

# A Guide to First-Time Buyer Mortgages

Everything you need to know about getting on the property ladder, from deposits and government schemes to mortgage types and the buying process.

This guide contains 16 pages and will take approximately 15 minutes to read



# Your Path to Home Ownership

Buying your first home is one of life's biggest milestones. This guide walks you through every step, from building your deposit to collecting your keys.

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# What is a First-Time Buyer?

A first-time buyer is someone who has never owned a property anywhere in the world. This includes holiday properties, investment properties, and second properties.

Your first-time buyer status affects available benefits, including stamp duty relief, access to government schemes, and special mortgage products designed specifically for you.

## You qualify if you:

- Have never owned residential property in the UK
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# How Much Can You Borrow?

The amount you can borrow depends on your income, savings, and the lender's affordability assessment. Understanding these factors helps you set realistic expectations.

<b>4.5X</b> Standard income multiple	<b>6X</b> Maximum (some lenders)	<b>+3%</b> Stress test above rate
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## How lenders calculate affordability

Most lenders will offer up to 4.5 times your gross annual income. For your application, both income and outgoings are considered. However, your actual borrowing power depends on:

- Your income including salary, bonuses, and other regular earnings
- Your outgoings such as rent, council tax, and other bills
- The stress test which checks if you can afford payments if rates rise by 3%

### *Did you know?*

Some lenders will offer up to 6 times your gross annual income. For your application, both income and outgoings are considered. However, your actual borrowing power depends on:

# Building Your Deposit

Your deposit is typically the biggest hurdle to home ownership. The average first-time buyer deposit in the UK is around £10,000 to £20,000, though this varies significantly by region.

## How much do you need?

While 5% deposit mortgages are available, a larger deposit means better rates and lower monthly payments. Here's how deposit size affects your options:

- 5% deposit: Access to 5% LTV mortgages, higher rates (around 6.7%)
- 10% deposit: More lender choice, better rates available
- 15-20% deposit: Best rates, strongest negotiating position

## Regional differences

Where you live dramatically affects how much you need. A 5% deposit in the North East averages £10,000, while in London it's £20,000. Consider whether you could get help for your money in a different way.

### The bigger picture

Your deposit is just one part of your financial plan. Consider how it fits alongside your other costs: stamp duty, emergency fund, and other savings goals. A mortgage adviser can help you plan these priorities.

# Lifetime ISA: Your 25% Bonus

The Lifetime ISA (LISA) is one of the most powerful tools for first-time buyers. The government adds 25% to everything you save, up to £1,000 per year on maximum contributions of £4,000.

## How it works

Open a LISA if you're aged 18-39 and save up to £4,000 each tax year. The government adds a 25% bonus monthly, so the funds towards a first home could reach £5,000 a year.

## Key rules to remember

- You must wait 12 months from opening before using funds
- The property must cost £250,000 or less
- Must use a combination of salaries
- 25% penalty if withdrawn for other purposes

## Upcoming changes

The government is consulting on a new first-time buyer LISA to replace the LISA from 2026. It will potentially increase the allowance

### LISA Allowances 2025/26

**£4,000**

Annual contribution limit

**£1,000**

Maximum government bonus

**£50,000**

Property price cap

# Government Schemes Compared

Discover government schemes that first-time buyers get on the property ladder. Compare the key features and benefits.

Scheme	Key Benefit	Best For
First Homes	30-50% discount on new builds	England, income under £80k
Shared Ownership	Buy 10-75%, rent the rest	Those with smaller deposits
Mortgage Guarantee	95% LTV with 5% deposit	Properties up to £600k
Lifetime ISA	25% government bonus	Aged 18-39, saving for deposit
Help to Buy Wales	Equity loan up to 20%	Wales, new builds up to £300k

**Key Eligibility criteria**

These schemes are subject to specific eligibility criteria including income caps, property price limits, and location requirements. For more details, please refer to the relevant scheme's terms and conditions.

# Stamp Duty Relief for First-Time Buyers

From 2025, first-time buyers benefit from stamp duty relief, paying 0% on their first home. From April 2025, the threshold changes, so it's important to understand the current rules.

<b>£300k</b> Pay 0% up to this amount	<b>5%</b> Rate on £300k-£500k	<b>£500k</b> Relief cap (above = standard rates)
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**Example: Buying a £400,000 property**

First £300,000	£0
Next £100,000 at 5%	£5,000
<b>Total stamp duty</b>	<b>= £5,000</b>

## Key points

- Stamp duty relief is available to first-time buyers purchasing a new build or existing property.
- From April 2025, the relief cap is £500,000, and the standard rate is 3% on the entire purchase.
- Stamp duty relief is not available for second-time buyers or commercial properties.

# Fixed vs Variable: Which Mortgage Type?

Choosing between a fixed and variable rate mortgage is one of your most important decisions. Here's how they compare:

### Fixed Rate

- ✓ Predictable monthly payments
- ✓ Predictable total interest
- ✗ May increase if rates fall
- ✗ Early repayment charges apply
- ✓ Rate is locked in

Get more information on fixed rate mortgages

POPULAR CHOICE

### Variable Rate

- ✓ Lower initial interest rate
- ✓ More flexible monthly payments
- ✗ Payments can increase
- ✓ No early repayment charges
- ✓ Flexible rate for 2 years

Get more information on variable rate mortgages

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# The Buying Process

Buying a home typically takes 6-8 weeks from offer to completion. Here's what to expect at each stage:

- 1 Get your Agreement in Principle**  
A lender confirms a principle loan based on your credit score and income.
- 2 Find your property and make an offer**  
Once accepted, instruct a solicitor immediately to start conveyancing.
- 3 Apply for your mortgage formally**  
Provide full documentation. The lender arranges a property valuation.
- 4 Solicitor completes searches and enquiries**  
Local authority, environmental, and drainage searches and any needed.
- 5 Exchange contracts**  
The sale becomes legally binding. The seller must vacate the property.
- 6 Completion day**  
Final mortgage and stamp duty payments are made.

# Costs to Budget For

Your deposit is just one cost. There's also getting your head to budget for when buying your first home.




## Don't forget ongoing costs

- Building insurance: Required by your lender, typically £100-£200/year
- Service charges: For flats, can be £1,000-£2,000+ annually
- Maintenance fund: Budget 1% of property value annually for repairs

# Case Study: Emma and James

See how our experts used a combination of strategies to help Emma and James



**Emma (29) and James (30)**  
First-time buyers with a combined income of £72,000 and savings of £44,000.

**Their goals:** Own home near family  
Space for home office  
Start a family

Combined income	£72,000
LISA savings	£16,000
Other savings	£24,000

### How their deposit was together

Combined LISA savings	£16,000
LISA government bonus (25%)	+ £4,000
Other savings	+ £24,000
<b>Total deposit</b>	<b>= £44,000</b>

**How they achieved their goals**

Emma and James used a combination of strategies to help them reach their goals. They used a LISA to save for their deposit, which earned a 25% government bonus. They also used other savings to reach their target deposit of £44,000. This allowed them to secure a mortgage with a 5% deposit and a 2.5% interest rate. They also used a mortgage broker to find the best deal for them.

# Common Mistakes to Avoid

These tips help you avoid common mistakes when buying your first home.

<p><b>1</b> Not getting a pre-approval</p> <p>Not getting a pre-approval from a lender before you start looking for a home can be a costly mistake. It can also make it difficult to negotiate with the seller.</p>	<p><b>2</b> Overlooking the home inspection</p> <p>It's important to have a professional home inspection done before you buy a home. This can help you identify any potential problems with the property.</p>
<p><b>3</b> Not understanding the closing costs</p> <p>Closing costs are the fees you pay when you buy a home. These can include things like the title insurance, the transfer tax, and the recording fees.</p>	<p><b>4</b> Not understanding the mortgage terms</p> <p>There are many different types of mortgages, and it's important to understand the terms of the one you're considering. This includes things like the interest rate, the loan term, and the type of payments you'll be making.</p>
<p><b>5</b> Not budgeting for the home</p> <p>It's important to have a budget in place before you start looking for a home. This should include not only the purchase price, but also the closing costs, the down payment, and the ongoing costs of owning the home.</p>	<p><b>6</b> Not understanding the local market</p> <p>It's important to understand the local real estate market before you buy a home. This includes things like the current market conditions, the average price of homes in the area, and the time it takes to sell a home.</p>
<p><b>7</b> Not understanding the importance of the location</p> <p>The location of a home is one of the most important factors in determining its value. This includes things like the school district, the proximity to public transportation, and the overall safety of the neighborhood.</p>	<p><b>8</b> Not understanding the importance of the seller</p> <p>The seller of a home can have a significant impact on the buying process. This includes things like how quickly they can close on the sale, and whether they're willing to negotiate on the price.</p>

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# Your Next Steps

Ready to start your journey to home ownership? Here's your action plan.

- 1 Open a Lifetime ISA** 15 MINS

It only takes 10 minutes to open a Lifetime ISA to start the 10-month clock. You'll get a bonus.
- 2 Check your credit report** 20 MINS

Review your credit file with Experian, Equifax or Transunion. It's free and helps before applying.
- 3 Calculate your budget** 30 MINS

Use online calculators to estimate mortgage payments, monthly payments, the rental cover allowance.
- 4 Speak to a mortgage adviser** 1 HOUR

A mortgage adviser can find the best deal and guide you through the entire process.

Ready to take the next step?  
Get in touch with [our team](#) or visit [www.mortgage.com](#) to start your free  
mortgage search.



Your Logo Here

# Let's make your first home a reality

Buying your first home is a big step towards achieving your financial goals. At First Time Buyers, we're here to help you navigate the process, from finding the right property to securing the best mortgage deal. Our experienced advisers will guide you through every step, ensuring you feel confident and supported throughout the journey. We'll work with you to create a personalised plan that fits your budget and lifestyle, so you can take the next step towards owning your own home.

## Ready to take the next step?

Book a consultation with our experienced mortgage advisers. We'll review your situation and create a personalised plan to get you on the property ladder.

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