



# First Time Buyers' Guide

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Getting on the property ladder can be a challenging business for first time buyers, especially with high property prices and mortgage lenders tightening up on their requirements. This guide will help you consider the various options available for you to as a first time buyer.



# What costs are involved?



## Establish what you can realistically afford

Working out your budget is the most important step in assessing whether you can afford to purchase your first home – using budget calculators provided by mortgage lenders can give you a good idea as to the amount of mortgage you are likely to be able to afford and for you to be able to assess what is realistic. It will provide a detailed picture of your finances and identify whether there are elements of your spending that you will have to cut back on. Carrying out this exercise before looking for your first home will ensure you are fully informed before proceeding with what is likely to be your biggest financial commitment.

## Obtaining a mortgage

Approaching a broker like Peritus, to obtain an 'Agreement in Principle' (AIP) will help you find out what you are able to borrow and it will help you when you start your housing search. One benefit of being a first time buyer is that you are not involved in a property chain. This means you are not waiting for someone to buy your property before you can proceed with your purchase. This makes you more attractive to sellers, particularly those who are keen to move quickly.

The amount you can borrow will also depend on the amount of the deposit you have to put down against the house and the Loan to Value (LTV) this equates to. In the past it has been possible to obtain a 100% mortgages, however these are now very rare and buyers will usually need a minimum deposit of 5% depending on the product. A larger deposit and therefore a lower LTV will generally give you access to deals with a more favourable rate.

By using a broker to obtain an AIP at the outset, you can be assured that the best lender for your circumstance is chosen.

## Co-buying

Buying a home with your partner, family member or a friend can make things more affordable as you have someone else to share the costs of buying and maintaining the property. It is very important to sit down before agreeing to purchase a house to discuss in detail who will be paying for what, and what portion of the property each person will own.

You should consider carefully the implications if you were to separate, however unlikely this may appear when you are excitedly purchasing your first home together. Things to consider are whether one of you would be able to afford to pay the mortgage if you separated or could one of you buy the other out? If not, it is likely that you would both have to sell the house and make new arrangements. It is the responsibility of both parties to the mortgage to make the repayments even if only one of you stops paying. You are both liable!

Typically buying a house with a family member or friend is a temporary arrangement as either party will probably intend to move into their own home eventually or remove themselves from the mortgage when the other is in a position to take over the mortgage themselves. You need to consider how your personal circumstances would be affected when this happens.

In these circumstances you should consider carefully the saleability of the house in future as neither party is likely want to wait a long time to sell the house. When buying and selling any house, a good location is essential and smaller properties may be easier to sell than larger ones.

If you do decide to invest with someone you should always seek legal advice and have the right agreement set up. It is also important to agree how bills will be split upfront and even organise a housework rota! This will make the process smoother and reduce any chance of dispute at a later date. A property law specialist can help you draw up a co-habitation or joint ownership agreement.

## Help from Mum and Dad

It is now more common that parents help their children to take their first step on the property ladder, either by them acting as a guarantor to assist with obtaining the mortgage or being party to the mortgage to assist with affordability. In many cases parents will help by providing a lump sum to help with the deposit which will help secure a more competitive deal and reduce monthly payments.

They can also help with the little things such as lending furniture and other essential items.

## Buying a new build

A number of house builders in the UK offer generous incentives to first time buyers so it is worth taking the time to view some new build developments in your area to see what offers are available. Look to the right of the listings to see if there are any special deals on properties. This can include free appliances, carpets, or help with deposits.

## First time buyers and shared ownership

Schemes are available that offer the option of shared ownership or equity loans to some first time buyers. These include:

- **Help to Buy** is a government scheme for those that have a minimum 5% deposit to purchase a home. The scheme offers an equity loan – This is available to first time buyers and existing home owners who want to purchase a 'new build' home.
- **Shared ownership schemes** are offered by Housing Associations, this allows you to part-buy and part-rent your home. You can buy a share of between 25% and 75% of the property and pay rent on the remaining share you don't own to the Housing Association.



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