BUY

buying a house

# Why buy a house?

## Moving

Buying a house is one of the most stressful events in our lifetime. However, despite the pitfalls and anxiety linked with purchasing a house, there are undeniable benefits.

These include:

- Freedom to decorate and furnish as you wish
- It can be up to 30 per cent cheaper annually to buy a house than renting
- Security of tenure
- An excellent long-term investment
- Equity release schemes
- Greater choice over location, house type and size

## Timescale

Good planning is essential if your house buying is to be successful. The entire process is generally expected to take around six months from start to finish.

Here's a rough guide:

- 12 weeks from beginning the search to having an offer accepted
- Approximately 4 weeks from offer acceptance to receiving a mortgage offer
- Approximately 4 weeks from mortgage offer to exchange of contracts
- Approximately 2 weeks from the exchange of contracts to completion

## Affordability

Buying a house usually makes good financial sense but that doesn't mean you should buy a house that is the most expensive you can arrange finance for. There is a huge range of mortgages available for borrowers who have at least a ten per cent deposit and thus a certain amount of competition between lenders. With relatively low interest rates, many borrowers can find themselves being offered large loans with quite affordable monthly repayments. However, interest rates can rise and, as they do, so will your monthly repayments, except during the period of a fixed rate mortgage. And your circumstances may change. Failure to keep up mortgage repayments threatens your home so make sure they are affordable. As a rule, mortgage repayments should not exceed a third of your net monthly income.

## Other costs

You will also have to pay:

- Buildings and contents insurance
- Life assurance cover
- Council tax
- Maintenance costs (utilities, servicing, repair)
- If buying a leasehold property or a flat, there will be a service charge and/or ground rent.

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### One-off costs when buying a house include:

- Legal/Conveyancing fees - allow around one per cent of the purchase price plus VAT
- Searches and disbursements - typically up to £200
- Land registry fee dependent on value of property. For property valued between £100,001 and £200,000, the fee will be £200
- Property below £250,000 is exempt from stamp duty, until 25 March 2012.Over £250,000 the rate is three per cent and over £500,000 the rate is four per cent. From April 2011, stamp duty for properties over £1 million will be five per cent.
- Survey costs - anywhere between £250 and £1,000, depending on which type you choose to commission
- Mortgage lender's arrangement fee - only applicable on certain mortgages

## Getting started

### Type of property

The first thing you need to do as a prospective buyer is have a serious think about what sort of property would suit you. Eliminating wholly unsuitable properties at this stage will save you a lot of time and effort.

In terms of the property itself, try to think more along the lines of what you need rather than what you want. It may help to make a list of 'must haves' and another of 'would likes' to help you make the distinction. Be prepared to compromise about location and amenities.

### Decide the following:

- How many bedrooms do you need?
- How much living area do you need?
- Do you need an extra workspace?
- How much outdoor space do you require?
- Do you want a property in good order or are you happy to refurbish/decorate?
- How important is the kitchen?

### Location

You also need an idea of where you want to buy a property. Do your research. Visit the area and ask local people questions about the neighbourhood. Detailed information on neighbourhoods, including crime rates, transport and schooling are available at www.neighbourhood.statistics.gov.uk

You should consider things like:

- Are there appropriate amenities in the area for your chosen lifestyle? Bars, restaurants or a sports centre?
- What are the local schools like?
- What are the council tax rates?
- Are you near a train or Tube station?
- What are the local road links like?
- What is the crime rate?
- What are house prices like?
- Are there any parks or playgrounds nearby?
- Do you need a car to reach the local shops?

It is advisable to visit the property you intend to buy at various times of the day. The vicinity may be quiet at 11 in the morning but it might come alive after the schools turn out.

### Before you start looking

In such a competitive housing market where demand for desirable property generally exceeds supply, you need to be in a position to move quickly so that both agents and vendors will take you seriously.

In order to place yourself in a strong position as a house hunter, it is advisable to have your mortgage arranged in principle beforehand. This will involve shopping around to find the deal that suits your situation and pocket best. Once you have found a suitable mortgage, the lender will be able to give you an offer in principle – a tentative agreement to lend you a certain amount of money.

It might also be worthwhile investigating solicitors or conveyancers at this stage. If you already have one lined up, you can save precious time later on in the process.

If you are a first-time buyer, a cash buyer, or not dependent on a chain in order to complete a sale, do let the agent/vendor know this as well. You never know, your ability to proceed with the sale quickly might just tip the scales in your favour. Vendors do not want to be stuck in a chain.

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# What to buy

## New build advantages

Some of the advantages include:

- Never been lived in before
- Modern facilities
- Ready to move into, no work necessary
- Low running costs and energy efficient
- Often comes with a warranty
- No forward chain – part exchange often available

## Older property advantages

- Complete with history, character and charm
- Interesting design and architectural features
- Mature grounds and gardens
- Often larger than new properties
- Can be easier to sell on

## House versus apartment

Over 80 per cent of people residing in the UK live in houses but might apartment living suit you better?

### House advantages

- Generally better value than apartments as you get more for your money
- Often come with a garden, off-road parking and sometimes a garage
- Usually provide privacy and seclusion
- More square footage
- Options to extend, alter or redecorate to your taste

### Apartment advantages

- Costs less than a house, allowing you to live in areas you otherwise might not be able to afford
- Low maintenance and running costs
- Generally governed by a freeholder, so less responsibility for the owner
- Higher level of security, especially if there is monitored CCTV, an on-site concierge, or if you take an apartment that is not on the ground floor
- Instant community and social opportunities/facilities
- Good views from upper floors.

# Other points to consider

## Freehold and leasehold

Any house you buy will usually be freehold. This means that you own the property itself and the land on which it is built in its entirety

Any apartment you buy will usually be leasehold. This means that another party owns the freehold of the building (the land upon which it is built). The lease allows you to buy (and own) the property for a specified number of years; this can range between 21 and 999.

It is probably not worth considering a lease with less than 70 years on it as you will have problems obtaining a mortgage and the property's value is unlikely to increase unless you pay to extend the lease.

### Buying off-plan

You can make substantial savings by buying off-plan. This means purchasing the property from the developer before it has been built. If property prices rise before you move into the property, you might make money. However, if the property market is in decline and you buy off-plan, your home might be worth less than the off-plan price you agreed by the time you move in.

# Finding a property

## Being prepared

By now you should have a good idea of where you want to live, what you are likely to have to pay for a property and what you can afford. You should also have your mortgage offer in principle and a solicitor on board. Now is the time to start looking for your home.

Here's an indication of where to start:

### Choosing an estate agent

The vast majority of house buyers find their property through an estate agent. Register with everyone you can find in the area in which you are looking. Tell them exactly what you are looking for and ask them to contact you if such a property comes up. In addition, you should regularly call agents and ask if they have anything new on their books. In a hot market you will need to be keen, contactable and ready to view immediately as properties can be sold in under a week. Leave as many contact numbers with estate agents as possible – you don't want to be unreachable when the perfect home comes onto the market. Do be aware that an estate agent is paid by, and therefore acts, in the interest of the vendor and not the buyer.

### The internet

As well as estate agents' websites there are also sites where all properties for sale are aggregated, which makes searching by area a lot easier. There are also specialist sites where you can buy and sell direct. Simply type in your requirements and the search should reveal some suitable properties.

### Newspapers and magazines

Both are an invaluable source of private-property adverts. Be sure to scour the pages of your local paper for opportunities and suitable properties. Remember, people selling privately don't have to pay estate-agent fees – this saving may well be passed on to you, the buyer. National papers and magazines also have excellent property sections, though the price of advertising may be prohibitively expensive for many vendors.



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## Other ways to find a property

### Word of mouth

Never underestimate it. Ask around, look in newsagents' windows, get chatting to the local shopkeeper – you may end up with a property before it has hit the open market. You could even try leafleting a street or area you are particularly interested in. Chances are, if you target 100 houses in one area, someone will be thinking about moving soon.

### Buying a property at auction

Not an option for the faint-hearted but it can lead to a bargain buy, especially if the property has been repossessed and is being sold purely to recover costs.

Auctions are advertised in local press, and you can visit and survey the property before you bid. Make sure you don't go over your financial limit. It is easy to get carried away with the bidding. Once the hammer comes down you are legally obliged to buy the property.

### Drive through

One way to find a home is to drive through the streets you'd like to live in and take note of the For Sale boards and agents' phone numbers.

# Viewing a property

### Viewings

Viewing a property is a crucial stage of buying a home. More often than not you will be able to tell within minutes of walking into a property whether you could live there. However don't dismiss properties simply based on how they look or are decorated. Look for the potential in places. Ignore the lurid wallpaper and dirty carpet. Instead ask yourself whether the room would get enough light.

Ask yourself when viewing:

- Does the accommodation suit your needs?
- Will your furniture fit in?
- Can you afford any work that needs doing?
- Where are the nearest facilities?
- Is there sufficient storage?
- Is there enough natural light?
- Will the kitchen or bathroom need much work?
- Is there any other redecoration to be done?
- Does the garden suit your needs?
- What is the general condition of the building?
- Is there any sign or smell of damp?

### Ask the vendor when viewing:

- How long have they lived in the property?
- How long has the property been on the market?
- What are the parking arrangements?
- What are the neighbours like?
- What are the approximate running costs? (heating and water, etc)
- When does the garden get the sun?
- What is the neighbourhood like?
- Have they ever been burgled?
- What are the local schools like?
- What council tax band is the property in?

### Home Information Packs

A Home Information Pack (HIP) gives you certain information about a property before you decide to make an offer. Ask whoever is advertising the property for sale for a copy of the HIP. This is usually an estate agent, but could be another business or individual.

They must give you a copy of the HIP free of charge if you ask for it. However, they may make a reasonable charge to cover the costs of copying and posting it.

You should get your copy of the HIP within 14 days of the request being made.

For details of what a HIP contains, visit www.direct.gov.uk and insert 'HIP' into the search field.

### Being objective

However much you might like a property, it is important to see it at least twice, preferably with a friend who can offer an objective opinion. Try and visit at different times of the day and week to build a better picture of what goes on in the street and surrounding neighbourhood. If you still like the property, make an offer through your estate agent.

## ESSENTIAL CHECKS FOR VIEWERS

**Five point view checklist**

- ☐ **Check that the windows are double-glazed**
- ☐ **Look for condensation. Single-glazed windows and older double-glazing units often suffer from this problem and it may mean some units will need replacing**
- ☐ **Check for major cracks in the walls. If there are, this could be a sign of subsidence and you may want a specialist company to check this out before you make an offer**
- ☐ **Look out for radiators. If there aren't any, ask how the house is heated**
- ☐ **See how the doors fit in their frames. If there are large gaps and an uneven fit, this could mean the house is moving or subsiding**



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### Pitching your offer

Obviously you don't want to pay more than you absolutely have to for a property but you don't want to insult the owners, or risk losing it, with a low offer. If you feel the property is realistically priced, it is probably best to offer a sum close to the asking price. However, if the property has been on the market some time you could try going lower.

## Getting your offer accepted

If your first offer isn't accepted and you are prepared to go higher, try again. There is likely to be a period of negotiation before a price is agreed. Once your offer is accepted, get it confirmed in writing by the estate agent, or vendor, if it is a private sale.

### A done deal?

Nothing is legally binding at this point – your offer is subject to contract and survey. Either you or the seller can pull out of the sale right up until the point when contracts are exchanged.

### Next steps

The faster you can complete on the sale, the less chance there is of being gazumped (where another buyer outbids you). You need to:

- Inform your mortgage lender of your find. They will need to arrange a valuation of the property
- Instruct your solicitor or conveyancer. Give them the address of the property, details of the vendor's solicitor and the details of your mortgage lender
- Choose and commission a survey
- Ask the agent to change the For Sale sign to Sold

## Surveys

Prices vary substantially, starting at £100 and rising up to £1,000, depending on the property and survey type. Always use a surveyor registered by the Royal Institution of Chartered Surveyors (RICS).

### Top tips

- If you are a first-time buyer the carpets, curtains and appliances already in the property may be of interest to you. You could try getting these thrown into the offer price.

### Types of property survey

#### Valuation

This is usually arranged by your mortgage lender and is designed simply to find out whether the property is worth what you are paying for it, and consequently, whether the money that the lender is promising you is secure. This is the most basic of surveys.

#### Homebuyers report and valuation

This incorporates the mortgage valuation. In addition, the surveyor will look at and assess every element of the building. Though it sounds comprehensive, this assessment is actually limited to what the surveyor can actually see and is therefore fairly cursory – the surveyor will not remove floorboards or move large pieces of furniture. It should, however, pinpoint any major defects and give you a reasonable idea of the condition of the property you are buying.

#### Full structural (or building) survey

Advised for old or large property, it is the most expensive survey but it is also the safest as it provides a full picture of the property's structure and condition.

## The conveyancing process

### Confused by conveyancing?

- Conveyancing is the legal term for the process by which property ownership is transferred
- Property conveyance will be done by a solicitor or a licensed conveyancer (you can do it yourself, though you have to be organised and informed)

### Finding a conveyancer

- When appointing a solicitor or conveyancer it is best to be guided by a personal recommendation
- Failing this, contact the Law Society, The National Solicitors' Network or the Council of Licensed Conveyancers to find registered members

### Costs

- The current average is up to one per cent of the purchase price. Many firms will offer a fixed- fee service, which may be cheaper
- Obtain quotes from several solicitors/conveyancers and compare them on a like-for-like basis
- Make sure all searches (disbursements) are included and that there will be no additional charges for writing letters or transferring money
- Ask what you will be charged if the sale of your home falls through. There may be an abortive fee that will cover the conveyancing work that has already been done
- Some conveyancers will offer you an insurance that covers some of your fees should a sale or purchase fall through

### Duration

- The UK has one of the world's slowest conveyance systems. The time period between agreeing a sale and exchange of contracts can be around two and three months but this is just a guideline.
- To make sure things happen as quickly as possible, keep checking to see how your sale is progressing. If nothing has happened for a while, ask why.



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### The conveyancing process

Your solicitor or conveyancer is there to protect you from any legal obstacle that may prevent you from taking full, free ownership of a property you are buying. They will:

- Ensure that the seller actually owns the property
- Ensure that there are no building or development plans that will affect the property
- Ensure that any structural alterations have the necessary planning permissions
- Ensure that there are no outstanding disputes surrounding the property
- Ensure that there are no outstanding debts on the property for which you might become liable
- Ensure there are no unnecessarily restrictive covenants attached to the property
- Liaise with your mortgage lender to make sure funds are released on the day of completion
- Gather documentation and approved contracts for the vendor's conveyancer
- Obtain and transfer the property's deeds
- Pass on any paperwork that needs completing and call you in to sign contracts

## Exchange of contracts

Your solicitor/conveyancer will need to receive your finalised mortgage offer and a draft contract from the vendor's solicitor before he can proceed. Once both parties are happy with the contract, they sign identical copies of it. The copy signed by you will be sent to the vendor's solicitor along with your deposit. Soon after, your solicitor or conveyancer will receive the vendor's signed contract. This signifies that an exchange of contracts has taken place. From this point on, the sale is legally binding. If you were to pull out, your deposit would be forfeited.

### Be thorough

Make sure you are happy with the contract. Read the fixtures and fittings carefully so you know what is going and what is staying – that way you'll avoid any nasty surprises on moving in day.

## Completion

The date of completion is agreed at the exchange stage. It can be the same day or many months afterwards, although it is usually around two weeks later. On completion day, the balance of the purchase price is paid to the vendor and the deeds of the property are handed to your solicitor who will pass them on to your mortgage lender as security for the loan. You are now the legal owner of the property.

## Utilities

Moving house is a perfect time to investigate special deals being offered by gas, electricity and telecommunications suppliers. A few phone calls could save you money.

## Survey results

If your survey shows up a serious problem, or your mortgage valuation estimates that the property is not worth the sum you have offered, you have good grounds for renegotiation. At this point you can drop out of the sale altogether and start looking for another property. If, however, you and your lender are happy with the survey you can proceed with the sale.

## Moving-in day

This will undoubtedly be one of the most hectic days of your life so it is best to prepare well.

- Make sure you have agreed a moving-in day with the vendor well in advance
- Decide whether you need to call in a professional removal company to help you in the task of moving home
- If so, compare prices and services. Make sure they are insured against loss, damage or theft before making a final decision
- Organise a parking space for the removal van
- Contact Royal Mail to get your post redirected
- Send out change of address cards to friends, family and colleagues
- Inform the council-tax office
- Notify all your services of your address change, for example, your bank, doctor and library
- You may wish to arrange for any pets or small children to be looked after on the day itself
- Contact electricity, gas, water and phone companies to let them know you are moving
- Give meter readings for both the old and new properties on the day you move

**YOUR HOME OR PROPERTY MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE OR ANY OTHER DEBT SECURED ON IT.**
**You may have to pay an early repayment charge to your existing lender if you remortgage.**

**Changes in the exchange rate may increase the sterling equivalent of your debt.**

Your initial consultation is obligation free. A fee as described below will be charged on application for a mortgage, this fee is non-refundable. We will also be paid by the lender. On mortgages up to £500,000 the fee would be £495. On mortgages over £500,000 up to £1,000,000 the fee would be £995. For mortgages over £1,000,000 and exclusive or semi exclusive schemes the fee would be up to 1% of the loan amount. E.g. on a mortgage of £2,000,000 the fee would be £20,000.

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