hyde associates
Independent Mortgage Consultants

If you're thinking about buying your first home and don't know where to start, this user-friendly guide is for you! We take you step-by-step through the pros and cons, and things you need to know to make the right decision for you.

Read straight through the Guide or jump to a particular section of interest as outlined on our contents page. We've included a user-friendly glossary to help you make sense of the jargon! You can find all purple words throughout the Guide in the glossary.

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First Time Buyers' Guide

STEP 1

Buying or renting… The pros and cons

Deciding to buy a home is one of the biggest steps you can make in your life and for most of us it'll be the most expensive thing we will ever buy! So it's important to make sure you fully understand everything that's involved before you make that step. There are so many things to take into account when buying – but are you absolutely sure you want to buy rather than rent?

Let's take a look at some pros and cons for each, so you can make the right decision from the start!

Buying your own place: Pros

Emotional

- **Pride:** there's often a real sense of pride, achievement and independence as a result of actually being a home owner.
- **Sense of freedom:** it's your property and you can make it feel like a 'home' rather than just somewhere you happen to live. You can keep it how you like, choose how to decorate and add to or extend it – you don't have to live by the rules of a landlord.
- **Sense of security:** owning your own home means you aren't relying on a landlord who may ask you to leave at short notice, or even increase the rent (though this can only happen following a certain procedure).

Financial

- **Investment:** when you rent, you will never get back or be able to capitalise on all the payments you make. When you buy and have finished making your payments, you have the reward of owning your property. Most people pay off their mortgage before they retire and they can therefore continue living rent and mortgage free. Although house prices do fluctuate, they generally have risen faster than inflation, and so your home is not only a place to live, it can also become an investment that increases in value.
- **Credit rating:** an added benefit to being a home owner is that by making regular payments to your mortgage lender and seeing the equity (or value) you have in your property increase, then your credit rating for additional facilities (such as a loan for a car or another property) is improved.

Buying or renting... The pros and cons

Buying your own place: Cons

Emotional

- **Commitment:** as a home owner, it becomes much harder to just uproot everything and move if you have to change where you work or you decide you don't like where you live.

Financial

- **Negative equity:** as seen recently, our economy can be fragile and in a downturn there are no guarantees that property prices will remain stable or increase after you have bought. Sometimes house prices can fall dramatically. You could be caught in negative equity where your home is worth less than you bought it for or the amount you borrowed.

- **Repayments:** should you fall ill or lose your job, and therefore lose your income, you could run the risk of losing your home if you can't keep up with the repayments (although there are ways to protect against this: see **Step 12**, page 4).

- **Inflation:** once you are tied into a property you have an important responsibility to keep up the mortgage repayments, utility bills, house maintenance and any unforeseen expenses or increases.

- **Overextension:** if the value of your house increases, or you have paid off part of your mortgage, your property equity increases. For example let's say you have paid £50,000 deposit on a home valued at £250,000, and you have a mortgage of £200,000. You later have your house revalued and it is now worth £350,000, your equity in this case would be £150,000 (new value of the home – original cost of the home + initial deposit = equity). Whilst this is a good thing, it can be tempting to take another loan to give you the equity as cash to fund a lifestyle that your salary cannot sustain. This can lead you into debt and in extreme cases to possible repossession of your home!

- **Money up front:** you usually need an initial deposit to buy a home, usually at least five percent of the total value, though the average that first time buyers pay in the UK is 20%*. This may not sound like a lot of money when talking in percentages but look – 20% of a £200,000 home is £40,000. Generally, the larger the deposit you have, the lower the interest rate you pay, so it might be worth continuing to rent and build up as much of a deposit as you can.

** Council of Mortgage Lenders (August 2011)*

Buying or renting… The pros and cons

- **Double payments:** if you are renting a place before you move into your new home and you have left before the tenancy agreement is up, you may be stuck with paying ongoing rental payments for that period of overlap.

Renting a property: Pros

Emotional

- **Commitment:** if you feel your life can't handle the commitment of buying, or being in one place for a long period of time, renting frees you up. You have greater opportunity to move when, how and where you want. You can often get short-term lets or change from renting just a room to whole houses as your finances alter.

- **Speed:** you can often move in to a property you want to rent relatively quickly, unlike buying where finalising the legalities tends to take a little longer.

Financial

- **Deposits:** you won't have to save as large an amount of money to put down as a deposit, as you would if getting a mortgage. Usually you would only have to give one or two month's rent in advance as a 'deposit'. Also when you move out you will get this deposit back, as long as you have not violated your terms of agreement in your lease e.g. have not caused any damage, and are up to date with your rent.

- **Payments:** sometimes paying rent can be cheaper every month than monthly mortgage repayments, and can thus possibly leave you with more 'disposable income'.

- **Furnishings:** if you have no furniture or funds to buy any, you can often rent your house fully furnished with all the necessary appliances already in place.

- **Maintenance costs:** when you rent a property, the responsibility of repairing broken appliances or fixtures is usually that of the landlord and this can be important if you are on a limited budget.

STEP 1

Buying or renting… The pros and cons

Renting a property: Cons

Emotional

- **Personalising your home:** you may not be allowed to choose how you decorate or furnish your home and there may be restrictions on what you can do inside or outside (e.g. in the garden). You may have to live with the colour schemes or standards of furnishings if renting fully furnished.

- **Pets:** some places have restrictions and you are not allowed to own dogs or cats if you live there.

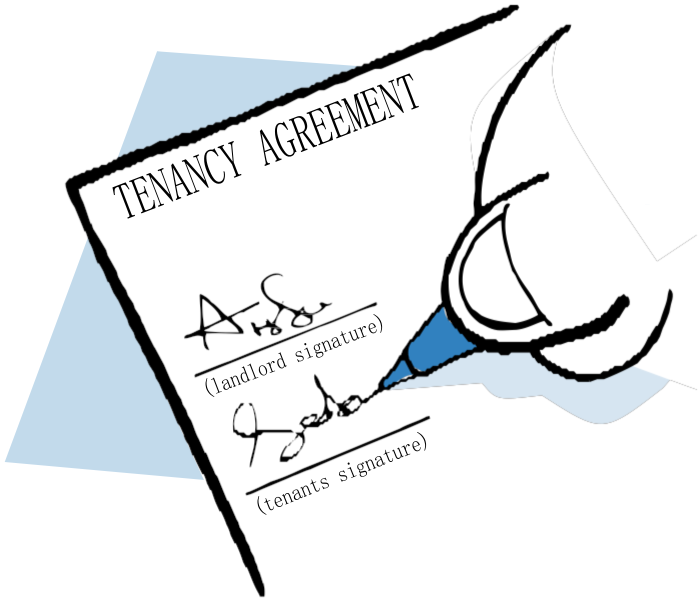
Financial

- **Uncertainty of landlords:** you are in the hands of others as landlords can increase rent when they want or, if contracts run out, they can choose not to renew them, meaning you have to find another place to live quickly.

- **No return:** your rent is often regarded as 'dead money' as you have nothing to show for your payments when you finish your rental agreement. If the property value has increased, you never get any equity even if you have personally invested in the property, through decoration, DIY, appliances, etc.

Summary

Renting is often a first step to independent living and gives renters a chance to find out more about the area, and maybe save a deposit to buy a house later on. But, remember, whether buying or renting, you are undertaking a legal agreement either with your mortgage lender or a landlord – you are responsible! So remember whether you rent or buy make sure you have looked at all the options and seek good advice before you choose which is best for you.



STEP 2

Hmm…I want to buy but it looks expensive. What are my options?

So you've decided you want to buy, you may have an idea of what and where – but it looks expensive. What ownership options are available to you? Are there any low cost options you could take advantage of?

Ownership options

- **Buy with someone else:** this is commonly called a joint mortgage (or joint ownership in Scotland) and can make the buying process easier, for example buying with parents, friends or a partner can actually ease the financial pressure. But remember relationships can change and circumstances alter, so you might want to get legal advice before deciding which type of ownership is right for you. If you do decide to buy with someone else you might want to get a contract drawn up saying who has contributed what, what you will do if someone wants to move out or sell up, etc.

- **Beneficial Joint Tenants:** this means the property is jointly owned; you don't own a specific share in the property and if you die the property goes to the other owner.*

** In England & Wales only. The Scottish equivalent for Beneficial Joint Tenants and Tenants in Common is called 'joint tenants'.*

- **Tenants in Common:** again this means you jointly own the property, but you own a share of the value, which you can give away or sell, or leave to someone else if you die (so it's a good idea to make a will, even if you are buying with your partner).*

- **Parental help:** due to the drastic increase in house prices in the UK, more than 50% of first time buyers now have a form of financial support from their parents. This doesn't mean having to jointly own the property, but parents may help with finding the cash for a deposit, or even help get a mortgage where the parents' circumstances can be taken into account in order to borrow more, or reduce repayments (see **Step 5**). These are sometimes known as Guarantor Mortgages.

TIP

Low cost options may not ***always*** be a cheaper route. Make sure you look at all options available to you and all costs involved!

Hmm…I want to buy but it looks expensive. What are my options?

Low cost options

There is a variety of low cost ownership options within the UK.

England

Shared ownership

Developed to help people to get their feet on the property ladder, even if they can't afford to buy a whole property alone. Shared ownership allows you to own a 'share' in a property with another party – usually Housing Associations – and you pay rent to them on their share of the property. They don't live with you and you can normally increase your share in the property as time goes by and if your financial situation improves, this is called 'staircasing' and can help you eventually own 100% of the property.

First Buy Shared Equity

Starting in September 2011, this is only for First Time Buyers and new-build properties. Unlike with shared ownership, in shared equity the first time buyer owns the property, with as little as a 5% deposit. A shared equity mortgage covers 75-80% of the property and a 15-20% shared equity loan (repayable on the sale of the property, but can be repaid before) covers the rest of the deposit.

HomeBuy schemes*

You could get help to buy a home through one of the Government's HomeBuy schemes. They are open to households earning less than £60,000 a year who would otherwise be unable to buy. You may be eligible if you are either a first time buyer, a previous home owner who now can't afford to buy without help, a housing association or council tenant, or a 'key worker' (such as nurses, teachers, police, fire fighters, armed forces, social workers, etc).

- **HomeBuy Direct:** help to buy a property on certain developer sites through a loan of up to 30 percent of the property's value.
- **New Build HomeBuy:** helps people to buy a share of a newly built property and pay rent on the remainder.
- **Rent to HomeBuy:** allows tenants to pay 80% or less of the market rent, in order to help you save for a deposit.

** For up to date information on Government HomeBuy options visit www.direct.gov.uk.*

Hmm...I want to buy but it looks expensive. What are my options?

Ownership options cont'd

Scotland

Low-cost Initiative for First Time Buyers (LIFT): an initiative by the Government to help first time home buyers who would be otherwise unable to buy, similar to England's HomeBuy Schemes. LIFT includes:

- **New Supply Shared Equity Scheme:** for newly built properties (usually from a housing association)
- **New Supply Shared Equity with Developers Trial:** to buy a property from a developer
- **Open Market Shared Equity scheme:** to buy properties on the open market
- **Rural Home Ownership Grants (RHOGs):** for those that live in rural areas to help towards the costs of building or renovating a home
- **Shared ownership:** similar to England, where this allows you to own a 'share' in a property with a registered social landlord, and you pay rent to them for the remainder.

Wales

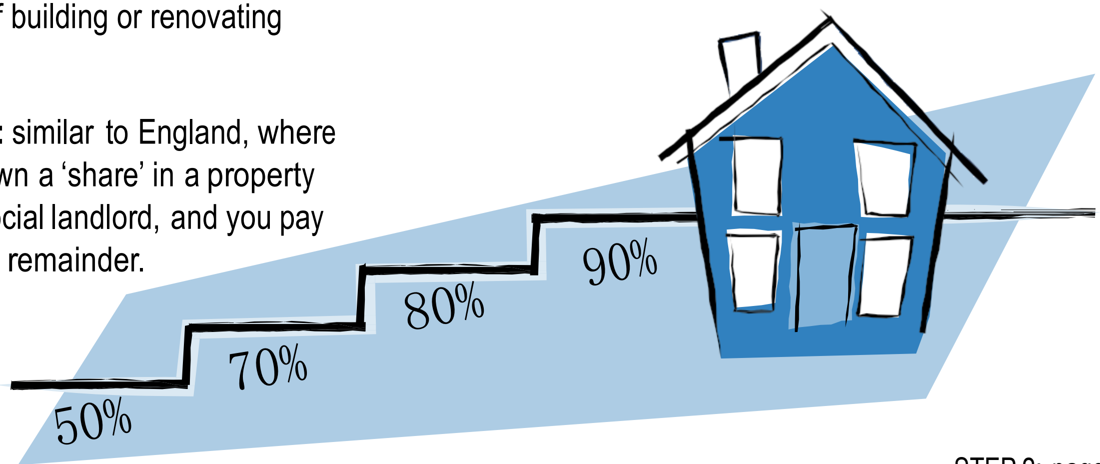
Equity loans

Offered by local authorities and new house builders, these loans are available for those who otherwise cannot afford to buy. The properties are sold on a 'shared equity' basis, which means you buy a percentage of the full open market value of the home, usually between 50 and 90%. You can then increase this amount as your situation changes over time.

Northern Ireland

Co-ownership scheme

A form of shared ownership run exclusively in Northern Ireland. Here buyers take a 'share' in the property, between 50 and 90%, depending on what they can afford. They can increase this amount at any time to purchase more equity; this is known as 'staircasing'.



STEP 2

Hmm…I want to buy but it looks expensive. What are my options?

Other overall lower cost routes

- **Repossessed property:** this can be a cheaper option for first time buyers as properties are often sold at a fraction of the real cost. Although many mortgage lenders now prefer not to declare how many properties they have repossessed, you can still enquire and find out where there may be deals. However these properties could have been vacant for a while and may need work or repairs to be done.

- **Property auctions:** thousands of properties are sold via property auctions in the UK each month. Although this may result in a great deal, it can be risky since you are usually unable to get the property surveyed before bidding.

Summary

Do your research… just because house prices seem high, it doesn't necessarily mean that you can't afford to buy a property. There are so many different options out there that give first time buyers a chance to get their foot on the ladder; you just need to have a really good look around and do your research. Make sure you get sound, up-to-date advice.

STEP 3

What exactly is a mortgage?

How you want to pay

What type of mortgage

Where can I get a mortgage?

Understanding mortgages

What is a mortgage? Well, simply, it means a loan. It's an agreement to borrow money in order to buy a property, with the property belonging to the lender until all the money has been repaid by the borrower. The mortgage is repaid over an agreed time period, together with added interest. Once the loan is fully repaid, the property then belongs to the borrower.

What exactly is a mortgage?

A mortgage is usually a loan of money towards the price of the property. It's rarely 100% of the cost (you have to pay the difference as a deposit from your savings) and is partly based on how much you are able to afford to pay back monthly (see **Step 5**). You have a fixed period of time to pay the amount back; this can be up to 40 years but is usually around 25 years.

A mortgage really has two parts – the amount borrowed (the 'capital') and the 'interest' that is charged on top by the lender until all the amount is paid back.

Sounds straightforward doesn't it? But you have to remember it's a legal agreement – a loan – and you are responsible for keeping up the payments. If you can't keep up with the agreed payments, the property, your home, may be 'repossessed' by the mortgage lender! So make sure you make the right decisions about how much to borrow, for how long and from which lender.

There are two decisions to start with:

a) How you want to pay

b) What type of mortgage

STEP 3

What exactly is a mortgage?

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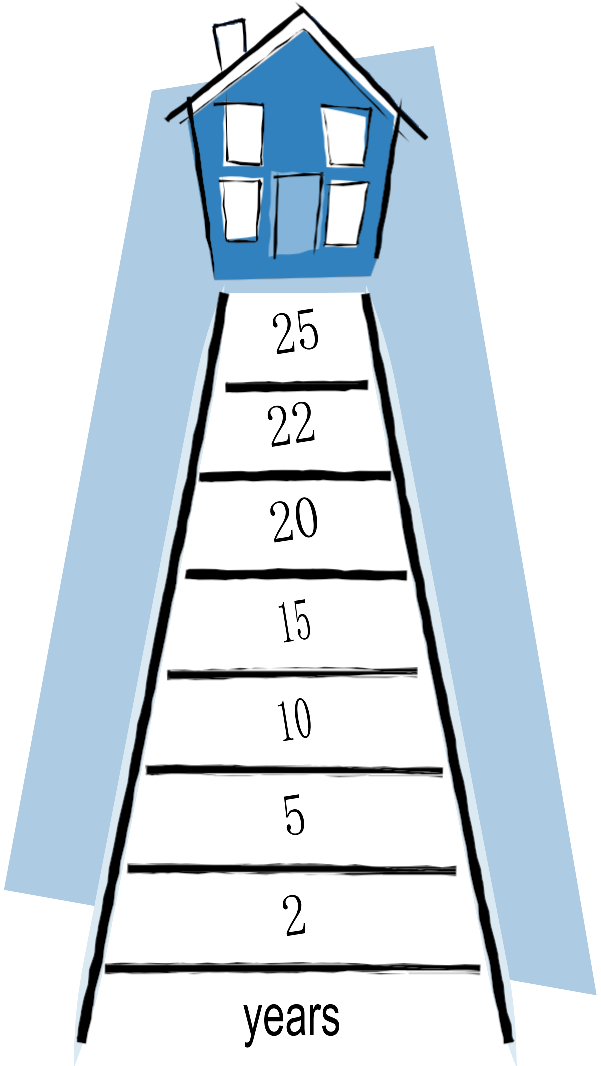
Understanding mortgages

How you want to pay

- **Interest only:** this means each month you only pay the interest on what you have borrowed, which usually means lower monthly repayments. However, at the end of the agreed 'mortgage term' you still owe the whole amount borrowed and you have to find a way to pay that back. You will need to be paying into another investment to accumulate the money needed to repay the mortgage at the end of the term, such as an endowment policy, ISA, or pension and be confident that you have in place the means to repay the full loan amount at the end of the term. Many lenders now restrict the size of the loan you can have on an interest only mortgage to a certain percentage of the property value (e.g. a maximum loan of 50% of the property value).
- **Repayment (capital and interest):** this means each month you pay off part of the 'capital' (amount borrowed) as well as interest. This usually means that everything (capital and interest) will have been fully paid off by the end of the agreed term.
- **Part and part mortgage:** this means you chose to repay part interest and part repayment each month.

Although the 'interest only' option may cost you less each month than the 'repayment' option, remember to include in your budget the additional monthly cost of the investment you will need to pay the 'capital' off at the end of the term.



STEP 3

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Understanding mortgages

What type of mortgage

There are many different types of mortgages and you have to look carefully and understand what each offers. We have outlined the main ones below. **Look at Step 2 to see the different ways to get shared ownership or joint mortgages.**

Our economy is ever changing and so too are interest rates, so lenders and borrowers have to consider different approaches to 'interest'.

- **Fixed Rate mortgages:** this means that you agree a rate of interest that stays fixed until a set date (for example 2, 5, 10 years or longer) allowing monthly payments to remain the same throughout. This is a great way to be able to budget as you always know how much is due to go out. You could lose out if the general interest rate drops but you may be better off if it increases!
- **Variable Rate mortgages:** these mortgage payments vary and can move up or down depending on the movement of the interest rates of the mortgage lender. You may start off with a low rate but are not guaranteed this will not go up later on.
- **Tracker mortgages:** these are like variable rate mortgages, where payments can go up or down. They are linked to the rate set by the Bank of England, and 'track' this rate by a certain percent. So if the Bank of England base rate goes up, then so do your payments.
- **Capped Rate mortgages:** these guarantee a maximum amount that you would have to pay. Your payments may go up or down under that amount, as interest rates increase or decrease, but you wouldn't have to pay more even if the interest rates rise higher.
- **Collared mortgages:** usually found in combination with a capped or tracker mortgage – it means there is a set lower level (the 'collar'), so your payments would never fall lower than that level.
- **Cashback mortgages:** these give an extra lump sum of cash at the beginning of your mortgage for you to spend on anything you like (sometimes on the house). They are often linked with a variable rate mortgage.
- **Offset mortgages:** these allow you to save on the interest you will pay on your mortgage debt by 'offsetting' any savings you (or perhaps family / friends) have linked to your mortgage. For example if you have a mortgage of £120,000 and put savings of £20,000 with your lender, in this type of mortgage you would only pay interest on £100,000. This saves on the interest you have been paying on your mortgage, but you don't get any interest on your savings. However, in balance, you're likely to be better off and it could cut down on the time it will take you to pay off the mortgage.

What exactly is a mortgage?

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Understanding mortgages

Where can I get a mortgage?

If you want advice or help in finding a mortgage, there are many professionals to help, including mortgage advisers, brokers, lenders and Independent Financial Advisers (IFAs). You are recommended to seek out a reputable Independent Mortgage adviser, so make sure you shop around and do your own research. Don't be afraid to ask questions! These people are here to help.

Make sure you collect as much information as you can and, when looking at mortgages, compare by the total cost over the deal period to work out which one is cheapest.

The following is a list of suggested things you should ask an adviser:

- What are their rates and any other associated costs, such as reservation fee, product fee and broker fee (if applicable)?
- Can associated costs be included in the mortgage loan or are they payable upfront? If I add them to the loan, how does this affect my monthly payments?
- What does the lender charge for survey / valuations?
- What is the lender's revert rate once the initial deal term is finished and how will this affect monthly payments?
- Are there any charges for early repayment of the mortgage?
- Is there an arrangement fee to pay and if so will I get this back if my application does not proceed?
- Is the mortgage portable to another property if I decide to move?
- Am I allowed to make partial repayments of capital or increase my monthly repayments if I wish to repay the mortgage early?
- Are there any other conditions attached to the mortgage? Will I have to buy insurance from that lender?
- (To ask a Broker) Do you provide advice on mortgage products from the whole market or just a selection of lenders?
- You can download this list in **Appendix g - list of suggested things you should ask an adviser**.

BUT whoever you speak to make sure they are regulated by the Financial Concuct Authority (FCA) – that way you know that they meet certain standards and give information you can trust.

If you do feel you are mis-sold a mortgage by an adviser (whether they are independent or acting on behalf of a particular lender), you can complain to the Financial Ombudsman Service (www. financial-ombudsman.org.uk/).

STEP 3

What exactly is a mortgage?

How you want to pay

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Understanding mortgages

Where can I get a mortgage? cont'd

The main places that offer mortgages are:

- building societies and banks
- insurance companies
- brokers
- house building companies
- specialist mortgage companies or finance houses.

Every lender has a different suite of products and the type of mortgage you choose depends on your own personal circumstances. It might be worth contacting an Independent Mortgage Adviser for help and advice on looking at all your options and then choosing which is the best one for you. However, many independent mortgage advisers are able to get deals that are otherwise not available..

Online comparisons tools

Online comparison tools have become very popular and are often easy to use. You independent Mortgage adviser will input the details about your personal circumstances and preferences, you will be provided with a list of possible mortgage deals to consider. They usually allow you to compare by various features including: type, features, maximum loan-to-value, overall cost for comparison, standard variable rates and, very importantly, interest rates.

STEP 4

Budget

How much can you really afford?

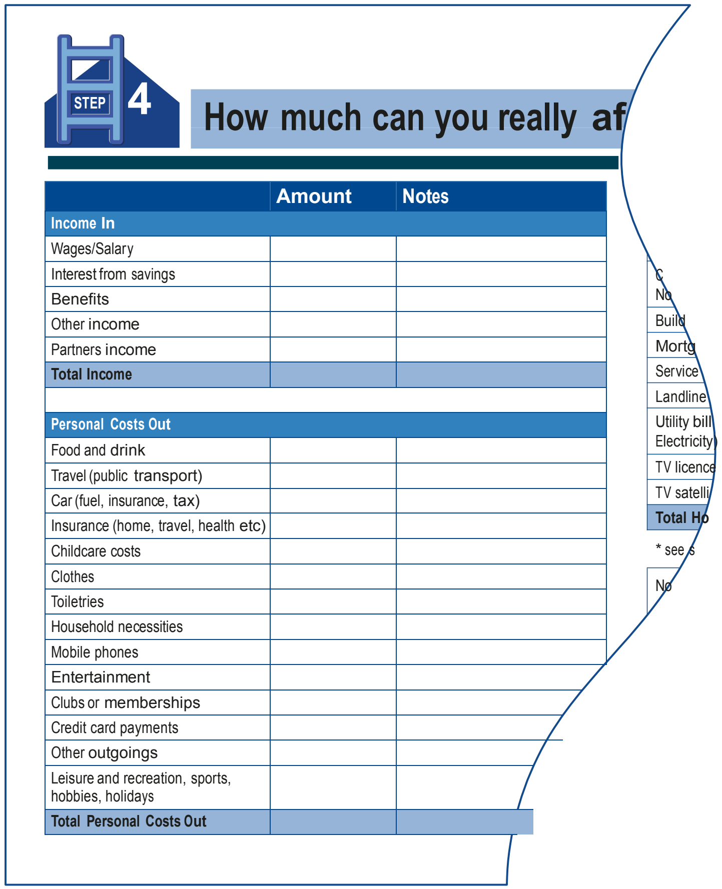
It's all very well getting approved for a mortgage, but you need to have a realistic idea what your income and outgoings are going to be so you are able to work out what you can really afford to pay out on a mortgage – without overstretching yourself!

Budget

There are many things you need to consider when working out what you can really afford on a monthly basis. This includes your income 'in' such as your salary, gifts, interest from savings and any other income, and your costs 'out'. Costs include your personal costs such as food and drink, travel, insurance, toiletries, entertainment or credit card payments; as well as your home costs such as your mortgage (or rent), Council Tax, buildings and contents insurance and utility bills.

If you add up your personal and home costs and take the total away from your income, then you should know if you can manage, have a shortfall or have any funds left over. Remember a good budget allows for saving, some luxuries and an amount for emergencies or change in circumstances (such as a relationship breakdown), repairs and maintenance!

The PDF of this step includes a full budget template that you can use to help work out what you can afford.



STEP 4

How much can you really af

	Amount	Notes
Income In		
Wages/Salary		
Interest from savings		
Benefits		
Other income		
Partners income		
Total Income		
Personal Costs Out		
Food and drink		
Travel (public transport)		
Car (fuel, insurance, tax)		
Insurance (home, travel, health etc)		
Childcare costs		
Clothes		
Toiletries		
Household necessities		
Mobile phones		
Entertainment		
Clubs or memberships		
Credit card payments		
Other outgoings		
Leisure and recreation, sports, hobbies, holidays		
Total Personal Costs Out		

How much can you really afford?

	Amount	Notes
Income In		
Wages/Salary		
Interest from savings		
Benefits		
Other income		
Partners income		
Total Income		
Personal Costs Out		
Food and drink		
Travel (public transport)		
Car (fuel, insurance, tax)		
Insurance (home, travel, health etc)		
Childcare costs		
Clothes		
Toiletries		
Household necessities		
Mobile phones		
Entertainment		
Clubs or memberships		
Credit card payments		
Other outgoings		
Leisure and recreation, sports, hobbies, holidays		
Total Personal Costs Out		

	Amount	Notes
Home Costs Out		
Mortgage		
Council Tax [or Domestic Rates for Northern Ireland]		
Buildings and contents insurance *		
Mortgage protection plan *		
Service and maintenance charges		
Landline telephone and internet		
Utility bills, (e.g. Gas, Water, Electricity)		
TV licence		
TV satellite/cable costs		
Total Home Costs		

* see step 9 for more details

Now add up your personal and home costs and take the total away from your income, then you should know how well you are doing. Remember a good budget allows for saving, some luxuries and an amount for emergencies such as repairs and maintenance!

	Amount	Notes
Total personal costs out		
Add total home costs out		
Total Costs Out		
Total Income in		
Minus Total Costs Out		
= disposable income		

STEP 5

How much can you borrow?

It's important to understand exactly what you are able to borrow and how it's worked out – but remember more importantly you need to know you can actually afford it so make sure you have done your budget first (**see Step 4**).

What have you got saved?

You will usually need to put a substantial deposit down on any new home – that makes the amount you need to borrow less, so have you been saving regularly? If not, you should start now and get in the habit of trying to put some money away each month. Most lenders would like you to put down at least a 15% deposit of the total cost of the house. There are a few lenders offering mortgages with a 5% or 10% deposit, but remember that generally the less deposit you have, the higher the rate you will pay. Over the last few years the average deposit first time buyers have put down is 20%.

Tip

The loan-to-value ratio is the comparison between the amount you want to borrow and the value of your home expressed as a percentage. It tells the lender how much equity you have in your home. The lower the percentage, the better deals you can usually get.

How much can you borrow?

Remember there will be lots of other things to pay for as well but first things first. How much you can borrow depends on your personal circumstances (for example whether you are buying alone or jointly with others) and of course it is up to the lender as to how much they are willing to lend. Although you are the ultimate person responsible for repaying your mortgage, they should lend responsibly and not put you at risk of not being able to pay regularly. A lender will calculate how much of a mortgage they can give you mostly based on your income, or a joint income if you are buying with someone else.

STEP 5

How much can you borrow?

Interest rates and monthly payments

To work out how much a monthly payment would be, the following table gives you a guide. It gives a range of interest rates and what you could expect to pay on an interest only, or a repayment mortgage for each £1,000 borrowed. It is only a guide though, based on a 25 year mortgage term agreement! The higher deposit you put down the more likely it will be for your interest payments to be lower. Remember that interest rates can vary though so keep that in mind when budgeting or choosing which mortgage is best for you (see Step 3).

As an example, take the amount you want to borrow and divide by 1,000, then multiply that amount by the rate of interest.

Payment Per Month Per £1,000 Borrowed

The interest rate	Interest only mortgage*	Repayment Mortgage
2.5 %	£ 2.08	£ 4.49
3.0 %	£ 2.50	£ 4.74
3.5 %	£ 2.92	£ 5.01
4.0 %	£ 3.33	£ 5.28
4.5 %	£ 3.75	£ 5.56
5.0 %	£ 4.17	£ 5.85
5.5 %	£ 4.58	£ 6.14
6.0 %	£ 5.00	£ 6.44
6.5 %	£ 5.42	£ 6.75
7.0 %	£ 5.83	£ 7.07

** Also budget for the additional monthly payment of the investment you will need in order to pay the 'capital' off at the end of the term.*

For instance, if you have a salary of £20,000 and you are able to borrow (as a simple example) 3.5 times your salary, this would give you an amount of £70,000. If you wanted a repayment mortgage and the interest rate was 6.5%, you take the amount you could borrow of £70,000, divide by 1,000 (giving 70), then multiply that by the example in the table for a repayment mortgage at 6.5%, which is £6.75. Your monthly payment would then be 70 x £6.75 = £472.50. You can use the mortgage calculator in this guide to help you calculate your own repayments.

But remember the interest rate should not be the only thing you consider when looking for a mortgage! Also consider the reputation, stability and security of the lender as well as the mortgage features, and all elements of the mortgage costs including upfront costs, during the deal term, and so on.

When deciding the length of term on your new mortgage, beware of false economy! Whilst choosing a longer term to pay back your mortgage might mean lower monthly repayments, you'll end up paying back more in total as you're borrowing the money for a longer period.

STEP 5

How much can you borrow?

What is your credit rating like?

Lenders need to know that they are lending responsibly in providing you with a mortgage. They will carry out an assessment to decide whether they are able to lend to you. This assessment is known as 'credit scoring'. Individual lenders use their own criteria when deciding whether or not to lend you money. They use the information you supply in your application, but they also rely heavily on data supplied by credit reference agencies. Your 'credit worthiness' is based on your history of borrowing and repaying; it will also take into account any other financial assets or liabilities you might have. From all this information, a 'credit score' is generated.

Help yourself get a mortgage

There are a number of ways to improve your chances of getting the mortgage that you want.

- **Check your credit file:** there are three main credit reference agencies: Experian, Equifax and Callcredit. You can get a copy of your credit report from each agency for a small fee. Once you have your file, check everything in it for accuracy and contact the agency to change anything which is incorrect.
- **Register to vote:** if you are not on the electoral roll you may find it more difficult to get credit. To register go to www.aboutmyvote.co.uk to download a form.
- **Cancel unused credit cards or accounts:** unused credit cards will increase the amount of overall credit you have available and may reduce your credit score. Also ensure that all active accounts are registered to your current address to ensure smooth ID checks.
- **Keep up payments and never be late:** it sounds simple and it is, your credit score will be higher if you maintain all payments on every credit agreement you have. Late or missed payments or CCJs will negatively impact your credit score. If you are struggling to meet payments, contact the lender who may be able to help.
- **Establish a pattern of regular savings:** financial assets will improve your standing and give you a buffer against unexpected events.
- **Build relationships:** lenders are often happier to lend to customers who have an existing relationship with them. If you have a current account with a bank or building society you may find it easier to get a mortgage with the same lender and they may have special offers specifically for existing customers. If this is not the case consider moving your current account and savings to your preferred lender.

Look in **Appendix b – Useful contacts** for websites where you can find more ideas on how you can better your credit rating.

STEP 5

How much can you borrow?

Extra costs

But it doesn't stop there! There are a number of other one-off costs that you will have to budget for. These amounts vary depending on what you choose, but do not underestimate them as they can add up!

- **Land Registry Fees:** similar to Stamp Duty, it varies depending on the value of the property.
- **Estate agents' fee:** this is usually paid by the seller of the property, but you can appoint one to look for a property and would negotiate an amount.
- **Legal / Solicitors' Fees:** a solicitor is needed to assist in the legal aspects of moving home, such as transferring the legal title of a property from one person to another (known as conveyancing). This varies from solicitor to solicitor and place to place but allow a minimum of £400, and always ask for a quote.
- **Searches:** these are carried out by the solicitor and are usually included in their charges. It's important though to make sure everything about the property you are buying is legal and straightforward and there are no hidden rights of way or clauses.
- **Valuation costs:** this is a charge by the lender to carry out an inspection on the property to make sure it's worth what they are lending you.
- **Survey:** this is an inspection of the property that is more detailed than the valuation. Cost depends on how detailed you want, or need, the Surveyor's Report to be – again always ask for a quote (see **Step 9**).
- **Stamp Duty:** this is a tax from the Government on houses worth over £125,000 and can be anything from 1% to 15%. (A higher threshold of £150,000 applies for properties bought in an area designated by the government as 'disadvantaged'.) See the HMRC website for more details: www.hmrc.gov.uk/ sdlt/intro/rates-thresholds.htm
- **Mortgage Arrangement or Booking Fee:** this is a charge you pay the lender for setting up the agreement, or arranging the mortgage.

...and don't forget your removal costs!!!

STEP 6

The application process

Applying for a mortgage can seem scary, but you need to remember the lender is about to lend you thousands and thousands of pounds and they need to make sure they lend responsibly – that is so you can make the repayments regularly and they will get their money back!

How to apply

Your mortgage Broker will walk you through all the stages from advice to completion.

Key Facts Illustration (KFI)

The first step is get a Key Facts Illustration (KFI) for any mortgages you are interested in. This gives you all the information you need to know about the mortgage product, and is standardised so that you can compare mortgages from different lenders on a like-for-like basis. It will detail the monthly payments, interest rates, fees or charges and total amount payable over the term. Your broker will get a KFI for as many mortgages as you like before advising tyou on the one that best suits your circumstances.

Agreement in principle

You will also need to get an Agreement in Principle (AIP, also known as a lending decision or 'Decision in Principle') from your chosen lender, (this can be done through an independent adviser) which means they are prepared to lend you the mortgage you have asked for, based on information about things like your income and outgoings (though be aware this is not a guarantee). This can help you when finding a house, as it shows the estate agent and seller that you have begun the process of applying for a mortgage and that a lender is willing to lend you the money needed. By the time you find a property you like and make an offer on it, the lender you got the agreement in principle from might not be offering the best deal anymore so you shouldn't necessarily apply for your mortgage with the same lender. You should get another agreement in principle through an independent mortgage adviser. Once you have chosen your mortgage and have an Agreement in Principle, you mortgage broker can go on to complete a full mortgage application.

The application process

The main application

Once you have made an offer for a property and you need to confirm the mortgage, your mortgage lender will need you to give them some more detailed information about the property, your chosen solicitor and the type of survey you want (see Step 9) as well as proof of your income – so they can make an informed decision about lending you money... don't get frustrated, it's in your interest to give them the information. They and you need to be sure you can manage to make the regular repayments!

What will they want from you

1. **Personal details**
   - passport, driving licence or birth certificate and your National Insurance number
2. **Accommodation details**
   - proof of your address(es) for the last three years, such as utility or council tax bills
3. **Employment details**
   - employer and contact number (including your own details if you are self-employed)
4. **Financial details**
   - documentation of proof of income i.e. – pay slips, P45, accounts if self-employed
   - documentation of your outgoings, debts, loans, etc, and your last few bank statements
   - detailed breakdown of assets such as other accounts, properties, investments, etc.
5. **Purchase requirements**
   - details of the property you wish to buy
   - your solicitor / conveyancer
   - your mortgage requirements
   - your valuation / survey requirements
   - your mortgage protection requirements
   - your home insurance requirements
   - your bank account (if not with the lender)

Before you start

Here are a few ways to make the process go smoothly.

- **Prepare everything beforehand:** When dealing with your Mortgage Broker, get every single bit of information ready to hand. There is nothing more frustrating than having to go back and forth looking for stuff you could have found earlier.
- **Be thorough:** when completing any forms, your broker will fill out every single little box, no matter how trivial you may find it. They won't leave anything blank, as this will avoid having to go back and redo your whole application again.
- **Just ask:** if you are stuck for answers and are not sure how to fill in the application, just ask your mortgage adviser to help you. Application forms aren't a test, they are there to help you get the right home for you.

Your independent mortgage advisers will fill out the application form for you.

STEP 7

Leasehold or freehold

'Would like' and 'need' lists

Ask questions!

Finding a property

Once you have an idea of what you can afford, or what a mortgage lender can offer, you need to look at properties – but where should you start?

Here are a few examples:

- Local estate agents in the area you are looking to buy
- Estate agents and other reputable sites on the internet
- Local newspapers property pages
- 'FOR SALE' boards in chosen location
- House building companies building in the area
- At an auction
- Online property sites such as:
  - www.rightmove.co.uk
  - www.primelocation.com
  - www.findaproperty.com
  - www.tepilo.com

Remember to check if it is freehold or leasehold

Freehold means that the sale includes the property and the land on which the property is built, and that there will be no ground rent or service charge due. You will have complete ownership of both the land and property for an unlimited time.

Leasehold means that the sale does not include the land on which the property is built – instead you pay ground rent to the owner of the land – the freeholder. You only have the right to occupy the property for the length of time left on the lease. You might also have to pay a service charge too – this is usual with flats and covers maintenance and repairs to the whole building and upkeep and cleaning of communal parts of the grounds or surroundings. However, in the case of flats, the land owner may well insure the whole building, which means you will save on buildings insurance!

In Scotland, very few houses are leasehold, the vast majority are freehold.

STEP 7

Leasehold or freehold

'Would like' and 'need' lists

Ask questions!

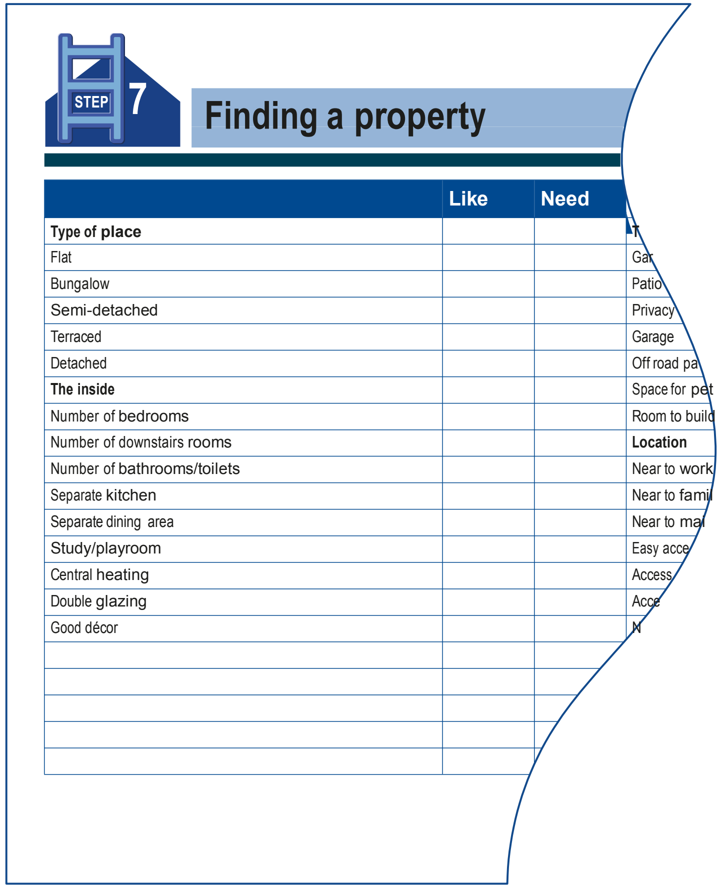
Finding a property

'Would like' and 'need' lists

You should make 'would like' and 'need' lists to decide the type of property you are looking for. But first things first, you need to decide:

- **Where you want to live:** in middle of a town, or the countryside, near to work or school?
- **Why you are moving:** to get started, getting married or moving in together, to have a bigger place, to start a family, or maybe to have a garden?

In your 'would like' and 'need' lists you should consider things like the type of place you are looking for, such as a flat, bungalow or semi-detached house. You should also consider what you would 'like' and 'need' for the inside of the house including the number of bedrooms, bathrooms or having a separate kitchen / dining area. Finally consider the outside and surrounding area, do you want a garden, patio or garage? Is space for pets or off-road parking a 'would like' or 'need'? As for location, is the place near to work / school or other amenities? The PDF of this step includes a full checklist of things to consider when buying your new home.


STEP 7

Finding a property

	Like	Need
Type of place		
Flat		
Bungalow		
Semi-detached		
Terraced		
Detached		
The inside		
Number of bedrooms		
Number of downstairs rooms		
Number of bathrooms/toilets		
Separate kitchen		
Separate dining area		
Study/playroom		
Central heating		
Double glazing		
Good décor		

STEP 7

Leasehold or freehold

'Would like' and 'need' lists

Ask questions!

Finding a property

Ask questions!

When you find somewhere you like, it's important to make sure you ask a few questions either from the owners themselves or the estate agent, such as:

- What are the neighbours like?
- Do they feel safe and secure?
- Is the area quiet?
- What are the traffic levels?
- Which direction does the house or garden face?
- Condition of property
  - structural problems
  - wiring and electrical
  - boiler and plumbing
  - woodwork and windows
  - damp proofing
  - insulation
- Are the sellers looking for a quick sale? Have they already somewhere to move to?
- What is the reason they are moving?
- What are transport links and public transport like locally?
- What is the local catchment area for schools and what are the schools like?
- How much is Council Tax, gas, electricity, water, etc?

Although in Scotland there will be lots of information in the Home Report (see **Step 8 part 2 – Scotland** for details), it's always good to talk face to face with the owners.

TIP
Some property search websites can tell you all about the area, such as the age range of people that live there, crime rates, etc.

TIP
Make sure you visit the property with someone else as they might notice things you don't and try and visit the place at different times of the day to get a more realistic picture of what might be your home!

Finding a property

	Like	Need		Like	Need
Type of place			**The outside**		
Flat			Garden		
Bungalow			Patio		
Semi-detached			Privacy from neighbours		
Terraced			Garage		
Detached			Off road parking		
The inside			Space for pets		
Number of bedrooms			Room to build/extend		
Number of downstairs rooms			**Location**		
Number of bathrooms/toilets			Near to work		
Separate kitchen			Near to family and friends		
Separate dining area			Near to main roads		
Study/playroom			Easy access to public transport		
Central heating			Access to shops		
Double glazing			Access to social places		
Good décor			Near to schools and nurseries		
			Near to doctors surgeries /hospitals		
			Near to place of worship		
			Good parking		
			Family friendly		
			Disabled access		

STEP 8

(Part 1) Making an offer in England, Wales and Northern Ireland

(For making an offer in Scotland see STEP 8 part 2)

You've looked at several places and you think you like the look of one, but before you make an offer, make sure the seller or estate agent has given you an Energy Performance Certificate (EPC) or Predicted Energy Assessment (PEA).

EPC

All sellers across the UK are required to provide an Energy Performance Certificate, which shows how much energy a building uses. It can help home owners reduce their energy bills and live more sustainably by making their homes more energy efficient. You would need a Predicted Energy Assessment (PEA) for a new build (not yet completed) home.

Putting in an offer

Once you've found the property you want, you will need to put in an offer to the seller or the estate agent ('subject to survey') and as a first time buyer, you may need to give them proof that you can get a mortgage. You can do this by getting an agreement in principle from your mortgage broker. This shows how much a lender is willing to lend (see **Step 6**).

The deposit for the seller

Sometimes you will be asked to pay a deposit to the seller or estate agent, which shows your intention or commitment to buying the property. These deposits normally range from £500 to £1,000 and are usually repayable should the sale fail. Remember, this is not the same as your mortgage deposit.

Solicitors and fees

It's important to get a good solicitor who deals with all the legal parts of the sale (known as conveyancing) and who will carry out searches (for example to find any likely rights of way, or changes or developments due in the area that might affect the property) and deal with the seller's solicitors. They will also need to hold your deposit on the property (the difference you are personally paying between the asking price and what the mortgage lender is giving). You need to find one you can trust and word of mouth is the best way, your mortgage broker will be happy to recommend someone to you.

STEP 8

Role of solicitor

The Home Report

Surveys

Putting in an offer

The deposit for the seller

Final preparations

Completion

Part 1:
Making an offer in England, Wales and Northern Ireland

(Part 2) Making an offer in Scotland

(see Step 8 part 1 for making an offer in England, Wales and Northern Ireland)

The property market in Scotland works very differently to the property system in the rest of the UK. For instance, very few houses and flats in Scotland are leasehold, the vast majority are freehold.

Role of solicitor

In Scotland the solicitor plays a greater part in buying homes than in the rest of the UK. Solicitors in Scotland are usually also estate agents; most are members of Solicitors' Property Centres, who have showrooms, websites and newspapers, where properties are advertised collectively from member solicitors in an area. Of course estate agents do operate in Scotland too, but have a far smaller share of the market.

If you want to buy a house in Scotland, it is necessary to use a Scottish solicitor. So when you see a property you like, the first thing you should do is find a solicitor to act for you. Do some research, ask friends, family or work colleagues for recommendations and ask for an estimate of their charges for buying a home. Approach several local solicitors as fees vary, check if it is a fixed fee or variable and check if it includes all outlays (such as stamp duty, search fees, land registration fees, etc).

The Home Report

In Scotland a seller must have a Home Report pack prepared. The Home Report pack consists of three compulsory documents that provide buyers and sellers with information about the condition and value of homes before an offer to purchase is made:

- Property Questionnaire
- an Energy Report
- a Single Survey

The Property Questionnaire is completed by the seller of the home. It contains information about the home, such as Council Tax banding, factoring arrangements and any alterations made to the home. The Energy Report shows the home's energy efficiency rating and assesses its environmental impact. It also recommends ways to improve its energy efficiency. The Single Survey contains an assessment by a Surveyor of the condition of the home, a valuation and an accessibility audit for people with particular needs.

STEP 8

(Part 2) Making an offer in Scotland

Surveys

The Single Survey may be acceptable to your lender. However, some mortgage lenders may insist on having an additional survey completed, paid for by you, the buyer. If the property is older or the survey raises concerns you might want to get a Structural Survey done.

Putting in an offer

When you want to make an offer on a property, your solicitor may recommend 'noting an interest' which puts you under no obligation, but will mean that the seller's solicitor or estate agent will let you know if anyone else is interested. If two or more people are interested in buying a property a closing date can then be fixed and sealed 'offers' are made by all those interested. If there are no other notes of interest, an offer may be made immediately. However, in the current economic climate, many homes are being offered at fixed prices.

Your offer will be submitted by your solicitor to the seller's solicitor or estate agent and should include the price you want to pay and when you wish to have entry. In deciding what to offer, you will need to take into account how many others will be making offers, however sellers do not always accept the highest offer – other conditions of the offer such as how soon you can move may influence their decision.

This is followed by written negotiation backwards and forwards, conducted by the solicitors. When all conditions are agreed by both parties, the concluded missive is then a binding contract. Neither side can withdraw without having to pay compensation.

The deposit for the seller

If the seller asks you to pay a deposit this will be held by your solicitor in a special account, where it will gain interest until the sale. Estate agents are not permitted to hold deposits. Remember, this is not the same as your mortgage deposit.

Final preparations

After a binding contract has been agreed, your solicitor will prepare a number of documents, including a 'Disposition' which will transfer ownership of the house to you.

They will also make all the financial arrangements for settling on the agreed date of entry, including liaising with your mortgage provider. You will also be asked to make sure any additional funds are with your solicitor in advance of settlement, to cover the whole purchase price, stamp duty (if applicable) and registration dues on the title.

Completion

On the date of entry your solicitor will send the purchase price to the seller's solicitor. In exchange, your solicitor will receive the signed 'Disposition' and other relevant documents... and the keys to your new home!

Surveys and insurances

Once your offer has been accepted (subject to survey), it's then vital you carry out the survey on the property. This will then ensure you are aware of the state the property is in before you buy, including its value and any possible structural problems, etc.

Surveys

A valuation is necessary, and will check that your property is worth the asking price (your lender will arrange this for you), but it will not give you details on what may be wrong with the property. A HomeBuyers Report or full Structural Survey (also now known as a Building Survey) on the other hand (which are optional), examine the structure of the building to find if there are any faults or problems likely to happen – it can also help to renegotiate the asking price, if faults are highlighted that will need putting right! If you are buying a new home you don't need a building survey as it should have NHBC certificate. (A National House Building Council certificate gives a 10 year guarantee, covering any major fault or problem in new homes.) You will need to choose which survey you want carried out.

HomeBuyers Report:
This checks the condition of the property and its value.

- Usually for properties of reasonable condition up to 150 years old
- Checks for major faults and estimated costs to put right
- Estimates the value of the property

It won't tell you any minor issues, or give you the details of any major issues identified.

Structural Survey:
This is a comprehensive, detailed survey, also known as a 'building survey'.

- Usually for older, unusual or listed buildings or properties that have extensions or renovations
- Checks all parts of the property for faults (major and minor), estimated costs to repair and if any further reports are needed

It won't give you the value of the property so if you want a structural survey you will still need to have a valuation as well.

STEP 9

Surveys

Insurance

Other types of insurance

Surveys and insurances

Insurance

It's important that you take out insurance to protect your home – often referred to as home insurance, it's usually split into Buildings and Contents Insurance.

- **Buildings Insurance:** this covers you financially for any damage to your building (e.g. from fire, flood or wind). Make sure that you look at the level of cover as well as the cost of the policy. In the worst case scenario it will need to cover the cost of rebuilding your home – not just what you paid for it. Most mortgage lenders will insist on seeing this is in place before completion. Often included as part of leasehold properties.
- **Contents Insurance:** this is often overlooked because it's another expense, but just think what it would cost if you had to replace everything in your home because of flood damage, fire or theft – furniture and furnishings, TV and audio, all electrical goods and appliances, and clothing and jewellery!

TIP

Most reputable Mortgage Brokers offer Insurance services too.

Other types of insurance

Now you have your home covered, what about you? Think about how you would manage to pay your mortgage if you became unemployed, ill or injured, or even died? There are several kinds of insurance that you could look at to safeguard your repayments:

- **Critical Illness:** this can give cash if you become critically ill.
- **Life Assurance:** this can give cash to your next of kin if you die or become terminally ill.
- **Income Protection:** this can give a regular monthly income if you can't work because of an accident or illness.
- **Mortgage Payment Protection:** this can cover your mortgage payments if you can't work because you've become unemployed, or can't work because of an accident or illness. But this type of insurance has many exclusions, so make sure you check for instance how long it will cover your payments for.

(For further information on insurance please see **Appendix b – Useful Contacts.**)

(For more detail on Scotland please see **Step 8 part 2.**)

STEP 10

Exchanging contracts

Final preparations

Completion day

Exchanging contracts and completion day

At this point in the process, there are only a few things left to do before the house is yours!

Exchanging contracts

When your solicitor has all the reports and you are happy, then it's time to sign the contract! Once the seller has signed theirs too, then the solicitors will swap or exchange them.

The deposit your solicitor is holding for you will also be transferred to the seller's solicitor ready for completion. (If you pull out of the deal after this you will most likely lose your deposit!)

Final preparations*

Make sure you know exactly what is being done by your solicitor, and when, as these last few days are vital.

- **Land Registry:** your solicitor will do a final check to see nothing has changed and you should have the registered title of the property.
- **Transfer deed:** this will be sent before completion to the seller's solicitor and shows you as the new legal landowner.
- **Money transfers:** all arrangements for the final payments and getting the mortgage monies in.
- **Final accounts:** includes preparing all the details of all monies already paid or due.

Completion day

A really important day with lots happening – you may need to take the day off work to make sure everything gets done!

- **Transfer Payments:** all monies are transferred to the seller.
- **Keys:** collect the keys to your new property!

Congratulations, you've just bought your first home!

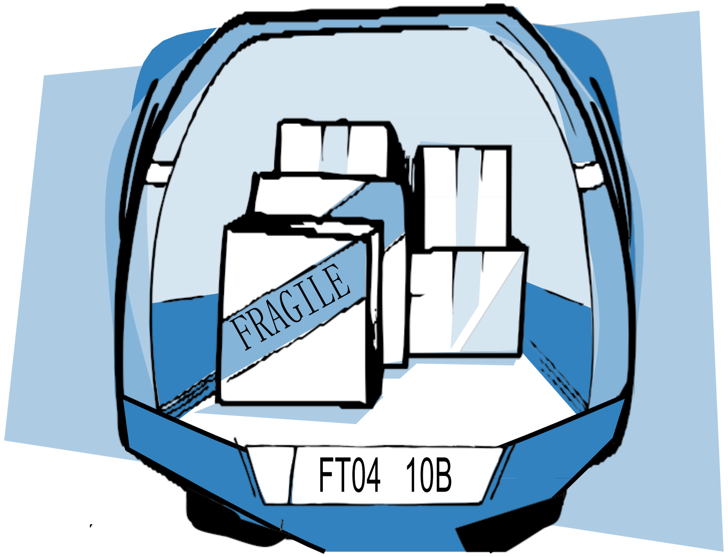
* For more detail on Scotland please see **Step 8 part 2.**

Moving into your new home!

It's been a long process, and you are home and dry... well not just yet, you need to make sure moving in is trouble free! We've given you a checklist of things to plan and book, and when they need to be done.

As soon as you can

- Plan your actual moving-in date and book your time off work.
- If you are renting:
  - give notice to your landlord (you don't want to pay both rent and a mortgage)
  - tell your existing utilities and telephone companies when you are moving out of your present address.
- Confirm your moving date, your new address and get new agreements with:
  - gas, electricity, water and telephone companies
  - your local authority for Council Tax
  - the Post Office to redirect any post (there will be a charge for this).
- Start to sort all your things, clear out, sell on eBay or locally, donate what you won't use – don't move what you don't need.
- Book removal company or arrange for family and friends to help move you and your things.
  - If you are using a removal firm, use someone from the British Association of Removers or the National Guild of Removers and Storers (NGRS), but always get quotes.
  - Check your home insurance covers you for any damage during the move, just in case!

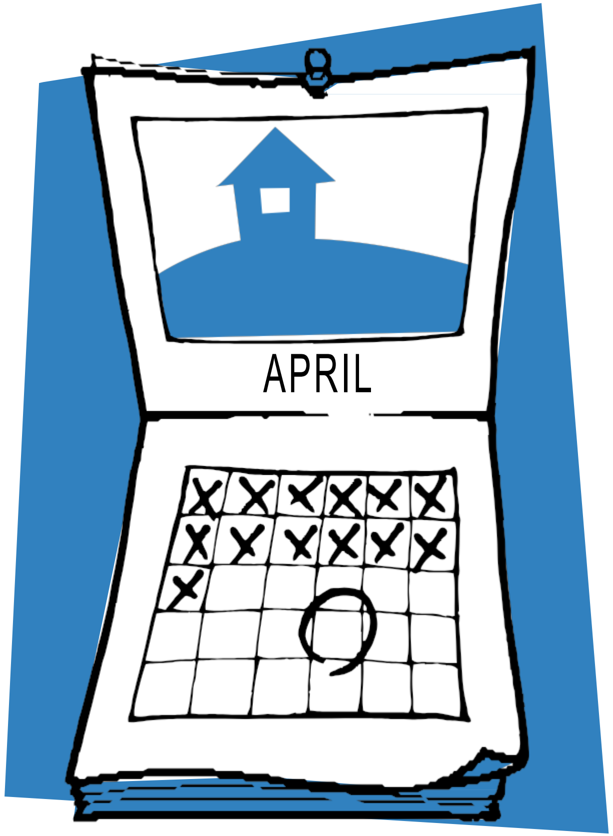


STEP 11

Moving into your new home!

A few days before

- Check what time you can actually move in and plan everything around that.
- Confirm all details with the removal company and or friends.
- Speak to neighbours, at both your current home and your new home, and check you can get parking access for the removals van.
- Pack all things (except those you will need before the day).
  - Label each box with the contents and the room they should go in.
- Place all valuable or important things somewhere safe.
- See if you can visit the owners to help make sure:
  - they've shown you where all the important things are (like water cocks, fuse boxes, and gas / electricity meters)
  - you have looked into and sorted out a parking permit (if needed)
  - they have had final meter readings done or booked
  - that all window, garage, shed, internal door, and front and back door keys and spares are all left labelled and in one place
  - that all relevant manuals, leaflets, etc for the boiler or any appliances are left in the property.
- Settle all your present bills.
- Let others know:
  - Your bank, building society, insurance companies, credit card companies, Inland Revenue, DVLA, Council Tax office, DSS office, Electoral Roll, employer, doctor, dentist, etc. And don't forget to let all your friends and family have your new address too!



STEP 11

As soon as you can

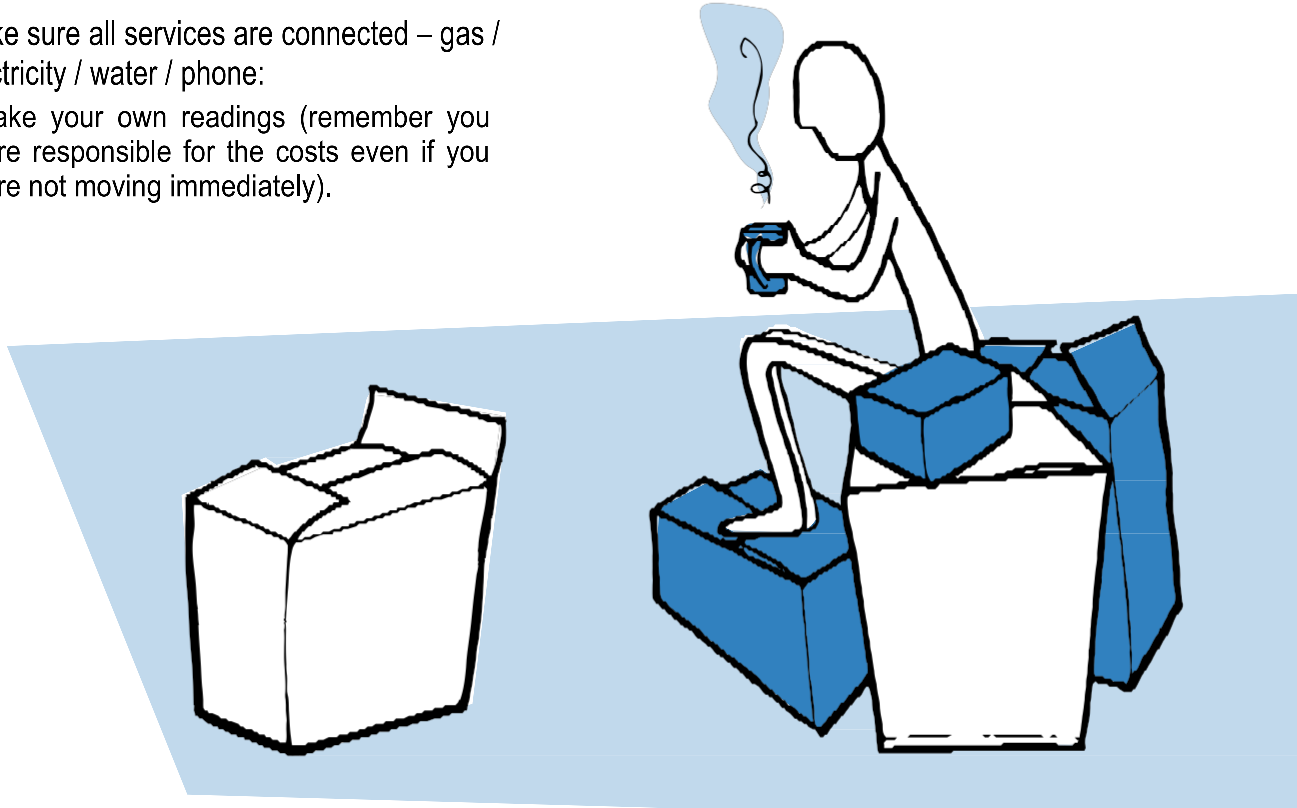
A few days before

On moving day

Moving into your new home!

On moving day

- Make sure you have a 'moving box of essentials':
  - Kettle, mugs, tea, coffee, milk, sugar
  - Cleaning things: cloths, detergents, dustpan and brushes, vacuum cleaner and bin liners
  - Toilet paper, kitchen towels and tissues
  - Torch, light bulbs, pliers and screwdrivers
  - Pens and paper and post-it notes
- Make sure all services are connected – gas / electricity / water / phone:
  - take your own readings (remember you are responsible for the costs even if you are not moving immediately).
- Make sure insurance cover is immediate.
- Put each box into the room you intend the things to be in, and don't unpack everything at once.
  - Start with the kitchen and the foodstuffs
  - Then the bedroom so you can have somewhere to sleep even if you don't finish in one day!



STEP 12

After the move

The work doesn't stop once you have moved into your new place! Here are a few things to consider after you have moved into your new home.

As soon as possible

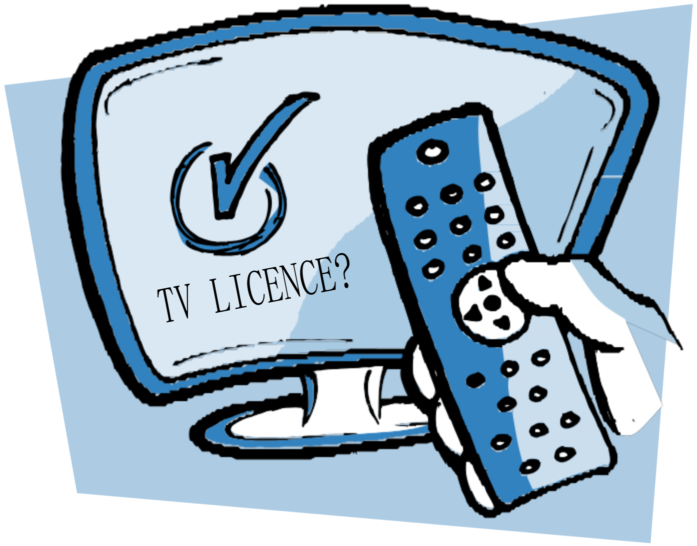
- **Get to know your area:** it may be a completely new area to you, so there's no better way to start to feel at home than familiarising yourself. Get to know your way about, take regular walks around and get to know the nearby street names, where local shops are, schools and night schools, libraries, social places to go like cinemas and clubs, places of worship, transport routes, etc. Local papers are crammed full of information on events in your area.

- **Get to know your neighbours:** take time to introduce yourself, you'll be surprised how a simple 'good morning' can make people's day and you never know it could be the start of good friendships. It's always good to build up relationships with neighbours as you can help each other out in times of need, by taking in deliveries, keeping an eye out if you're away or in an emergency.

- **Register with doctor and dentist:** as soon as possible, register with a local doctor and dentist, and if necessary an optician. You can go on recommendation or whoever is nearest, but be aware there may be waiting lists. You could use the NHS website.

- **Get numbers of local take-away places:** a simple thing, but having phone numbers to hand of good local take-aways can help if you're overwhelmed with your unpacking, are too tired to cook or are late in from work.

- **Don't forget to get a TV licence registered at the new address!**

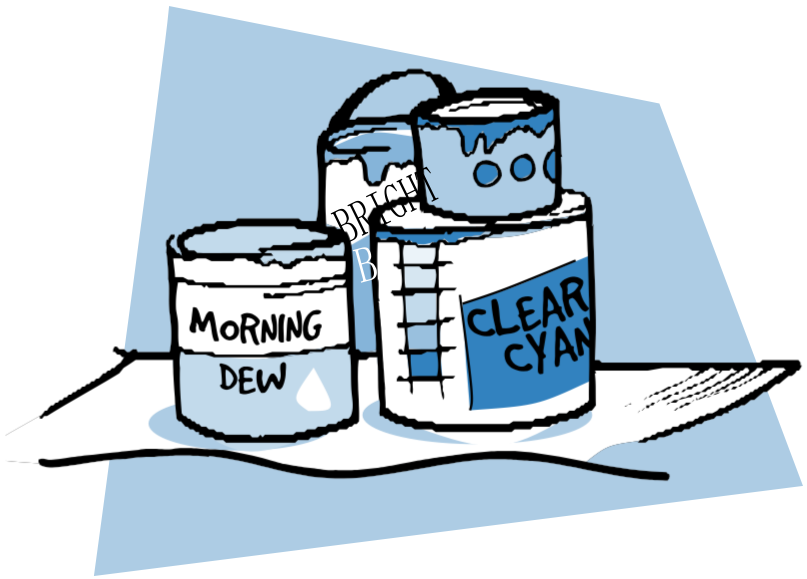


STEP 12

After the move

First month in

- **Check your Contents Insurance:** you should have checked that your contents cover was in place before the move, but just double check that the amount covered actually covers all the new items you may have bought since.
- **Check the gas and electricity are connected and in your name:** you should check these are connected on your moving-in day, and within the first month you should double check that they are registered in your name, that the correct 'moving day' readings are being used, when you will be first billed and that you don't get bills for the previous owner.
- **Think carefully before buying new furnishings and appliances:** try not to rush out and buy lots of new furnishings and appliances in the first months. It's better to see that the level of all your outgoings is as you expect, so you can budget sensibly and buy something monthly as needed.
- **Decoration:** again the temptation is to decorate immediately to get it to feel like yours. If possible, try and live with the previous owners' décor, plan the urgent changes and try to economise by keeping all walls similar colours so you can bulk buy paint and then create personal colour schemes with accessories, cushions, lampshades, etc when finances allow.



STEP 12

After the move

Ongoing costs to budget for – your new budget

Try and work to a new defined budget, which includes all your income first – salary, interest on savings, etc. Then work out the home costs:

- Mortgage repayments
- Insurance
  - mortgage payment protection
  - life / sickness insurances
  - Buildings / Contents Insurance
- Council Tax (or Domestic Rates for NI)
- Utility bills

Then look at your personal living bills:

- Food and drink
- Household
- Transport / travel (car tax and insurance can creep up on you)
- Clothing

Try to keep your costs tight and after you take your home and personal living costs from your income, you will be left with your 'disposable income'. That is the amount you can afford to spend on:

- social activities and holidays
- presents and luxuries
- savings

Don't forget to allow for emergencies such as needed repairs and maintenance!

STEP 12

As soon as possible

First month in

Ongoing costs to budget or – your new budget

Ways to economise and live sustainably

Preparing for unexpected events

Getting behind with mortgage payments

After the move

Ways to economise and live sustainably

As a first time buyer you will no doubt have to juggle your budgets and it's often difficult to have any money to spare for emergencies particularly in the first few months. However there are many creative ways to economise! And no matter what your circumstances, it's important to only use the resources you need so make sustainable living a goal! Some ways in which you can do this include:

- reducing, reusing, recycling to cut down on your waste
- saving energy – turning the thermostat down, even by one degree, makes a difference!
- saving water by only using what you need
- looking for and buying energy efficient appliances, not just those that are cheap
- being carbon conscious when renovating and doing DIY – look into government grants for projects to increase your home's energy efficiency such as draught-proofing or insulation.
- compare deals offered by energy suppliers to get the best deal of you.
- renting a room to allow for an extra income

Preparing for unexpected events

However well we plan, there will always be things that happen outside our control, but some things can be guarded against and that's why insurance can be so important – to at least cover mortgage repayments and have some income in case of:

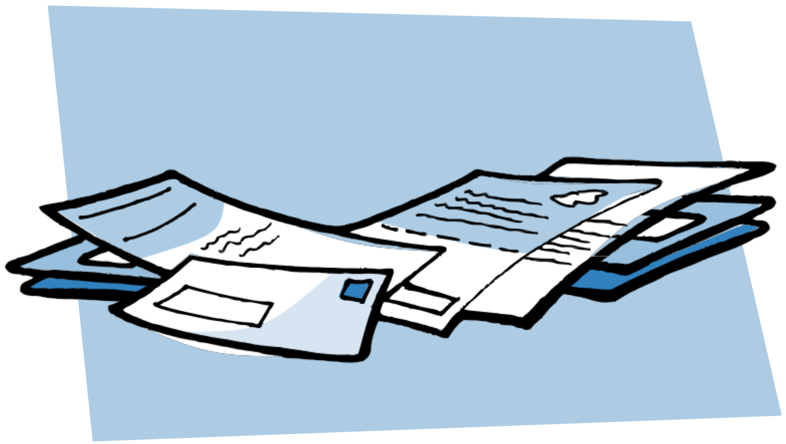
- **Unemployment:** through a mortgage payment protection plan, or an income protection plan
- **Illness (long term):** through critical illness or life assurance.

STEP 12

Getting behind with mortgage payments

One of the worst things you can do if you find yourself in difficulty with payments is to bury your head and try to ignore things, thinking they will go away – they won't, and often they will only get worse! The moment you realise you cannot make a mortgage payment, act! Go to your lMortgage Broker first. They may offer to:

- give you a payment holiday
- accept reduced payments from you in the short term
- agree to change or lengthen the term of your loan
- allow you to add arrears to the total mortgage debt
- convert a 'repayment' to an 'interest only' mortgage.



You should make sure you know how each of these options will have a bearing on your payments, the length of your loan and the overall amount it will cost. For example, often deferring a payment can lead to incurring additional interest. Remember too many lenders will charge penalty fees for late payments which will be added to your arrears.

Even if this happens, it is best to keep the lines of communication open with your lender. You may want to seek the help of an independent adviser, or contact the Citizens Advice Bureau or Shelter Advice Centre, who will help with the court paperwork and look for ways to help you keep your home. It's never too late to get advice, so don't just walk away or hand over your keys to your lender!

Your lender will usually make every effort to help you avoid repossession by reaching a workable settlement with you. So make sure you tell them your situation – all responsible lenders will do what they can to help you.

Appendix a – Glossary A - B

Advance	Another term for the mortgage loan; the amount your lender agrees to lend you
Agreement in principle	An initial document from your lender that gives you an idea of the amount they are likely to lend you. This certificate is not a guarantee, but is often needed when dealing with estate agents, so they have an idea of the size of your mortgage and if you can afford the property. Also known as a '**lending decision**' or '**decision in principle**'
Annual Percentage Rate (APR)	This is the interest rate you would pay over a year period and helps you to compare the 'cost' of borrowing between different mortgage lenders (also known as the 'overall cost for comparison'). It takes into account interest to be paid, length of the repayment term and any other charges. It also assumes you will keeping the mortgage for the whole term and does not take into account possible changes in interest rates. Note: if you plan to remortgage at the end of your initial deal period, APR may not be the best comparison as it assumes you will have the mortgage for the whole term
Arrangement fees (or booking fees)	Charged by lenders to set up a mortgage loan. These are normally payable upfront and non-refundable
Arrears	When payments haven't been paid on the due date they are said to be in arrears

Asking price	The amount the seller values their property at and wants to get if it's sold. Remember you may be able to negotiate if you think a property is too highly priced
Assets	Anything that you own of a monetary value
Bank	An organisation that offers a range of services (e.g. current and savings accounts, loans and mortgages), and has shareholders
Bank of England	Responsible for setting interest rates, issuing bank notes and maintaining a stable financial economy; the Government bank and also a lender for commercial banks
Base rate	The interest rate set by the Bank of England which is used as a benchmark by lenders to set their own charges, which would generally be higher. This is reviewed from time to time throughout the year and can fluctuate (go up and down)
Beneficial joint tenants	This means the property is jointly owned, you don't own a specific share in the property and if you die the property goes to the other owner
Binding contract	An agreement that is legally enforceable

Appendix a – Glossary B - C

Bridging loan	A special type of loan which is taken out to overcome a short term cash flow problem, usually needed when you buy a property before you sell
Broker	A person who gives advice (usually independent advice) on a mortgage (also called 'mortgage broker' or 'intermediary'). If using a broker, make sure they are registered
Buildings insurance	A type of insurance that covers you financially for any damage to your building (e.g. fire, flood, wind). Sometimes called 'home insurance' when grouped together with contents insurance
Building society	A financial company that offers the same kinds of services as a bank (e.g. letting you save or borrow money) but it is owned by its members (customers)
Buoyant market	When property is selling and prices are rising
Buy-to-let investors	People who buy property to rent out as a form of investment
Buy-to-let mortgage	Specific mortgages that are aimed at those that buy property to rent out

Capital	The amount of money you have actually borrowed, or still owe on your property (not including interest or other charges)
Capital Gains Tax	A tax levied on profit from the sale of property or of an investment
Capital and Interest mortgage	Where you pay off part of the 'capital' (amount borrowed) as well as interest each month (as opposed to 'interest only'). This usually means that everything (capital and interest) will have been fully paid off by the end of the agreed term. Also known as a repayment mortgage
Capped Rate mortgage	A type of mortgage where you have a guaranteed maximum amount that you have to pay each month. Your payments may go up or down under that amount, as interest rates increase or decrease, but you wouldn't have to pay more above that maximum even if the interest rates rise higher
Cashback mortgage	A type of mortgage that gives you an extra lump sum of cash at the beginning of your mortgage, for you to spend on anything you like (but usually the house!); often linked with variable rate mortgages. However, be aware that with some cashback mortgages you will need to pay this back (will be added to your overall mortgage)

Appendix a – Glossary

Chain free	Where a purchaser is not dependent on other properties selling first before buying or where the vendor is not reliant on their purchase proceeding before they can complete the sale of their house
Claim for possession	A legal claim, made by the mortgage lender, for possession of a mortgaged property because the borrower has not paid their mortgage loan; this is the next step after a notice of default has been issued (see **Notice of Default)**
Collared mortgage	A type of mortgage usually found in combination with a capped or tracker mortgage where there is a set lower level (the 'collar'), so your payments would never fall lower than that level
Collateral	Something of value that is given as a guarantee to the lender that you are able to payback the loan; in the case of mortgages it is the house itself
Commission	The fees charged by estate agents, usually calculated as a percentage of the final selling price of the property; this is known as the rate of commission
Compensation	Something, typically money, awarded to someone for loss, injury, or suffering
Completion	The final stage of the sale when the ownership changes hands from the seller to the buyer

Completion day	The day when all money is transferred and the buyer has access to the property
Contents insurance	Insurance against damage to or theft of the contents of your house including furniture and furnishings, TV and audio, all electric goods and appliances, clothing and jewellery
Contract	A legal document showing an agreement between two people, in this case between the lender and the borrower or the seller and the buyer
Conveyancing	The process of transfering ownership from one person to another
Conveyancer (or Solicitor)	The professional required to carry out the legal work involved in the process of buying and selling property
Council Tax banding	A letter code indicating assessment of a property market value on a specific date. This is given for the administration of council tax bills and will affect how much you pay
County Court Judgements (CCJs)	Is an order made in a county court for a debt to be repaid in England and Wales
Credit rating	See **Credit score**

Appendix a – Glossary C - E

Credit score	A score given to a person based on their 'creditworthiness' (how big a risk there is for you managing to keep up with repayments), used to assess credit and loan applications; done through a credit agency
Credit reference agency	These are specialist companies that are used to check your credit rating or worthiness
Credit worthiness	See **Credit Score**
Current account mortgage	This combines your current account and your mortgage into one. You still make a monthly mortgage payment, but any savings or money paid in acts as an overpayment
Daily interest	The interest on a mortgage is calculated on a daily basis, so you only pay interest on what you actually owe
Debt consolidation	To add your debts together to help in paying them off. It may be possible to increase your mortgage to pay off debts, but it's best to seek advice before doing this. You need to think very carefully before securing other debts against your home as your home may be repossessed if you do not
Decision in principle	See **Agreement in Principle**

Deposit	The money you put in upfront towards buying a house, usually at least 5% of the property cost, depending on how much money you have saved and the lender of the mortgage
Disposition	The Scottish legal term for the formal document transferring ownership or 'title' to land
Draught-proofing	The process of filling in unwanted gaps in a building to reduce heat loss and save energy
Early repayment charge (ERC)	An amount of money (a charge) you may have to pay a lender if you either move your mortgage to another lender during the special deal period or overpay by more than you are allowed within the agreed period
Endowment policy	A long-term savings policy (usually between 10 and 25 years), which can usually be used to repay the capital element of an interest-only mortgage at the end of the term
Energy Performance Certificate (EPC)	This certificate shows how much energy a building uses, and how energy efficient it is, looking at things such as insulation and electricity use. The certificate gives the building a rating from A to G, where A is the most and G is the least energy efficient
Equity	The difference between the value of the property, and what you owe as a mortgage

Appendix a – Glossary E - G

Equity release	Where you can borrow more on a mortgage against any increase in the value of your property
Evicted	To force someone to move out of a property by legal means
Evidence of title	Legal proof of land ownership, normally in the form of a deed
Exchange of contracts	The swapping of contracts between the seller and the buyer usually carried out by their solicitors and, once exchanged, it's a legally binding agreement
Exit fees (also known as redemption charges)	Charged by some lenders when you pay off your mortgage early
Expenditure	The amount of money spent on goods and services
Extended tie-in	Some lenders specify a set time beyond a mortgage's special deal period, during which you will be charged if you pay off or move your mortgage
False economy	An action that saves you money in the beginning but which in the longer term results in being more costly
Financial Conduct Authority (FCA)	An independent non-governmental body that regulates the financial services industry in the UK (www.fca.gov.uk)

First Buy	Only for First Time Buyers and new-build properties. Unlike with shared ownership, in First Buy shared equity the first time buyer owns the property, with as little as a 5% deposit. A shared equity mortgage covers 75-80% of the property and a 15-20% shared equity loan covers the rest of the deposit.
Fixed Rate mortgage	A type of mortgage where the rate of interest stays fixed for an agreed period of time (2, 5, 10 years or longer) allowing monthly payments to remain the same throughout
Freehold	Where the sale includes the property and the land on which the property is built, and you have complete ownership of both for an unlimited time
Freeholder	A person who owns a freehold building or land estate
FSA Register	A list of firms, advisers, etc that are regulated by the FSA, which means they meet certain standards and give information that you can trust
Gazumping	When the seller accepts a buyers offer and then later rejects it, to accept a higher offer from another buyer
Gazundering	This is when a buyer who has agreed to pay a certain amount for a property, then tries to reduce the price they will pay at a crucial point in the selling process

Appendix a – Glossary G - I

Ground rent	The amount of money a leaseholder has to pay to the freehold owner as a condition of taking a lease; usually paid on an annual basis
Guarantor	A person who guarantees you will pay the mortgage repayments. If you don't pay they are liable to have to pay them themselves. Often parents or relatives are guarantors for first time home buyers to help them to afford a property
Guarantor mortgage	A type of mortgage where a guarantor ensures the lender receives the mortgage payment each month, by paying the mortgage if the borrower is unable to. This does not necessarily need to mean jointly owning the property
HomeBuy Direct	A Government initiative to help eligible applicants in England to buy their first home. Entitles applicants to a loan of 30% the cost of the property (called an 'equity loan'), which must be paid back when the property is sold
HomeBuyers Report	A report on the condition of the property showing the value of the property, any major faults and estimated costs to fix; though it does not include any detailed, or minor issues
Home Condition Report	Information about the physical condition of a property, done by a certified Home Inspector; this is helpful for the buyer, seller and lender. A Home Condition Report usually forms part of the Home Report

Home Contents form	Contains details of a property's fixture and fittings (e.g. curtains, carpets, kitchen appliances) which the seller is including, excluding or willing to negotiate over in the sale
Home Report	An information pack, prepared by the seller containing key information about the property (a requirement in Scotland)
Home reversion loan	Where you sell your home, or part of it, to a company in exchange for a cash lump sum, a regular income or both
House swapping	Where two home owners, that want to live in different homes or locations, trade homes
Housing Associations	Independent not-for-profit organisations that provide affordable homes (for rent or to purchase) for people in need
Income	The amount of money you earn or you receive in gifts
Income multiples	The number by which your income can be/ is multiplied, so a lender can decide how much you can borrow
Income protection	This insurance can give regular monthly income if you can't work because of an accident or illness
Independent Financial Adviser (IFA)	A person who gives independent, unbiased advice on a range of financial products (including mortgages), acting in the best interest of the client

Appendix a – Glossary

I - L

Individual Savings Account (ISA)	A tax-free savings account, where the interest earned does not need to be declared on the savers tax return.
Inflation	An increase in the general level of prices
Interest	The amount of money that is charged on money borrowed
Interest only mortgage	A type of mortgage where each month you only pay the interest on what you have borrowed. It usually means lower monthly payments, but at the end of the agreed mortgage term you still owe the entire amount borrowed
Interest rate	Tells you how much interest you are charged on your mortgage loan, expressed as a percentage
Insurance	Compensation for specified loss, damage, illness or death, in return for a premium
Investment	Putting money or capital into something, with the hope that you will get a profit out of it at a later date; for instance you invest in property so that when you sell your home you hopefully get more than what you bought it for. But remember, house prices can move up or down so this might not necessarily be the case
Joint agency	Where two estate agencies market a home and share the commission regardless of which actually finds the buyer

Joint application	When two or more people apply for a mortgage together
Joint mortgage	When a lender buys a property with someone else (e.g. parents or a partner), usually for financial reasons, in which case the property would be jointly owned
Kerb appeal	The attractiveness of a home to potential buyers when viewed from the road
Key Facts Illustration (KFI)	This sets out details of the mortgage product that a customer is interested in. All mortgage sellers are required to set out the details in a Key Facts Illustration in the same format, so it's easier for you to compare different mortgage deals
Land registration fees	Fees paid to the Land Registry, for instance when ownership of land is transferred
Land Registry	A Government department that records registered land in the UK (or ownership), along with details of that land such as mortgages or sales
Lease	A contract that conveys land from one person to another for a specified period (e.g. 99 years), usually in return for rent

Appendix a – Glossary L - M

Leasehold	Means you own a property (possess it), for an agreed number of years, (as set out in the lease) but once the lease expires or finishes, the property belongs to the freeholder; leases can be extended but this often means an increase in charges
Leaseholder	A person who has possession of a leasehold property; a tenant under a lease
Lender	The mortgage company or financial institution (such as a Building Society) that loans you the money i.e. gives you a mortgage
Lending decision	See **Agreement in Principle**
Length of term	The time period over which you choose to take out your mortgage loan
Liabilities	These are the debts you owe to creditors, which may include your mortgage, car loan, credit card debt, etc.
Life assurance	Also called life insurance, it is a type of insurance that can give cash to your next of kin, if you die or become terminally ill
Lifetime mortgage	A way for older homeowners to release value from their property as a lump sum or as a regular income

Loan to Value (LTV)	The amount of money you have borrowed/want to borrow expressed as a percentage of your property value. For example, if you borrow £90,000 on a property worth £100,000, your loan to value will be 90%
Local Authority Search	When solicitors carry out searches with the local authority to check for any likely rights of way, or changes or developments etc are due in the area that might affect the property you are buying
Mortgage	Simply, it means a loan. It's an agreement to borrow money in order to buy a property, with the property belonging to the lender until all the money has been repaid by the borrower. Once the money is fully repaid, the property then belongs to the borrower
Mortgage Adviser	A person who gives advice and recommendations on mortgages (usually from their own companies). Always make sure they are FSA registered
Mortgage Payment Protection Insurance (MPPI)	This insurance can cover your mortgage payments if you can't work because you've become unemployed, or can't work because of an accident or illness. But this type of insurance has many exclusions, so make sure you check for instance how long it will cover your payments for

Appendix a – Glossary M - P

Mortgage term	The agreed length of time for your mortgage, within which you have to pay back all the borrowed money and interest
Multiple agency	Where several estate agencies market a home and only the one that sells it gets paid the commission
Negative equity	This is usually when house prices fall and the value of the property is less than the amount you owe as mortgage
New Buy Direct	Where you buy a share of a newly built property and pay rent on the remainder
NHBC Guarantee	The National House-Building Council is the standard setting body and leading warranty provider for new homes in the UK. They provide new home buyers with a 10 year warranty and insurance policy, paid for by the builder
Notice of default	Legal notice given by the mortgage lender detailing a payment default (missed payments) by the borrower. This notice will also contain details of the steps the borrower must take to pay this off and by what date, otherwise the property may be taken over by the lender (see **Claim for possession**)
Noting an interest	Where you let the seller's Solicitor or estate agent know you are interested in buying a property. If two or more people 'note an interest' a closing date is fixed and sealed 'offers' are made by all those interested

Offset mortgage	A type of mortgage that allows you to save on the interest you will pay on your mortgage debt by 'offsetting' any savings you (or perhaps family/friends) have linked to your mortgage. For example if you have a mortgage of £120,000 and put savings of £20,000 with your lender, in this type of mortgage you would only pay interest on £100,000
Overall cost for comparison	See **Annual Percentage Rate (APR)**
Overpayments	When you pay more than the minimum (or agreed) monthly payment. This builds up as a reserve and depending on your mortgage and lender, can allow you to save money on interest, pay off your mortgage earlier, make an underpayment in the future or even take a payment holiday (see **Payment holiday**)
Part and part mortgage	Where you chose to split your loan so that you repay part of it on an interest-only basis and part of it on a repayment (capital and interest) basis each month
Part-exchange	See **house swapping**
Payment break	See **payment holiday**

Appendix a – Glossary

P - R

Payment holiday	Available with some mortgages, this is an agreed period of time when you don't have to make any mortgage repayments; for instance because of a previous overpayment
Planning permissions	Written permission from a local authority permitting development of a house, extension or certain renovations
Portable	A feature of a mortgage which means it can be transferred from one property to another
Predicted Energy Assessment (PEA)	This is the energy certificate used by property developers of new build homes before they are complete
Product fee	A fee charged on some mortgages to secure a particular mortgage deal. Also known as a reservation fee
Property auction	The sale of a property by auction, where it goes to the highest bidder; in some cases the property is not sold if the minimum selling price has not been reached. Auctions can be in person, by phone or online
Property Information Questionnaire (PIQ)	Contains information on things such as parking, council tax bands, property access and utility suppliers

Purchase price	The amount or cost of the property you are buying or purchasing – it may differ from the initial asking price if you have negotiated!
Redemption charges	See **exit fees**
Redemption quote	Is issued by an existing lender to show exactly the total amount needed to pay off your current mortgage
Redundancy	A situation in which someone must leave their job because they are no longer needed
Release of funds	When a lender moves the funds required when purchasing a house. There is usually a charge for the electronic transfer of this money
Remortgage	When you move your mortgage to another lender (adding to or replacing your existing mortgage) without moving home. Usually people remortgage to save money by taking a better deal with another lender, and sometimes also to get cash for (e.g.) an extension, car or other purchase
Rent to Buy	Allows you to rent with a view to buying at a future time at an agreed price, protecting you if property prices rise drastically

Appendix a – Glossary

Rent-a-room scheme	The government currently allow homeowners to earn a certain amount of money a year, which is tax free, by renting out a room in their home
Repayment mortgage	Each month you pay off part of the 'capital' (amount borrowed) as well as interest. This usually means that everything, capital and interest, will have been fully paid off by the end of the agreed term of the mortgage
Repayment term	The period of time over which you choose to repay your repayment mortgage (capital and interest)
Repossessed	A property is 'taken back' by the lender if the borrower fails to make the repayments. The properties are then sold so the lender can get their money back; usually a last resort for the lender – always let them know as soon as possible if you are struggling with repayments
Sale statement	Contains basic information about the property such as the full address, if it is a house or flat, whether it is freehold or leasehold, registered or unregistered land and sellers details
Searches	An investigation or 'search' of the local area to see if there are proposed plans or problems in the area that you should be aware of. Some searches are required, while others will depend on the property type and location

Secured/ Security	A guarantee of a payment on your mortgage. If you fall behind with payments or cannot repay your loan your lender has security of your home and can sell it to get its money back
Seller	(Also called **vendor)** The present owner of the property who wants to sell it
Shared Equity	A form of affordable housing to help people (e.g. first time buyers) get on the property ladder. It is similar to shared ownership, but generally, with shared equity you purchase all of a property, with an equity share loan making up the difference between the mortgage and purchase price. The equity loan is always paid back as a percentage of what your home is worth, which means the amount you owe will rise and fall with the value of your home
Shared ownership	Similar to shared equity, but with shared ownership you own a 'share' in a property with another party – usually a Housing Association and you pay rent to them for their share of the property
Show homes	Newly built houses that are decorated and furnished for prospective buyers to view
Single Survey	This is required in Scotland and contains an assessment by a surveyor of the condition of the home, a valuation and an accessibility audit for people with particular needs

Appendix a – Glossary

S - S

Sole agency	Where an estate agent has exclusive right to market a home but no commission is due if you find your own buyer
Sole selling	Where an estate agent has exclusive right to market a home and the commission will still be due even if you find a buyer yourself
Special deal period	The time period during which the 'deal' you have selected applies (i.e. usually a fixed or tracker rate), before you move onto the lender's Standard Variable Rate (SVR). Most lenders offer a choice of deal periods, e.g. 2, 3, 4 or 5 years
Staircasing	A process used in shared ownership home buy schemes that allow you to increase your 'share' in a property as your financial situation improves, eventually to 100% of the property
Stamp Duty Land Tax	The one-off tax you would need to pay the Government for your property if it's over a certain value. Currently the rate is 1% on properties over £125,000 but less than £250,000; 3% on properties between £250,000 and £500,000; 4% on properties between £500,000 and £1 million; 5% on properties between £1 million and £2 million and 7% on properties over £2 million. The rate is 15% for properties over £2 million if purchased by certain persons including corporate bodies. If properties are bought in an area designated by the government as 'disadvantaged' a higher threshold of £150,000 applies.

Standard Variable Rate (SVR)	This is a variable rate that is set by the lender, and is usually the rate you move onto at the end of your special deal period
Structural Survey	A comprehensive, survey of all parts of the property detailing faults (major and minor), estimated costs to repair and if any further reports are needed; does not give you the value of the property
Subject to Contract	The agreement to go ahead with the purchase or sale of the property depending on the final contracts being signed by the seller and the buyer; at this stage either side can still 'pull out' of the deal
Sustainability	Living in a way that minimises the cost to the environment
Survey	An inspection of the property by a qualified surveyor carried out before buying a property (for example a **Home Buyers Report** or **Structural Survey** also known as 'building survey'. See also **Surveyor** and **Valuation**)
Surveyor	The professional who carries out the valuation or survey of a property by checking the house for faults, etc; qualified by the Royal Institute of Chartered Surveyors (RICS)
Surveyor's Report	A report by a qualified surveyor detailing the results of a property inspection

Appendix a – Glossary T - V

Tenants in common	When you jointly own the property, but you own a share of the value, which you can give away or sell, or leave to someone else if you die
Title Deeds	The documents held at the Land Registry that prove legal ownership of a property and all other dealings with that land; England and Wales, Scotland and Northern Ireland all have their own Land Registries
Tracker mortgage	A tracker mortgage is a variable mortgage that tracks (is linked to) the Bank of England's Base Rate by a set percentage. This means that your payments move up and down in line with any changes to the Bank of England Base Rate
Transfer deed	A legal document transferring ownership of land, for instance from the seller to the buyer
Under-payments	When you pay less than the agreed or minimum mortgage payment. Usually only allowed once you have built up a reserve through overpayments
Unsecured debt	An amount of money borrowed without any property or goods used as security against it

Utilities	The public services we need everyday such as water, gas and electricity
Valuation	The inspection that checks the value of a house to see how much it is worth, for instance to see if it is worth the asking price, usually conducted by a surveyor. Also used by lenders to decide how much money they are willing to lend you (also called land valuation or real estate appraisal)
Valuation fee	(Also called valuation cost) The charge for a report detailing the value of a property. Usually the fee increases with the value of the property
Valuer	The person who checks the property and values it by comparing similar properties at that time in the area and also by checking the property for faults, etc, usually done by a qualified surveyor (see **Surveyor**)
Variable Rate mortgage	A type of mortgage where payments can move up or down dependent on the movement of the interest rates of the mortgage lender
Vendor	Another word for the person selling the property

Appendix c – Ten point action plan on buying a house

1. Decide for sure: should you rent or buy?
- Do your research thoroughly
- Look at the pros and cons of each, financial and emotional.

2. Understand the low cost options
- Buying with others (friends, partners, parents)
- Shared ownership with Housing Associations
- HomeBuy schemes (Direct, New Build, Social, First Time Buyers Initiative (FTBI)
- Co-ownership scheme and Equity loans
- Repossessions or auctions.

3. Understand different mortgages
- It's a loan!
- How to pay (interest only / capital / part and part)
- Types of mortgages (variable, fixed, capped, tracker, collared, cashback, offset)
- What to ask an adviser
- Where to go to get one (building societies, banks, insurance companies, brokers, house builders, specialised mortgage companies, finance houses).

4. Decide how much I can afford
- Work out your budget (income in and costs out)
- Remember to allow for savings and emergencies.

5. Find out how much I can borrow
- What savings do you have?
- How much you can borrow
- Interest rates and monthly payments
- Credit rating and what this means in borrowing
- Extra costs (estate agents, solicitors, valuation fees, searches, surveys, stamp duty, land registry, mortgage arrangement fees, removal costs).

6. The application process
- Agreement in principle (in person, by phone or online)
- The main application and what they will need (personal, employment and financial details, credit rating, and purchase requirements)
- How to make the process go smoothly (prepare, be thorough, ask).

7. Finding a property
- Where to look (estate agents, internet, local papers, For Sale boards, House Builders, auctions)
- Freehold vs. leasehold properties
- Things to consider about the property (if you would like them or need)
- Questions you should ask to the owners or estate agent.

8. Making an offer
- in England, Wales and Northern Ireland
  – Energy Performance Certificate (EPC)
  – Putting in an offer subject to survey
  – Initial deposit
  – Solicitors and fees.
- in Scotland
  – Role of a solicitor
  – Home Report
  – Single survey and structural survey
  – Putting in an offer on a property
  – The initial deposit
  – Final preparations

9. Surveys and insurances
- Surveys (Home Buyers Report / Structural Survey)
- Home Insurances (Buildings, Contents)
- Personal Insurances (Critical Illness, Life, Income Protection, Mortgage Payment Protection).

10. Exchanging contracts and completion day
- Final preparations (Land registry, transfer deeds, money transfer, final accounts)
- Completion day (transfer payments, legal documents, getting the keys).

And then get ready to MOVE INTO YOUR NEW HOME!

See Appendix d) Ten point plan for moving in

Appendix d – Ten point action plan for moving in

1. **Plan and confirm your moving date**
   - with solicitors and sellers
   - book the day off work

2. **Give notice to your landlord**
   - give as much notice as possible (to avoid double paying rent and mortgage)

3. **Contact utilities and services**
   - for existing address to read meters and send the final bill
   - with new address and date to start or take over service provision (take your own readings)
   - Post Office to redirect mail

4. **Get quotes from moving company/van hire**
   - get at least three different quotes
   - you could also ask friends to help

5. **Donate or recycle unwanted items and pack non-urgent items**
   - give to charity shops
   - sell on eBay or locally
   - recycle wherever possible, use Freecycle!
   - pack things you won't need before the move

6. **Visit the current owners and your new home to make sure:**
   - where water stopcocks, fuse boxes, and gas electricity meters are
   - final meter readings done or booked
   - all window, garage, shed, internal, front and back door keys plus spares are all left labelled and in one place
   - manuals, leaflets etc for boiler or any appliances left
   - plan which rooms you want to put your things into
   - apply for a parking permit if appropriate

7. **Pack everything and label boxes**
   - mark each with the room it needs to go into
   - label all contents carefully
   - pack valuables and store somewhere safe
   - keep cash, credit cards cheque book at hand

8. **Settle all bills and let others know you are moving**
   - newspaper, milk deliveries etc.
   - your bank, building society, insurance companies, credit card companies, Inland Revenue, DVLC, Council Tax office, DSS office, Electoral Roll, Doctor, Dentist, your employer, etc.
   - send out e-mails or cards to let all your friends and family have your new address too!

9. **Make a moving box of essentials for the day**
   - kettle, mugs, tea, coffee, milk, sugar
   - cleaning things: cloths, detergents, dustpan and brushes, vacuum cleaner and dustbin bags
   - toilet paper, kitchen towels and tissues
   - torch, light bulbs, fuses, tools
   - pens, paper, Post-It notes

10. **Moving day**
    - check all services connected (water, gas, electricity, phone, internet)
    - check insurance cover
    - unpack methodically room by room (kitchen, bedroom, then the rest)
    - make sure valuables and important documents are put somewhere safe.

ENJOY YOUR MOVE!

Appendix e – First time buyer contact details

There can be many different people involved in the buying process. Use this chart to keep track of everyone involved so you have all contact details in one place!

Contact	Address	Telephone and Fax No.		Name and Email Address		Notes
Bank or Building Society		)		N		
		🖶		@		
Estate Agent		)		N		
		🖶		@		
Insurance Company 1		)		N		
		🖶		@		
Insurance Company 2		)		N		
		🖶		@		
Mortgage Provider		)		N		
		🖶		@		
Removal Firm or Van Hire		)		N		
		🖶		@		
Solicitor		)		N		
		🖶		@		
Other		)		N		
		🖶		@		

Appendix f – First time buyer checklist (for those you need to contact)

There are many people you should let know that you are moving! Keep track of everyone here once you have let them know that you have moved and what your new address is.

Contact	Address	Telephone and Fax No.		Notes	Date confirmed
Bank or Building Society		)			☐
		@			
Council Tax Office		)			☐
		@			
Credit Card 1		)			☐
		@			
Credit Card 2		)			☐
		@			
Credit Card 3		)			☐
		@			
Credit Card 4		)			☐
		@			
Dentist		)			☐
		@			
Doctor		)			☐
		@			

– If you are also selling your current home at this time you may want to check out our Selling Guide.

Appendix f – First time buyer checklist (for those you need to contact)

Contact	Address	Telephone and Fax No.		Notes	Date confirmed
DVLA		)			☐
		@			
Employer		)			☐
		@			
Family 1		)			☐
		@			
Family 2		)			☐
		@			
Family 3		)			☐
		@			
Family 4		)			☐
		@			
Friends 1		)			☐
		@			
Friends 2		)			☐
		@			
Friends 3		)			☐
		@			
Friends 4		)			☐
		@			
Hire Purchase 1		)			☐
		@			

Appendix f – First time buyer checklist (for those you need to contact)

Contact	Address	Telephone and Fax No.		Notes	Date confirmed
Hire Purchase 2		☎			☐
		@			
Inland Revenue		☎			☐
		@			
Insurance Company		☎			☐
		@			
Buildings Insurance		☎			☐
		@			
Car Insurance		☎			☐
		@			
Contents Insurance		☎			☐
		@			
Life Insurance		☎			☐
		@			
Mortgage Payment		☎			☐
		@			
Health Insurance		☎			☐
		@			
Internet Provider		☎			☐
		@			
Library		☎			☐
		@			

Appendix f – First time buyer checklist (for those you need to contact)

Contact	Address	Telephone and Fax No.		Notes	Date confirmed
Optician		)			
		@			☐
Post Office		)			
		@			☐
School		)			
		@			☐
Sports Club		)			
		@			☐
Store Card 1		)			
		@			☐
Store Card 2		)			
		@			☐
Store Card 3		)			
		@			☐
Store Card 4		)			
		@			☐
Telephone Provider		)			
		@			☐
University		)			
		@			☐
Utilities		)			
		@			☐

Appendix f – First time buyer checklist (for those you need to contact)

Contact	Address	Telephone and Fax No.		Notes	Date confirmed
Electric		✆			☐
		@			
Gas		✆			☐
		@			
Water		✆			☐
		@			
Vet		✆			☐
		@			
TV Licence		✆			☐
		@			
		✆			☐
		@			
		✆			☐
		@			
		✆			☐
		@			
		✆			☐
		@			
		✆			☐
		@			
		✆			☐
		@			

Appendix g – List of suggested things to ask an adviser

The following is a list of suggested things you should ask an independent mortgage adviser:

- What are their rates and any other associated costs, such as reservation fee, product fee and broker fee ?
- Can associated costs be included in the mortgage loan or are they payable upfront?
- What does the lender charge for survey / valuations?
- What is the lenders revert rate once the initial deal term is finished and how will this affect monthly payments?
- Are there any charges for early repayment of the mortgage?
- Is there an arrangement fee to pay and if so will I get this back if my application does not proceed?
- Is the mortgage portable to another property if I decide to move?
- Am I allowed to make partial repayments of capital or increase my monthly repayments if I wish to repay the mortgage early?
- Are there any other conditions attached to the mortgage? Will I have to buy insurance from that lender?
- (To ask a Broker) Do you provide advice on mortgage products from the whole market or just a selection of lenders?

hyde associates
Independent Mortgage Consultants