FIRST-TIME BUYER GUIDE

Step Two

How Much You Can Borrow?

www.prestigepf.co.uk

Prestige
PRIVATE FINANCE

You've saved your deposit, and now it's time to explore borrowing options for the rest of the property's value.

This is typically done through a mortgage. The next step is to determine how much you can afford to borrow comfortably.

What is a Mortgage?

A mortgage is a loan secured against your home, which you pay back over an agreed term, usually between 25 to 35 years. Since your property is the security for the loan, the lender has the right to repossess it if you fail to meet your repayment obligations.

What is a Mortgage in Principle?

A Mortgage in Principle provides an estimate of how much you might be able to borrow. While not essential, having one demonstrates to estate agents and sellers that you're a serious buyer. Keep in mind that it's not a guarantee of a full mortgage offer - you'll need to complete the formal application process for that.

Getting a Mortgage in Principle is a great way to position yourself as a confident first-time buyer. You'll need to provide details about your income, savings, and expenses. We can help you obtain a Mortgage in Principle for free.

What Does ‘LTV’ Mean?

LTV, or Loan-to-Value, is a term you’ll come across when searching for mortgages. It refers to the size of your loan compared to the value of the property, expressed as a percentage. The lower your LTV, the lower your monthly mortgage payments will be. It also plays a key role when it comes to selling your property or remortgaging.

HOW DO I CALCULATE MY LTV?

To work out your LTV, divide the mortgage amount by the property’s value, then multiply by 100 to get a percentage. For example, if you’re buying a £200,000 property with a £150,000 mortgage, your LTV is 75%. The remaining £50,000 is your equity, or deposit

Mortgages are loans, and like any loan, you’ll need to pay interest on the amount you borrow. Different interest rates can impact your monthly payments.

Bank of England base rate

This is the rate set by the central bank, which can influence the rates lenders offer. If you have a variable rate mortgage, changes to the base rate could affect your monthly payments.

Standard Variable Rate (SVR)

This is the rate you may move onto once an initial deal (e.g., fixed rate) ends. Each lender sets their own SVR.

Annual Percentage Rate (APR)

This shows the total cost of borrowing, including fees. and helps in comparing products.

Before choosing a mortgage, consider how changes in interest rates could affect your repayments. Make sure your mortgage fits your budget to avoid putting your home at risk.

Check Your Credit Score

A good credit score can improve your chances of securing a mortgage. You can check your score for free through agencies like Experian, Equifax, or TransUnion.

Be sure to tidy up your finances before applying for a mortgage - avoid taking out new loans, and make sure your address details are up to date on the electoral roll and your bank accounts.

Check Your Credit Score For Free

Checklist

- You have a Mortgage in Principle and know your borrowing limits.
- You understand LTV and your current LTV ratio.
- You're confident you can afford repayments, even if rates increase.
- You've checked and improved your credit score where needed.