

FIRST TIME BUYERS

ESPC
10-STEP
GUIDE TO BUYING
YOUR FIRST
HOME



Buying your first home is exciting, satisfying and, let's face it, also pretty daunting. There's a lot to get your head around, but like all big tasks if you break it into bite-size chunks it suddenly seems a lot easier. That's why we've produced this ten-step guide to the entire process, from making a budget to moving in. **We hope you find it useful.**



1 How much can I borrow?

The general rule is that you can borrow 3.5 times your annual salary or, if you're applying with a partner, 2.5 times your combined annual salary. Depending on your financial situation, though, you may find that mortgage providers will offer you more (or less), or that they will charge you a different interest rate.

Most people's first mortgage is on a 25-year repayment plan. But you could choose to repay over 20 years.

Mortgage providers - banks and building societies - look at several things when you ask them for a loan. The first is your credit rating. If you've had credit problems in the past, many lenders will offer you a smaller loan or charge more interest. On the other hand, lenders like it if you have someone who can guarantee the loan - like a parent who promises to make the payments if you can't.



The size of your deposit is also important. If you're only asking the lender for 75% of the property's valuation, you'll be offered a lower interest rate than if you're borrowing 90%. You'll have to keep back some of the money you've saved to cover other costs like stamp duty, legal fees and removal costs. More about those later.

Most people's first mortgage is on a 25-year repayment plan. But you could choose to repay over 20 years, in which case your monthly payments will go up but the total amount you pay over the life of the mortgage will go down. The choice is yours, and it depends mostly on what you decide in step two.



2 Can I afford the repayments?

The crunch question: and at ESPC we believe it's essential to help you work out a realistic answer to it. That means sitting down with you to draw up a detailed monthly budget of income and expenses and seeing what's actually left over for your mortgage repayments. For us, realistic budgeting is the cornerstone of all long-term financial planning. The last thing we want is for our clients to find, six months down the line, that they've taken on more than they can afford to repay. Bear in mind that if interest rates rise your monthly payments could rise with them - and that once you've moved in



you'll want to spend extra on decoration, furnishing and all those things that make a place feel like home.

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Then there's insurance: your mortgage lender will insist that you insure the building itself against structural damage, and you may also want to insure the contents. Many

policies let you pay these insurance premiums monthly, which eases the burden a bit. Incidentally, you don't have to buy your buildings insurance from your mortgage lender; there's a lot of choice in the market and our advisers at ESPC can help you choose the right policy for you. Going through your future expenses in this sort of detail makes a lot of sense. Draw up a realistic budget now and you'll be fine, knowing that you can enjoy your new home without worrying too much about monthly costs.



Choose a Mortgage



There are literally hundreds of mortgages out there in the market to choose from, but fortunately there are only a few crucial things you really need to know about them.

First, the most common types for first time buyers are:

1. **Fixed rate**, where the repayments stay the same for a pre-determined period whether interest rates go up or down.

2. **Variable rate**, where the repayments can go both up and down.

Within these two main categories there really is an awful lot of choice. For example, there's the tracker mortgage, which follows the Bank of England base rate for a specified period before moving to the 'standard' variable rate. Many lenders

offer discounts or other special terms: if you're a recent graduate, for example, or if a parent can take on some of the mortgage. Many offer the flexibility to pay more, take a mortgage holiday or otherwise vary the terms of the contract.

The third key point is that different mortgages suit different people. For example, if you're stretching yourself to make the repayments, you might want to go for a fixed rate loan so that you know your monthly payments will stay the same during the agreed period. But this won't necessarily be the best choice for everybody.

With so many options it makes sense to get independent advice. Our advisers search the whole of the market and can help you find the mortgage that's right for you.



Get an 'Agreement in Principle'

Once you've found the right mortgage, you may need to get an Agreement in Principle from the lender. We can advise you about this. Before giving you an Agreement in Principle the lender will probably do some of the necessary admin, like running a credit check on you. It doesn't commit you to taking out a mortgage with this particular lender, nor does it commit them to lending you the money. But it does let you start househunting with confidence, because it gets the first stage of the approval process out of the way.

...the process should be quicker and easier



Finding the right property for you



At this stage, there's no substitute for getting out there and pounding the pavements, viewing as many properties as possible. It'll help you to get an idea of what kind of place you'd like to live in, what's available, and whether it's a buyer's or seller's market (you'll want to have a feel for this when the time comes to make an offer). Spending some time with ESPC's friendly staff will pay dividends. We can point you towards currently available properties that match your price range and location. And we can email you details of any new properties coming onto the market so you have up-to-date information at your fingertips.

Once you've seen a few properties you'll soon become

an expert at seeing past things that you don't like but can easily change (like dodgy decor) and spotting things that could be an expensive problem (antiquated electrics, crumbly window frames, bad room layout, to name just three of the main offenders).

It's good to go with your instincts, but don't get fixated on one property and start making rash decisions. If you see somewhere you like, always go back for a second

viewing - ideally at a different time of day, and bring someone with experience of home-buying who can give you a more objective opinion. Ask the seller why they're moving, how long the house has been on the market, how much interest they've had from buyers, and how much the council tax and utility bills are. You'll also want to find out as much as possible about the area - are any major developments planned?

**...better still use
espc.com website
to search for useful
information**

These aren't always a bad thing - new public transport links, for example, can add value to a neighbourhood. Ask around, and see whether you know anyone who lives nearby who can give you the inside track on what you might be moving into.

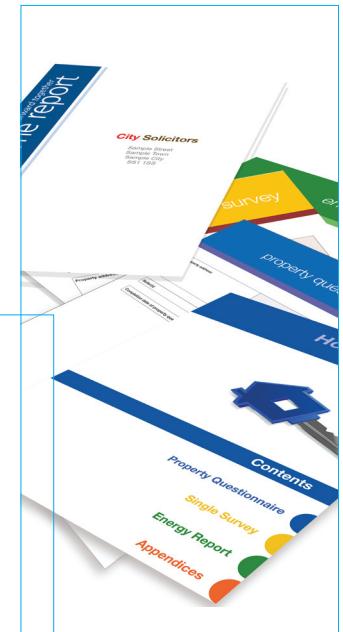


When you've found a house you like

Once you find a house you think you might buy, you definitely need a solicitor. What happens next depends on whether the house is being offered at 'fixed price' or 'offers over'. Fixed price means that the seller asks for an exact price; you can offer that amount or, if you want, less. The seller is not obliged to accept any offer, but generally the first person to offer the full fixed price, or near enough to it, is successful.

Your solicitor plays a crucial part in this process and will be able to guide you

Offers over is different. After a while the seller will set a 'closing date', by which all offers must be submitted. Then all the potential buyers make their offers, using the 'offers over' amount as a guide. It's a blind auction: you won't know what other people are bidding, or even if they're making an offer at all. Deciding how much to bid is probably the trickiest part of the entire housebuying process, requiring market knowledge, commercial instinct and - just as important - a good slice of luck. Your solicitor plays a crucial part in this process and will be able to guide you.



Fixed price or offers over, you'll need some advice on what the property is worth. Your solicitor can give you a good idea of what to offer, based on past sales in that street or area, together with general knowledge of the market. If you decide to go ahead, your solicitor will submit a formal offer.

The following applies to Scotland only. If you're buying in England or elsewhere, give us a call.

Finalising your Mortgage

You can see the finishing line now. Once you've made an offer and it's been accepted, you need to get your mortgage approved. If you've already got an Agreement in Principle, this stage should be a bit easier. In any event, it's important to finally decide exactly how much of the agreed purchase price you're going to pay with your saved money, and how much you want to borrow.

Remember that there are lots of things you'll have to spend money on:

A. Solicitor's fees, survey fees and stamp duty

(a government tax on the price you pay for the property). Stamp duty is collected by your solicitor, who will give you a cost estimate.

B. Protection. If you can't meet your mortgage payments and other expenses in the event, say, of being unable to work, the implications for you and your family could be uncomfortable to say the least.

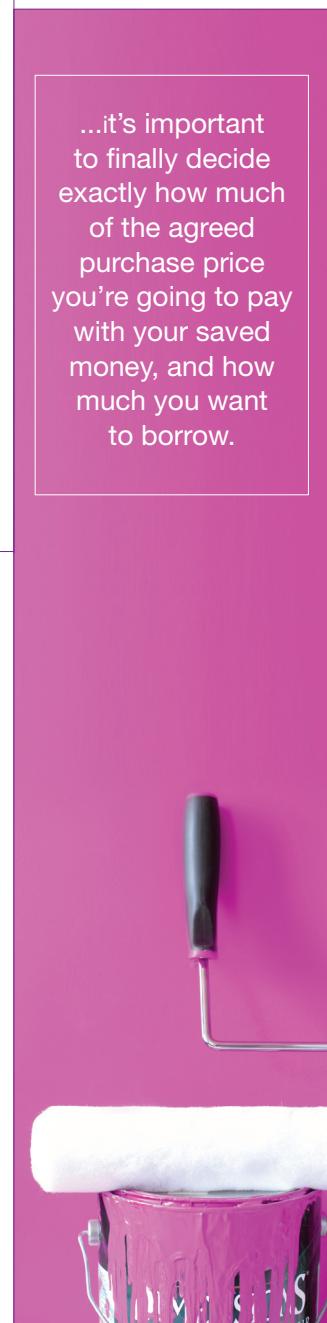
Our advisers can help you decide whether to protect your financial security by taking out some form of protection policy: see step number 9.

C. Buildings and contents insurance: see step number 2. Again, our IFAs can advise.

D. Moving costs. Whether you're using a professional removals firm or borrowing a van and roping in your friends, there will be some costs involved.

E. Repairs, decoration and furnishing. Estimate these as best you can, then add a bit on. Most people get quite houseproud when they move into their first home; buying lots of tasteful furnishings and trimmings is fun, but expensive.

Add up all these costs, add 10% on for safety, and subtract the total from the amount you've saved. That's how much you can put down as a deposit. The rest of the purchase price will have to come from the mortgage provider.



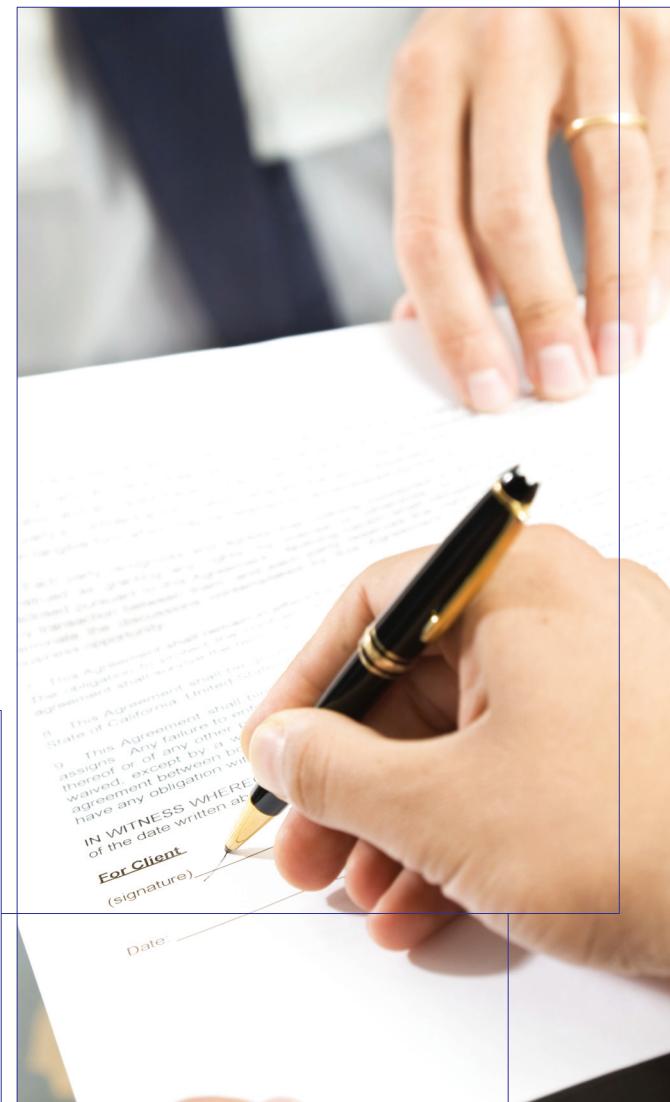
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Arranging the legals

While your mortgage provider is beavering away approving (hopefully) your application, your solicitor will be working to finalise the details of your offer. Every element of the agreement between you and the seller has to be negotiated, agreed and clearly set down in the contract, known in Scotland as the 'missives'. You can discuss the date of entry you want (i.e. when you want to get the keys), what is or isn't included in the sale (usually anything permanently fixed will be included), and any discounts (for example if the seller has commissioned repairs that haven't been made or paid for yet).

...your solicitor will go through the missives in detail with you before you formally agree terms...

At this point you are legally obliged to fork out the cash on the agreed date



All these things, and many others, will be set out in the missives, and your solicitor will go through them with you in detail before you formally agree terms (or 'conclude the bargain'). At this point you are legally obliged to fork out the cash on the agreed date, and similarly the seller is legally obliged to vacate the premises.



Borrowing all that money from your mortgage provider is a big financial commitment, and you'll want to know that you can still make the payments if you lose your job or fall ill. This is where protection comes in.

Most people find their first few years of home-owning to be a financial stretch, and it can seem like insurance is just another cost at the worst possible time. But knowing that you're protected against whatever life may throw at you brings peace of mind, and that's worth a lot.

By researching the whole of the market we can find a policy that meets your needs.

The exact protection you need depends on lots of factors: your age, your health, the type of job you do, whether you have any dependants and so on. These things will also affect your premiums. Remember that the protection market is a competitive one, and once again our advisers can help you. By researching the whole of the market we can find a policy that meets your needs, and also point you towards any special

...duty of care for our clients is something ESPC takes very seriously... we help you make sensible financial decisions.



The trick here is timing. You might want to think about moving in the day after you get the keys, rather than on the day itself. This gives you some leeway if there's any kind of problem. If you get the keys on a Friday and move in on a Saturday, so much the better - it'll be easier to get friends and family to help at a weekend. Timing is also important when ordering any large items of furniture, as these usually take up to six weeks to arrive, or even longer.

You might also want to take the opportunity to chuck out any old stuff you haven't used for a while. It all means less to carry, and your local charity shop will probably be more than happy to take it off your hands.

When you've completed your move, sit down, crack open a bottle of bubbly, and ponder the fact that this one was fairly easy: next time you'll be buying and selling simultaneously. **ESPC Money Management** will be able to help you with that too.

You'll have to tell everyone your new address, making sure to include the following:

- | | | | |
|----------------------------|--------------------------|--------------------------|--------------------------|
| • Bank / credit cards | <input type="checkbox"/> | • Magazine subscriptions | <input type="checkbox"/> |
| • Driving Licence | <input type="checkbox"/> | • Doctor | <input type="checkbox"/> |
| • Utilities / TV licensing | <input type="checkbox"/> | • Schools | <input type="checkbox"/> |



ESPC Head Office

90A George Street
Edinburgh

ESPC Showroom

85 George Street
Edinburgh

0131 624 8544

espc.com