A first time buyer's guide to **new builds**

Mortgage Advice Bureau
New Homes

Working with

NEW HOMES
HOME BUILDERS FEDERATION

Contents

Ready to buy a new build home?

Buying your first home is a significant moment in your life, and while there's a lot to think about, the steps involved are exciting and rewarding.

In this guide, we'll take you step-by-step through not only the buying process, but the journey of buying a new build home. We explain everything in easy to understand terms, and cut through the noise to give you a clear overview of what to expect.

Ready to dive in and get mortgage ready?

Mortgage jargon buster

Equity, base rates, and conveyancers. What do they all have in common? They're all mortgage jargon.

Let's break them down into more manageable chunks...

- **Base rate**
  the benchmark interest rate set by the the Bank of England
- **Broker**
  a professional adviser who can help you find a mortgage
- **Conveyancer**
  solicitors who handle the legal aspects of purchasing a property
- **Early Repayment Charge (ERC)**
  a charge imposed by the lender if you pay off/overpay your mortgage before it ends
- **Equity -** the percentage of your home you own
- **Loan to Value (LTV)**
  the amount of money you borrow divided by the value of the home you're buying
- **Market value**
  the estimated worth of a property based on current market conditions
- **Mortgage in principle**
  an estimate from a lender that gives you an indication of how much you could borrow
- **Remortgage**
  switching your existing mortgage to a new lender or product with different terms
- **Stamp duty**
  tax paid on a property purchase above a certain price threshold
- **Standard Variable Rate (SVR)**
  the default interest rate set by a lender after the deal period for a fixed or tracker rate ends
- **Survey**
  inspecting a property's condition to identify any potential issues/structural problems

Why choose a new build home?

We're glad you asked! We've done the research and found five game-changing benefits of buying new.

1. Lower running costs

Research shows that the average new home is more energy efficient than an older property. In fact, energy bills for new build houses are, on average, £180 per month cheaper.[1] When looking at the figures for all types of homes - including bungalows and apartments – there's an average saving of £135 a month compared to older properties.

2. Less eco-guilt

Not only are new homes proven to be kinder to your wallet, they are helping to cut carbon emissions too. Analysis of government energy performance data has shown that new homes emitted 60% less carbon than their older counterparts in 2022.[1]

3. No hidden histories

We all know a 'friend of a friend' who bought an older home that only needed a *little* work. When it came down to it, they uncovered a whole world of DIY dilemmas that left them out of pocket and living in disruption for far longer than they'd hoped. Research has even shown it could cost more than £70k to bring an old property up to modern standards found in a new build home.[2]

4. Peace of mind protection

Picture this: you snap up a box-fresh new home, safe in the knowledge that any defects found in the first two years will be covered. Not only that, you'll have 10 years of cover for any structural issues.

5. Chain-free buying

The homebuying process can be stressful enough without the risk of a sale falling through because of a broken link down the chain. Rest assured, when you choose new for your first home, it's quite literally all about you, with no chain to potentially lengthen the process.

Find more inspiration, guidance, and advice from homeowners at new-homes.co.uk

Sources:
1 Energy bill savings and emissions data can be found in Home Builders Federation's Watt a Save July 2023 report.
2 Cost of upgrading a new home figure from Home Builders Federation's Get on with Living report, February 2023.

Breaking down the homebuying process

Keep in mind that the following information applies to homebuying in England and does not strictly apply to processes in Scotland, Ireland, and Wales. While some things may be similar, regulations, legislation, and tax may differ based on region. Be sure to consult your local adviser for more information.

Mapping out the journey

Save for a deposit
set money aside each month, use incentive schemes, and track your savings

Find out how much you can borrow
get in touch with a mortgage adviser to go over your savings, plans, and affordability

Get in touch with a developer
make a list of your must-haves, work with a real estate agent, or go direct to the developer and get house hunting!

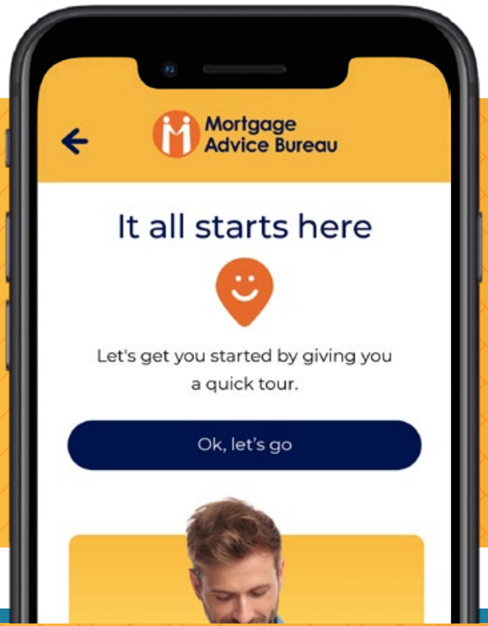
Make an offer
submit a written proposal to the seller, developer, or their estate agent stating your price, terms and conditions, and timeframes

Choose a mortgage
speak to a mortgage adviser to find a deal that's suitable for your circumstances

Find a conveyancer
they will oversee the legal process of buying your home, including paperwork and other formalities

Exchange contracts
your conveyancer will notify you that contracts have been exchanged, and you'll pay your deposit

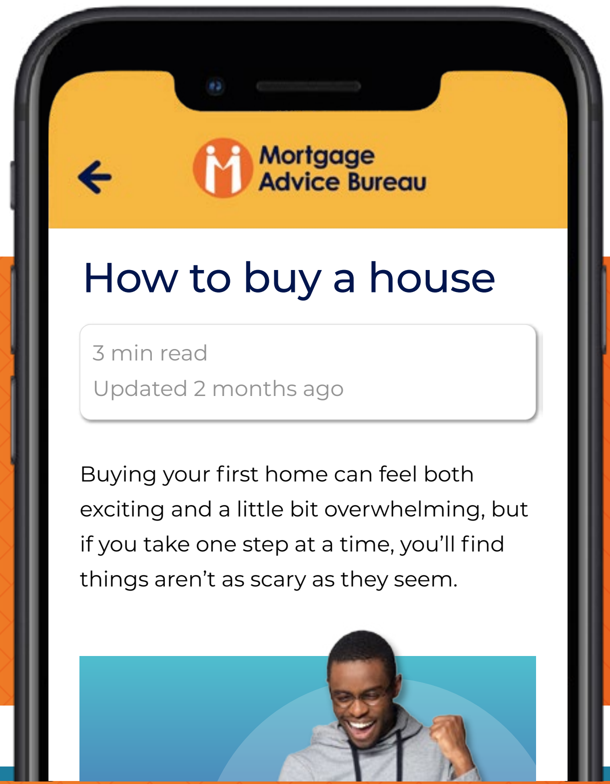
Pack up and move
you're officially a homeowner, so it's time to box up the last of your belongings and move into your brand new home!



Our app is **home buying** with a helping hand

Our app is a digital mortgage coach designed to help you save up, plan, and track your homebuying journey.

Whether you're buying your first home, moving, need to review your current mortgage, or have property you let out, we're here for you.



Mortgages and incentive schemes

Fixed rate

With fixed rates, the interest rate remains fixed for a prearranged term. It provides stability as the monthly repayments stay the same for the length of the term. This type of mortgage allows for easy budgeting, because the payments stay the same.

Interest-only

Interest-only mortgages are mortgages in which you pay only the interest due each month, without reducing the principal balance. At the end of the term, the full principal amount is due.

Tracker

A tracker mortgage is a variable rate mortgage that tracks a base rate, often that of the Bank of England (BoE). If you have a tracker mortgage, your repayments may vary if the BoE rate changes.

Different terms

When you first take out a mortgage, you will receive an introductory rate for an agreed period of time. During this time, the mortgage rate you pay will be lower than the standard variable rate. However, once the initial term period for your deal ends, you'll automatically move to the SVR. Most homeowners remortgage before this switch to a new introductory rate.

Incentive schemes available in the UK for first time buyers

- The government and developers tend to offer specific incentives to help you get on the property ladder. Currently, the government offers the First Homes Scheme, which offers a property discount cost of at least 30%. Developers may offer schemes like Own New and Deposit Unlock, and may even cover your moving fees.
- Check out developer websites to find out more about their latest deals.

Financials

Buying a house is one of the most significant financial decisions most people will make in their lives. Owning a house is a rewarding investment, but it's important to know that it can come with a few extra costs. Knowing these upfront makes it easier to budget!

One-off fees:

Product and arrangement fees - some mortgages come with a product fee, either paid upfront or added to your mortgage

Adviser fees - charged by the mortgage adviser for their specialist knowledge and time

Legal costs - the fee paid to a conveyancer who assists with contracts, documentation, and searches. Some developers may help with these costs

Here are a few additional costs you may also need to account for:

Stamp Duty - First time buyers are exempt from paying Stamp Duty on properties costing up to £425,000. A 5% fee is levied against properties that cost between £425,001 and £625,000, but only on the value above £425,000.*

**This percentage may increase with bigger borrowing amounts.*
Different Stamp Duty thresholds and legislation apply in Wales and Scotland.

Costs to consider:

While not 100% necessary, for peace of mind and financial security, we recommend insuring yourself and your property. Your mortgage adviser will be able to assist with this.*

**N.B Buildings insurance is mandatory while undergoing a mortgage.*

Here's what we recommend:

- Life insurance
- Critical illness cover
- Income protection
- Mortgage payment protection
- Home insurance

Affordability

When applying for a mortgage, your lender will "stress test" your affordability. This means they want to know that you can afford your monthly repayments. These are important, but they're not the only thing your lender will look at.

Credit score

The higher your score, the better your chances of securing a mortgage. If you have a low credit score, take steps to improve it by clearing debt, meeting all repayments, and getting rid of unused credit cards. There's no harm in keeping one credit card, as long as you use it responsibly and ensure you always make timely repayments. Here are a few other things you can do to improve your credit score:

- Ensure you're on the electoral roll
- Check for any typos or errors on your credit report
- Don't open new finance agreements a few months before applying for a mortgage

Deposits

Typically you will need a 5% minimum deposit, though lenders often require higher deposits for new builds. Some developers offer schemes like Deposit Unlock, which means you could secure a mortgage with a 95% LTV.

Gifted deposits

A gifted deposit is money given by relatives to help them get on the property ladder. These could increase the size of your deposit. It's important for lenders to know that this money does not need to be repaid.

Boosting your affordability

If affordability is a concern, you could consider getting a mortgage guarantor, such as a close relative. They will use their savings or mortgage to offset yours and will be responsible for your repayments if you can't make them. If you miss repayments, they could have their home repossessed.

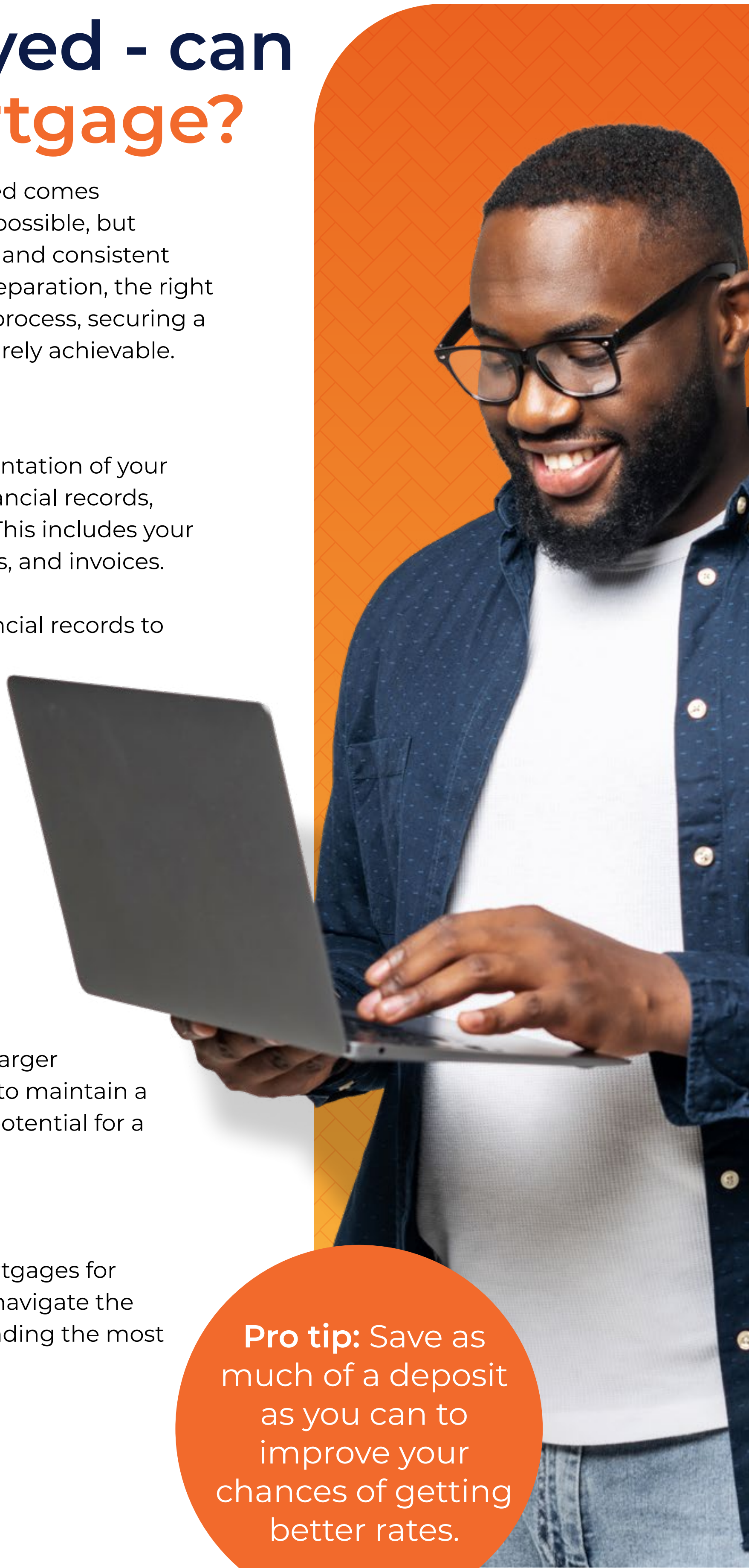
I'm self-employed - can I still get a mortgage?

Getting a mortgage when you're self-employed comes with a few different steps. It's certainly not impossible, but lenders typically prefer stable income sources and consistent employment history. However, with proper preparation, the right paperwork, and a solid understanding of the process, securing a mortgage as a self-employed individual is entirely achievable.

Preparation is key

Make sure you're providing thorough documentation of your financial stability. Start by organising your financial records, ensuring that they're completely up-to-date. This includes your business income, tax returns, bank statements, and invoices.

Ideally, gather at least two to three years' financial records to demonstrate a consistent income stream. This will give you a good idea of your financial health, and provide lenders with a suitable profile of your credibility as a borrower.



Improve your affordability

Lenders will conduct an affordability assessment by looking at your incomings, outgoings, and financial commitments to determine how much of a loan risk you are. To improve your affordability, focus on increasing your income, reducing debt, and saving for a larger deposit wherever possible. It's also important to maintain a good credit history, as this can increase your potential for a successful application.

Work with a mortgage adviser

Many advisers have specialist expertise in mortgages for self-employed individuals. They can help you navigate the additional complexities of your application, finding the most suitable deal for your circumstances.

Pro tip: Save as much of a deposit as you can to improve your chances of getting better rates.

Wondering what might happen if you choose to sell up before your mortgage term ends?

When it comes to owning a home, it's always good to plan ahead, as you never know what may be around the corner.

You may be wondering what to do if you want to remortgage, or are relocating before your mortgage term ends. Here are a few things to consider:

Early repayment charges

If you remortgage before the end of your term, you may have to pay an early repayment charge (ERC). This is usually a percentage of the outstanding balance on your mortgage, and the amount of the ERC will vary depending on your lender and the terms of your mortgage.

New mortgage rates

When you remortgage, you will need to find a new deal with your current lender, or switch to a different lender. The interest rates on offer may be different from the rates you are currently paying, which will impact your monthly mortgage payments.

Mortgage fees

There are a number of fees associated with remortgaging, such as application fees, valuation fees, and legal fees. These can add up, so it's important to factor them into your decision.

Speak to an adviser

If you're considering remortgaging before the end of your term, you should weigh up the pros and cons carefully before making a decision. To make sure it's the right decision for you, get in touch with an adviser. They can shop around and talk you through your available options, making sure you're on the right deal for your financial needs.

Your ultimate homebuying checklist

☐ **1. Get your finances in place**
- A. Deposit saved
- B. Work out your affordability
- C. Speak with a mortgage adviser
- D. Get a mortgage in principle

☐ **2. Go house hunting**
- A. Search for homes near you
- B. Book an appointment to view show homes
- C. Identify your dream home
- D. Complete an affordability check
- E. Reserve your home

☐ **3. Choose a mortgage adviser**

☐ **4. Organise your mortgage application**

☐ **5. Find a conveyancer**

☐ **6. Pay your deposit and exchange contracts**

☐ **7. Agree completion date with the developer**

☐ **8. Organise a removals company**

☐ **9. Complete the sale - pay any associated fees (e.g solicitor's bills/Stamp Duty)**

☐ **10. Collect your keys and move in!**

Want to find out more about the mortgage application process?

Click here

Get in touch

Get in touch with us **today** via our **website** for an initial **free**, no obligations consultation or call us on

0808 5064 290

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Mortgage Advice Bureau

Your home may be repossessed if you do not keep up repayments on your mortgage.
There may be a fee for mortgage advice. The actual amount you pay will depend upon your circumstances.
The fee is up to 1% but a typical fee is 0.3% of the amount borrowed.