

What does a first time buyer need to know?



How do I finance my purchase?

Do I need a deposit?

The vast majority of first time buyers will not be lucky enough to have all of the cash required to complete their purchase sitting in a bank account ready for them. The vast majority of people will have to raise a deposit before approaching a lender to apply for a mortgage.

How much deposit do I need?

As a general rule, the higher the deposit you can raise, the better the deal you can get with a mortgage lender. You should aim to save a deposit of at least 10% of the purchase price although some lenders may lend where only a 5% deposit is available. A study by Nationwide Building Society shows that it takes the average first time buyer (outside of London) at least eight years of saving 15% of their salary to afford a deposit. As a rule of thumb, if you have a high deposit, you will have more equity in your property and therefore the you will get a better mortgage deal.

What is a Mortgage?

Put in simple terms, a mortgage is a loan which is secured against the property you are purchasing. You will need to satisfy a lender's affordability criteria before they will even consider whether or not to offer you a mortgage.

What happens if I don't keep up with my mortgage payments?

If you do not keep up with your mortgage repayments, the lender may take steps to repossess your property. If you are having any difficulties in keeping up with your mortgage payments, let the lender know. They might be able to arrange a temporary "holiday" from you repayments. If you continue to miss payments, and your lender issues possession proceedings at court, take legal advice!

What type of mortgages are available?

What is a repayment mortgage?

Most first time buyers will obtain a repayment mortgage. The mortgage will have fixed interest rate for a number of years and you pay back the amount you have borrowed, together with agreed interest, by way of monthly instalments.

What is in an interest only mortgage?

Interest only mortgages are also available albeit they are far less common, especially for first time buyers, and lenders have very strict eligibility criteria. Each month, only the interest on the capital sum needs to be paid but at the end of the agreed term, the capital loan must be re-paid in full. The lender will want to see a comprehensive strategy and plan for ensuring the capital sum can be repaid at the end of the term of the mortgage.

Is there financial help for first time buyers?

Yes. There are a number of Government First Time Buyer Schemes available to First Time Buyers to help them finance their property.

What are Government First Time Buyer Schemes?

It can be a real challenge putting together the funds required to complete a purchase and recent years have seen the emergence of a number of government schemes to help first time buyers get their foot on the first rung of the property ladder. If you are not already aware of these schemes, then it is worth taking a little time to familiarise yourself with them in case they may be of assistance to you.

What is the Help to Buy Scheme?

This scheme supports those who can only raise a 5% deposit. Although not limited to first time buyers, government figures show that 81% of applicants for the scheme are first time buyers. There are separate schemes for England, Wales, Scotland and London. In England part of the scheme (Mortgage Guarantee) was scrapped in 2016 but the Equity Loan aspect is still available.

What is a Help to Buy Equity Loan?

This scheme only applies to the purchase of New Build properties. First time buyers, and other home movers, only need to raise a 5% deposit and the government then provide an equity loan of an additional 20%. You then need only apply for a 75% mortgage. It is intended that this Scheme will only be available in England until 2021 and applies to new-build homes worth £600,000 or less.

In essence you will own your property jointly with the government until such time as the loan is fully paid back.

Do you need to pay a management fee under the Help to Buy Equity Loan?

For the initial five years you pay back a £1 management fee but no interest is payable.

When does interest become payable under the Scheme?

Interest becomes payable after year 5 and the interest payment is not deducted from the capital sum owed.

When does the Equity Loan become repayable in full?

You must pay back the loan when you sell your property and in any event within 25 years. You can pay off the balance in larger payments (known as "staircasing") but there are rules as to how you must do this.

What is a Help to Buy ISA?

Introduced in 2015, this is designed to offer first time buyers a tax free savings account. For every £200 saved, the government will contribute £50. The maximum bonus which can be received is £3,000.

Are there restrictions on how the Help to Buy ISA scheme can be used?

Yes, there are restrictions on how the scheme can be used (so, for instance, no more than £200 per month can be paid into the account- although an opening balance of £1,600 is required).

Is the Help to Buy ISA Scheme open to all buyers?

The scheme is limited to first time buyers but if you are buying a property jointly with another first time buyer, you can both open an account and therefore benefit from a double bonus.

Can a Help to Buy ISA Bonus be used a deposit?

No. The bonus payment can only be applied to completion funds and not the deposit required on exchange of contracts.

What is a Government Lifetime ISA?

Lifetime ISAs are a relatively new scheme and offer a tax-free bonus of up to £1,000 a year towards either buying your first home or saving towards retirement.

Can anyone apply to have a Government Lifetime ISA?

No. Only savers aged under 40 can open one of these accounts and they can save up to £4,000 each year. The Government will then pay a bonus of 25p for every £1 saved directly into the account.

Are there any restrictions on the type of property you can buy using a Government Lifetime ISA?

You can opt to use your Lifetime ISA as a deposit on a property worth up to £450,000 anywhere in the UK, so long as you are a first-time buyer.

Can you transfer your Help to Buy ISA balance into a Lifetime ISA?

Yes, you will be able to transfer your Help to Buy ISA balance into your Lifetime ISA without losing the tax-free benefits. However, Lifetime ISAs are slightly more complicated than Help to Buy ISAs as they will be available as either cash or stocks and shares.

What is the Government Starter Home Scheme?

The government's Starter Home Schemes applies only to certain new build homes. The Scheme was launched in 2015 for 200,000 starter homes to be built with the first completed sales set to take place in 2018. The new homes are sold at a minimum discount of 20% of the market share with qualifying first time buyers being between the ages of 23 and 40 years. There is a £250,000 price cap on those starter homes built outside London and owners are restricted from either selling or renting out the property at the full market value for at least five years.

What is Shared Ownership?

Under this Scheme you can purchase a share in your property (usually between 25 and 75%) with the remaining share usually remaining with a Housing Association.

Will the Shared Ownership Housing Association charge rent?

Typically, yes. Ground rent is likely to be charged on the outstanding share.

Can you pay off the balance?

Yes. As with the Equity Loan above, you can pay off the balance ("staircase") so that you eventually own the property outright.

Are there eligibility criteria for entering into Shared Ownership?

Yes. Eligibility for this scheme is income related and there is no necessity to be a first time buyer. The scheme relates to both new and resale properties.

What is a Right to Buy?

The right to buy applies to council tenants who have rented their property for at least three consecutive years. Under the scheme tenants can benefit from significant reductions in the purchase value.

What is a Right to Acquire?

This is similar to the Right to Buy Scheme but applies to certain private sector landlords rather than the council. An eligible tenant must have rented the property for three consecutive years. The property itself must qualify and the landlord must be registered with Homes England.

How much will the purchase cost?

Will I have to pay Stamp Duty?

As from November 2017 first time buyers purchasing their first property for less than £300,000 will not need to pay stamp duty. Where the purchase price is over £300,000 but does not exceed £500,000 they will pay 5% on the balance exceeding £300,000.

If the property is being purchased jointly, must each buyer be a first time buyer to qualify for Stamp Duty Relief?

Yes. If the property is being purchased jointly, each purchaser must be a first time buyer and the relief applies only to individuals and not to companies.

How much does the legal work cost?

We offer a fixed fee service for Conveyancing. For a quote please visit our website or feel free to call.

Are there any additional costs on top of the legal work?

If you are using a mortgage broker, they may charge a fee for arranging your mortgage. It is always advisable to obtain Home Buyers Survey and your Surveyor will charge you for this.

What is a Home Buyers Survey?

A Home Buyers Survey is completed by a Chartered Surveyor. The Survey is intended to provide a comprehensive report as to a properties condition and structural soundness both inside and out. Surveys can reveal major defects in the condition of a property. Would you really want to buy a property which has subsidence? Many defects may not be obvious at first glance, such as damp or an old roof which is due for replacement but one of the benefits of having a survey is that any defects, whether minor or major, are brought to your attention before you are committed to your purchase. This gives you the opportunity to consider whether or not you will be in a position to afford renovation works as and when they are likely to necessary.

Can I use an adverse Home Buyers Survey to renegotiate on the purchase price?

In some circumstances, you can use your report as evidence in support of negotiating a price reduction. The estate agent will be able to assist you with any negotiations arising from adverse findings from a survey report.

Are there different types of Home Buyers Survey and which Survey should I obtain?

There are various types of report available ranging from a standard condition report to a full structural report. You should choose a report which fits the type and condition of the property you are looking to purchase. Do not be put off by the cost of a report because potentially this could determine whether or not you wish to proceed with your purchase.

Should I buy a freehold or leasehold property? What's the difference between the two?

If you purchase a freehold property, then you have outright ownership of the property and the land it sits on.

If you purchase a leasehold property (typically a flat) then you acquire the right to use the property for a fixed term. The extent of the property will be defined in a Lease and you will not own the ground upon which the property stands. The Lease will be for a fixed period of time and when that time period lapses, the property will revert to the landlord (the freeholder) unless a new term can be agreed. Under the terms of the lease it is likely that you will be required to contribute financially towards the maintenance of the fabric of the building, together with shared services and common areas. It is also likely that you will be required to pay ground rent to your landlord.

Ive had an offer accepted on a property. What happens next?

Congratulations! You've found your new home, raised the finance necessary to buy it, and the seller has accepted your offer. You're all set to move in! Well, almost. You now need a Conveyancer to complete the transaction for you.

So, what is a Conveyancer, what do they do and what is the legal process for completing your purchase?

Conveyancers are legal professionals; either qualified solicitors, legal executives or licensed conveyancers.

What's the difference between a Conveyancing solicitor, Legal Executive and Licenced Conveyancing?

A conveyancing solicitor is a fully qualified practising solicitor who will specialise in conveyancing but will also have wider training, so may also be able to advise on issues incidental to your purchase, so, for instance, on Wills or Co-Habitation Agreements. Conveyancing Legal Executives and Licensed Conveyancers also specialise in Conveyancing but do not have the wider training of solicitors.

What is Conveyancing?

Conveyancing is the process of legally transferring the ownership of a property from one party to another.

What does a Conveyancer do?

As your Conveyancer, we will check all of the legal aspects relating to the property. All properties are subject to various legal burdens and rights which affect not just you as the home owner/occupier but may also involve third parties, such as neighbours. It isn't just the bricks and mortar that you are buying but also the legal title, together with all the rights and obligations that come with it. You need to go into your purchase with your eyes open and we will advise you on the hidden aspects of the property you are buying.

What is the Conveyancing Process?

Once you and the seller have instructed a solicitor/conveyancer to act, the process can start.

I've accepted a Conveyancing quote. What happens next?

When you have accepted a quote, you will be asked to confirm your instructions in writing and will be sent an initial pack explaining the Conveyancing process and asking that you provide evidence of your identity and source of funds for completing the purchase. You will be asked to sign and return a Letter of Engagement confirming your acceptance of the terms of instruction.

Will I have to pay my Conveyancer up front or do I pay at the end of the transaction?

You will be asked to provide payment on account to cover the cost of any pre-completion disbursements, such as local searches. Each Conveyancing firm will have its own procedure and requirements for how much is paid up front and this will be detailed in the initial pack sent to you.

When do I pay a Deposit?

You will need to pay your deposit before exchange of contracts.

When do I pay for the property I am purchasing?

You will need to transfer to your Conveyancer the funds required to cover the cost of the actual purchase, together with your Conveyancers fees and disbursements prior to completion. Your conveyancer will advise you as to when and how much is required.

What happens if my purchase falls through? Can I claim against the seller for costs I have incurred?

If your purchase falls through before exchange then no, you will not be able to claim against your seller. Insurance products exist that may cover you against losses but these are subject to terms and conditions. Full advice ought to be given to you prior to a policy being arranged on your behalf.

Will the seller also need a Conveyancer?

Yes.

What is Contract documentation?

This is issued by your seller's Conveyancer at the outset of the transaction. The documentation needs to be checked thoroughly. Is the seller entitled to sell the property? Are there any onerous burdens which affect your use of the property? Are there any financial obligations which you will be responsible for? These are just some of the areas we must investigate and advise you on.

What does the Contract pack contain?

The initial pack will usually include the title documentation, Protocol Documents (Property Information form, Leasehold Information form, if applicable, Fittings and Contents form) Energy Performance Certificate and draft contract. This is the minimum that we would expect to receive and additional documents may be required depending on the nature of the individual property, so, for instance, local authority consents, service maintenance reports, management packs if the property is leasehold.

My Conveyancer is “raising enquiries”. What does this mean?

Once the contract pack is received from the seller’s solicitor, it will be necessary for your Conveyancer to raise enquiries. These enquiries may relate to the legal title of the property, it’s use, previous works, in essence, anything which the conveyancer believes may adversely affect your decision to buy, or which may be detrimental to a mortgage lender’s security of loan.

Does the seller have to disclose any defects with the property?

No, not unless specifically asked. A seller doesn’t have to volunteer any “nasties” about the property you are looking to buy which is why it is essential for us to thoroughly assess the documentation provided and to request additional information from the seller via their Conveyancer. The correspondence generated in this regard forms part of the overall Contract of Sale which means that you can rely upon this in the unfortunate event of any post completion claim for contractual misrepresentation.

Will my Conveyancer make any other investigations of the property?

If you are buying with a mortgage, your lender is likely to insist that the following searches are obtained:- Local Authority, Drainage and Water, and Environmental Search. These searches are for your benefit and are essential to protecting you not only in terms of your enjoyment of the property but also from an investment perspective. Your home is likely to be your greatest financial asset and we must look at the purchase in terms of your ability to sell the property in the future. Additional searches are available, for instance, coal and mining searches, flood risk searches, chancel searches to name just a few. The searches that you require will be dependent on the particular property you buying and the area that it is situated in.

When will I know how much I have to pay to complete my purchase?

Before you are committed legally to the purchase, we must ensure that you have an exact understanding of the money required to complete it. You will be provided with a Completion Statement which shows the exact amount of money required to complete your purchase. If you are buying with a benefit of a Help to Buy ISA, you will be advised to close your account and your Conveyancer will make sure they have everything they need to be able to draw down your funds.

What is a Report on Title?

This is a comprehensive report which summarises the results of our investigations. When the report is prepared, you will be invited to sign the Contract, and remaining purchase documentation in readiness for Exchange of Contracts.

What does Exchange of Contracts mean?

Your purchase only becomes binding when Contracts are exchanged. From a legal perspective this is the most significant part of the process. Prior to this point, any party can withdraw from the transaction without financial penalty. When contracts are exchanged, your moving date is fixed.

Do I need to be present when contracts are exchanged?

No. Contracts are exchanged by each party’s legal representation. The exchange itself is a telephone call during which each Conveyancer confirms the terms of the contract with each other and formally agree that the Contract can be binding. The Contract is agreed between the Conveyancers and both you and the seller will be asked to sign a copy in readiness for the exchange.

When can I actually take possession and move in to the property?

You can take possession and move in to the property when the transaction “Completes”. The completion date is set on exchange of contracts.

How much time is there between exchange of contracts and completion?

There is no fixed time period. The time between exchange and completion depends very much on the agreement of the parties. Ideally, a period of two weeks should be allowed. This gives each party a period of certainty in which they can confidently make arrangements for the big day. IN some circumstances contracts might not be exchanged until the day of completion itself. This can cause a great deal of stress of the parties involved and as a recommendation should be avoided when possible.

What happens on completion?

Your conveyancer will transfer the balance of funds required (usually the full purchase price less any deposit paid) into the seller's Conveyancer's client account. The seller's solicitor will acknowledge receipt of the funds and give the selling estate agent authority to release the keys to you.

How long does the Conveyancing process take?

There are no fixed time scales for a Conveyance. How long a transaction takes depends on many factors the majority of which are not within the immediate control of your Conveyancer. Some transactions can go through in as few as three to four weeks, some may take many months.

Freehold transactions are typically quicker than leasehold transactions.

If all runs smoothly, a freehold transaction may take up to 8 weeks with leasehold transactions completing within 10 to 12 weeks.

Why does a leasehold transaction take longer?

Leasehold properties are usually subject to payment of service charge and ground rent. The management of the building/ development needs to be investigated. Information packs need to be obtained from the managing agents/ landlord and it can sometimes take several weeks for these to be received once ordered.

What can I do to speed up the transaction?

Keep in touch with your Conveyancer, mortgage adviser and estate agent and respond to requests they have as soon as you can.

When can I book removals?

It is only when contracts have been exchanged that your purchase will become binding and there will be a fixed completion date. At any point prior to this, the transaction may fall through or the completion date may change. You should only fix removals when your conveyancer has confirmed exchange of contracts. The same can be said for arranging for delivery of furniture, internet connections to be installed etc. If you make commitments prior to exchange of contracts, you could lose non refundable deposits and spend a lot of time rescheduling and making rearrangements.

What documentation will I receive to prove I own the property?

Whilst you are settling into your new home, we will apply to the land registry to register your ownership of the property and we will forward to you the completed registration when this is available. Land Registry records are now stored electronically, so a copy of your title document will always be available from the Land Registry.

