FIRST TIME BUYER: WHAT YOU NEED TO KNOW

What is a mortgage?

A mortgage is a loan of money towards the purchase of a property. You are expected to pay a deposit towards the cost of the property from your own savings (or from family), the mortgage itself is based on how much you can afford to pay back each month. You have a fixed period of time to pay the loan back, usually around 25 years, but can be as long as 40 years.

How much can you afford for a deposit?

To get the best possible deal, you need to get your finances in order. The better your credit score and the bigger your deposit, the more options you have when you are looking for a good mortgage deal. Generally you should try to save at least 5%-20% of the cost of the home you would like to buy.

Can you afford your monthly repayments?

You need to be absolutely sure you can afford to take the step to becoming a home owner. Put together a budget before you start looking for a property, as you need to make sure you can make your payments if interest rates are to rise or if your circumstance change. Mortgage lenders will do exactly the same thing and you will have to show your lender documentary evidence of your outgoings and income. They will assess your mortgage's affordability now, and what it might look like in the future.

Budget for the other costs of buying a home

As well as the monthly repayments there are other costs to factor in when purchasing a property. These include:

Mortgage arrangement and valuation fees

Stamp Duty

Solicitor's fee

Survey cost

Building insurance

Removal costs

Initial furnishing and decorating costs

Use our **mortgage repayment calculator** to get an idea of what your monthly mortgage costs will be.

Affordable Home Buyer Schemes

There are various government backed schemes aimed at giving first time buyers a helping hand onto the property ladder. AscentiaUK can discuss these schemes in detail with you to see if you meet the criteria.

Finding a Mortgage

There are so many different mortgage lenders and different types of deals available on the market, that choosing the right one for you can be tricky. Do your research, but get in touch with AscentiaUK as we are experienced in helping first time buyers find the right kind of mortgages.

Freehold or Leasehold

Generally, buying a house means that you will be be buying the freehold i.e. that you own the property and land it sits on. If you are buying a flat, you will either be buying a leasehold, or buying into a share of the freehold. Freehold flats are rare (but they do exist) and can be problematic in finding a mortgage.

The Mortgage Application

This is where you need to prove to your mortgage lender that you can make payments if interest rates rise or if you financial circumstances change. You will have to provide detailed evidence of your outgoings including any debts, household bills and other living costs. To prove your income you will have to produce payslips and bank statements. If you are self-employed you may be asked to provide tax returns and business accounts.

Repaying a Mortgage

Capital and Interest Repayment: With this type of mortgage you repay part of the amount borrowed, together with the interest being charged each month.

Interest Only: With an interest only mortgage you only pay the interest each month. Your payments will be lower, but the amount you borrow will still be outstanding at the end of the mortgage term. It is very difficult these days to obtain an interest only mortgage due to stringent criteria having to be met. Some lenders have pulled out of the interest only market altogether.

Different Mortgage Types

Tracker Mortgages mirror the movements of the Bank of England base rate. They will fall or rise in line with changes in the base rate, usually at a level above it.

Standard variable rates (SVRs) are set by lenders and can be influence by the base rate bur can change independently of it.

Discount rate mortgages follow moves in a lender's SVR.

Fixed rate mortgages mean your payments are set for a period of time, two, three, five or even 10 years. The rate you pay will not change during this time, but will revert back to the lenders SVR after it finishes.

Home Insurance
Unlimited Sum Insured: All your contents are covered with no limit.
Things to consider on your contents insurance policy

Check your insurer's definition of valuables as this can vary. The 'single article limit' is the most the insurer will pay out in the event of a claim. If you have an item of jewellery, for example, worth more than the single article limit, you need to specify this and pay more to get it covered.

Some policies cover you for things you take out of the home like your mobile, laptop and tablet, but you need to check that you have the cover you need. Standard cover might include the cost of replacing an item, but does it cover for digital information?

Some insurers offer an 'all risks' option for an additional premium which provides you with a wider cover.

New for old cover means that you get paid for what it costs to replace the items, and most policies offer this.

Indemnity cover means you only get the current value of your possessions.

Personal possessions cover covers things that you take out of the home.

Legal cover pays for court costs.

Accidental damage covers things like spills on your carpet.

Home emergency cover provides for emergencies like the boiler breaking down.

Make sure you get enough cover to replace all your possessions!

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