First time buyers

A comprehensive guide to purchasing your first home

COVENTRY for intermediaries

All together, better

What's inside

We can also send you this leaflet in large print, Braille or on audio CD. Please contact your mortgage broker to request a copy.

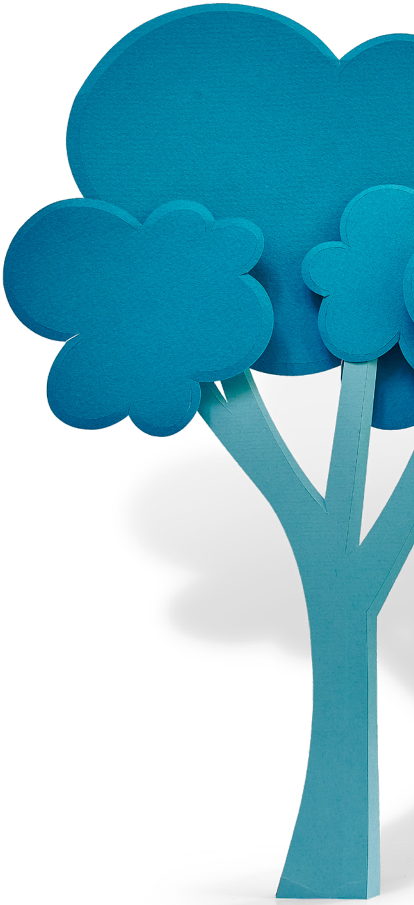
I want to buy a home – what's the first thing I need to do?

Start saving. If you want a mortgage (with any lender) you'll usually need a deposit of at least 5% of the value of the property in savings.

A larger initial deposit could mean you get a more favorable interest rate.

Many banks and building societies offer savings products that will help you save towards your first home. The First Home Saver account with Coventry Building Society offers a great interest rate and you can deposit up to £1,000 per month, allowing you to save up to £36,000 over 3 years. There is also an opportunity to receive a £500 celebratory bonus when you move in to your first home (terms and conditions apply).

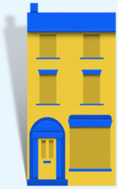
You can also get help from close family relatives towards your deposit. Speak to your broker to find out more.



What is a mortgage?

It's a long-term loan to buy a property.

You can choose a 'repayment mortgage' or an 'interest-only mortgage'.



Repayment mortgage

A repayment mortgage means each monthly payment you make covers part of the amount you've borrowed and part of the interest charged on it. As long as you make the repayments, in full and on time every month, at the end of the term you'll have completely paid off your mortgage.

Interest-only mortgage

With an interest only mortgage you pay the interest charged each month and at the end of the term you'll need to pay off the original amount. This means that overall, you'll pay back more than you would with a repayment mortgage.

The term of the mortgage is the length of time you've agreed with your lender to pay back your mortgage – our maximum loan period is 40 years.

Your mortgage broker will be able to recommend the most suitable mortgage type and term for you, relevant to your circumstances.

The mortgage is 'secured' on the property – which means your home could be repossessed if you don't keep up with your repayments.

Types of mortgages

- **Fixed rate –** your monthly payments stay the same for a fixed length of time, usually two, three or five years. We'll write to remind you when your fixed rate is coming to an end. You then have a few options; product transfer to a different product or stay on the Standard Variable Rate (SVR) with your current mortgage provider. Alternatively, you can remortgage with a different lender.
- **Base rate tracker –** the interest rate is tracked against the Bank of England Base Rate (BBR) for an initial agreed amount of time. This means that your interest rate increases or decreases in line with any changes to BBR during that time and your monthly payments can vary. We'll write to let you know about any changes to the interest rate.
- **Variable rate –** the interest rate can change so your monthly payments can vary. It's not a tracker mortgage so it's not linked to BBR. Instead, it's managed by us and can change in line with your mortgage terms and conditions. We'll write to let you know about any changes to the interest rate.
- **Offset -** your savings offset the amount of interest you pay on your mortgage. This means that you will only pay interest on the difference between the Offset savings balance and the mortgage amount.

How much can I borrow?

The amount you can borrow depends on your income, your outgoings and your ability to pay back the amount you're borrowing.

Lenders use affordability calculators to determine how much applicants can borrow. These can be found on the lender's website or your broker will be able help you with this.

I've found my dream home, how do I get started?

Do you have your deposit saved?

You now need to work out how much you can afford and understand which mortgage product best suits your needs.

Broker advice

Get in touch with your mortgage broker. They will do a lot of the work for you by finding out what you need and what you're eligible for. They have access to multiple lenders and their latest mortgage rates meaning you will often get a better deal.

Direct to lender

You can speak directly to a lender (bank or building society) who will recommend a mortgage that suits you from their mortgage product range.

Some mortgage brokers will charge you a fee. It's always best to check what the fee is in advance.

You can use the following websites to find a mortgage broker:
www.unbiased.co.uk or **www.vouchedfor.co.uk**

I want to buy a home but I haven't found 'the one' yet. Is there anything I can do now?

If you haven't found your new home yet, you can still find out how much you might be able to borrow. Most lenders have online affordability calculators that will help you work out what you could borrow based on your income and outgoings. And you can also get an indication of how much your repayments will be.

You can also apply for a Decision in Principle (DIP). This is a statement from a mortgage lender to say that 'in principle', they'll lend you a certain amount. It's based on you providing some information to the lender, such as your income and outgoings, without going through a full mortgage application. They may also do a credit check on you. Remember, it's only an indication of what you could borrow at this stage.

DIPs are usually valid for a period of time only. But its a good idea to have one ready for when you find 'the one' and want to make an offer.

How do I decide which mortgage is right for me?

Depending on whether you've chosen to go direct to a lender or through a mortgage broker, they'll ask you detailed questions about what you need and what you can afford. Then they'll recommend the best product for you.

They will also take into account

- **How much peace of mind you want**
  A fixed rate mortgage may have a slightly higher interest rate than a variable rate mortgage, but you'll know exactly what your repayments will be each month until the end of the mortgage deal.
- **What your short-term and long-term plans are, for example:**
  - **Do you want to make overpayments?**
    Some mortgages allow unlimited overpayments while others only allow overpayments up to a certain limit. You might get a large bonus or a windfall and want to pay that off your mortgage – it's worth thinking about before you take your mortgage out.
  - **Do you think you might want to pay off your mortgage before the end of the term?**
    Your mortgage broker will ask you about this so that they can recommend the right mortgage for you.
  - **Do you have savings?**
    An Offset mortgage might suit you if you have savings. We link your Offset savings to your mortgage to reduce the mortgage interest charged.

Remember: most mortgages automatically transfer to a variable rate after the initial deal finishes, so your monthly payment could increase at this point. Most lenders will write to you to remind you that your current deal is coming to an end, and prompt you to review your mortgage.

What other costs do I need to budget for?

As well as your mortgage repayments, you'll need to pay:

- **Deposit**
  You'll need to have saved at least 5% of the property value for a mortgage with us.
- **Mortgage application and product fees**
  These vary. Your mortgage broker will tell you about any fees and charges that apply.
- **Valuation fee**
  Your lender will instruct a valuation once they've reviewed your application and they're normally fee free. A physical inspection of the property may not always be required. The valuation is for the lenders benefit only and used to confirm whether they can lend on the property. It's important to remember that the lender decides the type of valuation is most appropriate for them to make the decision. If you would like a more in-depth valuation for your benefit this will cost extra.
- **Stamp duty**
  This is a Government tax that every house purchaser has to pay if the value of the property is above a certain amount. If you're a first time buyer you could be exempt from paying Stamp Duty depending on the property value. Find out if you have to pay Stamp Duty on the property you're interested in buying at **www.gov.uk** (type 'stamp duty' in the search box).
- **Legal fees**
  There will be solicitor's fees plus the Land Registry charge and a fee to transfer the money.
- **Moving costs**
  Hiring a van, hiring helpers, buying packaging materials, etc.
- **Building and contents insurance**
  It's a condition of your mortgage to have adequate buildings insurance in place. This covers the cost of rebuilding your home if it's damaged. If you're buying a flat, this may be covered in the maintenance charge, you must check this. Contents insurance covers your furniture and possessions and is optional, we recommend you consider this as well.

What's my credit score and how can I check it?

Your credit score is produced by credit reference agencies. It's based on your credit report and used by banks, building societies and other organisations to help determine how risky it is to lend money or offer credit to you.

Every time you apply for credit, the organisation will check your records, including your score. Your credit score is made up by looking at:

- how much you owe – credit cards, loans, etc
- how much of your available credit you're using
- your payment history. Do you pay on time? Do you pay in full?
- other credit searches – other applications for credit cards or loans
- public information – electoral register, County Court Judgements, etc.

The UKs main credit reference agencies are **Experian, Equifax** and **Call Credit.**

How can I improve my credit score?

Here are some tips that could help you improve your credit record:

- **Make sure you're on the electoral register** – not on it? To register, go to **www.gov.uk/register-to-vote.** You'll need your National Insurance number.
- **Check your address** – make sure all your active accounts are registered to your current address.
- **Demonstrate that you can manage credit** – for example, by spending occasionally on a credit card and repaying it promptly. Make payments that are more than the minimum and stay well within your credit limit.
- **Make payments on time** – if you make payments late or miss them altogether, it has a negative impact on your credit rating.

If there's a mistake on your record, you can write to the agency and ask them to correct it. Remember: County Court Judgements for non-payment of debts, Individual Voluntary Arrangements (IVAs) and bankruptcies stay on your credit record for at least six years.

For more tips and information about credit scoring, **www.moneysavingexpert.com/loans/credit-rating-credit-score/**

I’ve found my new home and my offer has been accepted – what happens now?

Appoint a solicitor
You will now need to appoint a solicitor to take care of the legal work.

You’ll need to complete the mortgage application
Even if you have a Decision in Principle (DIP), your mortgage broker will now complete a full mortgage application.

Who carries out the valuation?

Your lender will automatically instruct an expert to carry out a valuation of the property as part of the application process.

You can also choose to pay someone external to have a more detailed survey.

- **Level 2 Home Survey**
  This reveals significant visible defects and may find issues such as damp and subsidence.The survey isn’t comprehensive – the surveyor won’t move heavy furniture or look underneath floorboards – and it’s only suitable if the property is conventional and in reasonable condition.

  If you choose to have a Level 2 Home Survey, you need to pay the full cost yourself.

- **Level 3 Home Survey**
  This is the most in-depth type of survey – the structural engineer carries out a thorough inspection from top to bottom. As well as all the things looked for in a Level 2 Home Survey, they’ll actively look for other problems such as asbestos, insect infestations and faulty plumbing. Their survey identifies any areas that may need work in the future.

  If you choose to have a Level 3 Home Survey, you need to pay the full cost yourself.

For more information on house surveys visit the Royal Institution of Chartered Surveyors website, **find out more.**

How do I finalise the purchase?

After the valuation and when you have your mortgage offer, your solicitor will send you the contract to sign. Go through it carefully and make sure you're happy with everything because when you sign the contract, you're committed to the sale.

When your solicitor has your signed contract and the seller's solicitor has theirs, they exchange them. This formal 'exchange of contracts' means that the purchase is now legally binding. Then you and your solicitor can agree a date for completion.

At this point, you must also make sure that you have adequate buildings insurance in place for the property. You may also be asked to pay a holding deposit.

What happens at completion?

The period between the solicitors exchanging contracts and the purchase being completed can vary, but it's usually no longer than four weeks. When it's complete, you'll have to pay these charges:

- **The balance in full for the property**
  Your deposit plus the amount you've borrowed to pay for the property. You might also have to pay the solicitor a fee for transferring the money.
- **Mortgage fees** (if applicable)
- **Land Registry charges**
  You usually pay this to your solicitor who pays the Land Registry for you.
- **Stamp Duty**
  You pay this tax to your solicitor and they pay it to the Government for you.
- **Your solicitor's bill**
  When everything's been completed and everyone has been paid, you can move into your new home.

I’ve moved into my home and I’m paying my mortgage each month – what happens now?

Congratulations for achieving a huge milestone. Whether you plan to renovate, just decorate or do nothing at all. You can now start enjoying your new home.

Your lender will get in touch every January with your annual statement that shows how much you’ve paid off your mortgage, and how much you have left to pay.

Should you need any guidance or support during the term of your mortgage always get in touch with your lender or mortgage broker.

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.

Coventry Building Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority (www.fca.org.uk) and the Prudential Regulation Authority (firm reference number 150892).

Mortgages are subject to acceptance in accordance with our lending criteria.

The information in this leaflet is provided for your information only and should not be taken as advice. Legally binding terms and conditions can be found in the mortgage application declaration, the terms and conditions of your mortgage offer and in our mortgage terms and conditions.

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