

TRAIN UR BRAIN

HOW 2 – UNDERSTAND THE HOUSE-BUYING PROCESS

To the uninitiated, buying a home can seem like a daunting, complicated process. And sometimes it can be! However, most transactions are completed smoothly and without difficulty. Read on to find out the basics that you need to know about buying a home:

Mortgages - A mortgage is a loan provided by banks, building societies and mortgage lending companies. They lend you the money (or the bulk of it) and you repay it to them each month with interest. The property acts as security for the loan so that, if you cannot make payments, your lender can repossess the property to recoup the loss. There are loads of different types of mortgage, which vary in the way they are paid back and the way interest is charged on them. Mortgage advisors, who work for banks, building societies and independent financial companies, can advise on the different types of available mortgages and their suitability to your situation.

Valuation – Once you've decided which house you are going to buy, you need to get it valued. This is so that whoever is lending you the money can be sure that, if you were not able to pay them back, they could re-sell the property and recoup their money. The valuation will be carried out by a surveyor and organised by the moneylender but you will have to pay for it.

Survey – It is not compulsory to have a house surveyed before you buy it but most think it sensible to do so. A survey examines and identifies any structural problems with the house. A surveyor may be able to spot problems that you cannot, which might prove to be very costly in the long run. If they do find problems, it is then up to you to decide whether to continue with the purchase and deal with the problems or to abandon the sale altogether. Again, the buyer must meet the cost of the survey (using the same surveyor that carries out your valuation may make it cheaper).

Solicitors – It is necessary to hire a solicitor when buying a house. They carry out important work, mostly to do with drawing up, checking and negotiating contracts. They also arrange for other forms and legal processes to be completed.

Estate Agent – The estate agent organises the sale of a house. They advertise the house to be sold and find buyers for the property. They are used by those selling houses and are paid by sellers once the house is sold. If you make an offer on a property you do so through the estate agent.

Deposit – Most mortgage lenders will only lend up to a maximum of 95% of the total price of the house. The rest must be paid as a deposit, which will be the difference between the sale price and your mortgage.

Freehold/Leasehold – When you buy a house, you need to know whether you are buying a freehold or leasehold property. With a freehold property, you own the house as well as the land it is built upon. If you buy a leasehold property, you own the house but not the land. This means that you will usually pay an annual ground rent to the landowner.

Holding Deposit – If you are keen to purchase a property and wish to prove it, it may be advisable to pay your estate agent a holding deposit (of around £200). This shows that you have good intentions and intend to complete the purchase.

Gazumping/Falling Through – Gazumping is a term that refers to the practice of a seller accepting a higher offer from a second buyer, after they have already accepted an offer from a first buyer. It is a practice that is much frowned upon but it does still happen. As with gazumping, if the sale of a property that you're buying falls through (for whatever reason), it may cost you a lot of money and it certainly won't improve your mood!