- **Find the best deal for you** - we research the whole market, even those deals you'll only get by applying direct to the lender
- **100% unbiased** - our expert advisers aren't paid individual commission so there's no hidden agenda when they recommend a mortgage
- **No waiting around** - you'll get straight through and we'll usually be able to arrange an appointment with an adviser over the phone within 24 hours
- **Expert guidance at every stage** - once we've found your mortgage, your dedicated adviser will look after the paperwork and the application process to make it all run smoothly

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

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