

FIRST-TIME BUYER'S GUIDE

MJP Conveyancing are here to guide you up the property ladder, one step at a time.

STEP ONE: Affordability

Before embarking on your house-hunting voyage, work out your monthly income and expenditure and establish an estimate budget. How much money do you have in savings? How much do you earn? More importantly – how much do you spend? These factors will help you to estimate how much money a bank or building society will be willing to lend to you and how much you can reasonably afford to borrow. There are a number of useful online resources that can help you to estimate your mortgage affordability.

Here is the one that we recommend using:

www.moneyadvice.service.org.uk/en/tools/house-buying/mortgage-affordability-calculator.

Besides a mortgage, there are other ways to fund a house purchase and, in particular, the 15-20% cash deposit. If you are lucky, you may be offered a non-refundable gift from the Bank of Mum & Dad. For those less fortunate, look into some of the Government schemes on offer to first-time buyers:

- **The Help to Buy ISA** offers a 25% bonus on top of the money you have saved. Be warned – the bonus itself is only applicable to the completion funds (or legal fees) and is not to be used for a deposit. If you are purchasing outside of London, the property must be under £250,000 to be eligible for the bonus. If you are purchasing within London, the maximum value of the property is £450,000.

- **With a Help to Buy Equity Loan**, the Government will lend you up to 20% of the value of a new build property, so that you will only need to put down a 5% cash deposit. Typically, a deposit will be 10% of the total value. Whilst you will not pay any loan fees on the 20% for the first five years, loan fees will become payable after that time – so be warned! Furthermore, you will need to repay the 20% equity loan when you come to sell the property – the value of the equity changes in accordance with the value of your home (so, if your home increases in value, you will have to pay back 20% of the higher value). This can negate some of the benefits of your house increasing in value, unlike a standard mortgage.
- **The Lifetime ISA** will be available from 6th April 2017. The Government will pay a 25% bonus on the money that you save per year in your tax-free savings account. You need to be between 18 – 40 years old to open an account and the bonus is only eligible on properties valued at a maximum of £450,000.
- **Shared Ownership** allows you to buy a percentage share of a home (normally between 25 – 75%) and pay rent on the remaining share. You can increase your share over time as and when you can afford it.

So, you have established a budget, started saving up your pennies and investigated the various options available to you.

MJP TOP TIP

“When looking at the affordability of leasehold flats, do consider the annual liability for service charge, ground rent as well as the potential cost of major works. Ground rent and service charge can increase and major works can often run into thousands of pounds!”

David Pett, Director

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STEP TWO

Finding the Home of your Dreams

This is the fun part but it should not be taken lightly. Buying a home is (probably) the most significant financial investment of your life, so make it wisely and think before you do so.

CONSIDER THE FOLLOWING

- **Affordability and Value:** is your dream home within your budget and does it represent good value for money? Compare it to other similar houses in the area and see whether house prices have been increasing locally.
- **Suitability:** does the house fit your needs and requirements? Is it big enough for you now and is there room to expand if your family of one or two becomes three or four?
- **Local Services:** if you are planning to start a family, it is important to consider the local area and the public services on offer. Schools, hospitals and the environment will all need to be considered and evaluated.
- **Location and transport links:** is the location something you can live with? Be it atop a mountain in North Wales or a flat in the bustling city, does it fit your needs? If the house is not in the proximity of your work, what are the transport links like? How expensive is the commute going to be and how long will it take?
- **What type of home are you buying?** Is it a standard freehold, a leasehold or a leasehold with a share of freehold? Leaseholds will generally involve more complex legal work, may include further costs (including ground rent and service charges) and may have restrictive covenants in place which limit what you can do to the property, such as whether you have pets.



MJP TOP TIP

“Agents have been known to advertise a property as a “share of freehold.” A share of freehold property is, in fact, a leasehold with a percentage share of the freehold title: it is NOT to be confused with a freehold property.”

David Pett, Director

STEP THREE

Instruct a Solicitor

Now you have had an offer accepted, your estate agent will want to see that you are serious about proceeding and will ask you for the name of your solicitor. The agent will usually be keen for you to use their recommended solicitor, but do not be pressurised into making a hurried decision; take your time, do your research and you will save yourself money and unnecessary stress!



- Do your research; online firms especially should have reviews on independent review sites. See what their previous clients have said about them – a singular 1* review does not necessarily indicate an incompetent firm, but a string of terrible reviews should give you a good indicator of the level of service you can expect to receive. Similarly, look for specific details, a name or some sign that the review is genuine; a company with a string of 5* reviews like ‘good service’ or ‘efficient and helpful’ may be profiting from some disingenuous reviews.
- Make a shortlist based on price, reviews and transparency, narrow it down and select your chosen firm – be ready to have certified I.D documents ready as responsible firms should need these in order to comply with anti-money laundering and fraud regulations.

STEP FOUR

Finalise your Mortgage Offer

Finalising your mortgage offer should be done concurrently with the search for a solicitor. You can appoint a solicitor without a mortgage offer in place, but you will not be able to finalise a mortgage offer without a solicitor.

With so many mortgage products available, and with so many banks and building societies offering you their services, Step Four can be one of the most important and befuddling stages of the process. If you are unsure of the benefits of each individual mortgage product, it may be worth consulting with a mortgage broker or independent financial adviser; for a fee, brokers and IFAs will try to find the most suitable mortgage for you and, using their existing relationships and contacts, may be able to find you a better deal than you would be able to get on your own. Please review our website directory for recommended providers.



MJP TOP TIP

“Don’t limit your search for a solicitor to your own geographical area: many firms are well equipped to deal with clients all over the country. The days of needing to meet with your conveyancing solicitor face to face are long gone. You may find better value for money further afield, particularly if you live in and around London where legal costs can be much higher.”

Natasha Franklin-Brown, Head of New Business

STEP FIVE

Surveys

A building survey is not to be confused with searches or your mortgage lender’s own survey (sometimes called the valuation report). Searches are carried out by a solicitor’s search provider and reviewed by your solicitors, who will check and investigate any legal issues that may arise from them. The valuation report is carried out by your lender as part of your mortgage offer. Be warned: this survey is largely for the lender’s own purposes. It is not designed to be an in-depth study of the condition of the property, but to establish on a basic level whether the property is worth the money they are lending – following their survey, a mortgage lender may require you to undertake further searches on a property or carry out investigations into its current state (for example, undertaking a damp report or a mining search).

You will need to commission a condition survey yourself by contacting a qualified surveyor or the RPSA (Residential Property Surveyors Association) www.rpsa.org.uk our recommended surveyors. A condition survey is an in-depth visual inspection of the property. It will provide a detailed account of the condition of the property and highlight any potential problems. There are three levels of Survey the RICS Condition Report, Home Condition Survey and the Building Survey, which vary in cost and detail. The RPSA also provides a Buy to Let Survey for those who intend to rent out the property. Which survey you get depends on the nature of the property you are buying and what you plan to do with it.

Which? found that for those people that did not get a survey, on average one in four had to spend over £2,500 to put serious defects right which would have been uncovered in a condition report. For one in ten people it was over £10,000. At the very least, a survey will provide some reassurance that your dream home is not going to collapse around you, but it could also save you from making a bad or costly investment. You should ensure that you have had the property surveyed before you exchange contracts once you have exchanged contracts, you are legally bound to buy the property regardless of what the survey reveals!



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STEP SIX The Conveyancing

For a fuller review of the conveyancing process, please visit our website, www.mjpcconveyancing.com but, in short, the conveyancing process looks like this:

- The seller's solicitors will prepare and send out the initial property documentation, commonly referred to as the 'Contract Pack'; your solicitors will review the Contract Pack and raise initial enquiries
- Your solicitor will also be able to order searches. A standard search pack should contain the environmental search, water and drainage search and local authority search
- Your solicitor will report to you on your mortgage offer and advise you of any legal issues arising from it
- Once searches have been returned, your solicitors will review the searches and raise any further enquiries as a result
- Your solicitor will review replies to all enquiries and finalise the Report on Title to you
- Once your solicitors have carried out the necessary legal work and ensured that the property is fit for lending purposes, you will be asked whether you are happy to exchange contracts. This is the point at which you become legally bound to buy the property
- Completion – the remainder of the purchase funds will be sent across to the seller's solicitors and the estate agent will be told to release the keys to you



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