

The ultimate first time buyer guide.



Dupree & Co

Super-friendly mortgage advice

If you want to own your own home, this guide is for you!

Hi, I'm Pete! I've been helping people just like you buy their first home for the past 15 years!

I know what it takes.

If you follow the action points in this guide you'll soon be on the right path to owning your own home.



In this guide i'm going to cover:

- **Your income**

What documents are needed so you're prepared.

- **Your credit file**

How to give yourself a better chance of getting a mortgage.

- **Proving who you are**

This is essential to getting a mortgage.

- **How to find out what mortgage you can get and the deposit you need**

Don't waste time second guessing. Get the information you need to plan.

- **Schemes and other options**

If the figures aren't stacking up yet. Don't give up - consider your options.



Your income.



YOUR INCOME

The mortgage lender needs to know what your income is and see evidence.

To get a mortgage you will need to show that you have an ongoing income to be able to pay the bills each month.

The good news is you can get a mortgage if you're permanently employed, self employed, on a fixed term contract and even on a zero hour contract.

You can potentially use income from multiple jobs as long as this is considered to be sustainable.



YOUR INCOME

The mortgage lender needs to know what your income is and see evidence.

If you're employed, overtime and bonuses can be taken into account.

If you've been offered a new job but not started it could be possible to base your mortgage application on this income, as long as you have a confirmed start date.

State benefits and maintenance can be included.

What'll you'll need to provide to evidence your income varies. This will be covered further in this guide.

YOUR INCOME

1

Permanently employed?

- Keep safe your payslips(s) and P60.
- Expect to provide 3 months of payslips.

2

On a fixed term or zero hours contract?

- Keep safe your work contract(s), payslips and P60.

3

Self Employed?

- Keep safe your accounts or SA302s with tax overviews.
- Ideally 2 years if you've been trading that long.

4

Receive state benefits?

- Keep safe the award letter if received.
- Expect to provide 3 months of bank statements showing the benefits being paid.

5

Receive child maintenance?

- Expect to provide at least 3 months bank statements showing it paid.
- If you have them you might be asked for the Court Order or award letter.



Your debts and credit history.



YOUR DEBTS AND CREDIT HISTORY

The bank will be lending you a lot of money. They need to be confident you will pay them back on time each month.

How reliable are you? Do you pay your bills on time?

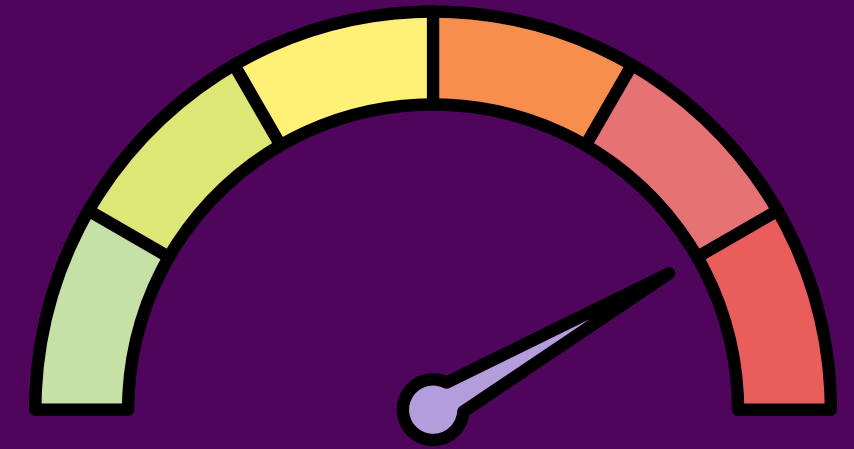
If the answer is a bit hit and miss it's time to make changes.

YOUR DEBTS AND CREDIT HISTORY

Find out how credit worthy you are by getting a copy of your credit file from a credit agency.

There are 4 main agencies which are Equifax, Experian, Transunion and Crediva.

You'll get an overall score from the credit agency. This is helpful as you'll know whether you're on the right track or if you should start making changes to improve your score. You can get a report for free, but you'll need to create an account. They are often a subscription service where you get the first month free. If you just want a one off report make sure you cancel the subscription in the first month.



YOUR DEBTS AND CREDIT HISTORY

Some companies like **Check My File** who will give you an overview of the information from all 4 credit agencies. This is also a subscription based service.



YOUR DEBTS AND CREDIT HISTORY

If you're not bothered about seeing an actual score you can get a statutory credit report, typically for free from the credit agencies No subscription required!

The credit agencies review the accounts you've had open over the past 6 years, including credit cards, loans, overdrafts, mortgages, and some utilities.

Make sure you check it looks right!


- You might see accounts where you didn't realise you owed money.
- Mistakes can happen - someone else's account might be incorrectly registered against you.
- Fraudsters could have taken out credit in your name.

YOUR DEBTS AND CREDIT HISTORY

If any of the above apply, try not to panic but **do take Action.**

Get in touch with the company. If they say you owe money find out why. If you think they are wrong, ask them to investigate this for you. If you agree (perhaps reluctantly) it's a good idea to clear the debt.

The mortgage lender will be able to see you've paid what you owe.



**It looks like I'm a victim
of fraud - there's an
account I didn't take out.
Help!**

YOUR DEBTS AND CREDIT HISTORY

If an account has been opened fraudulently in your name get in touch with the credit agency. They will be able to help you put fraud alerts in place to help stop this happening again.

Contact the company involved and ask them to start an investigation.

Check you bank and credit card statements to make sure all the transactions have been made by you. This is something you should be doing anyway each month!



YOUR DEBTS AND CREDIT HISTORY

**Now we're going to go through a few
common scenarios that people may
experience.**



YOUR DEBTS AND CREDIT HISTORY

My credit report isn't perfect. How bad is this?

Some blemishes on your credit history will carry more weight than others when it comes to getting a mortgage. It depends on the amounts of money involved and how much time has passed. The more issues you have had the harder it will be, but there are lenders who specialise in this area – just be prepared for higher interest rates.

YOUR DEBTS AND CREDIT HISTORY

Watch out for people linked to you financially...

Your credit file will show people you are financially associated with. If you've previously lived with others such as an ex partner or flatmates, there's a chance you might be financially linked to them if you had a joint financial product – like a joint bank account, joint loan, or even a joint utility bill.

This means their financial history is linked with yours and will be considered by credit agencies when deciding your credit score. Bad news for you if they've got a poor credit history.

If you no longer have a relationship with these people get the accounts closed or your name removed from any joint accounts. This should then update your credit score. You can also write to the credit agencies for a 'notice of disassociation'.

YOUR DEBTS AND CREDIT HISTORY

Can I get a mortgage with a low credit score?

Yes, but it can be difficult. If you have a low credit score, but a strong application, then you still have a good chance of getting a mortgage. To have the best possible chance work on getting your credit report into good shape. The most effective way to improve your credit score is careful, long term credit use.

If you don't have a track record of managing credit this can work against you. Banks don't know how reliable you're going to be with repaying your mortgage, as there's no record of you ever borrowing.

If this is you, getting a credit card and using it to pay for your something like your travel and food costs could be a good idea. **VERY IMPORTANT** As long as you pay the credit card bill off in full each month. If you do this it can help your credit score.

YOUR DEBTS AND CREDIT HISTORY

What about new loans you can afford to pay back?

Try to avoid applying for new credit. It could negatively affect your credit score and reduce the size of the mortgage you can get. When banks assess how much mortgage you can have they look at your income and expenditure. If you have loans you'll have less money available to pay on your mortgage. The bank will offer you a smaller mortgage than you could have had without the loan.

By waiting until you've moved into your home before you take on new credit you'll avoid jeopardising being able to get the mortgage amount you want. You'll also be able to see if another loan on top of your mortgage and monthly outgoings is affordable.

Whatever you do avoid pay day loans. Banks view this as evidence that you can't manage your income and expenditure. For some banks seeing you've had a pay day loan is a deal breaker.

YOUR DEBTS AND CREDIT HISTORY

**So to summarise, what should you do
when it comes to your debts and credit
history?**



1

Check your credit report.

- If affordable clear old debt.
- If you suspect fraud contact the credit agency & company.

2

Cut old financial ties.

- Close accounts with old housemates & ex's.
- Write to the credit agency & ask for a 'notice of disassociation'.

3

Never had credit? Consider a credit card.

- Use for normal monthly spending like travel costs.
- Clear the balance in full each month.

4

Avoid new loans and commitments.

- e.g. Car Loans, Hire Purchase Agreements , Personal Contract Purchase (PCP) and don't forget mobile phones

5

Buying with someone?

- Get them to do the above.



Proving who you are.

PROVING WHO YOU ARE

When a bank gets a mortgage application with your name on it, they need to be sure it's from you. **No imposters!** Banks also need to make sure they don't lend money to criminals, terrorists and people from certain countries on the UK Government Sanctions List.



PROVING WHO YOU ARE

Electronic checks will be carried out, but often you still need to provide your documents. You'll need to provide evidence of who you are (**name**) and **address**.

To evidence your name you can use your **passport or driving licence**. Your driving license can also be used to show where you live.

IMPORTANT you can't use your driving licence to show both things. This means if you only have one of these documents, you'll need something else to show where you live.

A recent bank statement covers this. It'll need to show your address and have been posted to you rather than printed at home. *I know, who has anything posted anymore?*

It could be helpful at the point you start seriously home hunting to ask your bank to start sending posted statements to you. Hopefully it'll only be for a month or two.



PROVING WHO YOU ARE

If you're renting you'll be able to use your last council tax bill or a recent utility bill to show where you live, as long as it was posted to you!

A word of caution, mobile phone bills can't be used.

You'll hear "recent" banded around. This means dated in the last 3 months.



PROVING WHO YOU ARE

What if you don't have a driving licence, passport or both?

I'm not suggesting you quickly learn to drive or that you should apply for passport if you're not planning a foreign holiday anytime soon.

If you don't have either, the lowest cost and quickest option would be a passport.

YOUR DEBTS AND CREDIT HISTORY

In conclusion, here's what you need to know when it comes to proving your identity...



1

Electoral roll

- Check you're on it for your current address. If not get registered today, this can also boost your credit score.

2

Driving licence

- Check it shows your correct address and hasn't expired.

3

Passport

- If you have one check it's in date.
- If you don't have one consider getting one.

4

Your bank and other accounts

- Check they show your correct address e.g. bank accounts, credit & store cards.

5

Your bank statements

- Ask your bank to send paper bank statements.



What size mortgage can I have?

WHAT SIZE MORTGAGE CAN I HAVE?

To put it simply, the best way to find out what size mortgage you can have is to speak to me or one of the friendly mortgage advisers at **Dupree & Co.**





WHAT SIZE MORTGAGE CAN I HAVE?

If you're looking for a really rough guide, if you're buying a home on your own 4.5 times your income will give you a very rough guide of what you can borrow. But depending on your income and occupation there are some lenders that can lend more.

If you're buying with someone else the income multiple can apply to your joint income. But there are a lot of variables, with each bank having their own calculations where they take into account your income and expenditure. Credit commitments do impact affordability and can reduce the maximum loan size.

The good news is some banks can be more generous in what they'll lend to first time buyers.

There are also a couple of ways you might be able to get a bigger mortgage.

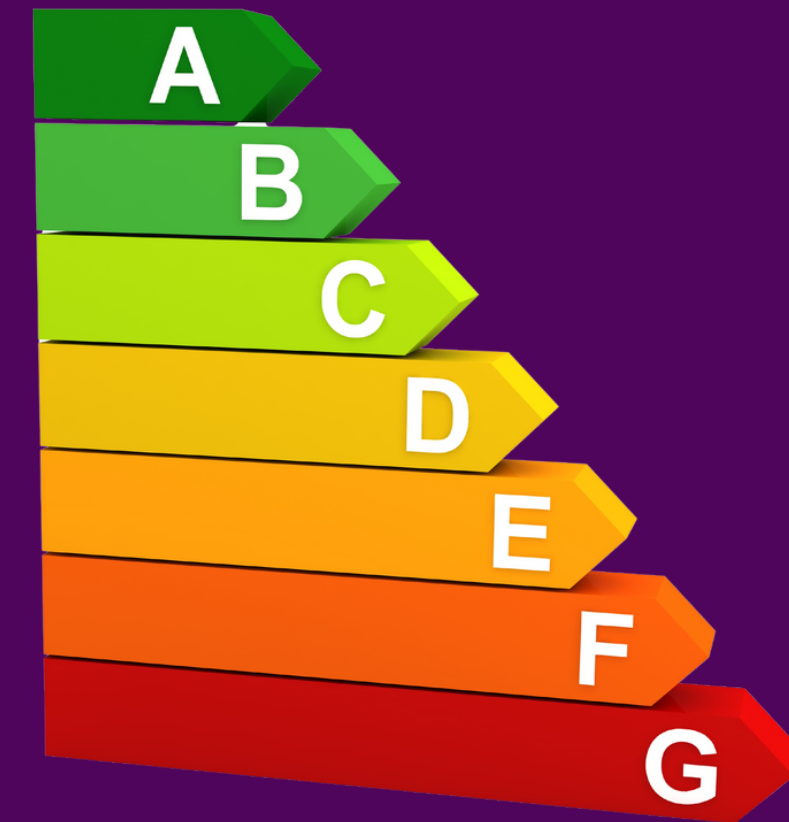
Such as...

WHAT SIZE MORTGAGE CAN I HAVE?

Energy efficient homes.

Each property has an Energy Performance Certificate (EPC). An EPC rating of A and B (and in some cases C) means some banks will lend you more than if the property isn't energy efficient.

The lenders logic is you will be spending less on energy so can afford to pay more on your mortgage.

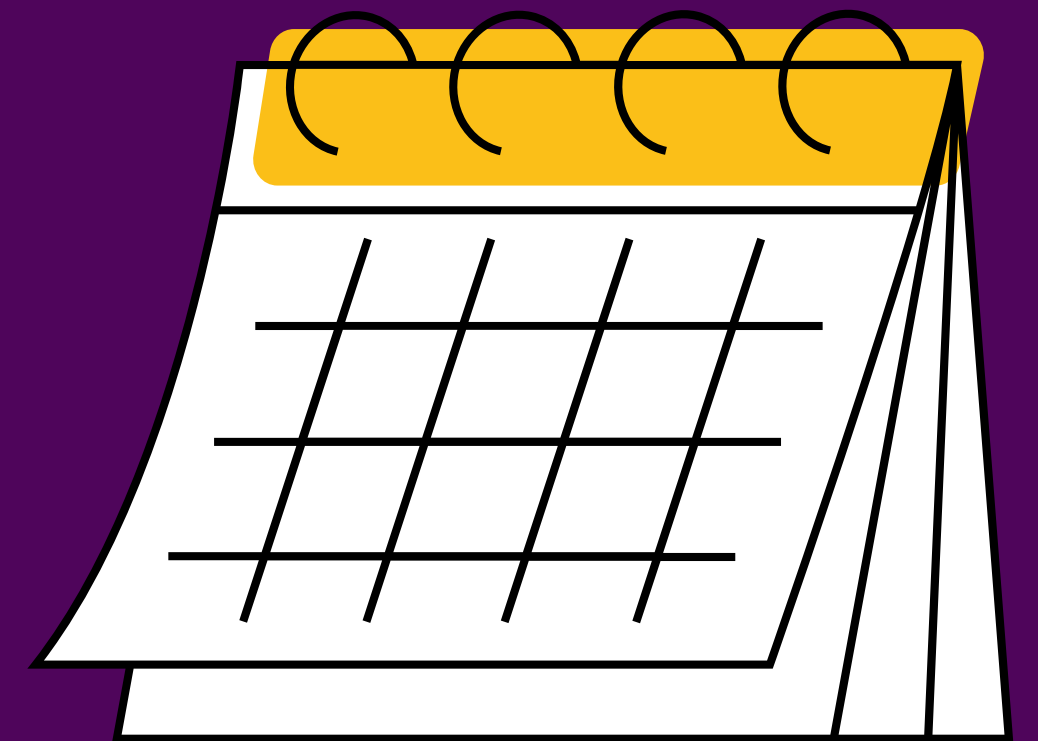


WHAT SIZE MORTGAGE CAN I HAVE?

5 year or longer mortgage products.

When you apply for a mortgage you select a mortgage product. E.g. a fixed interest rate product, where the fixed rate lasts for a period of time, typically between 2 and 10 years.

Some banks will lend a higher mortgage amount if the borrower opts for a mortgage product that lasts for at least 5 years. However, that might not be right for you. We can help you work this out down the line.





How much deposit do I need?

HOW MUCH DEPOSIT DO I NEED?

You'll need to fill the gap between the purchase price and what a bank will let you borrow. In the vast majority of cases you will need a minimum deposit of **5% of the purchase price** of your home however there can be situations where a bigger deposit is required.





HOW MUCH DEPOSIT DO I NEED?

It is possible for first time buyers to get a mortgage with a 5% deposit. However, these mortgages have a higher interest rate and the lenders are more stringent with their credit scoring requirements. There are schemes available that can help.

Here are some schemes that can help you buy a home with just a 5% deposit...

HOW MUCH DEPOSIT DO I NEED?

Deposit unlock.

Allows you to buy a new-build home with just a 5% deposit. It's been developed by the Home Builders Federation, with banks and the house building industry.

The downsides are:

- Limited lender choice.
- Only available on new build properties and from participating builders.



HOW MUCH DEPOSIT DO I NEED?

First homes scheme.

Offers new-build homes at a discount of 30% compared to the market price. In some areas the discount could be as high as 50%. You can buy using this scheme with a 5% deposit.

You can look for new homes in your area that are advertised by developers as part of the First Homes scheme.

The downsides are:

- Available in England Only
- Limited lender choice with just a 5% deposit
- Your household income can't exceed £80,000 or £90,000 in London (or lower if set by the local authority).



There are more schemes to help you, one that is widely available is shared ownership.

HOW MUCH DEPOSIT DO I NEED?

Shared ownership.

Great for people who can't get a big enough mortgage to buy a home in full and/or they don't have a big enough deposit. The deposit is a minimum of 5% based on the share you are buying, An example of this could be:

- **Full market value - £300,000**
- **40% share - £120,000**
- **5% deposit - £6,000**

You buy an initial share of a home and pay rent to the housing provider on the rest. You can buy more shares in your home in the future. If you buy more shares, you'll pay less rent. The amount of rent you pay will be based on the landlord's share. With Shared Ownership you can buy a newly built home or an existing one through resale programmes from housing associations. The scheme is available throughout the UK with slightly different rules depending on where you live. To find out more and about all the Government Schemes where you live visit:

- England - www.ownyourhome.gov.uk
- Wales - www.gov.wales/your-home-in-wales
- Scotland - www.mygov.scot/help-buying-home



The bank of mum & dad.

THE BANK OF MUM AND DAD

In 2021, in the region of **49%** of first time buyers needing a mortgage had financial help from their family!*

It's not an easy conversation to have with a parent, but if they know your situation they may be willing to help.

SOURCE: *www.savills.co.uk/insight-and-opinion/savills-news/331423-0/bank-of-mum-and-dad-to-lend-a-total-£25-billion-to-their-children-over-the-next-three-years

THE BANK OF MUM AND DAD

Help with a deposit.

You could start the conversation by explaining you've had "a how much can I borrow call", and found out that you will need a deposit of e.g. £20,000 to buy a home in your local area. You can tell them about the schemes that could help and ask what they think about them.

This might plant a seed and give them something to think about without you directly asking for assistance.

Depending on your relationship and how financially secure your parents are you may feel comfortable asking for "early inheritance." If you have siblings they are likely to work out how to gift you money without favouring you.

Whilst the media like to refer to the Bank of Mum and Dad banks are usually comfortable with your Grandparents and Siblings gifting you money. A family member gifting you money for your deposit would need to sign a letter to confirm **it is a gift and not a loan.**

THE BANK OF MUM AND DAD

Help with a mortgage.

If you've had a "how much can I borrow call" and found out that your income isn't enough to get the mortgage you need, your family might be able to help.

To help boost the mortgage amount, subject to their situation, they can come onto the mortgage with you. They would need to accept joint responsibility for the monthly mortgage payments. That doesn't mean they have to contribute, if you are able to cover it by yourself but ultimately they would be jointly liable.

They could jointly buy the property with you, however, you'd miss out on the stamp duty tax break given to first time buyers. Also if they own a home there would be additional stamp duty to pay for them owning a second home. There is a way to get around this.



THE BANK OF MUM AND DAD

Joint Borrower Sole Proprietor Mortgages

A joint borrower sole proprietor mortgage is a bit of a mouthful. Simply you would own the property and the mortgage would be in joint names with your parent or potentially someone else. They would be jointly responsible with you for paying the mortgage.

As the property is in your name you get to benefit from the first time buyer stamp duty tax break. Banks are more likely to accept applications where they can see your earnings will rise significantly in the future.

Older parents may struggle to get accepted as the bank will need to be satisfied they will have the income to pay the mortgage throughout the term in addition to their own monthly outgoings.

Your family member will need to seek independent legal advice to make sure they fully understand what they are legally agreeing to.





Teaming up with a mate!

TEAMING UP WITH A MATE

It is very possible to buy a home with a friend. This can be a great way to pull your resources together to get onto the property ladder.

There are some things you need to consider and agree on, such as...



TEAMING UP WITH A MATE

You must consider and agree on:

- How are you paying the bills? Is everything being split 50/50? A joint bank account could help.
- What happens if one of you loses their job or gets ill? Taking out insurance can help with this.
- What if one of you wants to move out or move a partner in?



TEAMING UP WITH A MATE

So you both know where you stand, a solicitor can draw up a legally binding cohabitation agreement.

This could cover:

- The share of the property you each own
- Financial responsibilities and contributions
- A process for resolving any disagreements
- How maintenance costs should be shared and managed
- Moving out



TEAMING UP WITH A MATE

Sorting out the legal side helps but it can't keep you friends - if your friend turns out to be housework shy or never washes up, things might turn sour quickly.



**To conclude this guide, here are the
4 key takeaways and actions...**



YOUR ACTION PLAN

Get yourself mortgage ready

- Get your credit file into shape.
- Can you evidence who you are & where you live?
- Keep safe evidence of your income.



YOUR ACTION PLAN

**Have your 'How much can I borrow?'
call.**

- Book your call with me or my team.
- Find out what a bank will lend you.



YOUR ACTION PLAN

Consider your options.

- Could a scheme work for you?
- Might your family be able to help?
- Could buying with a mate work for you?



YOUR ACTION PLAN

Join our First Time Buyer Facebook Group!

- Get hints, tips, more in depth guides and first time buyer news.
- Have your questions answered.

**We hope this guide has answered alot of
your questions!**

**You can book an appointment with us to
discuss your options.**

This firm does not charge a fee for mortgage advice.

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

Dupree & Co is a trading style of Gerry Dupree & Company Ltd which is registered in England at Unit 17 Springfield Business Centre, Brunel Way, Stroudwater Business Park, Stonehouse GL10 3SX. Gerry Dupree & Company Ltd is an Appointed Representative of PRIMIS Mortgage Network, a trading name of Personal Touch Financial Services Limited which is authorised and regulated by the Financial Conduct Authority.



Dupree & Co

Super-friendly mortgage advice

www.dupreeandco.com