

Buying A
Property
Guide

BUYING A PROPERTY GUIDE



PREPARING TO BUY A PROPERTY

Before you can start the process of buying a property, you of course need to know how you'll pay for it. You need to know the maximum price of property you can afford. This depends on the amount you'll be allowed to borrow (which is based on your income), and on the size of your deposit.

Get a mortgage in principle - Approach a lender for a mortgage in principle (MIP). This is an official estimate from a lender of how much you can afford to borrow on a mortgage. Even at this early stage it's worth going through a mortgage broker in order to obtain the best available offer.

A mortgage in principle isn't binding, but estate agents and sellers take them seriously.



CHOOSE A CONVEYANCER

When you come to buy your home, you'll need a licenced conveyancer (who is usually a solicitor) to handle the legal side of things. You'll need to hire ('instruct') your solicitor as soon as your offer on a property is accepted, so it's a good idea to have a few options lined up in advance.

It's important to have a conveyancer who is listed on your lender's panel. Mortgage lenders have a panel of conveyancers that they are prepared to work with, and only a few solicitor firms are on all of these panels.



MAKE AN OFFER (continued)

Remember that other buyers will also be bidding, so you'll need to find a way to compete - either by offering more money, or by being in a better position to move quickly.

If your offer is accepted - If your offer is accepted, don't celebrate too hard just yet. Even if the seller agrees to take the property off the market, in practice this doesn't mean very much, and you can still be outbid (or 'gazumped') at any point up to the exchange of contracts. The only real defence against gazumping is to get things moving along as fast as possible, by having your solicitor and mortgage broker primed and ready to go.

Calculate your stamp duty - It's sensible at this point to work out how much stamp duty land tax (SDLT) you'll need to pay on the property, to make sure you have the cash available. If you're a first-time buyer your stamp duty bill will be reduced or even zero if the property sells for under £500,000. If it's more expensive, or you're not a first-time buyer, you'll pay the usual rate.



GET YOUR MORTGAGE

Now you need a formal mortgage offer to confirm that you really can afford the property. Using a mortgage broker will maximise your chances of being accepted first time, and also gives you access to a greater choice of deals. A mortgage broker will also walk you through the whole process and explain anything you're not sure about.



FIND A PROPERTY YOU LIKE

House-hunting (or flat hunting) is the exciting part of the process, though it may also be the most time-consuming and frustrating. You can expect to view lots of properties that disappoint you, and lots that you fall in love with, only to lose out to another buyer. Patience is the key here.



MAKE AN OFFER

Once you've found the property you want, it's time to talk about the price. You should make your offer through the estate agent, never directly to the seller.

You can expect a certain amount of haggling to happen, so your first offer should be lower than you can afford. If the seller declines, you can then come back with a higher figure, and hopefully the two of you will eventually meet in the middle.

How long does a mortgage application take?

A mortgage application usually takes at least three weeks and can sometimes take double that. The process should be quicker if you already have a mortgage in principle and use a mortgage broker. There are several factors that can harm your mortgage application without you realising, so you should act to minimise these in advance.

Your lender values the property - As part of your mortgage application, your lender will inspect the property to make sure a) that it really exists and b) that it is worth approximately what you are paying for it. This is sometimes called a 'valuation survey', but you should not confuse it with a property survey (which you must arrange yourself). Valuation surveys don't identify any possible problems with the property.

If your mortgage application is approved - When you receive formal confirmation of your mortgage offer, check the documents carefully to make sure all the details are correct and as expected. Your mortgage broker can go over these with you to make sure.

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INSTRUCT YOUR CONVEYANCER

At the same time as you apply for your mortgage, you should instruct your solicitor to begin the conveyancing process. If you are also selling a property, it makes sense to have the same solicitor handle both transactions – though it's not compulsory. Make sure your conveyancer is one that is on your lender's panel.

What your conveyancing solicitor will do – Your conveyancing solicitor will ensure that the purchase of the property is fully legal, so that when it is transferred into your name no-one can challenge your ownership of it. They will also ensure that you sign all necessary documents and will handle all the money transfers required for the purchase itself.

They will also conduct property searches. These are to make sure that you know exactly what you are buying, and the conditions of ownership (such as whether the property is freehold or leasehold, where your boundaries are, and any other obligations).

Conveyancing fees may be fixed, or may depend on the value of the property, so ask your solicitor how they calculate their fee.

ARRANGE A SURVEY

Unless your property is a new build (and sometimes even then), you will need a surveyor to check it for problems. There are four different types of survey, which go into various degrees of depth. The cost of a survey is insignificant compared to the potential cost of sorting out structural issues.

If your survey does turn up any significant issues that could be costly to fix, now is a good opportunity to renegotiate the asking price. You may be able to get a few thousand pounds knocked off the price and should at least recover the cost of the survey itself (unless it found no issues). Information may be viewed by the client online 24/7.

TAKE OUT NECESSARY INSURANCE

Buildings insurance is a policy that pays out if your home is destroyed (e.g. by fire). Your lender will insist that you have it, but you can buy it from a different provider if you wish. Ensure that your cover begins on the day you exchange contracts.

AGREE A COMPLETION DATE

Your completion date is the day on which ownership of the property transfers to you, and (usually) you'll move in.

You and the seller will need to agree this date in advance. This can be quite tricky to arrange, particularly if you are in a chain.

Every buyer/seller in the chain will have to complete on the same day, so you are trying to coordinate a lot of people's diaries. Usually people will do their best to be flexible, as this should be the most important thing in their lives right now. However, complications can arise (e.g. births, deaths, holidays, accidents). This is one of the reasons why shorter chains are preferable.

TRANSFER YOUR EXCHANGE DEPOSIT MONEY TO THE CONVEYANCER

When contracts are exchanged the buyer must make a deposit of (usually) 10 per cent of the total property price. Note that this money is your exchange deposit. It is NOT the same as the mortgage deposit, which may vary in size – though your exchange deposit usually forms part of your mortgage deposit.

You will need to use a bank transfer to get the money to your solicitor. Your bank might charge a small amount for this.

If you are selling a property as well as buying, you usually won't need to find the cash for an exchange deposit. The money for the exchange deposit will come from your buyer (or from whoever in your property chain is the first-time buyer). One issue that may arise here is if your buyer's exchange deposit isn't enough to cover 10 per cent of the property you're buying. In this case you would need to add extra money.

SIGN AND EXCHANGE CONTRACTS

You will sign and exchange contracts with your seller shortly before your agreed completion date. Most people exchange around a week before, sometimes two. It is possible to exchange and complete on the same day, but very risky – so save it for absolute emergencies.

Your solicitor will give you the contract to sign, and then you can exchange. At this point your solicitor will transfer your exchange deposit money to the seller's solicitor.

Neither the buyer nor seller can now pull out of the sale without severe consequences.

Make sure you receive a completion statement – Once you've exchanged contracts, your solicitor will give you a final document with details of the money that you'll need to pay either on or before completion day. This will include your solicitor's fee.

Sign the transfer deed – You may also need to sign the transfer deed, which confirms that the property is transferring to you.

WHAT HAPPENS ON COMPLETION

A few days before the completion date, your solicitor will contact your mortgage lender to get the money released. Your solicitor then sends this money to the seller's solicitor, along with the remainder of your mortgage deposit (they should already have your exchange deposit). In return, your solicitor is given the title deeds to the property, along with proof that the seller's mortgage has been paid off.

The property is now legally yours and you will be able to collect all keys from the offices of HomeLets and Sales.

PAYING STAMP DUTY

If you need to pay stamp duty, you must settle this bill within 14 days of completion (again, paying via your solicitor). Usually your solicitor will request this money from you before completion day.

Register ownership – One of the final steps is to register your ownership of the property with the Land Registry. Again, your solicitor takes care of this. Once this is done, the title deeds of the property are transferred into your name and forwarded to your mortgage lender (or to you, if you own the property without a mortgage).

Should you require any help whatsoever please do not hesitate to contact a member of our expert team who will only be too happy to advise.

HomeLets & Sales

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