

ASK THE EXPERTS

Buying your first home



LLOYDS BANK



The Council of Mortgage Lenders is an independent organisation that represents lenders and provides information on buying a home.

We've used their independent guide to help you get to grips with what to do when getting on the property ladder.

This guide covers:

Buying a house in England and Wales



Applying for a mortgage



Getting a formal mortgage offer



Conveyancing (legal) work



Completion and moving in

Buying a house in England & Wales

Once you have decided to buy your home, the home-buying process in England and Wales involves:



Applying for 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.

You will need to insure the property against fire and other threats - this will be a requirement of mortgage offer.



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)

“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.

The fee charged by conveyancers will vary. 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 they will check that the lender's requirements are met and 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

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 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.