

MORTGAGES

Make your first house a home

Principality. Where home matters.



A complete guide to buying your first home

Helping you make your first move

At Principality Building Society we've been helping our Members get on the property ladder for more than 155 years. That ladder may have changed a lot since then, but buying a house can still be just as complicated and confusing, even if you've done it before. That's why if you're a first time buyer, we're here to help you every step of the way.

Over the following pages, we've compiled the ultimate complete guide to buying your first home. From explaining mortgage buzzwords to top budgeting tips and checklists for every stage of the process, we've covered it all.

What's more, when you're ready to discuss your options in person, our trained Mortgage Advisors are on standby.



Understanding the basics

There are lots of different words and phrases that are mentioned when you're buying a home. Often, it can seem like a different language. So to help you make sense of it all, we've outlined the basics:

Mortgage

A loan to help you buy a house. The loan is secured against that property.

Mortgage provider

The bank or building society which will lend you the funds to purchase your home.

Lender

Another name for a mortgage provider.

Mortgage term

The amount of time that you have to repay your mortgage.

Deposit

The amount of money that you will pay towards the cost of your house purchase. The deposit money will be required by your solicitor prior to completion of your purchase.

Guarantor

A third-party who agrees to meet your monthly mortgage repayments if you can't. This might be your Mum, Dad or Guardian.

Intermediary

An advisor who can help you arrange a mortgage.

Leasehold

A leasehold property is owned for a fixed period of time only. You will have a legal agreement with the landlord (sometimes known as the 'freeholder') called a 'lease'. Ownership of the property returns to the landlord when the lease comes to an end. Most flats are leasehold.

Freehold

You own both the building and the land it stands on for an unlimited period of time.

Vendor

Another word for seller. The person who is selling their property.

Agreement In Principle (AIP)

This is a certificate or statement from a lender to confirm the amount they may be prepared to lend you subject to further checks such as credit checks etc.

Valuation

A survey that your mortgage provider will arrange to check the value of the house you wish to buy. The valuation will help the lender decide whether or not to lend to you and if so the amount they are prepared to lend.

Stamp Duty/Land Transaction Tax*

Stamp Duty Land Tax is a tax charged by the government on land transactions over a certain price.

Loan-To-Value (LTV)

LTV is the amount you want to borrow in relation to the value of the property you wish to buy. This is often expressed as a percentage figure.

Your route to home ownership

We know that buying your first home can, at times, feel like a long road ahead. To help on that journey, we've mapped out the key steps involved.



Save a deposit



Find out how much
you can borrow



Mortgage provider
underwrites application



Appoint a solicitor



Valuation and (optional)
building survey



Mortgage offer sent
to you and your solicitor



Search for and view properties



Make an offer



Make an appointment with your mortgage provider



Exchange contracts



Am I ready to buy?

Whether you're going it alone, partnered up or with a friend, buying your first home is one of the biggest financial decisions you'll ever make.

If you can tick all the boxes, you're ready to start house hunting.

A deposit

Sounds obvious, but usually the bigger your deposit is, the better. If you save a 10% deposit, your mortgage will be 90% of the property's value. This is known as the loan-to-value (LTV).

Good credit history

When you apply for a mortgage, the lender will check your credit history to make sure you're on top of your finances and can afford the monthly payments.

TOP TIPS THAT COULD HELP TO BOOST YOUR CREDIT HISTORY:

- Register to vote
- Cancel unused credit cards or bank accounts
- Pay off any debts
- Never miss or be late for payments

Get your outgoings in order

Mortgage providers will want to take a close look at your financial commitments. So from that designer handbag habit to that extra takeaway in the week, there's no hiding your outgoings. If you have any loans or credit cards, your mortgage provider will need to know.

My last 3 years' address history

My last 3 months' bank statements

My last 3 months' payslips

Or

My last 3 years' accounts

Whether you're employed or self-employed, mortgage providers will want to see your proof of earnings, so make sure you have copies. You may need to ask your employer or Accountant if you don't have copies already.

What's my budget?

Now it's time to work out how much you can realistically afford to spend on buying a home.

My deposit

£

The deposit you save will usually need to be at least 5-10% of the price of the house you want. But remember, a deposit isn't all that you'll need to budget for. You will also need enough money to cover costs like Stamp Duty/Land Transaction Tax* (if it applies), solicitor or conveyancer fees and surveys. All of which can add up.





Budget planner

Jot down your monthly finances below to get an accurate idea of your budget. If you're buying with someone else, it will help to complete this together.

Total income

Pay (After tax, student loan, NI and pension)	£
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Outgoings

Household bills (Council tax, electricity, gas, water etc.)	£
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Living costs (Food shopping and cleaning goods)	£
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Finance & Insurance (Include any regular savings)	£
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Transport (Car, train etc.)	£
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Family & Friends (Gifts, child benefits)	£
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Leisure (Nights out, holidays)	£
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Treats (Clothes, gadgets)	£
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Total outgoing	£
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Total income - total outgoing	£
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Pleasantly surprised? Or spending way more than you thought? If it's the latter, here are some simple ways to cut back.

Before buying anything, you could ask yourself these four questions which may help you:

- 1. Do I need it?**
e.g. Do you really need that takeaway coffee, glossy mag, new pair of jeans?
- 2. Will I use it?**
e.g. Are you going to use that gym membership?
- 3. Is it worth it?**
e.g. Is it really worth slowing down your saving potential for a new iPad?
- 4. Is it cheaper elsewhere?**
e.g. Have you shopped around? You might be able to pick up that item for much less.

TOP BUDGETING TIPS

Plan your weekly meals

You could arm yourself with a weekly (or even monthly) meal plan before setting foot in the supermarket. You'll save money by only buying the ingredients you need and be better at resisting that takeaway temptation.

Open a savings account

You could set up a standing order, so that each payday some of your money will be transferred into a savings account. That way you won't be tempted to overspend.

Buying a home costs

Here's a rundown of all those costs, from the up-front to the hidden.

Stamp Duty/Land Transaction Tax*

This is a government tax that you have to pay if the purchase price is above a certain amount. To find out more, visit www.gov.uk

Valuation/Surveyors fee

You will be charged for both a basic and an in-depth inspection of the house/flat you want to buy.

Legal fees

You will need to pay fees to your solicitor or conveyancer, which usually includes the cost of any land registration and search fees.

Removal costs

Whether you hire a van and do it all yourself, or pay a professional removal firm, moving your stuff can be expensive. It's a good idea to book early and shop around to get the best quote. Alternatively, ask a friend with a van to help you.

Electronic transfer fee

This covers your mortgage provider's cost of transferring the mortgage money to the solicitor.

Product fees

Some mortgages may include a product fee. You may be able to pay a product fee by cheque or add it to your loan amount. However, if you do add it to your loan, you need to be aware that you will pay interest on the amount for the term of your loan and therefore it will cost you more.

Furnishings

Don't forget you might need to buy furnishings for your new home. Bed, sofa, fridge, freezer, the list goes on so be sure to include these costs in your budget.

Insurance

For any mortgage you take out, you'll need to have buildings insurance. If your new home is leasehold and you pay a management or maintenance fee, check to see if you're already covered.

Council Tax

The amount you will pay in Council Tax is based on the valuation band your property falls under, its location and whether or not you're entitled to a discount.

Utilities

Don't forget the costs for your electric, gas, water, broadband, landline and TV license. Looking on price comparison websites can be helpful.

Costs to keep in mind

Early Repayment Charges

An early repayment charge may be payable if you choose to either repay your mortgage (in full or in part) or switch mortgage to another provider before your current mortgage deal has come to an end.

Discharge Fees

A discharge fee (otherwise known as a mortgage exit fee) may be charged when you come to the end of the mortgage term, pay your mortgage off in full or transfer your loan to another property.



The amount I can borrow

£

Now all your finances are in order, you can calculate what size mortgage you can take out by using our online mortgage calculator at:

www.principality.co.uk/mortgagecalculator.

Alternatively, you can chat to us.

Nowadays, rather than simply multiplying your income, we'll base the amount you could borrow on your individual circumstances, including monthly income and outgoings.



What mortgage is best for me?

We offer a wide range of mortgages for first time buyers all of which we've outlined below. After considering your individual needs and circumstances, one of our expert Mortgage Advisors will be able to recommend one that best suits you.

Fixed Rate mortgages

With our Fixed Rate mortgages, your payments stay the same for a fixed period of time. No matter what happens to interest rates and how high or low they go.

Tracker mortgage

Our Tracker mortgages move up and down in line with the Bank of England Bank Rate for a set period. So, if the Bank Rate falls, so will your monthly payments. Of course, if the Bank Rate goes up, your payments will too. There may be a minimum interest rate on a Tracker mortgage, which means if the Bank Rate falls below a certain level, your monthly payments will not reduce below that level.

Discount mortgages

These are Variable Rate mortgages that are discounted against our Standard Variable Rate for a set period. The discount is usually a stated percentage below our Standard Variable Rate. There may be a minimum interest rate on a Discount mortgage, which means if our Standard Variable Rate falls below a certain level, your monthly payments will not reduce further.

Standard Variable Rate mortgages

With our Standard Variable Rate mortgage, we set the rate of interest. This rate can go up or down at our discretion, usually because of changes in the Bank of England Bank Rate or other reasons. This is the normal rate without discounts or deals and it is the rate your mortgage will switch to once these have ended.

Repaying your mortgage

Repayment mortgage

With a repayment mortgage, each month you repay a part of the amount you borrowed, plus that month's interest. This means the amount outstanding on your mortgage reduces monthly, so by the end of the term, provided you've made all payments when they are due, you will have repaid the full amount.

Interest only mortgages

With an interest only mortgage your monthly payments will only cover the interest on your mortgage loan. This means you pay less each month, and at the end of the term you still owe the full amount you originally borrowed. You must have at least 50% deposit, equity of £150,000 and be able to prove you have a plan for repaying the amount you wish to borrow before we're able to consider giving you an interest only mortgage.

Affordable housing schemes

Both Shared Equity and Shared Ownership schemes aim to make home ownership more affordable for people without substantial savings.

Shared equity

Shared equity schemes work by you receiving an equity loan to put towards buying a property. It can be a quick way to boost the size of your deposit and increase your chances of getting a good mortgage deal.

Shared ownership

With shared ownership, you part-buy and part-rent a home from a housing association, allowing you to take out a much smaller mortgage than if you were buying the whole property.

Talk to a Mortgage Advisor

Pop into your local Principality branch or call us to arrange your initial mortgage discussion.

During your first meeting, your Mortgage Advisor will ask you a few questions to make sure we're able to proceed with your mortgage application. This only takes about fifteen minutes. If we can proceed, we'll arrange a mortgage Agreement in Principle and start the application process.



My perfect home on paper

Make sure you have an idea of what it is you're looking for. You never know, you might be surprised. Use this checklist to help hone your search.

- Flat
- House
- Bungalow
- Number of bedrooms
- Floor space
- Freehold
- Leasehold
- Off-street parking
- Garage
- Garden
- Location
- Local school
- Distance from shops
- Distance to work
- Transport links

The hunt is on

This can be the most exciting stage. Taking a look around potential new homes. Now you've decided on the area that you'd like to live, register with local estate agents and start browsing their websites. Make sure you sign up for email alerts, so when the perfect property hits the market you'll be the first to know about it.

See something you like? Great. Call up the agent and book a viewing.

Sometimes you need to see a dozen houses before finding the one you want to call home. So it's ok if you don't find love at first sight.





You've found
the one...

Now make an offer they can't resist

You've found your perfect home. You've saved up the deposit and got an Agreement in Principle (AIP).

Remember, the sale price is what the seller hopes to get and not necessarily what they expect.

You may be able to negotiate a lower price and as a first time buyer you could be in a strong position to negotiate. Know what you can afford and stick to it.



Offer accepted!

Now the excitement really ramps up. If we can proceed with your application, we'll arrange a mortgage appointment for you, and give you a 'pre-appointment pack' for you to read through before you come in. It will include a number of forms for you to fill in, please bring them with you to make sure your appointment goes as quickly and smoothly as possible.

During your mortgage appointment, we'll gather some information about you and your finances. This is where the pre-appointment pack becomes very useful.

The information we get from you will form the basis of the advice we provide.

After we've collected all of the information we need, we'll agree upon a time when we can talk to you to present our recommendation. This recommendation will be based on your individual circumstances.

Finding a conveyancer or solicitor

As you've probably come to realise, buying a house involves lots of legal details that need sorting out. First time buyers use a solicitor or conveyancer to help them get to grips with it all.

TOP TIP

Remember to ask your conveyancer or solicitor if their quote includes searches and disbursements.



Getting the right survey

After receiving your mortgage application, Principality will arrange a Surveyor to undertake a valuation, helping us to assess if the property represents adequate security for the loan.

There are three different types of report for you to choose from:

The Mortgage Valuation

Purely for mortgage purposes only, the Mortgage Valuation is a simple property report that helps us assess your application. The Mortgage Valuation is not a survey. We only need basic information about the property when deciding how much we're prepared to lend to you. For instance, there may be serious defects in the property, which are not revealed by our report, or there may be omissions, which we don't consider important for the mortgage but might be important to you. For this reason, you may request a more detailed report on the condition and value of your chosen property with a Home Buyers' Survey & Valuation or a Building Survey Report. Both of which can be carried out at the same time as the Mortgage Valuation.

The Home Buyers Survey and Valuation

This type of report is designed to help keep costs down, yet still give you a general idea of the quality and condition of the property,

especially if it's a conventional build or built within the last 120 years. This survey and valuation covers the parts of the property that are readily visible and easily accessible, and will identify any obvious evidence of serious disrepair, potential hazards and other things that may affect the property's value. Minor or cosmetic defects may not be listed.

The Building Survey Report

This is the most detailed inspection of a property you can get, and provides a comprehensive report on its condition. You'll find out technical information about your property's construction, the materials used in its build, and any structural or other defects. Although this type of report is usually more expensive, it could provide you with crucial information about the property. You may consider this survey if the property is old, is unusual, in need of structural repair or if you're planning a major conversion or renovation.

Protect your new home

Home Insurance

Buildings insurance covers the actual bricks and mortar of your property, and contents insurance covers your possessions. You'll need to have buildings insurance in place before you exchange contracts, but most people opt to add contents insurance as well. Tailoring your cover means you only pay for the cover you choose.

Life Cover

None of us know what's around the corner. But if the unthinkable was to happen, life insurance is very important in helping protect your loved ones and covering your mortgage.

Your mortgage offer

If everything is going smoothly, we'll aim to make you a formal mortgage offer within 4-6 weeks of the full application and supporting documentation being received. You'll receive a copy by post, with another copy going to your solicitor.

Exchange and completion

Until contracts are exchanged, both you and the seller can walk away from the sale without any contractual liability.

Before exchange can happen, both you and your seller's solicitor or conveyancer will need to be satisfied that their work is complete, that the survey or valuation report has been completed and that the formal mortgage offer has been received. Once that's all done, your solicitor or conveyancer will ask you to sign your copy of the contract and mortgage deed, and will ask for any deposit to be paid to them. A completion date for the sale will be agreed and included in the contract. Contracts will then be exchanged and the non-refundable deposit will be forwarded to the seller's representative.

Completion can happen on the same day as the exchange of contracts, or sometimes up to several months later, in the case of some new builds.

Remember, your mortgage offer will have an expiry date. This will be clearly stated on the mortgage offer documents you are sent. If you think you won't complete before your offer expires, contact us and we'll discuss other options which may be available.

When you complete, your solicitor or conveyancer will transfer the full balance of the purchase to the seller. Any Stamp Duty/Land Transaction Tax* due is paid to HM Revenue and Customs. The transfer of ownership and your mortgage details are registered at the Land Registry by your solicitor or conveyancer.

Finally, and most importantly, your keys are handed over and you can move in!



Pack like a pro

It may not have totally sunk in yet, but it's official. You're a homeowner and now it's time to move in.

- Book a removal van
- Get cardboard boxes & other packing items
- Label each box clearly
- Ask friends and family to help
- Plan ahead – avoid leaving it until the last minute
- Pack important documents together
- Pack one room at a time

TOP TIP!

Pack an essentials box and label it

On arrival, make sure you can offer everyone who helped a cuppa by packing a few basics.

What to include:

- Toilet paper
- Washing up liquid
- Dishtowel and dishcloth
- Kettle
- Instant coffee/tea bags/milk
- Bread, butter, biscuits, crisps
- Radio
- Cup, plate, cutlery for each person that's there when you arrive
- Emergency first aid kit
- Torch
- Matches/lighter
- Change of clothes and towels
- Wash bag with contents
- Bin bags
- Basic tool kit

Time to move on

Now that packing is in progress, there are a few more things you need to sort out. To help you on your way, here's a checklist of what you need to do.

Redirect your post

You can use the Royal Mail's Postal Redirection service to make sure any post arrives at your new address.

Take final meter readings

Tell your previous gas, electricity, water and phone suppliers that you're moving out and take final meter readings.

Give new meter readings

Once you've got the keys to your new house, take all the meter readings and set up new utility accounts. Shop around to find the best deals.

Broadband

Before moving in to your new home, make sure you've set up broadband. There are few things worse than being without Wi-Fi for weeks.

Council tax

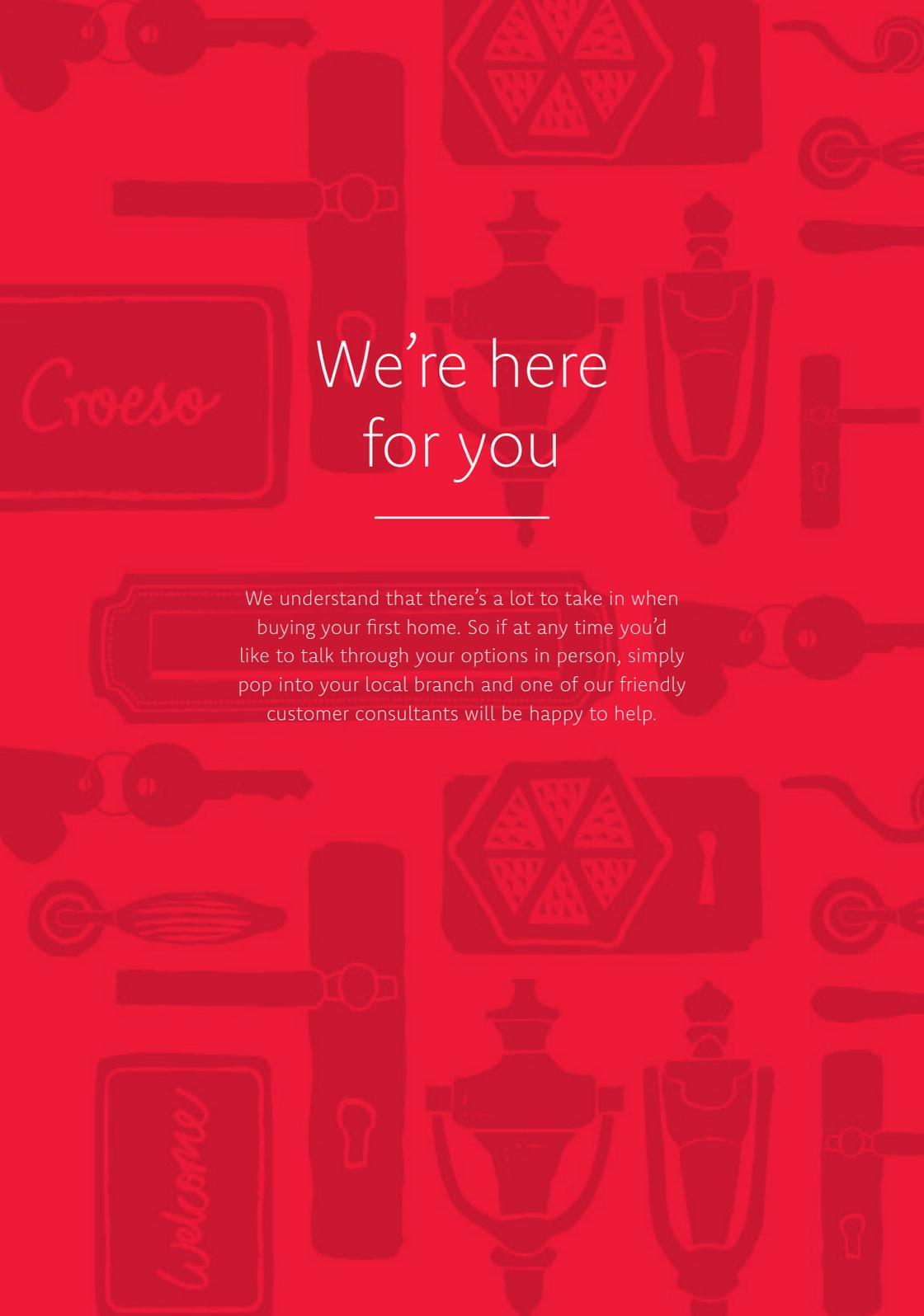
Let the council know you're moving.

Share your new address

Don't forget to share your new address with those that need it, including your doctor, dentist, bank or building society, workplace etc.

Register to vote

If you're not registered, you won't get a say.



We're here for you

We understand that there's a lot to take in when buying your first home. So if at any time you'd like to talk through your options in person, simply pop into your local branch and one of our friendly customer consultants will be happy to help.



CALL US

0330 333 4000*
(Open Mon–Fri 8am–8pm
Sat 9am–1pm)



VISIT

www.principality.co.uk/branch
To find your nearest branch



ONLINE

principality.co.uk
@principalityBS
Principality Building Society
@principalitybs

Principality. Where home matters.

This leaflet is available in large print,
Braille and audio tape on request
by calling 0330 333 4000*.

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

*To help us maintain our service and security standards, telephone calls may be monitored and recorded.

Principality Building Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, reference number 155998.

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