

First Time Buyers Guide

Your guide to buying
your first home.

Buying your first home

As a Building Society, helping people have a home is integral to everything we do. We understand the difficulties First Time Buyers face - particularly in the Cambridge area. We're proud to offer a full range of options to help First Time Buyers get onto the property ladder.

The decisions you make about your mortgage are some of the most important you will ever make – that's why The Cambridge are here to support you along the way. In this booklet we provide you with all the information you need about saving for a deposit, Government backed schemes and the home buying process.

How we're helping First Time Buyers get their first home:



Low deposits



40 year term mortgages



Shared Ownership mortgages

Things you might want to know about:



Guarantors



Help to Buy





How we're helping First Time Buyers get their first home:

Saving for your deposit

When you buy a home, you'll need to give a deposit which will pay for a percentage of equity in the property. In 2018, the average deposit given by a first time buyer was a staggering £32,841*. This can lead people to dread saving for a deposit and assume the task is impossible. This isn't the case, let's break it down:

- 1 How much can you save?**
Look closely at your current spending to see where you could make savings. Do you make the most of cashback offers? Buy One Get One Free (BOGOF) or loyalty schemes are great (as long as you were planning on making the purchase in the first place).
- 2 Budgeting**
Work out your bills and outgoings on a monthly basis, determining the essentials and then save what's left over from your income.
- 3 How long?**
Once you've worked out how much you can afford, it should be easier to calculate how long it will take you to get there. This also depends on how much deposit you're planning to save; many First Time Buyers believe that a 10% deposit is required to buy a house but this isn't true. Various lenders including The Cambridge offer mortgages that only need a 5% deposit.
- 4 The right savings account**
Now you know how long saving will take you, you'll have an indication of what account will be best for your needs.
- 5 Now set up a standing order**
Setting up a standing order to pay a set amount from your current account into your savings account will help saving become a habit!

These are just a few ways to encourage saving, sometimes you have to make the most of every opportunity. For more information on savings, read our guide cambridgebs.co.uk/savingtips

*Published online by Which? March 2019 News article; 'First Time Buyers: How much mortgage deposit do you need in your area?'

Considering the length of your mortgage

Mortgages are a long term commitment and can be taken out for various terms, anywhere between 5 to 40 years, dependent on the individual mortgage needs. However it is important that as a First Time Buyer you and your Mortgage Adviser decide on a term that is right for you and your individual circumstances.

At The Cambridge, we offer a maximum lending term of 40 years on all of our mortgages. For First Time Buyers, this gives you more affordable monthly payments as generally a longer term allows for smaller monthly repayments. This length of term coupled with a 5% deposit, for example, could help you get onto the property ladder. However, the longer the term of the mortgage, the more interest you will pay in total.

Affordable home ownership schemes

Buying your first home in today's property market is not easy. For many, Government backed, affordable home ownership schemes are simply the best way to get onto the property ladder, so what are they and how can they help you?

Shared Ownership is a type of residential property buying scheme that allows you to part-buy, part-rent a home in the UK. The scheme works by you purchasing a percentage (also known as a share) of a property, for example 50%, and the housing association owns the other 50% which you then pay rent on. Some schemes offer first time buyers the possibility to buy a home in stages because their circumstances mean they cannot afford to buy a property on the general market on their own.

Why Shared Ownership could be the scheme for you:

- 1 It can enable you to get onto the property ladder quicker than if you were buying a home outright as your deposit only needs to be a percentage of the share you're purchasing, rather than a percentage of the whole property price
- 2 The rent you pay on the share of the property owned by the housing association may be lower than the rent you would expect to pay for a private rental property of similar quality
- 3 You may be able to "staircase" which means you can increase your share of the property over time when you are ready

What you need to consider before investing in Shared Ownership:

- 1 If the value of a £220,000 property increased, the equity when sold would be split depending on the share amounts. For example, if the property increased to £240,000 and you owned 50% your share would be worth £10,000 more. That's 50% of the £20,000 increase in value and the housing association would receive the other 50% of the increased equity
- 2 It is important that you check with the housing association that the possibility of staircasing to a bigger share of the property is allowed, not all housing associations allow this
- 3 In most cases, you cannot sub-let your spare room if you have one to someone else

For more information visit cambridgebs.co.uk/sharedownership



Things you might want to know about:

Guarantor

Perhaps you've heard the term Guarantor? This is where a family member would help you buy your first home by acting as a Guarantor for your mortgage. The family member would agree to support your mortgage application, taking on the risk of the mortgage by paying the monthly payments if you can't afford them.

Because this family member would be taking on this risk, it is essential that they are fully informed of all the terms, conditions and possible consequences.

The Cambridge recommends that independent legal advice is sought before entering into an agreement to make sure the commitment and the potential consequences of this decision are understood.

Guarantors can read our online guide for more information:
cambridgebs.co.uk/Guarantors



Help to Buy Equity Loan

Help to Buy includes a range of Government schemes*. Here we'll focus on the Help to Buy Equity Loan scheme introduced in 2013. It's been designed to help people buy new build properties where, without the equity loan, making the next step might be a little too expensive or just out of reach.

Why Help to Buy could be the scheme for you:

- 1 You only need to provide a 5% deposit to buy your home (but can provide a higher deposit if you're able to). The Government assists by providing a Help to Buy Equity Loan of up to 20% (more in London), meaning that you're able to provide a total deposit of at least 25%
- 2 You can buy the 20% back later once it's more affordable for you

What you need to consider before investing in Help to Buy Equity Loan:

- 1 You'll need to start paying back your Help to Buy Equity Loan after 5 years, but if you want to begin repaying earlier you can. The Homes England Mortgage Administrator will help you with your repayment arrangements
- 2 You will need to fund a total of up to 75% of the purchase price of your chosen new build home through a repayment mortgage
- 3 If the value of your house were to grow, subsequently the value of the Government's equity would also increase so you could end up owing more

For more information visit cambridgebs.co.uk/helptobuy

*Information about all Government Help to Buy schemes can be found on helptobuy.gov.uk

Right to Buy

For council tenants who have the chance to buy their house at a reduced cost, The Cambridge can lend up to 100% of the discounted price.

Find out if you are eligible to apply to buy your council home at gov.uk/right-to-buy-buying-your-council-home where you can also find out about the level of discounts available, how to apply and information on all agencies that can help you.

The home buying process in a nutshell



Step 1 – Mortgage appointment

At your appointment you'll discuss your income and expenditure, work out the type of house you can afford with the deposit you have saved as well as your potential monthly repayment amounts. Book an appointment at cambridgebs.co.uk/appointment

Step 2 – Decision in Principle

Your Mortgage Adviser will recommend a mortgage suited to your needs and circumstances. In some cases they may provide you with a 'Decision in Principle' to take away. This isn't a final offer but confirms that your mortgage could be approved.

Step 3 – The exciting part - house hunting

Look online, in the local press and visit your local estate agent. When you find the home you're looking for, visit it more than once at different times of the day – it might look very different on a Friday at 9pm to a Sunday morning at 10am. Take notes and pictures if you can; it's also a good idea to take a friend or relative with you, as they may notice things you don't.

Step 4 – Make an offer

Once you've decided you want to buy, tell the estate agent how much you're willing to pay. Remember that you don't have to offer the asking price. Negotiate!

Step 5 – Appointing a Solicitor

You will need a solicitor to complete the legal requirements during the mortgage application and house buying process. At The Cambridge we use a panel of approved Solicitors from across East Anglia and other parts of England to act on your behalf.

Step 6 – Mortgage application

Once you have confirmed that you would like to proceed, your Mortgage Adviser will arrange for you to complete the application. If you haven't already, you'll need to provide your personal documents so that information can be verified such as your identity and income of all the applicants involved.

Step 7 – Property valuation

Lenders are required by law to have a valuation of every property mortgaged. The Cambridge requires at least a standard valuation which is used to determine the current market value of the property. In addition, there are different survey options that you may want to think about. For example, if you want to buy an older property and are keen to understand whether there might be a big structural investment needed in the future, you may opt for a Building Survey.

Step 8 – Solicitor searches

It's likely that between step 7 and 9 that it will go fairly quiet to allow Solicitors to organise the required searches. These include local authority and Environment Agency searches, as well as informing Land Registry that the ownership of the property will be transferred to you.

Step 9 – Nearing the finish – exchanging

Once checks are completed by the mortgage provider and they are happy with the formal property valuation, you'll be sent a 'mortgage offer'. The mortgage offer is a formal contract document confirming that your loan has been agreed and includes a full breakdown of the mortgage costs and terms.

Your legal representative will take you through the contract, ask you to sign and pay your deposit, legal fees and any other charges. Contracts can then be exchanged.

Step 10 – Completion

After exchange of contracts you will have to wait around two weeks (more in some cases) before you can complete the legal transfer of home ownership. On completion day, all that's left to do is collect your keys and move in.

Congratulations: you are now the proud owner of a new home!

We're always ready to help

We hope we've answered many of your questions. Your Mortgage Adviser will be pleased to help with anything else that's on your mind.



Visit your nearest branch – the opening times are on our website



Live chat or book a mortgage appointment on our website
cambridgebs.co.uk



Call us on
0345 601 3344



Email us on
thecambridge@cambridgebs.co.uk

Our Cambridge based Customer Contact Centre is open:
Monday to Friday: 8.30am – 8.30pm
Saturday: 9am – 5pm



cambridgebs.co.uk