

FIRST TIME BUYERS GUIDE

For those looking to purchase.



ROOK
MATTHEWS
SAYER

Searching for your first home

When looking for a home, property listings and brochures can often be full of unfamiliar words and phrases that you may not fully understand. Here, we've broken down some of the common industry phrases to help you. Have a read of our jargon busting guide. We hope it helps!

Freehold and leasehold property

In a freehold property you own both the property itself and the land that it stands on. In a leasehold property you own the building but not the land and a lease defines the period you can live in it. Possession of the property will be subject to the payment of an annual ground rent.

Ground rent and service charges

If you are a leaseholder, you may have to pay the owner of the freehold for the upkeep of common areas. Ground rent is rent that you pay to the landlord or freeholder, usually on an annual basis. Service charge is the payment for all services, such as maintenance of gardens and communal areas of the property, which you'll use but you are not specifically responsible for.



Finding a Mortgage

With so many options available it's a good idea to get some financial advice. We have inhouse mortgage services consultants who can offer an initial, no obligation meeting to see what we can offer you. Every RMS branch has a dedicated mortgage services consultant who will be able to meet with you and talk you through your options.

Fixed, variable and tracker rate mortgages

Fixed rate mortgages guarantee your interest rate and therefore your monthly repayments will stay the same for a set amount of time, usually 2-5 years. This is called the 'initial benefit period'. During this time you are protected from any Bank of England (BoE) base rate rises, which will help you to budget since you will know your exact costs from month to month. However, you will not benefit from rate decreases. Every lender advertises its own standard variable interest rate (SVR) which loosely follows the BoE base rate.

If your mortgage is on a variable rate, this means that when the base rate changes, so does the SVR. This means you may benefit from base rate reductions, but be mindful; you could also be impacted by rate increases. Base Rate Tracker mortgages follow an interest rate usually set in line with the BoE base rate for the initial benefit period. The interest rate is typically higher than the base rate and you may benefit from immediate rate reductions, but your payments will go up if the rate increases.

Bank of England Base Rate

The official bank rate (also called the Bank of England base rate BOEBR) is the interest rate the Bank of England charges banks for secured overnight lending. Most UK lenders use the base rate to help calculate interest rates on their own products.

Government Schemes

With house prices not always affordable, Shared Ownership allows buyers to purchase a share in a property rather than pay the entire market price. [First Homes England](#) is a scheme designed to help first time buyers onto the property ladder by offering homes at a discount of at least 30% (compared to the market price set by an independent valuer)*.

Credit check

When you make an application for a mortgage, all lenders will carry out a credit check to see how you have managed your finances in the past. The companies that provide these checks will give you a credit score. Generally the higher this number is, the more likely that you'll be accepted for credit but some lenders can have different scoring systems. Each time your credit is checked it will go on your individual credit history.

Guarantor

In some circumstances a lender may ask for a guarantor. This is usually a family member who undertakes to pay your monthly mortgage repayments if you aren't able to meet the commitment yourself.

Underwriting

Underwriting is when a mortgage lender works out how much risk they would be taking by lending you money. They'll check your income, assets and property details before deciding whether to make you a mortgage offer.

Decision in Principle (DIP)

Sometimes also known as an Agreement or Mortgage in Principle (AIP or MIP), it gives you an idea of how much you could borrow from a lender. This is an accurate estimation of how much you can borrow without actually applying for a mortgage in full. It is a statement from a lender that says they will loan you a certain amount 'in principle', subject to underwriting.

Mortgage Offer

A mortgage offer is a formal document confirming that your lender is happy to lend you an agreed amount of money. You'll only receive a mortgage offer after you've successfully completed the application process, your lender has assessed your financial situation and valued the property you want to buy. This will then be passed onto the conveyancer by the lender.

Repayment Methods

Repayment mortgages are the most common. Your monthly repayments gradually pay off the amount you borrowed (known as the capital) as well as the interest on the loan. At the end of the mortgage term, as long as you have kept up your monthly repayments, you will have paid off the full amount of the mortgage and you will own the property outright. With an interest-only mortgage, the monthly payments are lower, but you are only paying off the interest, not the loan amount itself. At the end of the mortgage term (as long as you have not taken out any additional borrowing) you will still owe the original amount you borrowed and will not own the property outright, so you need another plan for raising the money to do that known as a 'repayment vehicle'.

Buying your property

Now you've found your dream home and arranged your mortgage. It's time to complete the legal process of buying a house.

Conveyancing

Conveyancing is the legal process involved in transferring a property from one owner to another. It's carried out by a conveyancer or solicitor who acts on behalf of the buyer. Rook Matthews Sayer has a panel of conveyancers that we work with, enabling us to offer the full home moving service all under one roof. Ask your local branch for more information.

Stamp Duty Land Tax in England

This is a tax that's payable to the Government when you buy a property. The amount you pay depends on the purchase price of the property but for first time buyers there is currently no stamp duty land tax payable on properties costing up to £425,000 (unless the property is a buy-to let). If you are buying with someone else, both people must be first time buyers for this to apply.**

Searches

Property searches are the enquiries your solicitor makes to find out more information about the property you want to buy. They're important because they can flag up key facts and help you decide if it's the right house for you.

Exchange of Contracts

This is the moment when you exchange the legal agreements to buy or sell a property. At this point you are legally bound to go ahead with the purchase or sale. The mortgage lender will require you to have buildings insurance in place from the point you exchange contracts on a freehold property.

Completion

Your lender releases the mortgage money to the conveyancer who transfers it to the seller's representative and it's time to move in. This is the day when you finally achieve your aim of being a property owner. Congratulations!



Our team are on hand to help you every step of the way on **your property journey.
We look forward to helping you buy **your dream home**.**

* For full Terms and Conditions please refer to [First Homes - GOV.UK \(www.gov.uk\)](https://www.gov.uk/first-homes).

** For full Terms and Conditions please refer to [Stamp Duty Land Tax: Residential property rates - GOV.UK \(www.gov.uk\)](https://www.gov.uk/stamp-duty-land-tax-residential-property-rates).

A BROKER FEE MAY BE PAYABLE UPON MORTGAGE APPLICATION AS WELL AS AN ADMINISTRATION FEE. THE TOTAL FEE PAYABLE WILL DEPEND ON YOUR CIRCUMSTANCES. YOUR MORTGAGE CONSULTANT WILL EXPLAIN ANY FEES APPLICABLE IN YOUR INITIAL APPOINTMENT.

YOUR HOME OR PROPERTY MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.

The Property Ombudsman offers a free and impartial service helping to resolve disputes. www.tpos.co.uk

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