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First time buyer

The purchase process and costs to consider

As a first-time buyer you may have hundreds of questions about buying a property. This guide aims to give you an insight into the steps to buy your first home. Every home-purchase situation is different, so this is designed to give you basic information to help you through the process and make everything go as smoothly as possible.

Always remember, listen carefully to the legal and mortgage advice you are given during your home buying journey.

This guide outlines the process in England and Wales. In other parts of the United Kingdom the process is different, so please speak to one of our advisors to discuss this.

Step 1: Get organised and plan ahead

We all start thinking of buying a home by looking at what is available on the market. Is it that dream property you saw at the end of the street or a city-centre flat? While these ideas are a great starting point, it helps to get an idea of what you can afford and what the monthly payments might be.

That is why it is worth talking to us as early as possible, so we can discuss your mortgage needs, what you can afford and what the repayments look like. You can get at this stage what is called a **Mortgage in Principle** and remember at Community Mortgage Services we do not charge a broker fee.

Some estate agents may ask to see a Mortgage in Principle before they let you view any properties.

You also need to consider what deposit you have. The deposit is important as where it comes from can affect your mortgage. Is it money you have saved yourself or is it a gift from family? When first discussing your mortgage with us, it is a good idea to have a clear picture of where and how much deposit you have to put towards your mortgage. A typical rule in mortgages is the larger the deposit you have, the lower the interest rates and the more mortgage products are available.

At this point it is also worth considering the costs of buying a property (your advisor will discuss these with you). Some of the major costs of buying a property are outlined below:

- **Stamp Duty:** a tax on buying a property. The UK Government website has a useful calculator you can use to help you with the figures. The government does at times, look to help first-time buyers with Stamp Duty, by reducing the amount you may need to pay. Your mortgage adviser will discuss this with you and your solicitor will confirm your liability.
- **Conveyancing:** the costs involved in hiring a solicitor to complete the legal work. We can help you find a solicitor but remember to check all legal costs with them thoroughly before you instruct them to do the work. Typical pricing for this can range from £800 to £2000+, depending on what needs to be done.
- **Conveyancing searches and other legal costs:** you may need to pay for any other searches the solicitor has to conduct over and above the standard searches they typically quote for. The searches required depend on the property, but typical examples include Mining Reports and Title Indemnity Insurance. It would be a good idea to budget for these. They generally cost £200 to £300+, depending on what is needed.
- **Mortgage valuation:** this is a valuation done by the mortgage company to check they are happy with the price being paid for the property. It is for mortgage purposes so is not an

extensive survey and may not identify any faults or problems with the property. Typically, these can cost anything from £0 to £1500 or more, depending on the mortgage product. We will take these costs into account as part of any mortgage recommendation.

- **Survey costs:** you may want to get a more in-depth survey on the property to help you identify hidden problems. The Royal Institute of Chartered Surveyors (RICS) offers three different types of reports. These reports may be able to be completed as part of the Mortgage Valuation for an additional cost, or you can instruct them separately. We will take this into consideration as part of any mortgage recommendation.

The three types of survey, which will vary in price depending on the property and the condition that it is in, are:

RICS Level 1 (Condition Report)

This describes the condition of the property, with a summary of any risks and potential legal issues. It uses simple 'traffic light' ratings to clearly highlight the condition of elements of the property. The typical cost for this is around £300 to £500.

RICS Level 2 (Homebuyer Report)

This is a much more detailed survey, looking thoroughly inside and outside a property, and is suitable for conventional properties in reasonable condition. It can also include a valuation, and this might be a chargeable extra. The typical cost is around £500 to £800.

RICS Level 3 (Building Survey)

This is the most comprehensive survey and is suitable for all residential properties. It can be particularly useful for older homes or homes that might need repairs, and the typical cost is around £800 or more.

- **Mortgage fees:** Some banks, building societies and mortgage lenders may charge mortgage fees as part of their product offering. For example, a bank could have two mortgage products: one with a £999 fee at 5.0% and one with no fees at 5.5%. We will discuss any mortgage fees with you as part of our advisory service, and this will form part of our recommendation to you. Mortgage lender fees can sometimes be added to the loan, so you do not need to find the money up front. However, this means they attract interest, meaning that you pay back more over the course of the mortgage. Typically, the price for these can vary from £0 - £2000+.
- **Costs of moving:** Will you hire a removal company or just a van? Will you get packers in or do it yourself?

It is also best practice at this stage for all applicants to check their credit report. It can be particularly useful to share this with your Mortgage Advisor to give them a better understanding of your credit situation.

Step 2: Find a property and make an offer!

Once you have found a property and have completed a **Mortgage in Principle**, you are able to put an offer in on the property. Neither the buyer nor the seller is legally bound to proceed at this stage, and this is where Gazumping and Gazundering can occur.

- **Gazumping** is when another buyer puts in a better offer after yours has been accepted and the seller accepts their offer instead.

- **Gazundering** is when the buyer lowers their offer at the last minute in attempt to secure the property for less money.

Step 3: Apply for the mortgage and arrange solicitors and surveys

Once you have an offer accepted, contact us and we can apply for the mortgage on your behalf.

It is also a good idea to instruct a survey at this stage, as discussed in step 1; this might be done as part of the mortgage application, or it can be instructed separately. Please discuss your chosen course of action with your advisor.

You should now be instructing solicitors to start the legal work to enable you to buy the property. We can help you find a solicitor but remember to check all legal costs thoroughly before you instruct them to do the work.

You also need to consider protection for you and your family in the form of insurance, which is something else we can advise you on. Getting a home is the start of a long journey; in some situations, up to 40 years. Ensuring that you can not only get your home but also keep it should the worst happen is vitally important.

Step 4: Negotiate if required and finalise the mortgage

At this stage in England and Wales no one is legally bound to buy or sell the property.

After the survey, mortgage and solicitors have been instructed, it is not unusual for items on reports to come back and negotiations to continue as a result. For example, the property might be down-valued on survey. If this happens you may wish to discuss with the selling agents to see if you want to re-negotiate the price. You may also need to seek advice from your solicitor and mortgage advisor to see if it has any impact on your situation. Here at Community Mortgage Services we will keep in regular touch and discuss all situations with you as they arise.

Step 5: Mortgage offer

Once everything has been finalised and the mortgage lender has completed all their checks, they will issue you with a mortgage offer. We will discuss this with you to check your understanding of it. You will also have a minimum seven-day reflection period to decide whether this is the right mortgage for you.

Even at this stage, if you decide not to buy you can pull out and cancel your mortgage application before you have exchanged contracts, but you are likely to lose some of your money depending on how far you have gone in the process.

Step 6: Exchange contracts

Once everything above has been finalised, then you should receive the contract to sign and complete the sale. Before signing the contract, go through it carefully with your solicitor to check that all the details are correct. You should also ensure you are happy with what the sellers have agreed to leave in the property and that all your queries have been answered.

At this stage, you and the seller are committed to the sale. You will also need Buildings Insurance in place when you exchange contracts to cover the structure of the property as you are now legally committed to buying it. We will discuss your Home Insurance needs as part of the advice process.

Step 7: Completion

This is when the remaining funds are transferred from your solicitor to the seller's solicitor. It is when you legally own the property and can move in.

The best advice for any buyer is do not go along in silence. If you have questions, ask them! If you are not sure about any situation, ask for advice and help. Here at Community Mortgage Services we believe in not only giving quality advice but educating people during that process to make the financial decisions that are correct for them.

Your home may be repossessed if you do not keep up repayments on your mortgage.

The Financial Conduct Authority does not regulate some forms of Buy to Let mortgages.



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