

# A Guide to Buying a Home



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**Buying a new home is very exciting but also has the potential to be very stressful. It is likely to be one of your biggest financial commitments, and the whole process can be daunting. So, here is our 'buying a home' checklist.**

## The Basics

- If you're buying together with a partner or friends, agree up front how you'll make financial decisions about the property.
- Review what you can afford:
  - from your savings for the up-front costs of a home – a deposit, moving costs and furnishings etc.
  - from your income for mortgage repayments and other outgoings such as council tax, insurances etc.
- Find out what you can borrow and how much it might cost. Talk to one of our expert mortgage specialists for a borrowing assessment.

## Stamp Duty

- Don't forget to include Stamp Duty in your calculations – a Government tax on property purchases above a specified amount. The amount of tax is based on a percentage of the total purchase price and increases in price bands, as shown in the table below.
- If the transaction involves the purchase of a new lease with a substantial rent there may be an additional Stamp Duty Land Tax charge to that shown below, based on the rent.

### Residential land or property Stamp Duty Land Tax rates and thresholds

Up to £125,000	Zero
Over £125,000 to £250,000*	1%
Over £250,000 to £1m	3%
Over £1m**	5%

\* In the Budget March 2010 temporary relief from SDLT is introduced for first time buyers of residential property of a value up to £250,000. The new relief will be available for residential purchases with a completion date occurring on or after 25 March 2010 and before 25 March 2012.

\*\* A new higher SDLT rate of 5% will be introduced with effect from 6 April 2011 and will apply to residential purchases where the price exceeds £1 million.

If the value is above the payment threshold, Stamp Duty Land Tax is charged at the appropriate rate on the whole of the amount paid. For example, a house bought by a second time purchaser for £130,000 is charged at 1%, so £1,300 must be paid in Stamp Duty Land Tax. A house bought for £350,000 is charged at 3%, so Stamp Duty Land Tax of £10,500 is payable. Further information can be found at:

<http://www.hmrc.gov.uk/so/rates/index.htm>

## Research The Market

- Look at different areas you might be interested in, work out the sort of property you might be able to afford there. There are resources on the web to help you such as <http://www.upmystreet.com/>.
- Register with several estate agents to increase the chances of finding your ideal home. Look online at various property finders that aggregate properties from different agencies, such as <http://www.primelocation.com/> or <http://www.fish4.co.uk/homes/>

## The Mortgage

- Choose a mortgage. Talk to our highly experienced and skilled mortgage specialists who will take the time to get to know your circumstances, objectives and preferences. Being independent, they really do research the entire market, using sophisticated I.T. systems, to find the most appropriate mortgage for you. They will also discuss your insurance and protection requirements and source the best deals for you from the market.
- Get a mortgage 'agreed in principle' – Your Honister mortgage specialist can help you with this. The mortgage lender will need some information to assess whether they are happy to lend you the money. You don't need to have a specific property in mind at this stage, and the offer will usually be valid for a number of months. This will make buying your home a lot quicker.
- Make a formal offer – 'Subject to contract' – once you have found the property you want.
- Complete a full mortgage application – an official application for a mortgage to purchase your chosen property with the lender you have selected.
- Receive the mortgage offer – the lender will confirm agreement of the loan in an "offer of advance" letter to you.

## The Survey

- The lender will require a 'valuation report' on the property, which is prepared by a surveyor, and confirms how much the property is worth. The lender will use this report in deciding whether to make the mortgage offer to you, or if any conditions should apply. You may also want to have a more comprehensive survey carried out at your expense, to ensure that the property is in sound condition. The same surveyor can normally carry out both surveys on the same visit.
- Examine the valuation report when the lender sends it to you. This will either approve your mortgage as requested or approve it subject to some conditions, for example repair work being carried out. Through your solicitor you might negotiate to get the seller to pay for this work or to reduce the asking price. If not, but you still wish to proceed, get quotes for the work and appoint one firm. The surveyor will usually carry out a further inspection to ensure that the work has been done.

## The Solicitor

- The solicitor you choose should be acceptable to your lender, as he or she will also act for the lender. The solicitor's main task is to handle the conveyance, which is drawing up the contracts and making legal enquiries, for example ensuring that there are no building plans affecting the property. The cost of land registry charges and local search fees will be passed to you. Ensure you ask your solicitor for an estimate of charges before they start work.
- Your solicitor searches and completes all of the legal checks and will draw up the Contract.
- Contracts are exchanged between you and the seller. You will now sign the Contract and pay the deposit. Signing the Contract legally commits you to buying the property. Your solicitor will give you a completion date.

## Insurance

- Arrange immediate insurance cover for your new property.

## **The Move**

- Start planning your move including contacting a removal firm if you need one.
- Completion date - contact the estate agent, arrange to collect the keys. Move in!

## **Buying a house in Scotland**

- For anyone buying property in Scotland it is important to be aware of the correct way to go about it. This is particularly the case for anyone moving from England, as there are fundamental differences between the Scottish system and that operating from south of the border.
- It is important to understand that there is no second step in the Scottish procedure and that the contract can become legally binding at a relatively early stage, unlike in England where contracts are often exchanged towards the end of the process.

## **“Offers Over”**

- The most widely used price tag is “Offers over” whereby the seller hopes to achieve a final price in excess of the quoted figure. Depending on the desirability of the property, the selling price tends to be between 1% and 10% more than the asking price. In a buoyant market, this difference can be even more marked.
- There is also the fixed-price option, whereby the seller indicates that they will accept the first offer for the exact figure. It is worth noting however that the seller is not obliged to accept the highest, or indeed any, offer. If more than one buyer is interested in purchasing a property, the seller's solicitor will usually set a closing date by which the seller wishes all interested parties to submit their offers.

## **The Contract**

- At the outset of the transaction, both buyer and seller enter into a formal contract following the exchange of letters between their solicitors, a process known as missives.
- On conclusion of missives, a binding contract exists, from which neither buyer or seller can withdraw without incurring a penalty. Potentially the penalty could run into thousands of pounds.
- A completion date known as “date of entry” will be agreed by both buyer and seller which allows all parties to work towards a final date and minimise the need to arrange bridging finance.

## **The Offer**

- You need to complete a mortgage application and obtain a valuation or survey report before making an offer. This is because as soon as your offer is accepted you are committed to a binding contract. Offers are normally made in writing by a solicitor acting on your behalf - so you will need to appoint one before, or as soon as, you find a house you wish to buy. Accordingly, you should be careful and only submit a written offer through a Scottish solicitor and make sure your solicitor is aware of your situation.
- You will be asked to state a completion or “entry” date in your offer.
- Unlike in England, Wales and Northern Ireland, missives (equivalent to the exchange of contracts) are carried out at an earlier stage in the process, and the full price is paid at completion or “settlement”. This is also the time to complete as appropriate your applications for mortgage payment protection and insurance.

## **Completion**

- In Scotland the contract takes the form of a series of letters known as “missives”.
- After a binding contract has been agreed, called “concluding missives”, your solicitor will complete the conveyancing procedures and prepare the documents, to transfer ownership of the house to you.
- The contract or Missives will specify the date of entry to the property. This is the date on which you will have to pay the seller the purchase price of the property in return for the Disposition (the transfer documentation) and the keys to the property. Your solicitor will make all the arrangements for settling the transaction on the date of entry and for completing the mortgage at the same time. This is called “completion” of the purchase.

### **The Solicitor**

- Buyers and sellers must use a solicitor or authorised practitioner qualified in Scottish law. Any buyer interested in a particular property must advise a solicitor, who will then note their interest with the seller's solicitor. This ensures that the property will not be sold without the potential buyer having the opportunity to make an offer.
- Potential buyers commission the survey or valuation prior to making an offer. If a buyer decides to make an offer subject to survey or subject to contract it may jeopardise the chances of the offer being accepted, particularly if a closing date is set. At the closing date, the seller will decide which offer to settle upon, in consultation with his or her solicitor. The solicitor will then verbally indicate to the successful buyer's solicitor that the offer has been accepted. At this stage it is a verbal acceptance only and not legally binding.
- The seller's solicitor will then provide the buyer's solicitor with a qualified acceptance once a positive response has been received. This is the beginning of missives, the exchange of formal letters between both parties' solicitors stipulating price, date of entry, items included in sale, and a number of additional legal conditions.
- After the missives have been concluded, there is a legally binding contract on both parties. Buyers in Scotland do not have to provide a deposit.

### **The Entry Date**

The date of completion is known as the entry date: at this time, the buyer is free to collect the keys to the new home from the estate agent

**For further information or to book an initial consultation, please call us on 0208 722 0734.**

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

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