



# TEN STEPS TO BUYING A PROPERTY

Buying a property will probably be one of the most important decisions and biggest purchases of your life and so a careful, organised approach is required if you want to secure your ideal property.

To help you navigate your way on this journey, Chestertons has put together this step-by-step guide to help you with your planning and with understanding the processes involved.

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# ESTABLISH YOUR BUDGET

If you are intending to use a mortgage to finance your purchase, your first step towards buying a property should be to talk to a mortgage advisor to establish your budget. Banks' lending criteria change regularly depending on their appetite for lending, so the amount you will be able to borrow may be different from what you expect.

Similarly, if you are looking to remortgage a property you already own with a new or existing lender in order to release equity, you should speak to the lender about your plans. Lenders' requirements will vary, but you will often be required to get a survey of your property to establish the value and will need to instruct a solicitor to act on your behalf.

If you are selling a property to finance your purchase, contact your local estate agent to get their opinion on the current value of that property. They should also be able to tell you the current typical timescales for the sales process.

**When setting your budget, be aware of additional costs, which, as a minimum, will include:**

- Stamp Duty Land Tax
- Mortgage arrangement fees (variable but may be between £1,000 and £2,000)

- Solicitor's fees (variable depending on the complexity of the transaction)
- Management pack if leasehold (variable but may be between £100 and £400)

**Depending on your circumstances and what type of property you decide to buy, there may be other costs to consider, such as:**

- Surveyor's fees
- Move costs
- Ground rent and service charges
- Estate agent fees for selling your current property
- Renovation/refurbishment costs
- Lease extension costs
- Increased utility/council tax bills

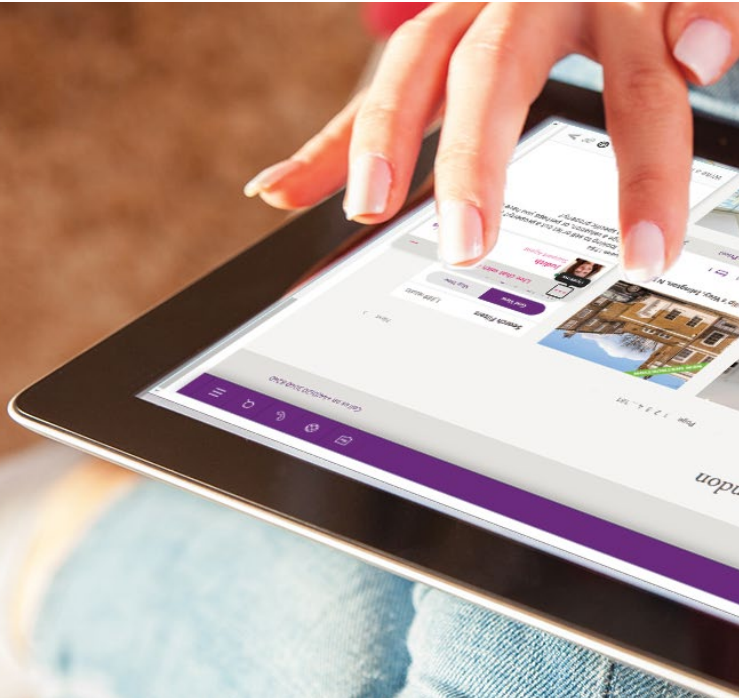
# BECOME ‘PROCEEDABLE’

A ‘proceedable buyer’ is one that is in a position to exchange contracts and ultimately complete the transaction. To make yourself as proceedable as possible, you should endeavour to either have funds in place; confirmation from a lender that they are willing to lend you the required funds; or, if you are selling a property to finance the purchase, have that property ‘under offer’ to a proceedable buyer.

If you are taking out a mortgage, once you have spoken to a mortgage advisor and discussed your borrowing options, they will be able to provide an ‘Agreement in Principle’ or ‘AIP’ (sometimes also referred

to as a ‘decision in principle’ or ‘mortgage in principle’) from your preferred lender. This may involve a full credit check by the lender, who will then confirm in writing how much they are prepared to lend to you, subject to them checking the information you have given to them. This AIP can then be used to prove your creditworthiness and seriousness as a bidder.

For impartial mortgage advice, we recommend that our clients speak to Springtide Capital, our partner mortgage brokers. For further information, visit [www.springtidecapital.com](http://www.springtidecapital.com) for the best advice, service and results.



# START YOUR SEARCH

The time required to find a suitable property can be minimised if you have a clear idea of what you are looking for from the outset. For most buyers, the two most important considerations when buying a new home are location and budget but in addition to this, you are likely to have many other specific requirements that are important to you. It is a good idea to prioritise these by creating a list of “like-to-haves” and “must-haves” – things that you can compromise on, and things that you cannot.

Once you’ve determined your search criteria and the areas in which you would like to live, contact local estate agents, communicate

your requirements to them and let them know your position as a buyer (i.e. whether you have your property on the market or under offer; whether you’re chain-free etc.).

The estate agents should then keep in touch with you regarding any suitable properties they have available. It is also worth setting up alerts on property websites such as OnTheMarket.com and Rightmove.com, although do be aware that estate agents will know about properties before they are online, so to be the first to hear about a new property, you need to be in direct touch with those agents.



# VIEWING PROPERTIES

Although property purchases are often emotional decisions, don't forget about the practicalities and compare each property to your list of requirements.

Things to consider include:

- Potential issues such as mould, damp or any visible cracks in walls or ceilings. These are all things that can be rectified, but they may affect any potential offer you make
- Whether your current furniture and belongings fit the space and layout of the property
- Service charges, ground rents and the length of the lease
- If the property has a garden, how much maintenance it would require

## **Don't forget to think outside the property too:**

- Are there any communal areas? What condition are they in?
- Who are the neighbours?
- How close are your local amenities?
- Does the road get busy at certain times of day?
- Is there parking?

If you have any questions, ask the estate agent who is showing you around. If they don't know the answer, they will be able to contact the seller. If you think you need to view the property more than once or would like to show someone else for a second opinion, ask the agent to arrange a second viewing.

If, once you have been looking for a while, you cannot find what you are looking for within your budget, be practical and question whether your expectations are realistic or whether you need to look in different areas or adjust your criteria.



# MAKE AN OFFER

Once you have found a property that you like, you will need to submit an offer to the estate agent that you viewed it with and they will then convey that offer to the seller. You cannot make an offer direct to the seller as that would breach their contract with the agent.

## **Multiple offers**

If a property is popular, and has multiple offers made for it from other interested buyers, this will often lead to an 'informal tender' process – more commonly referred to as “sealed bids” or “best and final bids”.

This process involves a type of auction process in which all bidders simultaneously submit sealed bids to the estate agent, so that no bidder knows how much the other participants have bid.

Agents are required by law to submit to the seller every offer they receive and a seller is under no obligation to accept the highest bid; they can choose to proceed with whichever buyer they wish. It is for this reason that a well-constructed offer can be so important.

## **Lock-in agreements**

In some situations, a buyer may ask to enter into a 'lock-in agreement' with the vendor, which prevents the vendor from negotiating with another interested party for a specified period of time.



# OFFER ACCEPTANCE

If your offer is accepted, it will be 'subject to contract', which means that it is not legally binding until contracts have been exchanged.

At this point, you will need to formally appoint a solicitor to undertake the conveyancing process on your behalf. You need to let your solicitor know from the outset if you are also selling a property and need the transactions to be tied together.



# MORTGAGE & VALUATION

As soon as your offer is accepted, you should notify your mortgage broker or lender so that they can start the formal application process. Before you commit, however, it is always worth checking to see if there are any more favourable rates being offered by other lenders.

As part of the formal mortgage application, you will be asked to provide documentation to confirm your income (usually your last three payslips) and expenditure (usually three months' worth of bank statements). The lender will then carry out various affordability and suitability checks before arranging for a valuation of the property to be carried out by their appointed surveyor.

This survey will confirm the value of the property and check that the property is safe to lend against. It is not an in-depth examination and only considers the general condition of a property.

If the lender is still happy to lend on the property, they will produce a formal mortgage offer, which will detail exactly how much it is willing to lend and any conditions attached to this offer.

## **Buildings survey & Home Buyer Report**

You cannot rely on your mortgage valuation as a guarantee that the property you are about to buy is structurally sound and isn't in need of any major work. Some buyers choose to commission additional Buildings Surveys and Homebuyers Reports, which are more detailed surveys of a property that will establish the structural stability of the property and highlight any potential issues (such as damp). If it becomes apparent that there is an issue with the property, you may be able to negotiate a discount on the asking price.

A full buildings survey can cost upwards of £600, depending on the size of the property, and is suggested for older buildings, buildings made from non-standard building materials or built to unusual designs. This offers you the most protection should any problems become apparent in the future.

A Homebuyers Report isn't as detailed as a buildings survey and therefore doesn't carry the same assurance, but it is generally suitable for newer properties under ten years old.

# THE PRE-EXCHANGE CONVEYANCING PROCESS

Conveyancing is the legal process of transferring the ownership of a property from the seller to the buyer. It starts as soon as the seller accepts your offer.

As it involves contracts that will be unique to every property and every transaction, the process can be complicated and cannot be covered in full detail here. However, we have listed the main steps:

1. Your solicitor will write to the seller's solicitor to confirm that they are instructed and request the draft contract and supporting papers.
2. Your solicitor will examine the draft contract documents and raise enquiries with the seller's solicitor. These enquiries can range from the length of the lease to requesting copies of service charge accounts and warranties for appliances.
3. Your solicitor will raise a number of 'Property Searches' to check for any factors that could impact your property. These can take up to a few weeks to be sent and will be charged for by your solicitor. They will probably include:
  - Local authority searches (will detail if there are any plans for new roads or infrastructure nearby)
  - Checking the 'title register' and 'title plan' at the Land Registry (these are the legal documents that prove the seller's ownership)
  - Checking flood risk with the Land Registry
  - Water authority searches (details of your water supply)
  - Environmental search from the Environment Agency (indicates whether the property might be built on or near contaminated land)
  - Chancel repair search (ensures there are no potential liabilities on the property to help pay for church repairs)
  - Location specific searches (your solicitor will advise you of these, if there are any required or recommended)
4. If you are taking out a mortgage, your solicitor will receive a copy of the offer once the survey has been done and will go through the conditions.
5. Once answers to all the enquiries and searches have been returned to your solicitor, they will report their findings to you and, if you are happy, draw up the contract of sale. This will include the agreed purchase price, the deposit amount and completion date and will need to be signed by you and the seller.
6. At this stage, your solicitor will request that you transfer the deposit funds to them. This is usually 10% of the purchase price but can be negotiated.

7. Once your solicitor has the deposit funds and the signed contract, they will check with the seller's solicitor that the contract has been signed by the seller and that they are ready to proceed with the exchange.
8. Your solicitor will draw up the transfer deed so that the property can be registered in your name as soon as possible after completion.
9. Your solicitor will arrange for the title deeds to be registered in your name and if the property is leasehold ensure that your name is entered on to the lease.





# EXCHANGING CONTRACTS

The exchanging of contracts is carried out on your behalf by your solicitor and is the point at which the sale becomes legally binding. In order to exchange, you will need to have signed the contract and transferred a non-refundable deposit to your solicitor. This deposit is usually 10%, but you can ask your solicitor to negotiate a smaller deposit with the seller's solicitor. If you pull out of the sale after contracts have been exchanged, you will forfeit your deposit.

If you paid less than a 10% deposit, the seller can still seek to claim the full 10% from you if you break the contract.

The contract will state the completion date, which you will have agreed with the seller, so at this point you can start organising the practical side of your move. You should also contact an insurance company to arrange for the property to be insured from the day that completion takes place.

# COMPLETION

On the day of completion, both parties have to fulfil the terms of the contract. Your solicitor will transfer the rest of the monies to the seller's solicitor. When the money has been received by the seller's solicitor, they will send a deed transfer document to your solicitor, confirm that the seller has vacated the property, and the property will officially be yours. At this point, your solicitor will also arrange for any Stamp Duty Land Tax to be paid.

Once you have completed, you can arrange with the estate agent to collect the keys to the property. If you collect the keys from the seller, you could take a few moments to ask them some questions that will make your life easier when you move in, such as where are the gas and electricity meters, what day are the bins collected, where the stopcock is located etc.



# JARGON BUSTER

## **Agreements in principle (also called 'Decision in Principle' and 'Mortgage in Principle')**

A statement provided by mortgage lenders to buyers confirming what they are prepared to lend, subject to full underwriting including documentary confirmation of income and a satisfactory valuation.

## **Buildings survey**

A thorough inspection of the property carried out by a qualified surveyor to determine its structural stability and general condition. Surveys tend to cost more than valuations or Home Buyers Reports as they are much more detailed. They are essential if you are thinking of buying a period property, a property made from non-standard materials or a building built to an unusual design. They do not include a valuation and are normally carried out independently.

## **Completion**

The point at which the entire payment for the property is transferred to the seller and the buyer becomes the legal owner.

## **Conveyancing**

The term used to describe the process of legally transferring the ownership of a property from the seller to the buyer. It starts when the seller accepts an offer and finishes when the buyer receives the keys.

## **Exchange of contracts**

The point at which the buyers' and sellers' solicitors exchange the contract of sale and the transaction becomes legally binding.



### **Fixtures and fittings**

There are no set definitions for what constitutes a fixture or a fitting, but generally a fixture is understood to be any item that is attached to the floor, ceiling or wall of a property and fittings are items that are free-standing or hung.

### **Home Buyers Report**

A Home Buyers Report covers the general condition of a property. It is carried out by a surveyor with the main objective of giving professional advice following a general inspection of the property. The report should help buyers make an informed judgment on whether to proceed with the purchase.

### **Stamp Duty**

A government tax on buying properties costing more than £125,000.

<b>Property or lease premium or transfer value</b>	<b>SDLT rate</b>
Up to £125,000	Zero
The next £125,000 (the portion from £125,001 to £250,000)	2%
The next £675,000 (the portion from £250,001 to £925,000)	5%
The next £575,000 (the portion from £925,001 to £1.5 million)	10%
The remaining amount (the portion above £1.5 million)	12%
Stamp Duty surcharge on buy to let and second homes	3%

