


Home Buying Process



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STAGE 1

FIND A PROPERTY YOU CAN AFFORD

Before you start house hunting, it's a good idea to work out what you can afford to spend on buying a house or flat and your monthly mortgage payment

Typically, we can find you 5-6x your base salary as a maximum loan amount. So, if you earn £50,000 per year, you may be able to get a mortgage of £250,000 - £300,000. Similarly, if you are a couple who both earns £50,000pa, then you may be able to borrow £500,000 - £600,000. Terms and conditions will apply. Min deposit amount 10% (5% Equity help to buy scheme)

THINK ABOUT COSTS

Consider how you'll cope if your financial situation changes, or interest rates rise, and be careful not to overstretch yourself.

Remember, your savings will have to cover not just the deposit, but expenses such as mortgage fees (typically anything between £0 - £2,000) and Stamp Duty.



CHECK YOUR CREDIT REPORT

Before you apply for a mortgage, check your credit report for any errors and to get an idea of your score. Lenders will look at it when considering your application.

CHOOSING THE RIGHT MORTGAGE

It's never too early for you to start thinking about arranging a mortgage as this can be time-consuming. You can get a mortgage from an Independent Financial Adviser (IFA) like ourselves, mortgage broker or lender. Often broker fees apply, ranging from £250 - £600 per application, so make sure you have chosen the right mortgage at this stage.

Once you've found a mortgage product you like, agree it as a mortgage 'in principle'.

This tells you how much money the lender is likely to offer and the interest rate you'll pay.

You might have to pay a booking fee to reserve the mortgage product you want. Typical cost: £99 - £250



STAGE 2

MAKE AN OFFER

Once you've found a home you want to buy, the next step is to make an offer, usually through an estate agent. You only pay for an estate agent if you're selling property

The fees usually range from 0.5% to 3%, plus VAT, of the selling price.

Time taken - 1 to 3 business days

Total time so far - 4 weeks 2 days



VALUATION SURVEY

This survey is done by the lender to make sure the property is worth the price you're paying before they approve the mortgage. It is not an extensive survey and will not identify all the repairs or maintenance that might be needed.

Typical cost: £150 - £1,500 depending on the value of property.

Some lenders might not charge you for this, depending on the type of mortgage product you select.

THE PROPERTY SURVEY

Home buyers who didn't have the right survey faced a £5,750 bill on average after moving in, according to the Royal Institution of Chartered Surveyors. You should commission a survey on the property to help you avoid hidden costly problems in the long run.



STAGE 3

ARRANGE A SOLITOR AND SURVEYOR



The solicitor will handle the legal work around the property

The surveyor will survey the property to check for building problems, which might affect the cost of the home.

Your solicitor will tell you how much you can expect to pay and might ask for a deposit upfront – this is typically 10% of their fee. Typical cost: £500 - £1,500 + 20% VAT.

Your solicitor submits searches to the local council to check whether there are any planning or local issues that might affect the property's value. Typical cost: £250 - £300.

You will want to use a solicitor with conveyancing experience, we can help put you in touch with some excellent solicitors. Email your Name and Postcode to info@humboldtfinancial.co.uk

It's your property, so it's in your interest to pay for a decent survey at this stage. It can also help you to renegotiate the price. For example, if the survey reveals a problem with the home that will need £5,000 to pay for repairs, you could ask the seller to lower the price by that much.

There are several types of survey available:

- ✓ RICS condition report – basic 'traffic light' survey and the cheapest. It's most suitable for new-build and conventional homes in good condition. No advice or valuation is provided in this survey. Cost: £250.
- ✓ RICS homebuyer report – suitable for conventional properties in reasonable condition. This is a much more detailed survey, looking thoroughly inside and outside a property. It also includes a valuation. Typical cost: £400+.
- ✓ Building or structural survey - the most comprehensive survey and suitable for all residential properties. It's particularly good for older homes or homes that might need repairs. Typical cost: £600+.
- ✓ We have a great group of surveyors who we can refer you to. If you would like us to pull some quotes together, please email your name and postcode to info@humboldtfinancial.co.uk

Time taken – 1 week

Total time so far – 5 weeks

STAGE 4

FINALISE THE OFFER AND MORTGAGE

Once the survey is complete you might want to go back and renegotiate the price of your new home.

There are two reasons for this:

- ✓ Your survey might uncover problems with the property that will be expensive to fix. You can use this information to ask for a reduction in price.

The lender might value the property at a lower price, leaving you with a

- ✓ shortfall. This means you won't be able to match the asking price or what you originally intended to offer.

It's this stage in the process that is often most stressful. Delays and problems can arise from such situations as:

- ✓ Your mortgage application is rejected
- ✓ The seller withdraws the property from the market
- ✓ The seller accepts a higher offer from another buyer (known as 'gazumping').





COMMUNICATION IS IMPORTANT WHEN THINGS GO WRONG
When problems occur, it's worth making the effort to stay in touch with the seller via your solicitor and estate agent. It's often possible to rescue the situation by keeping the lines of communication open.

FINALISING YOUR MORTGAGE

If everything has gone according to plan, contact your lender or financial adviser to proceed.



IT'S STILL NOT TOO LATE TO CHANGE YOUR MIND

If you decide not to buy, you can pull out and cancel your mortgage application before you have exchanged contracts. But you might lose some of your money depending on how far you've gone in the process.

Time taken – 1 - 10 business day(s)

Total Time so far – 6 weeks

There is often a fee, usually called an arrangement fee, to set up the mortgage. This can be added to your mortgage, but if you choose this option, bear in mind you'll pay interest on it for the life of the mortgage. Typical cost: £0 - £2,000. After you have received a binding mortgage offer, your mortgage lender must give you at least seven days to think about whether or not this is the right mortgage for you. You can use this time to compare this offer with other mortgages. If you're sure that this is the right mortgage for you, you can let the lender know in less than seven days that you want to go ahead.



STAGE 5

EXCHANGE CONTRACTS

If there are no problems or delays, then you should receive the contract to sign and complete the sale. Before signing the contract, go through it with your solicitor to check that all the details are correct.

Make sure you're happy with what the sellers have agreed to leave in the property and that all your queries have been answered.

At this stage, you and the seller are committed to the sale.

The seller might also ask you to pay a holding deposit – typically £500 - £1,000 to show intent.

Once you've exchanged contracts you'll need buildings insurance in place to cover the structure of the property. We can help source products tailored to your new property, as above, please email your name and post code to info@humboldtfinancial.co.uk



STAGE 6

COMPLETION AND FINAL STEPS



The remaining money owed to buy the property is now transferred from your solicitor's account to the seller's solicitor's account. Since some of the money comes from the mortgage provider there will be a telegraphic transfer fee. Typical cost: £25 - £50.

You might also have to pay a mortgage account fee. The lender charges this fee for setting up, maintaining and closing down your mortgage account. It's often added to the mortgage, which means you'll pay interest on it, so consider paying it up front instead. Cost: £100 - £300.

You'll now need to pay your solicitor's bill (minus the deposit and local searches if you've already paid them)

Your solicitor will register the sale with the Land Registry for properties in England and Wales. In Northern Ireland it needs to be registered with Land and Property Services and in Scotland with Registers of Scotland. The cost of this will depend on the price of the property.

Sellers will need to pay their estate agent on completion. The fee is agreed at the outset and is typically a percentage of the purchase price, usually 1% to 3% of the sale price plus 20% VAT. Buyers don't have any estate agent fees.

Buyers of residential homes have 14 days from the completion date to pay any Stamp Duty in England and Northern Ireland, or 30 days in Wales.

If you're using a removal company, moving on a weekday is cheaper. Typical cost: £300 - £600.

As you can see, costs can vary dramatically with different providers and experts. As independent advisers we represent you and will aim to get you the most tailored outcome possible, whether that is by using the cheapest professionals to get the job done or the most thorough, we will work with you so that you fully understand each stage of the process.

We hope you found this useful and if you're looking to engage us for residential purchases, please quote the discount code "FREEBROKER" when discussing your situation with one of the team members and we will waive our broker fees (typically £350).

Please note that your home may be repossessed if you do not keep up repayments



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