Published based on Mortgages - A Guide For First Time Buyers

Mortgages - A Guide For First Time Buyers

The prospect of buying a home for the first time can be a very exciting experience, however for many it can also be a very daunting one too.

Being able to put down a deposit significant enough to secure a mortgage remains the biggest up hill struggle for most first time buyers. The fact is that the bigger your available deposit, the wider your selection of mortgage products will be.

Traditionally the average first time buyer would have had to be able to put down a 10% deposit - in some areas of the country, this could mean well over 10,000 for an average house price!

Understandably, finding that sort of money is going to be tough for most would be borrowers and in recent times lenders have recognised this problem and have sought to look for alternative measures - it is now possible, depending on your credit record, to secure a 100 percent loan to the value of the property.

It is advisable in most cases however to provide some form of deposit as there is a danger of being in negative equity should prices fall sharply. Without a deposit, the lender will also view you as a higher lending risk which could result in your mortgage interest rate being less competitive.

As tempting as it may be, taking out a loan elsewhere to pay for a deposit should be avoided. When making your mortgage application you will be obliged to declare all other outgoings and monthly expenditure - this may reduce the amount of borrowing you are eligible for.

Mortgage Affordability

Banks and building societies have traditionally used income multiples as a way of assessing how much an individual is eligible to borrow. Unfortunately, the force of the housing market can often leave such calculations looking extremely outdated - since the recent housing boom, this calculation can produce an affordability gap as house prices have risen far beyond the traditional calculations.

Banks and building societies have had to move with the times, although some might say slowly at times - many will now let you borrow on your ability to pay which can sometimes allow applicants to borrow a little more.

The type of mortgage product you select can also have a bearing on the level of borrowing you may take out; for example, if you chose a five or ten year fixed rate mortgage, the lender may be prepared to lend you a little more because the monthly repayments stay the same for a long time, which on the whole is easier for a borrower to budget their outgoings.

Mortgage Fees

There are many different fees to account for when buying a property, whether you are a first time buyer or second time buyer. Stamp duty is a government tax which is calculated as a percentage depending on the purchase price of your property.

Other fees may include; mortgage valuation and building survey costs, solicitor fees, lender arrangement fees and estate agent fees. It is very common to overlook these costs when scraping around for a deposit to put down.

Some lenders will even charge you a fee known as a higher lending charge - this charge is usually applied where a borrower is looking to borrow over 75% loan to value. The higher lending charge is applied to protect the lender in the event of mortgage shortfall however, the cost is covered by the borrower.

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