

A guide to buying your first house in 2022 - TAB U Podcast - S2 E2 - #TABUniversity

Podcasts

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Welcome back to TAB University!

This season we'll be talking to the experts both at TAB and our special guests to cover all topics ranging from investing in property to lending, and finance.

In this episode, TAB U host Katrina Hindley is joined by Sam Morris, a member of the TAB's business development and sales team and Alex Sherrick the founder of [The Home First](#), a company designed to assist first time buyers in purchasing their first home. They are here to give their expert opinions on what the process really looks like to purchase your first home, from how to get qualified by a mortgage broker right up to the moment you receive your keys.

We'll also be providing tips on what you can do as a first time buyer to maximise your first purchase.

The top five questions to be discussed on today's episode are:

Question 1 - What are the steps to buying a house?

Question 2 - Who qualifies as a first time buyer?

Question 3 - What costs do I need to consider as a first time buyer?

Question 4 - What type of mortgage is best for first time buyers?

Question 5 - What are the benefits of being a first time buyer?

The Home First: <https://www.thehomefirst.com/>

What are the steps to buying a house?

According to Alex the first steps to buying your first home come before you've even started looking for houses to buy. "Before you start looking on Zoopla or Rightmove the most important thing you need to do is to get qualified for a mortgage by a qualified mortgage broker, I stress this all the time." He added "Following that you should start focusing in on one or two locations and properties that you feel like would be right for your budget. Take a list of questions that you prioritise to your property viewings."

Alex also added that he believes that all negotiations are different and finding a valuation or discount for a house really depends on the situation. "Once you've got the price agreed, the three main steps following that are reservation, exchange and completion."

What is reservation?

Once you've found your ideal property and an offer has been made, reservation is the stage where your offer has been agreed and all your relevant details from a choice of mortgage broker, solicitor and financial details have been provided to the buyer. Alex added, "Once you've completed the reservation for your property, you are on the way to exchanging contracts."

What is exchange?

The exchange stage of purchasing a house is often considered the most stressful of the whole process. At this moment, you've provided all your details and made your offer and the next step is out of your control. "You want your mortgage broker to go through the mortgage application with you, the legal team to discuss the property contracts!" The exchange can be quite time consuming and may take up to 4-6 weeks depending on the situation, however if you overcome this and exchange contracts with your seller, you'll be ready to put down your deposit, which represents the exchange of contracts. "Until the exchange step has been completed, you don't legally own the home, even if it's been taken off the market, that means there's a fear of being gazumped, where a larger bid comes in for the same property before any exchanges have been completed." Alex comments.

How do I know if the price I'm paying is right for the house valuation?

When you buy a property, your bank will organise a valuer to go to the property to determine if the value of the property aligns with the asking price, this gives you the security to know you won't be overpaying.

What is completion?

Completion is the moment the full funds are transferred between the buyer and seller and your mortgage will begin and you can get your keys, usually, this can take on average ten days. Although you may legally own the home once your deposit has been put down and the exchange has gone through, your mortgage will not start until all funds are transferred. Once the competition is over this does mean you can celebrate!

Who qualifies as a first time buyer?

As the name suggests, you'll qualify for a first time buyer if you've never bought a home before, not only that but you must not have inherited a home or been bought a home for you by someone else. Essentially, you cannot be on the title of any home.

If I own a property abroad can I still be considered a first time buyer in the UK?

It's an interesting question however, if you were to purchase or be on the title outside of the UK, you would not be considered a first time buyer domestically.

If my partner owns a property and I do not, do we still classify as first time buyers?

Buying as a couple provides you with more purchasing power as naturally two salaries gives you more collective wealth. However you would not be considered first time buyers if one of the people on the title of the property has their name on another property, both in the UK or abroad.

As a first time buyer. What costs do I need to consider?

To start with, the most obvious fee you'll have to consider is your deposit. Generally your deposit value will range from 5-15% of your overall purchase price of the property. "The percentage of the deposit you'll pay is really down to the scheme you decide to use to purchase. Schemes such as the

help to buy, will generally have a deposit value of 5%.” Alex told us.

However, this is only applicable to buy to live first time buyers, as if you are purchasing your home to let, then your deposit will be up to 25% of the purchase price.

Other key costs that come into buying a home for the first time include:

- Stamp duty (2-12% of purchasing price)
- Legal fees (fees dependent on who they are but can be up to £2,000)
- Building surveyor (around £200)
- Mortgage broker
- Arrangement fee (around £1000)
- Moving costs

What type of mortgage is best for a first time buyer?

There are so many variances of mortgages you can choose from and there’s no one trick solution to finding the best type of mortgage as different factors such as your financial resources, value of the property and location will all need to be taken into consideration.

Alex suggests discussing with your mortgage broker or someone qualified to provide advice on what the best solution is for you.

What are the benefits of being a first time buyer?

One of the benefits of being a first time buyer is the availability of the Help to Buy scheme. Help to buy is a Government scheme where they put an equity loan into your purchase. Put it simply “what that means is instead of you paying 15% and having an 85% mortgage, you’ll pay 5% and use a 55% mortgage, whilst the Government will cover the remaining 40% of the property value with the equity loan*. Although you’ll have two loans, you’ll pay a smaller deposit”, said Alex. Interest rates on the equity loan are generally low for the first five years, and will increase after five years. One drawback of the Help to Buy scheme however, is that it is exclusively available for newly built homes and cannot be used for secondhand homes.

*Note: The 40% equity loan is only applicable to Help to Buy London, and will instead be 20% for homes purchased outside London. Not all Help to Buy schemes will suit everyone. This podcast is for information only and does not constitute advice or a personal recommendation. When it comes to financing, any property used as security is at risk of repossession if you do not keep up with your payments. If you are unsure of the risks, you are advised to obtain appropriate professional advice.

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