A Guide to Buying your First Home

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www.oakdenemortgages.co.uk

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Introduction

Buying your first home is to likely be the biggest purchase you will make in your life, so it's important that you feel prepared and get it right. We know that there is a lot to get to grips with, especially when this is your first time going through the process. That's why we are here to help and have put together this handy guide. You'll find a range of information from what a mortgage is to the costs involved. There's also a useful step-by-step planner and important information on how to protect your home and family. We are on hand to help and support you through the whole process.

Independent advice

We provide unbiased advice on a range of mortgage products from various lenders, ensuring you get the most suitable deal for your individual circumstances. We also have access to deals you wouldn't be able to find on your own.

Market insight

We have in-depth knowledge of the mortgage market and can help you understand the pros and cons of different mortgage types, such as fixed rate, variable-rate, and tracker mortgages. We are also able to adapt quickly as the mortgage market changes.

Application support

Our experience means we know which lenders are best suited to your particular circumstances. We help you to prepare your mortgage application, increasing your chances of approval by presenting your financial situation in the best light.

No Broker Fees

We do not charge a broker fee. We receive commission from the lender when your mortgage completes. None of this cost is passed on to you at any stage and this does not affect the rates that we can find you. So you genuinely don't pay a penny for our award winning service.

Frequently asked questions

What is a mortgage?

Most people who own a home have a mortgage, as they do not have the full amount of money to buy a property upfront. Instead, they borrow from a mortgage lender and repay the loan every month over an agreed period, with interest. The typical mortgage length used to be 25 years, but the average first-time buyer (FTB) mortgage is now 32 years. (TSB, 2024) To secure the property, you will need to pay a proportion of the cost upfront – this is the deposit. The more money you can put down, the less you will have to repay in the long run. you cannot keep up your monthly repayments, the mortgage lender reserves the right to repossess your home and sell it so that they can get their money back.

How much deposit do I need?

In most cases, you will need to put down a deposit of at least 5% of the property's value. So, for a home worth £250,000, you will need to pay a deposit of £12,500. The larger the deposit you put down on a property, the less you will have to pay in mortgage repayments. You will also normally have access to a wider range of mortgage deals.

What is loan to value (LTV)

Loan to value, or LTV, is the amount of money you have borrowed from your lender compared with the total property price. For example, if you have put down a 5% deposit of £12,500 on a home worth £250,000, you will have £237,500 left to pay, so your LTV is 95%. The more you can put down as a deposit, the lower the LTV. The lower the LTV, the less of a risk you will be in the eyes of a mortgage lender, as you have a smaller loan to repay and are less likely to owe more than the property's value.

What is the difference between Freehold and Leasehold?

If you are buying a house, it is likely you will be buying the freehold – this means you are the owner of the property and the land it is built on. If you purchase a flat or maisonette, it's likely to be leasehold. This means that, while you own your property, you do not own the building that it is in and the land it sits on – that will be owned by a separate freeholder. Therefore, you will be entering into a lease agreement with the freeholder, and you may have to pay a service charge to them for the maintenance of the building. It is important to make sure there is a long time left on the lease when purchasing the property leasehold (at least 80 years), or you could find it difficult to raise a mortgage or sell in the future.

Help for First Time Buyers

It is widely understood that it is a difficult time to be a first-time buyer; however, there are schemes in place to help hopeful homeowners get their foot on the property ladder.

Buying with friends or family

Buying with friends or other members of your family is one way of getting on the property ladder sooner. It also means that you'll be living with people you know and trust. That said, it's still a sensible idea to get legal advice before choosing this option.

Government home ownership schemes

There are a range of government backed schemes set up to help buyers onto the housing ladder. These include:

- Right to buy – This allows council house tenants to buy their property if they're eligible.
- Right to acquire – This allows eligible housing association tenants to buy their property.
- Social HomeBuy – This offers eligible housing association or council tenants the chance to buy a share of the market value of their current home.

You can get more information on all of these schemes from the government website – www.direct.gov.uk (please see the 'Useful websites' section).

Guarantor/Joint Borrower

If your lender doesn't think you can afford a mortgage on your own, you could consider asking your parents or other close family to be 'guarantors'. A guarantor legally agrees to be responsible for the mortgage payments if you're unable to make them. This is usually a short-term option and, if your lender agrees, you can get a guarantor removed at a later date if your circumstances change.
Guarantors should get their own independent legal advice.

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Be mortgage ready

Lenders will assess if you can afford the mortgage based on several factors. In the months leading up to your mortgage application, there are steps you can take to improve your chances of success.

Credit score

Lenders will check your credit records to ascertain if you will be able to meet the monthly repayments. Most lenders use one of three main credit reference agencies – TransUnion, Equifax and, Experian. You can check your reports for free now, so you have time to make any improvements before applying.

Spending

The last six years of your financial history are used to calculate any future risk when it comes to borrowing. Your existing accounts will be inspected – for example, a lender will check if you have consistently paid your phone and utility bills. They will also want to see if you've regularly used your overdraft or taken out loans, which could indicate that you struggle to manage your finances. Lenders are required to carry out a stress test to check borrowers could still make payments if mortgage rates were to increase. So, any savings you can build up will help to prove that you could still make ends meet. Gambling and other habits that are considered non-essential are likely to be a red flag. Make sure you stay out of your overdraft.

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Go through old accounts

Any discrepancies in information could be a cause for concern in the eyes of a lender, so make sure all your old accounts have been updated with your current address. If you are no longer using some accounts, consider whether keeping them open would strengthen or weaken your mortgage application. For example, if you've had a credit card for a while, the longstanding financial relationship could prove your reliability. However, an old joint account with someone you are no longer financially linked to could put your credit score in jeopardy.

Electoral Roll

Make sure you are on the electoral roll. Go to www.gov.uk/register-to-vote to register on the electoral roll or to check whether you're already registered.

Check address are up to date

Check your address is up to date on all active accounts (even if you no longer use them). A lot of us have gone paperless with our accounts therefore you don't realise that you haven't updated your address with the bank. Make sure all bank & credit accounts have the correct address. Also make sure your address is correct on your payslip.

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Documents to get ready

Proof of identity and address

A driving licence or passport for ID checks, plus a recent utility bill or bank statement with your current address.

Proof of income

If you are permanently **employed**, you will need your last 3/4 month payslips and might need your P60. If you are in receipt of bonus', commission or overtime you may need up to 2 years of payslips to evidence this depending on how regularly this payment is made. Depending on the time in your current role, you may need a copy of your signed contract.

If you are **self-employed**, you will need to supply HMRC documents from the last three years, including a tax year overview and tax calculations (SA302). If you have a limited company, you will also need to provide 3 years accounts. If you have an accountant, you can ask them for this information. (Some lenders will not require 3 years so if you have not been trading this long, don't worry. Speak to us) You will also need your last 3 months business bank statements.

If you have other income, such as benefits, you will need to supply proof of this (usually by providing bank statements or award notice's).

Your outgoings

You will need to supply bank statements - normally 3/4 months but could be more. If you use a credit card for everyday spending, even if you clear this at the end of every month, you will need 3 months statements.
You will also need to provide details on all outstanding debt - credit cards, loans, hire purchase, catalogue accounts, Klana, Buy now - pay later, 0% finance.

Proof of deposit

If your deposit is from your savings, you will need to provide at least 6 months bank statements as proof of these. If your deposit is a gift, the person gifting to you will normally need to complete a form or letter confirming the gift.

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Cost of moving

Aside from your mortgage and deposit, there are other one-off costs incurred when buying your first home. Use this table below to help you to budget for the additional costs involved in purchasing your first home.

COST	ESTIMATE FOR YOUR PROPERTY
Solicitor/Conveyancer Fees	
Stamp Duty	
Land Registry Fees	
Lender application/arrangement fees (if applicable)	
Lender Valuation (If applicable)	
Survey Fee	
Removal Costs	
Total Buying Fees	

WARNING: If you add any fees to your loan, interest will be charged on these amounts during the term of your mortgage. Some fees will not be refunded if your mortgage does not go ahead.

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The mortgage application process

1. Assessment of finances
Gather your financial documents, including payslips, bank statements, and proof of identity. We will assess your income, outgoings, and credit score. In some cases, it can be advisable to take steps to improve your credit score before putting in an application.

2. Mortgage in principle/Agreement in principle
Getting a mortgage (or agreement) in principle helps you to understand how much you could borrow before you apply for a mortgage. It shows sellers that you are a serious buyer and often Estate Agents require this before you can view a property. Once you are happy with the advice we have given you at our first meeting, we can apply for this on your behalf.

3. Property search
Begin looking for properties within your budget. Once you find a property, Let us know.

4.Full application
We are here to assist in the completion of the mortgage application, submit it with the necessary documents, and liaise with the lender. Depending on the time between our initial meeting and securing a property, we may need updated documents.

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The mortgage application process

5. Solicitors undertake legal work
This is normally the longest part of the process and on average will take 3 months. They apply for searches on the property you are buying, do all the legal checks, handle the legal transfer and liaise with the sellers solicitor

6.Valuation and survey
The lender will conduct a mortgage valuation to ensure the property is worth the amount you wish to borrow. We can also advise you on your options for a home survey.
(see page 16)

7. Mortgage offer
Once the lender approves your mortgage, you will receive a formal mortgage offer.

8. Exchange
When all the legal paperwork is in order your solicitor will contact you to sign the contracts in preparation for exchange. When you exchange contracts you will pay a deposit to your solicitor and the sale is now legally binding.

9. Completion
Congratulations! Moving day is finally here. Once the seller solicitor has confirmed they have received the funs, you can collect your keys.

Types of mortgages

Repayment mortgage

With a repayment mortgage, your monthly payments to the lender go towards reducing the amount you owe as well as repaying the interest they charge. This means that each month you're paying off a small part of your mortgage.

The advantages: It's a clear approach – you can see your mortgage getting smaller and provided you maintain the required payments, you also have the certainty that your mortgage will be repaid at the end of the term.

The disadvantages: Initially, the majority of your payments go towards interest on your mortgage, which means in the early years, the amount you owe won't reduce by very much.

Combination mortgage

It may be suitable for you to pay your mortgage by a combination of repayment and interest only.

Interest only mortgage

With an interest only mortgage you only pay the interest charged on your loan, so you're not actually reducing the loan itself. You'll need to have some other arrangement or plan in place to repay your loan at the end of the term. For example – investments, savings plan, downsizing (where you sell your property and buy a cheaper one using the equity to repay your loan), making lump sum payments or changing to a repayment mortgage.

The advantages: If the savings or investment plan you choose performs well, then you could pay off your mortgage earlier compared to a repayment mortgage. At the full mortgage term there may be a lump sum available after the mortgage has been repaid.

The disadvantages: Very few investments or savings plans are guaranteed to repay your mortgage in full. At the end of the mortgage term, you're responsible for repaying the mortgage in full. If your savings or investment plan doesn't cover the full amount, you'll be responsible for paying the difference. Your mortgage lender can demand repayment, and they'll charge you interest on any outstanding balance until it's repaid. Lump sum payments or changing to a repayment mortgage may not be possible if your circumstances change and you can no longer afford the increased amounts.
Downsizing is not a guaranteed method of repaying your loan as, even if you have enough equity now, house prices could fall and may leave insufficient equity to repay the loan. It is not advisable to rely on house prices increasing as this might not happen. Some people may hope to rely on inheritance. However, there are several risks associated with this: people can change their Wills and, therefore, your inheritance is not guaranteed; the amount you receive may be different to what you expect; you may not have inherited by the time your mortgage term ends or you retire and there can be a delay in receiving funds from an estate. Many lenders will only accept certain plans to repay an interest only mortgage. Your adviser will be able to guide you. Please note: the diagram below is for illustration purposes only and assumes a fixed rate of interest over the term of the mortgage. In reality, interest rates fluctuate.

How is interest charged on my mortgage

Fixed Rate Mortgage

With a fixed rate mortgage, your monthly payment won't change for a set period. At the end of your fixed rate, your lender will usually change your interest rate to their standard variable rate (SVR). It's a good idea to review your mortgage at this stage because the lender's SVR may not be the best deal around.

The advantages:

✅You know the exact amount you'll need to pay each month, which makes budgeting easier.

✅Your monthly payment will stay the same during the fixed period, even if other interest rates increase.

The disadvantages:

❌ Your monthly payment will stay the same during the fixed period, even if other interest rates decrease.

❌ If you want to repay your loan early, there could be early repayment charges.

Tracker Mortgage

With a tracker mortgage, the interest rate charged by your lender is linked to a rate such as the Bank of England base rate. This means your payments can go up or down.

The advantages:

✅The rate you pay tracks another headline rate (for example, the Bank of England base rate or the lender's base rate). If the headline rate changes, your tracker rate changes by the same amount. So normally your interest rate will be following trends in the marketplace.

The disadvantages:

❌ Some lenders impose a collar which means the interest rate won't fall below a certain level, even if the rate it's tracking continues to reduce.

❌ Your monthly payments can go up or down which can make budgeting difficult.

❌ If you want to repay the loan early, there could be early repayment charges.

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How is interest charged on my mortgage

Discounted Rate Mortgage

Some lenders offer mortgages where the initial interest rate is set at an amount below their standard variable rate for a set period of time. At the end of your discounted rate period, your lender will usually change your interest rate to their standard variable rate (SVR). It's a good idea to review your mortgage at this stage because the lender's SVR may not be the best deal around.

The advantages:

✅Your payments should cost you less in the early years, when money may be tight. But you must be confident you can afford the payments when the discount ends.

The disadvantages:

❌ Your monthly payments can go up or down which can make budgeting difficult.
❌ If you want to repay the loan early, there could be early repayment charges.

Standard Variable Rate (SVR) Mortgage

This is a standard interest rate, which a lender will set and can go up or down in line with market rates (such as the Bank of England's base rate).

The advantages:

✅ You have more flexibility and can usually repay your mortgage without any early repayment charges.

The disadvantages:

❌ Your monthly payments can go up and down and this can make budgeting difficult.
❌ Standard variable rate mortgages are not usually the lowest interest rates lenders offer

How is interest charged on my mortgage

Offset Mortgage

With an offset mortgage, your main current and/or savings accounts are linked to your mortgage and are usually held with the mortgage lender. Each month, the amount you owe on your mortgage is reduced by the amount in these accounts before working out the interest due on the loan. This means that as your current account and saving balances go up, you will pay less mortgage interest. As they go down, you will pay more. Linked accounts that are used to reduce the mortgage interest payments do not attract any interest.

The advantages:

✅These products allow flexibility and can encourage you to save.
✅ Mortgage payments can be reduced as the level of savings increase, or you may be able to continue paying the same and pay your mortgage off early.
✅ You usually pay tax on your savings. However, if your savings are automatically used to offset your mortgage, you won't pay income tax on these savings – this is particularly beneficial if you're a higher rate taxpayer.

The disadvantages:

❌ These types of mortgages are normally only suitable if you have savings over a certain level.

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Surveys

When buying your first home, one important step to consider is getting a property survey. A survey is an expert inspection of a property's condition, highlighting any potential issues that could cost you money down the line. While a mortgage lender's valuation checks the property's value, it doesn't assess the condition of the home — that's where a survey comes in.

Why Should You Get a Survey?

A survey gives you peace of mind that the property you're buying is in good condition or flags any issues that may need addressing. It can help you avoid unexpected repair costs and may even give you grounds to renegotiate the purchase price if serious problems are found. Without a survey, you could face costly surprises after you move in.

RICS Level 2 Survey (Homebuyer Report)

- **What is it?** This is the most popular type of survey, suitable for modern homes or properties in reasonable condition.
- **What does it cover?** It provides a clear and concise report on the property's condition, highlighting any visible issues like damp, subsidence, or structural problems. It also gives advice on any necessary repairs and ongoing maintenance.
- **When should you choose it?** Opt for a Level 2 survey if you're buying a relatively new home or one that looks well-maintained and has had no significant alterations.

RICS Level 3 Survey (Building Survey)

- **What is it?** A more detailed and thorough survey, perfect for older properties, larger homes, or those needing renovation.
- **What does it cover?** It provides an in-depth analysis of the property's structure and condition, including potential hidden defects. It offers detailed advice on repairs, estimated costs, and the consequences of not addressing issues.
- **When should you choose it?** Go for a Level 3 survey if you're buying an older home, a property that's been significantly altered, or one you plan to renovate.

Choosing the right survey helps ensure you know exactly what you're buying and avoid costly surprises.

Protect your future

Once you have had your mortgage approved, the next step is to think about protecting your home and family. Buying a home is a huge financial commitment, and it's important to consider how you would manage if the unexpected happened.

Ask yourself:
How would one partner cope financially with the death or critical illness of the other?
Could you continue your current lifestyle?
Could you financially continue to raise your family?
These are difficult questions, but they're essential when planning for your family's future security.

There are three main types of protection to consider:

Life Insurance

- **What is it?** Life insurance pays out a lump sum if you pass away during the term of the policy. This can be used to pay off your mortgage, cover living expenses, or provide financial security for your loved ones.
- **Who should I cover?** If you're buying with a partner, you'll likely want to consider joint cover or individual policies depending on your needs.
- **How much will it cost me?** Costs vary depending on factors like age, health, the amount of cover, and the length of the policy. A mortgage broker can help you find the best value policy for your circumstances.

Critical Illness Cover

- **What is it?** This provides a lump sum if you're diagnosed with a serious illness like cancer, a heart attack, or a stroke. This money can help cover your mortgage payments, medical costs, or changes needed in your home.
- **Do I really need it?** Think about how you would cope financially if you were unable to work during treatment or recovery.
- **How much cover should I have?** This depends on your mortgage amount, regular expenses, and any savings you might have.

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Protect your future

Income Protection

- **What is it?** Income protection pays out a regular income if you're unable to work due to illness or injury. It ensures you can continue to cover your mortgage and day-to-day expenses.
- **How long does it pay out for?** Policies vary—some will pay until you return to work, others for a set period.
- **How much will I receive?** Most policies cover a percentage of your regular income, usually around 50-70%.

You also need to protect your home. After all, you have just made the biggest purchase of your life.

Home Insurance

Finding the right home insurance can be complicated, but your adviser can help you choose a policy that's tailored to meet your individual needs, with a wide range of optional extras. Plus, if you insure both buildings and contents under one policy, you may receive a discount on your premium (subject to minimum premium).

Buildings Insurance

Your home is probably your biggest single purchase, so it's important you have adequate buildings insurance in place. Buildings insurance covers your home and its fixtures and fittings against loss or damage caused by events such as fire, storm, flood and subsidence. It also covers less common causes of damage such as theft, vandalism or damage to your property caused by vehicle collision.

Contents Insurance

Contents insurance covers your household goods and personal belongings against loss or damage caused by risks such as fire, theft, storm and flood.

We can help you navigate all these options and find the right protection policies tailored to your needs. Ensuring you and your family are financially secure gives you peace of mind and safeguards your home and future.

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Your home may be repossessed if you do not keep up repayments on your mortgage.
It is important to take professional advice before making any decision relating to your personal finances.
Information within this document is based on our current understanding and can be subject to change without notice.
We do not charge a fee to arrange a mortgage.
As with all insurance policies, conditions and exclusions will apply.