

Since the introduction of 'Home Information Packs' (HIPs) in 2007, all sellers must put together a pack of standard information on the property being sold and give this to potential buyers. The Department for Communities and Local Government (DCLG) has information on HIPs for home buyers and sellers on their [Home Information Pack](#) website.

## **Working out a realistic budget**

The maximum price you can afford to spend on a home will be the combination of the amount you can borrow from a mortgage lender and the amount you can raise yourself.

But you need to decide whether you want to borrow as much as you can, or buy a cheaper home and have more flexibility in your finances. It may be tempting to borrow as much as possible when the initial cost is manageable, but remember that you could get into difficulties and lose your home if you can't keep up your repayments.

When you are deciding how much you can afford, don't forget to take account of the [costs involved in buying a home](#), as some of these might eat into your savings. Also don't forget to take account of your normal living costs each month as these affect the mortgage repayments you can afford. And bear in mind that once you are a home-owner you will have to pay the cost of maintaining your home, as well as paying Council Tax and household bills.

The amount that lenders will be willing to lend you will vary. Many lenders now calculate how much they are willing to lend by taking into account your other financial commitments, as well as your income. Others may use a more traditional standard lending limit, such as three and a half times income – the exact amount will depend on the lender.

If you are getting advice, advisers have a duty to take reasonable steps to ensure you can afford a mortgage that they recommend. Whether or not you get advice, lenders are required to lend responsibly and will try to make sure you do not overstretch your finances.

The [FSA consumer website](#) has a useful section on financial planning, including tools to help you build your own financial plan and a personal budget calculator.

## Looking at properties

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Once you have worked out your price range, the next step is to find a property! You will probably already have an idea of where you would like to live and the sort of property you want. But it's easy to get carried away when you begin to look at properties, so it is useful to make a checklist of what you want. For example:

- how many bedrooms do you need?
- do you want a garden, garage, off-street parking?
- do you need to be near good transport links, schools, shops, work or leisure facilities?
- how busy or quiet an area are you looking for?
- any other features that are important to you, such as style of property, security, ease of access and running costs.

It is a good idea to use your checklist to note how each property measures up to your list of needs. You will probably find you have to compromise on some details - but if you have to make any major compromises, be certain you can live with them.

You may be particularly interested in looking at newly built properties, existing properties, or both. For new property, builders often advertise new developments through local newspapers or estate agents. If the development is large enough, there may be a "show home" and temporary office on site.

Most new properties are covered by a guarantee scheme to protect you against any major structural faults which may develop

in the 10 years after the property is built. If a new property is not covered by one of these schemes, lenders may still be happy to provide a mortgage if it has been built under the supervision of an architect or surveyor, but you should check with the lender to make sure.

You can find out about existing properties from advertisements in newspapers, estate agents and, increasingly, the internet. The web is proving ever more popular as a source of information on properties for sale. Most estate agents now have their own websites, and there are also a number of sites which list properties on offer from a range of agents, with facilities to search for properties with particular features or in specific locations.

As a home-buyer you will not have to pay estate agents for their services, as the agent is acting on behalf of the seller, and so the seller pays the agent's fee. Bear in mind that the agent will be trying to obtain the best price possible for the seller.

It is worthwhile visiting local estate agents in person to explain what you want and what you can afford. Agents will be able to give you details of any suitable properties they currently have on offer, and will send details of any other properties they are asked to sell after your visit. The estate agent will arrange for you to visit any properties you are interested in and will pass on any offer you make to the seller.

## **Making an offer**

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Once you have found a property you like, you will need to decide how much you are prepared to pay for it and then make an offer to the seller (usually via the estate agent). Any offer you make is "subject to survey and contract" which means that neither you nor the seller has to go ahead with the deal. The sale of the property is not legally binding until exchange of contracts. Once your offer has been accepted by the seller, you will then need to formally arrange your mortgage to buy it.

## **Getting a mortgage**

Ideally, you will already have researched the mortgage market before making an offer on a property. It does no harm to begin your mortgage research at an early stage, so that you are ready to proceed quickly once your offer has been accepted.

But the golden rule is: shop around. There is so much variety in the mortgage market that you need to find a lender and a type of mortgage that suits you. There are various ways to start – by using the various information available on the internet, by using a broker, or by beginning with one of the mortgage magazines available from newsagents. When you formally apply for a mortgage, you will need to fill in a mortgage application form. This will ask for some fairly detailed information to help the lender decide whether, and how much, to offer to lend to you. The lender will normally need the following information:

- Proof of identity;

- If you are employed, proof of salary from your employer;
- If you are self-employed, copies of your audited accounts;
- If you are working on a short-term contract, evidence of the length of your contract;
- Details of how you have kept up any previous mortgage payments, or evidence of regular rent payments;
- Details of your wider financial circumstances.

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## Valuing the property

Before approving your mortgage application, the lender will want to check the property's value. To do this, the lender will usually arrange for a qualified valuer to inspect it. You normally have to pay for the valuation, even if you do not go on to buy the property. However, some lenders do not charge for valuations, so check.

The valuation is carried out purely to help the lender decide whether it is willing to lend, and if so how much, on the property you want to buy. The valuer makes a written report to the lender. The lender does not have to tell you the contents of the report, but some lenders will give you a copy or at least tell you about any serious problems which may have been spotted during the valuation.

The valuation is **not** an extensive survey and will not necessarily identify all the repairs or maintenance that might be needed. For a full picture, you should consider having a complete building survey or a mid-range "home-buyer's report" carried out. This can usually be done at the same time as the valuation.

The value of a property will be affected by a mix of many different factors. These will include its size, location, type, state of repair, local environment, assessment of how easily it would be to re-sell in the future, and prevailing market conditions. Valuation can never be exact, but most properties are valued at something around the price for which they change hands. However, sometimes you may find that the valuation identifies significant problems, or that the property is formally valued at a significantly lower price than the offer price. In these circumstances you may be able to re-negotiate the price with the seller. In the most serious cases, you may even decide to withdraw your offer, or the lender may decide that it is not prepared to lend.

If the property lacks basic amenities such as running hot and cold water, an inside toilet or a bath/shower, a condition of the mortgage would be that you install these within a certain timescale.

Problems may possibly arise with the following properties:

- Properties which are not expected to last for at least 60 years from the time the mortgage is provided;
- Leasehold properties (usually flats) with leases for less than 60 years;

- Converted flats which are not structurally sound or where the lease does not contain adequate conditions for the shared areas (for example, stairways and hallways) of the building; or

Freehold flats (because of legal difficulties in keeping the building in a good repair).

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## Getting a formal mortgage offer

When the lender is confident that you will be able to repay the mortgage, and is satisfied with the valuation report on the property and the results of legal searches, it will issue a formal mortgage offer (known as an "offer of advance").

Certain conditions may apply to the offer of advance. For example, if specific work is needed on the property the lender may:

- offer to provide the full amount of the mortgage when you buy the property as long as you carry out the work within a certain time; or
- offer only part of the loan at first, paying the rest when the work has been carried out. The money held back is called a "retention".

If you want to go ahead and get the mortgage to buy the property, you must accept the offer of advance. The legal work then needs to be completed.

## Conveyancing (the legal work)

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"Conveyancing" is the legal process that must be followed to transfer the ownership of the property from the seller to you. The legal aspects of buying a home can be complicated. Although in theory you can do the legal work yourself, in practice most home-buyers appoint a solicitor or a licensed conveyancer to do the legal work involved in buying a property. That person, known as the conveyancer, will be your legal adviser and will act for you. You need to appoint a solicitor or licensed conveyancer as soon as possible after your offer is accepted so that:

- you can give your lender the solicitor's or conveyancer's details;
- your conveyancer can make contact with the seller's conveyancer and begin work on drafting the contract that will form the basis of the selling/buying agreement; and
- the solicitor or conveyancer can check over any valuation reports and offers of advance.

Your lender may be able to give you a list of conveyancers to choose from, who are also approved by the lender to undertake the legal work they need. You can also get details of conveyancers from the Law Society or the Council for Licensed Conveyancers.

The fee charged by conveyancers will vary. It is worth getting estimates from several conveyancers. Whichever conveyancer you decide to use, check that your lender is happy to use the same conveyancer for their legal work - this should help to keep

the total legal costs you have to pay as low as possible. Some mortgage deals include free conveyancing up to a certain value, which can be useful if you want to minimise your upfront costs.

A lot of legal work involved in buying a home doesn't need to involve you directly, but it is useful to understand what needs to be done in case you need to check up on progress. Your conveyancer will tell you about the documents you need to sign, but if you do not understand anything you should ask.

Your conveyancer will do the following.

- Get the title deeds (documents giving evidence of ownership) of the property from the seller's conveyancer and examine them to make sure there are no problems.
- Make sure that you will get proper ownership of (title to) the property.
- Make sure that there are no planning conditions or particularly harsh conditions of ownership (for example an intrusive right of way) affecting the property.
- Make sure the seller has all planning permission and completion certificates for any alterations or extensions to the property.
- Check that there are no local developments (for example, road-widening schemes) planned which might affect the value of the property.
- Check that the street, pavement and main drains are public and maintained by the local authority.
- Negotiate and agree (with the seller's conveyancer) the draft of the contract setting out the terms on which you are buying.
- Register or record the change of title to the property, and the mortgage deed (loan agreement) in favour of the lender, with the Land Registry.

Getting hold of all the necessary information can be time-consuming. Your conveyancer will request "searches" of information that could affect your property from the relevant local authority and sometimes other agencies. Sometimes these can be obtained quickly and electronically, but sometimes they can be slower and this may cause delay.

Sometimes it is possible to use title insurance as a way to streamline some of the conveyancing. Title insurance can sometimes be used to complement or replace some elements of the legal work by insuring against the risk of problems arising in the future. It is more commonly used on remortgage cases than on mortgages to buy a property, but it may be useful if problems are identified during the conveyancing process.

If your conveyancer is also acting for your lender, your lender may instruct the conveyancer to prepare the mortgage deed. This is the legal contract between you and the lender. Your conveyancer will explain the terms of the mortgage deed to you, and then have them signed by you and the lender.

Once the conveyancing work has been completed, you and the seller need to sign the contract your conveyancers have agreed that sets out the terms of the sale. The conveyancers will then exchange contracts and at this point both you and the seller are legally committed to the deal. At this point, you will need to pay a deposit of about 10% of the purchase price. Also, you become responsible for putting right any loss of or damage to the property (unless the contract says otherwise). Your conveyancer will advise on how and when this should be arranged and be put into effect."

If you are depending on the sale of an existing property to buy the new one, you need to make sure that you exchange contracts for both properties at the same time, and agree the same completion date for both properties. Otherwise, there is a risk you might be legally committed to buy but not have access to the money you need to do so. If you complete your purchase before your sale then you will face a shortfall and will need an expensive "bridging loan".

## Completion and moving in

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You become the legal owner of the property on an agreed date (known as the "completion" date) after exchange of contracts. This is when the price you are paying for the property is transferred from your mortgage lender to the seller. The conveyancer is responsible for checking that the funds have been received before allowing the keys to be released to the new owner. Often, in practice, it will be the seller or the estate agent who hands over the keys.

Once you have your completion date, you will need to think about organising moving in. Removal firms can sometimes get very busy, so it is worth getting quotes in advance and booking as soon as you know your completion date if you are planning to hire a firm to pack or move your furniture.

Before you move in, you also need to ensure that you:

- Contact gas, electricity, water and telephone suppliers to arrange connection or continuity of service;
- Contact anyone who writes to you regularly with your change of address. You can also get post from people you may forget to tell redirected to your new address for a period for the payment of a fee.
- Don't forget to tell your employer, current account provider, investment/pension providers, DVLA, TV licensing, children's schools, doctor, dentist, and anyone else who may need to know that you have moved.