Buying your first home

A comprehensive guide by HQ Mortgage & Finance

HQ

Introduction

Looking for your first home can be intimidating. You have to understand what you can afford, find a property, arrange the mortgage, organise protection, and cope with a thousand details. It can look like a minefield.

This guide is to help you feel confident in finding a safe path to achieving the home that best suits your needs and resources, the right mortgage and cost effective protection in case things go wrong.

It is available to whoever might need it with no obligation. If you feel that a professional adviser would be useful, we'd be delighted to help.

YOUR HOME IS AT RISK IF YOU DO NOT PAY YOUR MORTGAGE

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Contents

Click a line below to jump to section

1 Preparation — 3
1.1 Do it Yourself v. Independent Mortgage Adviser — 3
1.2 Securing your deposit — 4
1.3 Credit Arrangements — 6
1.4 Gathering positive evidence — 8
2 Deciding on your price range — 9
2.1 Deposit — 9
2.2 Costs and Expenses — 10
2.3 The amount you can borrow and a Decision in Principle — 11
3 Finding your new home — 12
3.1 Schemes for First-Time Buyers — 12
3.2 Establishing your need and preferences — 14
3.3 House Hunting — 14
3.4 Making an offer — 15
4 Once you have agreed a price — 15
4.1 Applying for the mortgage — 15
4.2 When the mortgage application has been submitted — 17
4.3 Types of lump sum and income protection — 17
4.4 Buildings and contents insurance — 19
5 When you have a mortgage offer — 20
5.1 The mortgage offer — 20
5.2 The conveyancer's role — 20
5.3 Checking that the property is OK — 21
5.4 Extending the offer — 21
6 Taking possession of your new home — 22
6.1 While you are waiting — 22
6.2 Exchange of contracts — 23
6.3 Completion — 23
6.4 Actions needed — 24
7 The future — 24
7.1 Possible overpayments — 24
7.2 When your initial deal ends — 25
7.3 Additional borrowing — 25
7.4 Moving home — 26

1 Preparation

1.1 Do it yourself vs Using an adviser

Many people arrange their own mortgages, sometimes researching the net but often approaching their normal bank. The purchase often goes well and they move into their new home.

They can't say, however, if the bank next door had a cheaper mortgage or that the protection they bought from the bank is 50% more expensive than available elsewhere. The bank adviser was not obliged to tell them.

Quite rightly, people will listen to friends and family who have recently bought a house. Unfortunately, their amazing deal may not be available in your situation so further help will probably be needed.

A mortgage broker who is an independent adviser can find the cheapest option that fits your needs and circumstances. Interest rates often change with a day's notice, so the adviser can help make sure you don't miss out. But it isn't just cost.

Lenders have different criteria for calculating affordability and the types of property they will lend against. Without that knowledge you do not know if your application will hit snags or if a slightly bigger mortgage is available somewhere else. An independent adviser has an obligation to find you the cheapest mortgage that best fits your needs. They will ensure the application goes through the lenders systems efficiently and make sure you are kept up to date. If you use an adviser, check that they are able to search all of the available lenders rather than being tied to a certain bank.

They will give you a document to show their status when you first meet them. You should check that they are qualified - only use an adviser if you can find their name on the FCA directory - you can google how to find it.

Check out review websites such as Trustpilot which verify that the comments come from genuine customers.

Are adviser fees worth it? An adviser will receive a fee from the lender, but this may not cover the time spent in dealing with the case. Ask the adviser in advance if there is a fee and when it will be payable, check what they will do for you and then make your own choice.

1.2 Securing your deposit

1.2.1 Budgeting

People rarely pay detailed attention to the flow of money through their hands. If you are planning a mortgage, however, getting into good habits is essential. Your income and expenditure will determine how quickly you can save the deposit. Later it will determine how much you have to pay for a mortgage and associated costs such as income protection, insurance, council tax, maintenance, and so on. Budgeting well can help avoid future financial problems.

Think about how your money is spent and decide how much of what you buy is essential. For example, it is much cheaper to prepare your own meals than eat takeaways and buy lunches out. Giving up one coffee at £2.80 a day would save almost £700 in a year. Replacing a pizza delivery with food from the supermarket could save more than £1,000. Taking sandwiches or home-made lunches to work could save £6 a day which would be nearly £1,500 a year. ... and that's only food.

Realistically, what do you spend on socialising? Is that more important than working towards owning your own home.

Next, deduct the amount of essential expenditure and set a budget for discretionary spending such as entertainment. Calculate your savings target as the amount you expect to save every month. Put that money aside and keep a record of what you achieve against your target. The stronger you are at sticking to your budget, the faster you will be able to afford your own home.

1.2.2 Saving

You should consider a Lifetime ISA. You can take out one per person and the government immediately add a 25% bonus to the amount you save. By saving the maximum of £4,000 a year you will earn a bonus of £1,000. You keep the bonus if you use the fund to help buy a house, or if you never buy property, if you use the fund to help with retirement. Withdrawing the money for any other purpose means the bonus will be clawed back.

Although it looks like an uphill struggle, don't be tempted by get rich quick schemes. Avoid stock market related investments and crypto currency which carry very real risks to your savings. If you have more than the maximum you can put into a Lifetime ISA, look for a deposit account which you can pay into easily and provides the best rate of interest for the amount you have saved.

Lenders will want to see the origin of your deposit so they may ask for statements showing how it has been built up over time. Sudden windfalls and large cash deposits will need to be explained.

1.2.3 Help from family members

If you have family members who are willing and able to help, a gift of part or all of the deposit could prove invaluable. They will often need to sign to say that they are making an outright gift with no expectation of repayment. Otherwise, the gift could be considered a credit arrangement which affect the amount lenders are willing to lend.

Sometime parents and grandparents would like to help. Rather than wait to inherit from them at some far distant time in the future, they could give you part of that inheritance now when it is really needed. If they don't have the cash available, it can be raised by borrowing against their own house using a highly regulated equity release arrangement. Ask your adviser about how that would work.

1.3 Credit arrangements

1.3.1 Current credit commitments

Current financial commitments might affect how much you can borrow. This includes personal loans, credit card balances carried forward, authorised and unauthorised bank overdrafts, car finance and student loans.

A small credit arrangement that you keep to date is useful in showing that you are a responsible borrower. Generally, though, you should try to keep borrowing to a minimum. Never ever use short term high-cost credit of the type once called payday loans and also avoid the buy-now / pay-later schemes.

The temptation they create can encourage people to spend far too much. It might be best to use some of your deposit money to clear credits cards and such, the adviser will help you decide.

Make sure all the payments are made on time and don't take out any new borrowing after you have made the application in case the lender makes further credit checks before the mortgage completes.

1.3.2 Credit history

The mortgage lender will look at your credit file. It shows any historic problems such as defaults, judgements, bankruptcy, or IVAs, and other information that helps verify your mortgage application. Before you start serious house hunting you should check your own credit file. The main credit reference agencies are:

- Experian
- Equifax
- TransUnion (formerly Call Credit)

They are all required by law to provide a free report on demand. Unfortunately, their main aim is to sell you additional services, so obtaining the free version might be difficult. For example, you might have to wait while they send it through the post.

No single agency has information from every lender, but other options are available that gather details from multiple agencies. A helpful report is published by checkmyfile.com who offer a free trial. If you have an email from one of our advisers, it usually has a link. Some providers do not show the information in a helpful way, one of these is “Clear Score” which should be avoided.

Cancel old credit cards and catalogues you no longer use. Keeping facilities that you never check makes you vulnerable to identity theft. Also, if you are borrowing at the edge of your affordability, lenders might be concerned you could take on extra debt and put your mortgage payments at risk.

Look for financial associations which link your name with other people. If these associations are no longer relevant, write to ask the credit reference agency to de-link this relationship. Your record could be tarnished if the other person gets into financial difficulty.

1.3.3 Correcting credit file errors

If there are errors in the reports, try to get the lender to correct them as early as possible, and well in advance of a mortgage application. For things that can’t be removed, you can add a notice of correction to each credit reference agency. This might be a note to explain what happened, or any errors that you think have occurred. This may cause delays to the mortgage process.

1.4 Gathering your evidence

1.4.1 Documentation - ID and address

An application will go much more smoothly if the lender can easily check your identity, your current address, and the residential history for at least 3 years. A passport is the best form of picture ID, get it renewed if it is not up to date. The next best is a photo driving licence provided it has your correct current home address, if it is wrong you should correct it as soon as possible.

If you are recently married, or you use your unmarried name for some things like existing credit arrangements, you should also have a copy of a marriage certificate or civil partnership available.

If you have not already used the driving licence to demonstrate ID, it is excellent proof of your current home address. Otherwise, you will need to provide an alternative such as a council tax bill, recently utility bill (but not a mobile phone), or lease agreement. If you live with friends and family and don’t have any of this evidence, ask an adviser for help.

The lender will check the electoral roll, so it helps if you are registered to vote at your current address. Then ensure your address is consistent on your bank accounts, credit agreements and any other public information. Any problems with ID or proof of address will delay your mortgage application.

1.4.2 Documentation - Finances

You will need to show proof of earnings. Monthly paid employees will need at least 3 months’ payslips or 6 months if a large proportion of your earnings is from overtime, commission, or bonus. It is also helpful if you have your P60 available to show last year’s earnings. If you are starting a new job, proof in the form of a new contract will be needed. If you want to rely on a large pay rise, a letter confirming the amount will be needed from the employer.

For the self-employed, lenders usually look for records of income submitted to HMRC. This comes in the form of SA302s which show the amount declared as income, and a Tax Year Overview showing when the tax is paid. You can download both documents for each year directly from the HMRC website or ask your accountant. A minimum of 2 years will be needed but they will ask for 3 years if they are available. A copy of your tax return is not enough, it needs to be both of the documents issued by HMRC.

If you are the sole director of a limited company, or if there are fewer than 4 directors, you are likely to be treated as self-employed in the same way as a sole trader. This means payslips will be ignored in favour of HMRC evidence. If you tend to leave some profit in the business to help manage your income tax, some lenders will base their calculation on the business accounts. You should have these available too so that the amount lenders will offer you can be compared.

Both employees and self-employed will be asked to provide bank statements to verify their earnings. They will be examined for questionable payments or additional credit agreements which need regular funding. You should avoid regular large payments to things like the National Lottery or gambling websites in advance of your mortgage application.

2 Deciding your price range

2.1 Deposit

There are sometimes arrangements available that allow you to borrow 100% of the purchase price and avoid having to wait until you have a deposit. However, the amount available is often less than conventional mortgages. Also, you will need a relative to place a large amount of cash with the lender which they will use if you fail to make the monthly payment.

The absolute minimum deposit is 5% of the purchase price. So, if you want to buy a property for £200,000 you will need £10,000 as a deposit. This means that borrowing would be 95% of the purchase price. You will often see this recorded as 95% Loan to Value or LTV. Lenders manage their risk by increasing the interest rate for high LTVs which means a deposit of 10%, giving 90% loan to value, you will get a much better interest rate. Actually, the interest gets better as the LTV goes down which means that a mortgage for 80% LTV is cheaper still.

The other benefit of having a higher deposit is that the lenders' affordability calculations can be more generous. It means that your income will support a bigger mortgage and you can buy a more expensive home. Remember, some of this deposit can come as a gift from a family member.

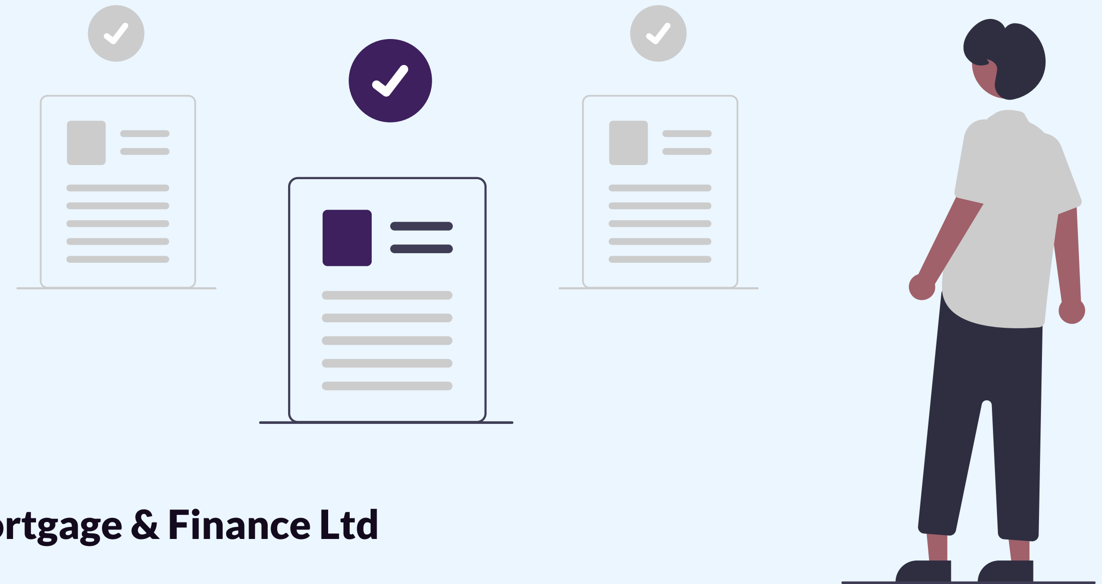
2.2 Costs and expenses

There are a number of additional costs that needed to be considered in addition to the purchase price of the property. These include:

Legal fees:
You will need a solicitor or licenced conveyancer to do the legal work for you. They are your representative, and you can rely on them for legal advice. For most purposes a conveyancer is adequate as they are properly qualified in dealing with the transfer of property and they are supervised by a qualified solicitor. If your situation is more complex than usual, you might prefer to appoint a local solicitor. You can get quotes in advance or ask your adviser to obtain the quotes for you. Expect to pay somewhere between £1,200 and £1,500. The money will be due before the mortgage completes.

Stamp Duty Land Tax:
This is calculated based on the purchase price of the property. If a single applicant, or both joint applicants, have never owned property anywhere in the world, there is no stamp duty on properties valued up to £300,000. Above that, or if either of the buyers is not a first-time Buyer, stamp duty will be due on the completion date. The easiest way to calculate it is to search the internet for a stamp duty calculator. However, your conveyancer will be responsible for collecting the stamp duty and paying it to the government so you must confirm the amount that will be due with them as early as possible in the process. There are different rules in the various countries in the UK.

Building Survey:
The lender will carry out a valuation to be sure that, if you do not pay the mortgage, they can cover the debt by taking possession and selling the property. Since this is purely for their benefit, you might not get to know very much detail.



You should think carefully about having your own report. The best time to do that is after the lender's valuation in case in case it uncovers any major problems. There are different kinds of report, and you should talk to your adviser about the best option.

Adviser costs:
Mortgage advisers will usually receive a fee from the mortgage lender, but this does not always cover the time spent on small or complex mortgages. If the adviser charges a fee, you will be told the amount in advance, and when the payment will fall due. For example, the fee may be payable when you have received a firm offer of a mortgage to buy a specific property.

Making a Will:
Even though you may feel that you there is little in your estate to leave to anyone else, it is better to leave your financial affairs in good order. It is much easier for the people left behind if you have a valid will. Also, a power of attorney allows you to appoint somebody to make decisions for you if illness or accident make it impossible for you to make those decisions for yourself. Property owners should really have a will and power of attorney in place.

2.3 How much you can borrow & getting a Decision in Principle

Before going out to look for your home you need some certainty about what you can spend. This could be limited by your deposit, for example, if you have a deposit of £12,000 and we assume 5% LTV, the maximum purchase price will be £240,000. If you have a higher deposit, the limit will be based on your income and financial commitments. Your adviser will ask you to work through a fact find so that they can gather all the information they need to calculate what you can afford with different lenders.

To help show that you are serious buyers, the adviser will also obtain a Decision in Principle from the recommended lender. This involves a credit check and analysis of your income and expenditure. Although this is no guarantee of the total amount, it is the closest we can come without submitting a full mortgage application. You can show the Decision in Principle to estate agents and vendors to help them understand that this is a credible offer. A decision in principle is not essential but it is very helpful.

Be wary, though, of obtaining too many decisions in principle in a short time. Each one with a different lender might leave a record on your credit file which could, in turn, have an impact on your credit score. If you are arranging the mortgage without a bank adviser, make sure you understand what actions the lender is taking on your behalf.

3 Finding your new home

3.1 Schemes for first-time buyers

There are some schemes that help people onto the ladder with a slightly smaller deposit or income. They might be helpful depending on your circumstances.

3.1.1 Shared ownership

If your only other option at the moment is renting, you might consider a part rent / part buy arrangement know as shared ownership. Even though it is only a partial stake in your home, you should still benefit from any increases in the market value of your share. The purchase will need a cash deposit but can also be supported with a mortgage.

In time, you can buy additional shares and eventually own the whole property. The cost will be a percentage of the market value at that time. Alternatively, you can sell your share and move on. The remaining percentage will belong to a social landlord such as a Housing Association and they will charge rent on the proportion you don't own. The housing association will determine valuations, but you have the right to appeal if you disagree.

3.1.2 Help to Buy

Help to Buy is a national scheme to help first-time buyers purchase a newly built home. You need a minimum deposit of 5%, but the government agency will consider taking a 20% share in the home (or 40% in London) which means you have to find a mortgage for the balance of the purchase price. If you can afford it, you can ask them to take a smaller share.

You will not be asked for any payments under the scheme the first five years After that, there will be a monthly servicing fee based on the share outstanding. When you sell the property, or if you stay and buy out some or all of the agencies share, the price will be based on the market value at the time. For example, a 20% share of £350,000 purchase price is £70,000. If the value has gone up to £400,000 you will need £80,000 to buy out the whole 20% share.

3.1.3 First Homes scheme

This scheme is only available in England and used for newly built properties. It started in 2021 and is expanding although it may not be available in every area. It is open to first-time buyers who are key workers, or local applicants. Eligible applicants will have a joint income of less than £80,000 a year (£90,000 in London) and at least a 5% deposit.

The scheme is available on specific new build houses which can be bought at a discount of between 30% and 50%. Although you own the property outright, there are restrictions on the sale. It can only be sold to local buyers or key workers at the same discount against the future market value. Unlike the other schemes, you can never own equity equal to the full market value of the property.

3.2 Establishing your needs and preferences

You need to think hard about the things that will be important to you in your home – the following list might give you some ideas.

- Location
- Transport links
- Flat or house
- New build or second hand
- Number of bedrooms.
- Energy performance
- Amount of space
- Car parking
- Internet speed available
- Opportunity to extend
- Garden area
- Property condition

You are unlikely to find the perfect place so you will need to prioritise. Don’t make an offer on the first place you see but give yourself time to search. When you have viewed a property, make some notes on what you liked or disliked. It will refine your priorities.

3.3 House hunting

You could start by searching Rightmove, Zoopla or one of a number of search engines you can find online. By registering you can save properties that interest you, perhaps build a shortlist. You can also arrange for alerts of new properties being listed.

In order to arrange viewings, you will need to contact the estate agent responsible for the listing. There are a number of things you might want to find out from the agent. For example, how long has the property been on the market and is there a large chain that will have an impact on how quickly the purchase can complete. It would be helpful to know how long the existing owners have owned the property, has it changed hands often and why it is now on the market.

Don’t rely on a single visit but go several times at different times of day in case this reveals something unexpected.

3.4 Making an offer

When you have located the property that you would like to own, you can make an offer via the estate agent. Remember, you are an important commodity – you won't be in a property chain and, if you have prepared well, you will be able to show them a mortgage decision in principle.

It is customary for there to be a level of negotiation over the price but in a rising market, you might be asked to make an offer over a certain level. Don't get excited and over bid. When you have an offer accepted, make it a condition that the property is withdrawn from the market.

4 Once you've agreed a price

4.1 Applying for the mortgage

Once you have agreed on the price, it is important to submit a mortgage application within a few days. If you have a decision in principle, your adviser should check that this lender still offers the best deal. If your adviser recommends an alternative at that point, it is because a better option has become available.

There are a number of factors that you will need to discuss with your adviser, they are listed below. When you have come to an agreement about the best options, you will be given an illustration to confirm the details of the mortgage you are applying for. You should read this illustration carefully and ask about anything you don't understand.

Capital repayment or interest only: With a repayment mortgage, your monthly payments cover the interest which arises during the month plus a repayment of part of the capital. Over time, as the capital outstanding goes down and less interest accrues each month so that more of each payment is used to reduce the debt. The monthly payments for an interest only mortgage only cover the interest that falls due which means the debt needs to be paid off by some other means.

Common sense, and lenders' rules, mean that almost every mortgage for a first-time buyer is capital repayment. Even if a mortgage is interest only, lenders calculate affordability based on a repayment mortgage. If you believe there is a good reason to consider an interest only mortgage, speak to your adviser.

Term of the mortgage: There is no standard term for a mortgage, it should be tailored to your individual situation. The main factor affecting the mortgage term is affordability. Changing the number of years over which the mortgage is repaid increases or decreases the monthly payments. Lenders have a maximum term which is either 35 or 40 years, or your retirement age, whichever comes first.

First-time buyers often opt for the longest possible term to keep their initial costs as low as possible. Actually, you should consider the shortest term that fits in your budget so that you keep overall interest to a minimum. Also, by paying more capital off in the early years, you will have more equity to carry to a new property if you move house.

Payment of mortgage fees: If there is an arrangement fee, and we'll look below at why they may be charged, you will need to decide if you want to add the fee to the mortgage or pay it up front. If you add it to the mortgage the debt will increase, and you will pay additional interest. You should try to pay fees rather than increase the borrowing but, as a first-time buyer, you may not have much choice.

Interest rates: A number of factors affect the rate of interest rate. Probably the most important is the size of the loan compared with the value of the property. As we mentioned earlier, a loan of 90% of the property value – 90% LTV (loan to value) – is riskier for the lender than a mortgage at 80% LTV. To compensate, the lender will charge a higher rate of interest.

Lenders frequently have more than one mortgage option at the same LTV. For example, one option may have a specific interest rate and an arrangement fee of £995. Another option might be available with no fees but with a higher interest rate. The decision about which version to take will depend on the size of the mortgage and also your personal feelings.

Fixed or variable interest rates: Whether you choose a fixed interest rate, and how long the fixed rate period lasts, also affects the interest rate. A fixed rate means that the interest charged will not change for a specific period. People often choose this in order to budget effectively, but there are some disadvantages. As mentioned above, the cheapest rates will involve an arrangement fee. There is likely to be an Early Repayment Charge – a penalty if you pay off a substantial part of the mortgage during that fixed rate period.

Fixed rates are most commonly available for two, three or five years. A general rule is that the longer fixed rates have a higher interest rate. If you are a first-time buyer with a small deposit, you might prefer a shorter period because the interest rate will be cheaper. Also, if property prices increase, you might be in a position of having a better loan to value for your next fixed rate. If you have a bigger deposit and you are sure you won't be moving home for at least five years, the longer version helps a lot with financial stability.

4.2 After submitting a mortgage application

On receipt of the application, the lender will make various checks to confirm they are happy to offer you a mortgage. First, they will verify your income using the documents collected by your adviser, including payslips, tax documents or accounts, and your bank statements. They will also do another check on your credit file to ensure nothing has changed since the decision in principle.

The lender will appoint a valuer to submit a report on the property. This will usually involve a physical inspection of the property. Many lenders offer a free valuation, but if you are being charged, you should ask the lender to defer the valuation until after the finances have been verified. This avoids you being charged for the valuation but being turned down on affordability. Only ask for the valuation to be done early if there is a tight deadline for the purchase.

The lender may sometimes ask additional questions or want to see extra documents. This is just them checking that the mortgage will be affordable for you for the foreseeable future.

4.3 Types of lump sum and income protection

A mortgage on your home is a cheap way of borrowing money but also a huge risk if something happens to your ability to make payments. It is sensible and responsible to make sure your home is secure by having appropriate protection in place.

4.3.1 Protection in case of death

Life insurance or (or life assurance - despite what you might be told, you can use the words interchangeably) pays a pre-agreed lump sum if the life insured dies. With mortgages, the lump sum is usually pegged to the amount of the mortgage. If you have a repayment mortgage, a mortgage protection life insurance policy will reduce in line with your outstanding mortgage. This makes it cheaper than a policy where the amount covered stays the same throughout the term.

If you are buying on your own and there are no dependents living in your home, there is probably no need to bother with life insurance. If you die prematurely, the property can be sold, and the mortgage repaid. Any surplus will be paid to your beneficiaries. You should still think about what would happen if you had a serious illness or an accident that prevented you being able to work - see below.

If you are buying jointly, or there are people you would want to continue to live in your home, you should have a means to pay off the mortgage on your death. This is usually a form of life insurance. You may have work benefits that would provide a lump sum, this is the money that will be needed to support your dependents and you should take out separate protection to cover this new liability.

4.3.2 Protection for illness or accident

Anyone suffering a serious illness or accident may very well survive but be unable to work. If you can't pay the mortgage, the property will eventually be taken into possession and sold by the lender, and your home will be lost.

A benefit called Critical Illness Cover is usually added to your life insurance. It pays a lump sum if you are diagnosed with an illness listed in the policy. It can be used to pay off the outstanding mortgage so that you and your dependents will no longer be under threat of losing your home. This doesn't cover your ongoing expenses for food and utilities, etc, but it means there is no longer a debt.

Whether you are buying on your own or jointly, making sure you still have an income even if you are unable to work is crucially important. There are various options that cover your income for a few years or through to your retirement age, so it is something you need to discuss with your adviser in detail.

4.3.3 When does the protection start?

Protection may not need to start until the mortgage is completed. However, you might consider what you would do if you suffered an illness or accident prior to taking possession of your home. It might be helpful to have insurances in place that allow you to buy the home outright and pay your expenses, even if you continue your current living arrangements.

4.4 Buildings and contents insurance

The only compulsory insurance related to your mortgage is buildings insurance. If you are buying a leasehold flat, the cost is probably included in the service charge and the details will be dealt with by your conveyancer. If you are buying a freehold property you will need to have the buildings cover in place for the point where you exchange contracts. We'll talk about this more below.

Whether or not you need to arrange individual buildings cover, you will probably want to insure the contents of your home. This means that anything lost or damaged by fire, flood or theft can be replaced. The usual benefit is known as New for Old which means you can replace affected items at their new price. There are various add-ons for valuable items like engagement rings and personal items when you are away from home. We would be very happy to refer you to a trusted partner to deal with Buildings and Contents insurance. Feel free to ask.

5 When you have a mortgage offer

5.1 The mortgage offer

Once the lender is happy with their investigation, they will issue a mortgage offer. This will look very much like the illustration you received earlier. It confirms their willingness to lend the specific amount of money for the chosen property. Your adviser will check over the offer document, but you should do the same to make sure it still looks like the mortgage you were expecting.

You will receive your own copy of the mortgage offer and a further copy will be sent to your conveyancer. They won't start work in earnest on your behalf until they have received the offer so you should check they have it a couple of days after you receive your copy.

5.2 The conveyancer's role

To look after your interests from a legal point of view you will appoint a solicitor or conveyancer. A solicitor carries out all kinds of legal work whereas a licenced conveyancer deals only with the transfer of property.

Amongst other things they will check that the seller is the genuine owner and entitled to sell the property, that there are no restrictions or problems with the property, and if it is leasehold, that the lease is fit for purpose. They will also do some work for your lender.

You should keep in touch with your conveyancer to find out when you can expect exchange of contracts and completion. Regular contact will mean that you are always forefront in the minds of the individuals concerned when it comes to allocating their time.

5.3 Checking that the property is OK

The lender's valuation is entirely for their benefit, to confirm the property has sufficient market value to give them their money back if you can't make payments. It is not confirmation that you are paying the right price and it does not give you any rights if something turns out to be wrong with the property later. To be certain that there are no hidden problems that might lead to expensive repairs in future, you should consider arranging your own report.

There are a number of options including a condition report, homebuyers report and structural survey. You probably don't want to commit to the cost before the offer is issued in case the problem is uncovered during the valuation. However, you should have a plan in place to arrange for your own report once the offer is received.

5.4 Extending the offer

The mortgage offer usually lasts for six months to allow time for the properties to change hands. This is not universal though and you should keep a note of the expiry date given in the mortgage offer. There is normally plenty of time but there will be occasions when it is necessary to ask for an extension. For example, if there is a long chain to be coordinated or there is a delay in finishing new build properties.

Each lender will be different when it comes to extending the offer. They could ask for up to date payslips and bank statements. If they have any doubts about the property, they may ask for a further valuation. If it looks as though you will not be able to complete the purchase before the offer expires, make sure you allow plenty of time for it to be extended.

6 Taking possession of your new home

6.1 While you are waiting

It is very important that you do nothing that could affect your financial position during the time between receiving your mortgage offer and completing the purchase. This includes changing your job or borrowing more money on credit cards, loans, or car finance. The lender could do a further credit check just before releasing the money and if things have changed, they may withdraw the offer to lend.

If you have any existing credit, make sure all of the payments are made on time. Try to defer any decisions to renew car finance until after the mortgage has completed. Don't take on any extra borrowing such as credit cards or loans, even on a 'buy now -pay later' basis. This could affect the lender's affordability calculation.

Be mindful of anything that might change your financial position and speak to your adviser if you have any doubts.

6.2 Exchange of contracts

When the conveyancer has completed all of the checks and drawn up the legal paperwork for the sale, you can agree a date for the exchange of contacts. This is the first of two stages that will allow you to take possession of your new home.

Once contracts are exchanged with the vendor, you are committed to buying the property even if something happens after exchange. For example, a fire that causes considerable damage might lead to the mortgage offer being withdrawn, but you must still complete the purchase. For this reason, you need to have your buildings insurance in place and activated on the day you exchange contracts.

The final financial arrangements need to be in place at this point so your solicitor will ask you to arrange for any additional deposit to be deposited with them.

6.3 Completion

Completion is the point where the finances are transferred, and you are able to collect the keys to your new home. Your solicitor will have called for mortgage funds a day or so in advance. On completion day, they will transfer the remaining purchase money to your vendor's solicitor and confirm to you when you will be able to get access to your home.

Soon after you have moved in, you will receive a letter from your lender to explain when the first mortgage payment will be due, and how much it will be. Although you may have a fixed rate which determines how much a regular payment will be, the first payment will be based on the completion day so is unlikely to fit into the pattern of future payments. Keep a couple of months' payments in reserve because interest starts to accrue from the first day of your mortgage.

6.4 Actions needed

Take a bit of time to update records so that officialdom knows your knew address:

- Register for Council Tax
- DVLA to update your driving licence
- Your motor insurance provider
- All of your bank and savings accounts and investment providers
- Your doctor and dentist
- If you have kids, their schools need to be updated
- Regular shopping platforms such as Amazon

Royal Mail offer a post redirection service which you can find via your preferred search engine.

7 The future

7.1 Possible overpayments

If you have the budget, and the discipline, you might make overpayments to your mortgage. This will reduce the term of the mortgage and the amount of interest you pay over the life of the mortgage. It will also mean that you have more equity to carry forward to a new property if you move in future. You can usually pay up to 10% of the opening balance of your mortgage each year but this includes your normal payments so check with your lender if you are paying off a lump sum so that it doesn't trigger any early repayment charges.

7.2 When your initial deal ends

What happens when you come to the end of your first fixed rate? It might seem a bit soon to think about it now, but the time will fly by, and it is worth understanding your options. You should take some action about six months before the deal expires. Let's assume you have a two-year fixed rate. At the end of that term the early repayment charges will fall away. You will have a couple of options about what to do next.

Your existing lender will offer to transfer your mortgage to a new deal. You will usually have the same options as a first-time buyer when it comes to fixing the rate for another two, three or five years. The simplest thing to do is let them know what you want to do and there will be a seamless transition from the old arrangement to the new one.

Alternatively, it is usually worth searching the market again, as you did as a first-time buyer. You can then compare options with any lenders who are cheaper at that time in the wider marketplace and decide if the savings would be enough to make going through a new mortgage process worthwhile.

Another reason for dealing with this early, and asking your adviser for help, is that there is the possibility of transferring the deal early. If the new arrangement with your existing lender is cheaper than your existing mortgage, they will often allow you to transfer up to 3 months early and start saving money sooner.

7.3 Additional borrowing

Once you have owned the property for a while you might find things that you would like to do that need some more money. Depending on the situation you might be able to have a "further advance" from your mortgage lender. You will have to demonstrate affordability for the higher lending, and you may also need to pay for a new valuation of the property, but it is likely to be the cheapest method of borrowing. Other options may be available, and it costs nothing to ask your adviser to find out.

7.4 Moving home

If your situation changes and you come to a decision to move home early maybe to something bigger, you could ask for the mortgage rate to be "ported" to your next home. This not only means that you would avoid early repayment charges, but you will be allowed to see out the current deal to the end of the fixed rate term. If you need additional money to buy the new place, a further advance may also be available. It is worth having your adviser compare the merits of porting and any savings that would be made with a new mortgage from a different lender.

HQ Mortgage & Finance Ltd

For expert, independent advice on getting your first mortgage, visit www.hqmf.co.uk or give us a call on 01823 286 271.

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