



First time buyers Our guide

COVENTRY
Building Society



What's inside

I want to buy a home – what's the first thing I need to do?	3
What is a mortgage?	3
How much can I borrow?	4
I've found my dream home, how do I get started?	4
How to apply	4
What you need to have	6
I want to buy a home but I haven't found 'the one' yet. Is there anything I can do now?	8
What types of mortgages are there for first time buyers?	9
How do I decide which mortgage is right for me?	10
What other costs do I need to budget for?	11
What's my credit score and how can I check it?	12
I've found my new home and my offer has been accepted – what happens now?	13
What happens at completion?	15
I've moved into my home and I'm paying my mortgage each month – what happens now?	15



We can also send you this leaflet in large print, Braille or on audio CD. Call us on 0800 121 8899 and we'll be happy to help.

I want to buy a home – what's the first thing I need to do?

Start saving. If you want a mortgage (with any lender) you'll usually need a deposit of at least 5% of the value of the property in savings.

Often the more you've saved, the better the interest rate you'll be able to get.

What is a mortgage?

It's a long-term loan to buy a property.

We offer two types of mortgages; a 'repayment mortgage' or an 'interest-only mortgage'.

- A repayment mortgage means each monthly payment you make covers part of the loan capital (the amount you've borrowed) and part of the interest charged on it. As long as you make the repayments, in full and on time every month, at the end of the term you'll have completely paid off your mortgage
- With an Interest-only mortgage you pay back **just the interest charged each month**, but none of the original amount you borrowed. This means that your payments are lower than they would be on a repayment mortgage, and at the end of the term, you'll still have to pay back the original amount you borrowed.

The term of the mortgage is the length of time you've agreed with your lender to pay back your mortgage – our maximum loan period is 35 years.

Your advisor will be able to recommend the most suitable mortgage type and term for you, depending on your circumstances.

The mortgage is 'secured' on the property – which means your home could be repossessed if you don't keep up with your repayments.

How much can I borrow?

How much we'll lend you depends on your income, your outgoings and your ability to pay back the amount you're borrowing.

Our affordability calculator will help you work out what you may be able to borrow based on your income and outgoings.

I've found my dream home, how do I get started?

Do you have your deposit saved? Then speak to an advisor who'll be able to tell you about the different types of mortgages there are. They'll also be able to work out how much you can afford.

You can look at our current range of mortgage products on our website, and use our affordability calculator to see what you may be able to borrow. Then call us on **0800 121 8899** to talk to one of our mortgage advisors, or find a financial advisor (or mortgage broker) who can look around for the right mortgage for you.

How to apply



Call us free on **0800 121 8899** – we're always happy to help.

Our Customer Service Centre is open Monday to Friday 8am-7pm and Saturday 9am-2pm. Set aside enough time – it can take 45 minutes to 1½ hours.

Like all lenders we'll go through some questions to assess what you can reasonably afford. This covers what you earn, any credit commitments, and (if you are applying for an Interest-only mortgage) details of your repayment plans, so make sure you have the details you need (mentioned on page 6) to hand.

One of our mortgage advisors will explain our mortgages and help find the right one.

We'll recommend a mortgage that suits you and help you apply. We don't charge for our advice but remember – we only offer our own mortgage products.

Find a financial advisor

A financial advisor (they can also be called a 'mortgage broker') will do a lot of the work for you by finding out what you need and what you're eligible for, then scouring the market to find you the most suitable mortgage.

Before you use a financial advisor, check:

- **How much do they charge?**

Some will charge you a fee, some earn commission from the mortgage lender – and some do both.

- **Are they qualified?**

The most common qualification is CeMAP (Certificate in Mortgage Advice and Practice).

- **How do they work?**

Different financial advisors work in different ways:

- Some search the 'whole-of-market' – they're not tied to one lender, so they'll be able to show you a wide range of mortgages and select the right one for you.
- Some work with a number of lenders but not all – you'll still be shown a good selection of mortgages but be aware that they're not able to select from the whole of market.

To find a financial advisor, you may want to search www.unbiased.co.uk or www.vouchedfor.co.uk.

What you need to have

About you

Whether you call us or speak to a financial advisor, this is the information you'll need to provide about yourself:

- Full name
- Current address, and addresses for the previous three years
- Date of birth

We'll also ask for evidence that proves who you are and where you live, for example, a valid UK passport or UK photocard driving licence, along with a UK-based utility bill.

About the property

Purchase price/value.

About your earnings

We'll need to see your bank statements for the last two months. In addition, we'll need:

- **Employed?**
Payslips for the last three months (latest 12 weeks' payslips if paid weekly). Or your latest P60 and last month's payslip (latest four weeks' payslips if paid weekly).
- **Self-employed?**
Directors with more than a 20% share require an Accountant's Certificate covering the most recent two years' accounting period.
Sole Traders/partnerships require the latest two years' HMRC tax year calculations and latest two years' Tax Year Overview (one copy of each piece of documentation is required for each tax year).
- **Contractor?** Copies of contracts demonstrating continuous employment in contracting over the last 12 months in the same profession and an employer's reference giving full details of the current contract. There must be a minimum of six

months remaining on the existing contract. If there is less than six months remaining, then evidence of two years continuous employment in the same profession is required. We'll also need an employer's reference giving full details of this, your latest P60 and latest month's payslips.

- **Daily Rate Contractor?** Copies of contracts demonstrating continuous employment in contracting over the last 12 months. There must be a minimum of six months remaining on the existing contract. If there is less than six months remaining, then evidence of two years continuous employment in the same profession is required.

We'll also ask you for details of all your income including:

- Gross annual income
- Gross annual bonus
- Overtime, shift allowances and commission
- Other allowances
- Gross dividend income for the last two years
- Gross share of net profits
- Pension income – private and state

About any financial commitments you have

- Credit and store cards – including the provider, your credit limit and how much you currently owe
- Ground rent and service charges on leasehold properties
- Secured and unsecured personal loans, including student loans
- Hire purchase agreements and lease payments
- Home insurance (building and contents)
- Life assurance
- Pension contributions
- Nursery/childminding fees
- School fees
- Maintenance payments

I want to buy a home but I haven't found 'the one' yet. Is there anything I can do now?

If you haven't found your new home yet, you can still find out how much you might be able to borrow from us. Our online affordability calculator will help you work out what you could borrow based on your income and outgoings. And you can also get an indication of how much your repayments will be.

You can also apply for an Agreement in Principle (AIP). This is a statement from a mortgage lender to say that 'in principle', they'll lend you a certain amount. It's based on you providing some information to the lender, such as your income and outgoings, without going through a full mortgage application. They may also do a credit check on you. Remember, it's only an indication of what you could borrow at this stage.

It's valid for 28 days and it's usually a good idea to have one ready for when you find 'the one' and want to make an offer.

If you need advice, call us on **0800 121 8899** for more information.



What types of mortgages are there for first time buyers?

- **Fixed rate** – your monthly payments stay the same for a fixed length of time, usually two, three or five years. We'll write to remind you when your fixed rate is coming to an end and prompt you to review your mortgage.
- **Base rate tracker** – the interest rate is tracked against the Bank of England Base Rate (BBR) for an initial agreed amount of time. This means that your interest rate increases or decreases in line with any changes to BBR during that time and your monthly payments can vary. We'll write to let you know about any changes to the interest rate.
- **Variable rate** – the interest rate can change so your monthly payments can vary. It's not a tracker mortgage so it's not linked to BBR. Instead, it's managed by us and can change in line with your mortgage terms and conditions. We'll write to let you know about any changes to the interest rate.



How do I decide which mortgage is right for me?

When you speak to one of our mortgage advisors, they'll ask you detailed questions about what you need and what you can afford. Then they'll recommend the best product for you.

Your advisor will also take into account

- **How much peace of mind you want**
A fixed rate mortgage may have a slightly higher interest rate than a variable rate mortgage, but you'll know exactly what your repayments will be each month.
- **What your short-term and long-term plans are, for example:**
 - **Do you want to make overpayments?**
Some mortgages allow unlimited overpayments while others only allow overpayments up to a certain limit. You might get a large bonus or a windfall and want to put that into your mortgage – it's worth thinking about before you take your mortgage out.
 - **Do you think you might want to pay off your mortgage before the end of the term?**
Your advisor will ask you about this so that they can recommend the right mortgage for you.
 - **Do you have savings?**
An Offset mortgage might suit you if you have savings. We link your Offset savings to your mortgage to reduce the mortgage interest charged.



Remember: most mortgages automatically transfer to a variable rate after the initial deal finishes, so your monthly payment could increase at this point. We'll write to remind you that your current deal is coming to an end, and prompt you to review your mortgage.

What other costs do I need to budget for?

As well as your mortgage repayments, you'll need to pay:

- **Deposit**

You'll need to have saved at least 5% of the property value for a mortgage with us.

- **Mortgage application and product fees**

These vary. Your advisor will tell you about any fees and charges that apply.

- **Valuation fee**

We will instruct a valuation once we've reviewed your application. A physical inspection of the property may not always be required. The valuation is for our benefit only and used to confirm whether we can lend on the property. It's important to remember that we decide the type of valuation most appropriate to the application. A valuation is included for properties up to the value of £1,000,000.

- **Stamp duty**

This is a Government tax that every house purchaser has to pay if the value of the property is above a certain amount. Find out if you have to pay Stamp Duty on the property you're interested in buying at www.gov.uk (type 'stamp duty' in the search box).

- **Legal fees**

There will be solicitor's fees plus the Land Registry charge and a fee to transfer the money.

- **Moving costs**

Hiring a van, hiring helpers, buying packaging materials, etc.

- **Building and contents insurance**

It's a condition of your mortgage to have adequate buildings insurance in place. This covers the cost of rebuilding your home if it's damaged. If you're buying a flat, this may be covered in the maintenance charge, you must check this. Contents insurance covers your furniture and possessions and is optional, we recommend you consider this as well.

What's my credit score and how can I check it?

Your credit score is produced by credit reference agencies. It's based on your credit report and used by banks, building societies and other organisations to help determine how risky it is to lend money or offer credit to you.

Every time you apply for credit, the organisation will check your records, including your score. Your credit score is made up by looking at:

- how much you owe – credit cards, loans, etc
- how much of your available credit you're using
- your payment history. Do you pay on time? Do you pay in full?
- other credit searches – other applications for credit cards or loans
- public information – electoral register, County Court Judgements, etc.

The UK's main credit reference agencies are **Experian**, **Equifax** and **Call Credit**.

How can I improve my credit score?

Here are some tips that could help you improve your credit record:

- **Make sure you're on the electoral register** – not on it? To register, go to www.gov.uk/register-to-vote. You'll need your National Insurance number.
- **Cancel any unused credit cards or bank accounts**
- **Check your address** – make sure all your active accounts are registered to your current address.
- **Demonstrate that you can manage credit** – for example, by spending occasionally on a credit card and repaying it promptly. Make payments that are more than the minimum and stay well within your credit limit.
- **Make payments on time** – if you make payments late or miss them altogether, it has a negative impact on your credit rating.

If there's a mistake on your record, you can write to the agency and ask them to correct it. Remember: County Court Judgements for non-payment of debts, Individual Voluntary Arrangements (IVAs) and bankruptcies stay on your credit record for at least six years.

For more tips and information about credit scoring, go to www.moneysavingexpert.com/loans/credit-rating-credit-score.

I've found my new home and my offer has been accepted – what happens now?

Appoint a solicitor

We'll check to see if your appointed solicitor is on our panel. If not, we can request that they are added. If this isn't possible you can either appoint a solicitor from our panel or continue with your chosen firm. If you decide to instruct a solicitor who is not on our panel and can't be added we'll need to instruct a solicitor to act on our behalf. You'll be responsible for the cost of this. They can then start the legal work, let you know what information they need and keep you informed about the progress of your purchase.

You'll need to complete the mortgage application

Even if you have an Agreement in Principle (AIP), you'll now need to complete a full mortgage application. Call us on **0800 121 8899** to speak to one of our mortgage advisors.

Who carries out the valuation?

We'll automatically instruct an expert to carry out a valuation of the property as part of the application process, it's important to remember that the valuation is for our benefit only and is used to confirm whether the property provides suitable security and how much we're able to lend. Our valuation is included for properties up to the value of £1,000,000.

Or you could choose to pay someone external to Coventry Building Society to have a more detailed survey:

- **Homebuyer's Report**

This reveals any structural problems, such as subsidence or damp, plus problems inside and outside (eg: mobile phone masts, risk of flooding, etc). The survey isn't comprehensive – the surveyor won't move furniture or look underneath floorboards – and it's only suitable if the property is conventional and in reasonable condition.

If you choose to have a Homebuyer's Report, you need to pay the full cost yourself.

- **Full Structural Survey**

This is the most in-depth type of survey – the structural engineer carries out a thorough inspection from top to bottom. As well as all the things looked for in a Homebuyer's Report, they'll actively look for other problems such as asbestos, insect infestations and faulty plumbing. Their survey identifies any areas that may need work in the future.

If you choose to have a full structural survey, you need to pay the full cost yourself.

How do I finalise the purchase?

After the valuation and when you have your mortgage offer, your solicitor will send you the contract to sign. Go through it carefully and make sure you're happy with everything because when you sign the contract, you're committed to the sale.

When your solicitor has your signed contract and the seller's solicitor has theirs, they exchange them. This formal 'exchange of contracts' means that the purchase is now legally binding. Then you and your solicitor can agree a date for completion.

At this point, you must also make sure that you have adequate buildings insurance for the property. You may also be asked to pay a holding deposit.

What happens at completion?

The period between the solicitors exchanging contracts and the purchase being completed can vary, but it's usually no longer than four weeks. When it's complete, you'll have to pay these charges:

- **The balance in full for the property**
Your deposit plus the amount you've borrowed to pay for the property. You might also have to pay the solicitor a fee for transferring the money.
- **Mortgage fees** (if applicable)
- **Land Registry charges**
You usually pay this to your solicitor who pays the Land Registry for you.
- **Stamp Duty**
You pay this tax to your solicitor and they pay it to the Government for you.
- **Your solicitor's bill**
When everything's been completed and everyone has been paid, you can move into your new home.

I've moved into my home and I'm paying my mortgage each month – what happens now?

Every year in January, we'll send you a statement that shows how much you've paid off your mortgage, and how much you have left to pay. We'll write to you before your current deal comes to an end to suggest a mortgage review.

You can find lots more information on our website, or if you have any questions about your mortgage, call us on **0800 121 8899**.

Contact us



At a branch

For details of our opening hours, visit
www.coventrybuildingsociety.co.uk



Online

www.coventrybuildingsociety.co.uk



By phone

0800 121 8899



By post

Economic House, PO Box 9,
High Street, Coventry CV1 5QN

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

Coventry Building Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority (firm reference number 150892 www.fca.org.uk).

Mortgages are subject to acceptance in accordance with our lending criteria. The information in this leaflet is provided for your information only and should not be taken as advice. Legally binding terms and conditions can be found in the mortgage application declaration, the terms and conditions of your mortgage offer and in our mortgage terms and conditions. For further information please visit us in branch or call us.

Our Customer Service Centre is open Monday to Friday 8am-7pm and Saturday 9am-2pm.

Calls to 0800 numbers are free when made from the UK. You may be charged for calls to all other numbers, please contact your service provider for further details. We may monitor, record, store and use telephone calls to help improve our service and as a record of our conversation.



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