

HOMES *by*  
CARLTON

## BUYER'S GUIDE



# First-Time Buyer

Get started on your journey  
to home ownership.



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ONE

# Introduction

**Buying your first home can be daunting, but we can help to get you started on your journey to home ownership.**

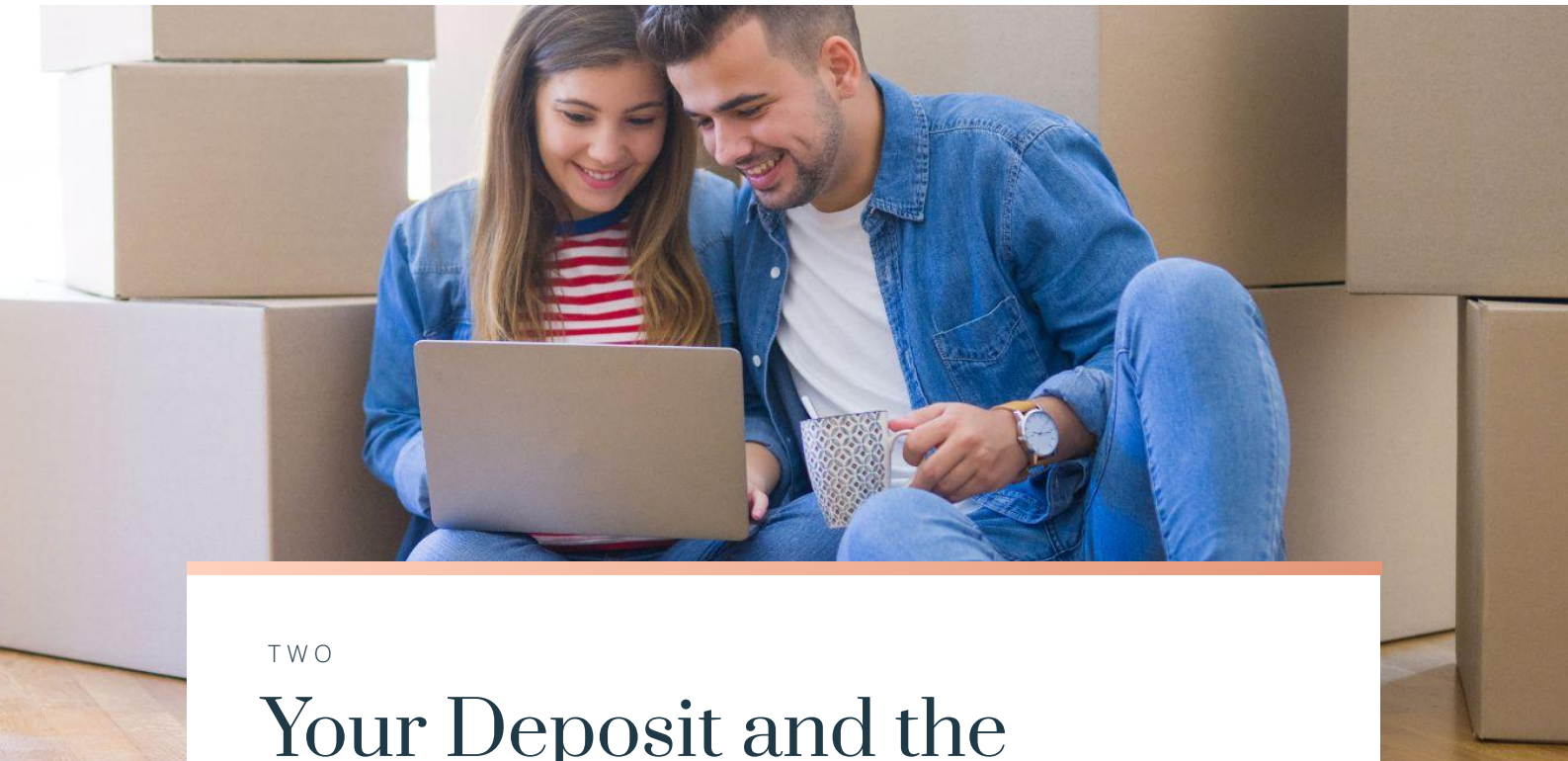
Taking your first step onto the property ladder and buying your first home is an exciting time, and home ownership can have many benefits. Aside from the pride of owning your own home, it's also an investment that can give you security for the long-term – you'll own the home and have complete control over what you do with it.

You have no landlord, you can decorate to your heart's content and you could even find that you save money over the long-term when compared to renting. It has long been appreciated that rental payments are more costly than mortgage payments for equivalent homes, and research from mortgage lender Halifax confirmed this in early 2022.

But buying your first home can also be daunting. There's a lot to consider, so we've created this guide to help you get started on your journey to home ownership.

## In this guide we will cover:

- How much you're likely to need to save for a deposit
- The typical costs to be aware of when buying a home
- The schemes available from the Government to help you buy
- Where to start in your property search and what to consider
- The basics of getting a mortgage



TWO

## Your Deposit and the Costs of Buying a New Home

**Deposits, stamp duty and any other one-off costs, we explain them all so you have no surprises along the way.**

As a first-time buyer in particular, the costs of buying a home are likely at the forefront of your mind. Your deposit is the most obvious and largest upfront cost to consider, and it will likely be the first you think about, as it can often take some time to accumulate.

### **How much will I need for my deposit?**

Generally, you need at least 5% of the cost of the home you'd like to purchase for a deposit, but most mortgage providers ask for between 10% and 20%.

The more you are able to put down as a deposit, the lower the interest rate on offer and the lower your monthly mortgage payments will be. However, it is important to be aware that there are other factors that will influence your interest rate, such as your credit history and the length of the mortgage.

To get an idea of the size of deposit you may need, have a search for homes of your preferred specification (e.g., consider if you'd like a house or a flat and the number of bedrooms you require) in your chosen location to gain an understanding of average prices.

### **Deposit example:**

If you are looking at a house that is **£300,000** and you're aiming to have a **10% deposit**, you would need to save **£30,000**.





### How much Stamp Duty Land Tax (SDLT) will I have to pay?

When buying a property in England, non-first-time buyers have to pay SDLT on a property costing more than £250,000. On the other hand, first-time buyers only have to pay SDLT on properties costing more than £425,000.

The amount of SDLT you pay is worked out as a percentage of the purchase price. First-time buyers purchasing a home costing between £425,001 and £625,000 will pay SDLT at 5% of the purchase price. Those buying a home costing over £625,000 will not be entitled to relief and will pay SDLT at the normal rates.

You can use the [SDLT calculator on the Gov UK website](#) to work out how much you will have to pay.

### What other one-off costs will I have to pay when buying a house?

#### Reservation fee

If you're purchasing a new-build home, you may have to pay a reservation fee. This holds the property for you for an agreed upon period of time. Reservation fees are typically between £100 and £300, though this is subject to the housebuilder, and you will usually receive the reservation fee back once your purchase completes.

#### Valuation fee

Your prospective mortgage lender will want to assess the value of your property to determine how much they are prepared to lend you. Some lenders may not charge a fee for this, but it can cost anywhere between £150 and £1,500.

**Mortgage product fee**

These are also referred to as arrangement fees and can cost anywhere between £500 and £2,000. You can sometimes add this to your mortgage, but this will increase the amount you owe, your interest and your monthly payments.

**Legal fees**

You will require a solicitor or licenced conveyancer to carry out the legal work involved with buying a house. These will typically cost between £850 and £1,500, and may incur an additional cost of up to £300 for local searches.

**Mortgage advisor fee**

Mortgage advisors often don't charge a fee, but some do, and they're typically around £500.

**What ongoing costs will I have to pay after buying a house?****Mortgage repayments**

This is the obvious one – you'll be paying towards your mortgage each month. The amount depends on a number of factors including the value of your mortgage and your interest rate.

**Insurances**

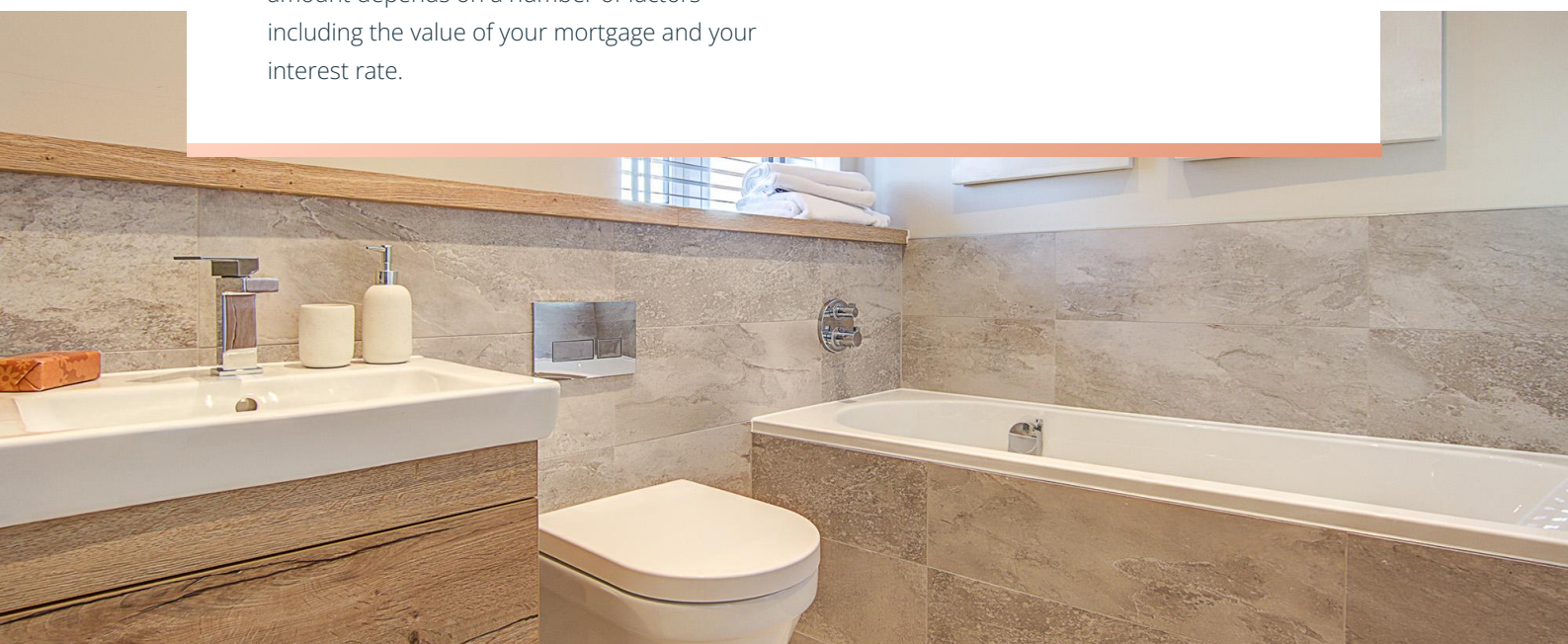
There are several insurances you'll need to think about when buying a home. One of these is buildings insurance, which will cover your home in the event of damage from things such as fires, storms and floods. Contents insurance offers protection for your belongings inside of your home. Combined buildings and contents insurance is sometimes referred to as simply "home insurance". Life insurance is another important one to consider as it can give you and your family peace of mind that your mortgage could be paid off if anything was to happen to you. Many mortgage lenders require you to have life insurance in place.

**Council tax**

You can pay council tax monthly or yearly and the amount you pay is based on the valuation band your property falls under, its location and whether or not you are entitled to a discount due to certain benefits.

**Utilities**

This includes gas, electricity and water primarily, but you will also need to consider the ongoing costs for line rental, calls, broadband, and TV.





For a purchase price of £300,000, based on a fixed-rate repayment mortgage with a 25-year term and an interest rate of 4%, monthly repayments with a 10% deposit would be £1425.16, dropping to £1,266.81 with a 20% deposit.

For illustrative purposes only





THREE

# Government Schemes to Help You Buy

**Government schemes available to first-time buyers that can help you get your foot on the property ladder.**

The thought of saving for a deposit can be daunting for many, but there are Government schemes available to first-time buyers that can help you get your foot on the property ladder.

## Lifetime ISA (LISA)

The LISA was designed to help first-time buyers save for a home or for anyone to save for retirement. To open one, you must be over the age of 18 but under 40. You can put up to £4,000 per year into a LISA, and the Government will add a 25% bonus on top. A LISA can be used to purchase a property costing £450,000 or less.

## Shared ownership

When purchasing a shared ownership home, you will purchase just a share of it. This share is usually between 10% and 75%, with a housing association typically owning the rest of the home. You will pay rent on the share of the house you do not own. Later, you can choose to “staircase”, increasing your share in the property and eventually owning 100% if you wish.

There are a number of pieces of criteria that will determine whether you’re eligible for a shared ownership scheme, and these will be specified by each housing association. Most require you to earn less than £80,000 per year outside of London, or less than £90,000 per year in London to qualify.



“The Lifetime ISA was designed to help first-time buyers save for a home or for anyone to save for retirement.”



### First Homes

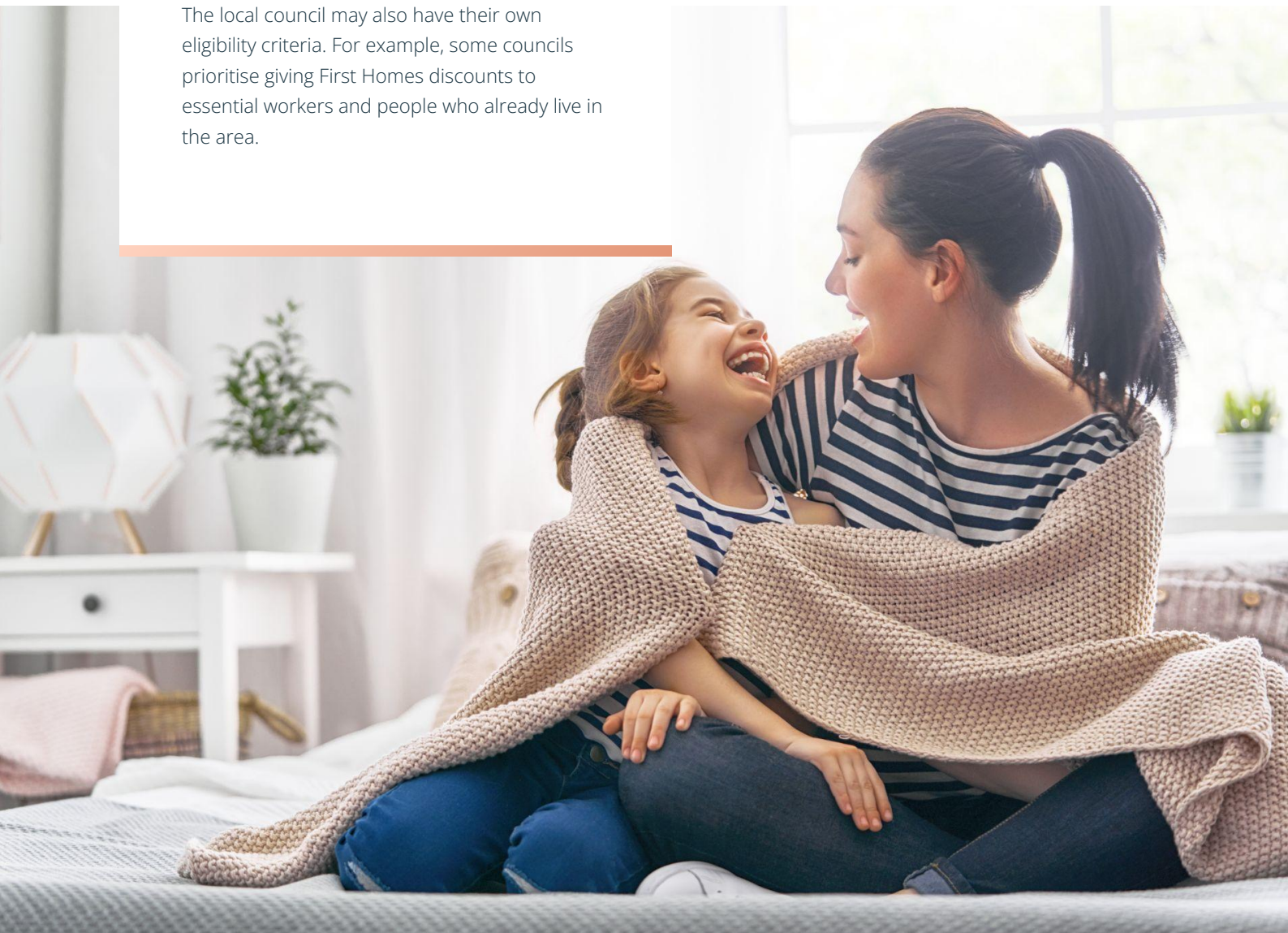
Designed to help first-time buyers get onto the property ladder, the First Homes scheme provides discounts of up to 50% on new-build homes (or homes bought from someone else who originally bought it as part of the scheme).

To be eligible for the First Homes scheme, you must be:

- 18 years old or over
- A first-time buyer
- Able to get a mortgage for at least half the price of the home
- Buying the home as part of a household where the total income is no more than £80,000 (or £90,000 if you live in London)

The local council may also have their own eligibility criteria. For example, some councils prioritise giving First Homes discounts to essential workers and people who already live in the area.

“Designed to help first-time buyers get onto the property ladder, the First Homes scheme provides discounts of up to 50% on new-build homes.”



FOUR

# Starting Your Property Search

**Some questions to help you get started in the search for your dream home.**

Before you start searching for your new home, it's beneficial to have a thorough understanding of your requirements to help narrow down your search. This will include set criteria that you are not willing to compromise on, as well as some aspects you can be more flexible on. Ask yourself:

- Do you want a house or a flat?
- How many bedrooms do you need?
- Do you want a garage, a driveway or are you happy with on-street parking?
- Does the location(s) you're considering have good access to transport links if needed?
- Are there high-quality local amenities in the location(s) you're considering?

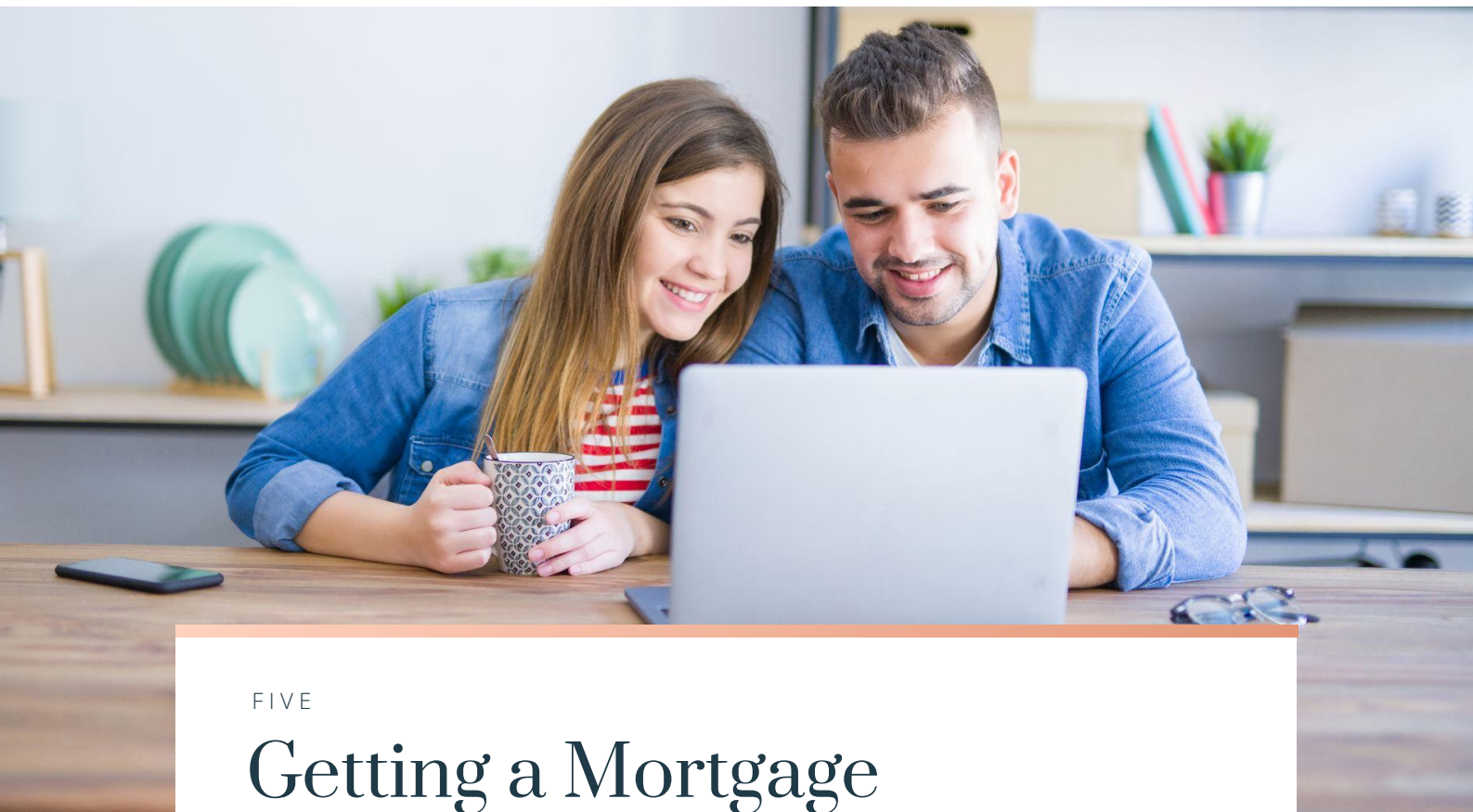
It's also important to consider whether you want to buy a new-build or an existing home. The benefits of opting for a new-build compared to an existing property include:

- The ability to start on a blank canvas that has very little, if any, work to do to it.
- Their energy efficiency, with research suggesting that new-build homes can save buyers up to £2,600 a year in energy bills.
- Having a warranty for peace of mind. This includes a 10-year NHBC structural warranty and a warranty from your builder, usually for two years.

Once you've thought about the above and are ready to start your property search, you can utilise online property listing websites such as Rightmove which allow you to narrow down your search based on features such as location, number of bedrooms and minimum and maximum price points. Or if you're opting for a new-build home and have a specific homebuilder in mind, you can visit their website directly.

We have a number of developments in the North East of England boasting luxury 2, 3, 4 and 5-bedroom homes starting from £190,000. You can [discover more here](#).





FIVE

## Getting a Mortgage

**Discover the different types of mortgage and where to find advice on which one is right for you.**

Once you have a deposit, it's time to look into securing a mortgage. An independent mortgage advisor can be really important here. They are independent of banks and housebuilders and can offer you impartial mortgage advice before helping to find the right mortgage for you.

A mortgage advisor will typically begin with an informal review of your financial situation and will be able to give you information on things such as what mortgages are available to you and how much you'll pay on a monthly basis.

Often, you won't have to pay your mortgage advisor a fee, instead they will receive commission from your lender after successfully setting up your mortgage, but this can differ. Make sure you ask your mortgage advisor about any fees payable at the get-go so you don't get caught out.

### **What is a mortgage in principle and do I need one?**

A mortgage in principle – also known as an agreement in principle – is an official estimate from a lender of how much you can afford to borrow on a mortgage. It's important to remember that a mortgage in principle isn't a guarantee that the lender will give you the money, the formal mortgage offer will depend on factors such as the exact details of the property you choose, the accuracy of the information you've given in your mortgage in principle application, and your credit rating.

Though not an official confirmation, a mortgage in principle can be useful in giving you a clearer idea as to which homes you could afford. It could also make it easier to make offers and result in you being taken more seriously by sellers.



### **How much will I be able to borrow on a mortgage?**

Generally, the amount you will be able to borrow on a mortgage depends on how much you can afford to pay on monthly mortgage payments – which your mortgage advisor will calculate based on a mortgage affordability assessment – and how much deposit you can put down on your new home.

### **How much will my monthly mortgage repayments be?**

You will be making monthly payments plus an agreed interest rate on your mortgage. The amount of the repayments depends on several factors, including the value of the mortgage, the length of the mortgage term, your interest rate, whether you have a fixed-rate or variable-rate mortgage and whether you have a repayment or interest-only mortgage.

With an interest-only mortgage, your monthly payments will typically be lower, but you are only paying the interest and not the capital, meaning you will have a lump sum to pay at the end of the term. On the other hand, a repayment mortgage means that once the mortgage is paid off, you have nothing else to pay.

Your mortgage advisor will be able to work with you to ensure these are all suitable for you on the mortgage you get and that you will be able to afford your repayments.



## What are the main types of mortgage rate?

There are three main types of mortgage rate you're likely to come across: fixed-rate, variable-rate and tracker-rate. Your mortgage advisor will be able to talk you through these and help you decide which is right fit for you, but it can be helpful to have a basic understanding of each.

### Fixed-rate mortgage

If you have a fixed-rate mortgage, your monthly repayment amount will be fixed for a set period of time, typically between two and five years. The rate will not change, even if the lender's variable rate or the Bank of England's base rate do. As a result, it's easier to predict your monthly payments with a fixed-rate mortgage. At the end of the fixed-term, your rate will revert to the lender's standard variable rate, unless you choose (and are able) to fix again.

### Variable-rate mortgage

A variable-rate mortgage is based on the lender's standard variable rate and can change at any time, meaning your monthly repayments change with it. Lenders will often change their standard variable rate in line with the Bank of England's base rate, but they don't have to.

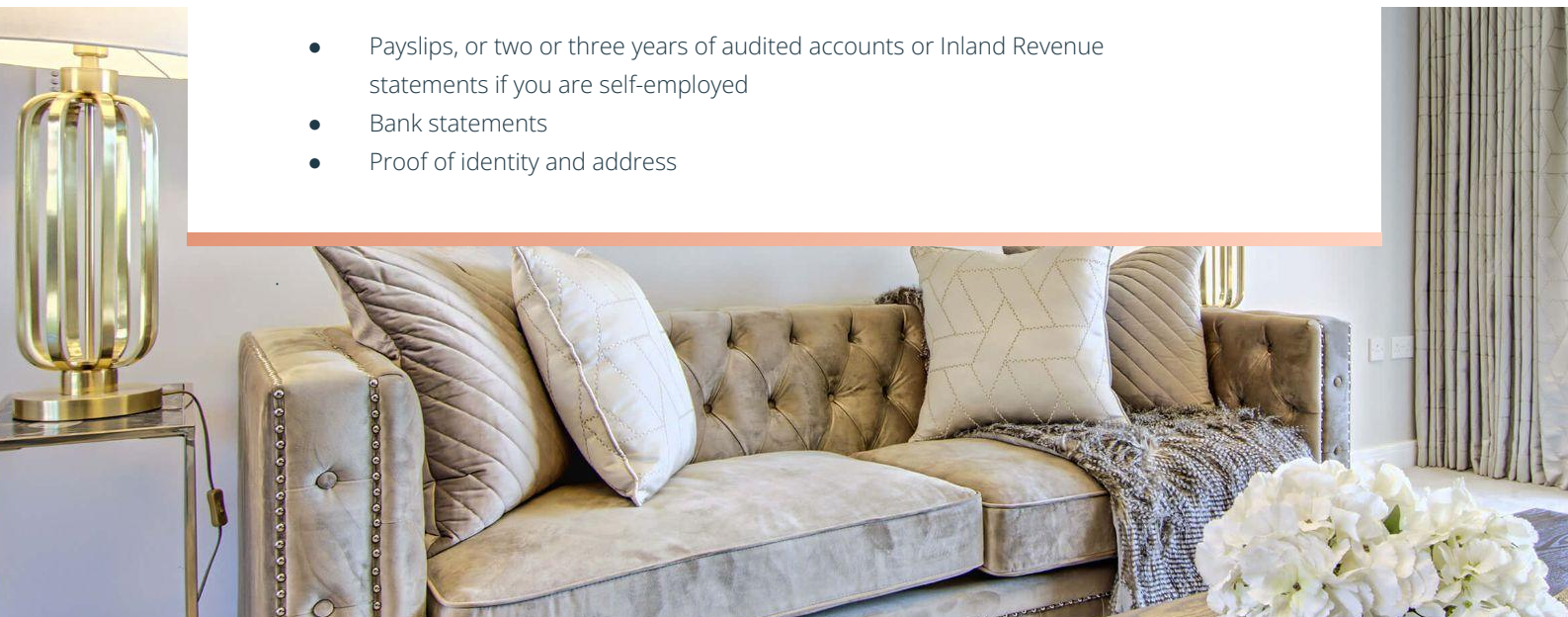
### Tracker-rate mortgage

Tracker-rate mortgages track and change with the Bank of England's base rate. This means that if the base rate increased by 1%, your mortgage interest rate will also increase by 1%. If the base rate decreases, so does your mortgage rate. Tracker mortgages can last from two years to 10 years, and at the end will revert to the lender's standard variable rate.

## When do I make a formal mortgage application?

You will make your formal mortgage application once you've chosen and reserved your home or had your offer accepted. Your mortgage advisor will guide you through this process, and you will be required to submit documents including:

- Payslips, or two or three years of audited accounts or Inland Revenue statements if you are self-employed
- Bank statements
- Proof of identity and address



SIX

# About Homes by Carlton

**Homes by Carlton is an award-winning North East housebuilder.**

The Carlton Group of companies was founded almost 20 years ago and established a reputation for building high quality homes in the scenic surroundings of the North East and Yorkshire.

We are now focusing our attention on traditional family homes, drawing on the wealth of experience and expertise gained in the bespoke end of the housing market. The team are bringing a new level of style and sophistication to a much wider, but equally discerning client.

We pride ourselves on our ability to deliver levels of service and quality which is second to none within our industry.

Every home we build is treated as if it was for our own occupation. Working alongside our award-winning design team we spend hours carefully revising design details until they're just right.

## Got a question?

For questions or further information regarding the content of this guide, please email [sales@homesbycarlton.com](mailto:sales@homesbycarlton.com) or call **0333 034 1355**.





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To discover more about Homes by Carlton and the new-build homes we have on offer in the North East, or to arrange a showhome appointment, please visit [www.homesbycarlton.com](http://www.homesbycarlton.com).

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