

First Time Buyers GUIDE



**Perthshire Solicitors
Property Centre**

Buying a house can seem a daunting prospect, particularly if it's your first time. We hope this guide to some of the key elements of the transaction will help you understand each stage of the process.

Finance

The mortgage

Before you go house hunting you need to know how much you can afford. Most purchases are completed with a loan from a bank or building society. The range of mortgage products is wide, eg. repayment, endowment, pension or PEP. These can then involve a variety of forms which need to be carefully considered to make sure the deal suits you and also to ensure that all the costs involved in the mortgage, rather than just the monthly payment, are clear. Mortgages break down into fixed rate, capped rate, tracker rates and so on. Many PSPC members have in-house financial advisors who can assist you with this essential first step.

The amount you can borrow will usually be based on two main factors.

- 1 A multiple of your (and possibly your partner's) income or a similar assessment to ensure you can afford the repayments.
- 2 A percentage of the value of the property (rather than the price paid for it).

The loan available to you will be the lower of these two figures.



The deposit

Part of the price will most likely be coming from your own funds. This is generally referred to as the deposit. If this is held in a savings account make sure the funds can be uplifted in time for the settlement date.

Legal fees and expenses

Any PSPC member can provide you with an accurate estimate not only of your estate agency costs but also the legal costs and outlays involved to complete the sale. These include not only legal fees but also often quite substantial sums for Stamp Duty Land Tax, Registration of the title and so on.

Our member firms also provide a truly in-house legal service based at their local offices, whereas some other local agencies may advertise in-house conveyancing which is actually carried out by another firm in a completely different area.





Finding and securing a house

Having calculated how much you are likely to be able to afford to pay you can now begin househunting in earnest. Bear in mind that the largest selection of property in Perthshire is available through PSPC, which should be your first call. Register on our Matchmaker system to ensure you are notified as soon as any property matching your wishes comes on the market.

Once you have seen a property you like there are several steps that can be taken to protect your interest, even if you are not quite in a position to submit an offer at that time. If you haven't contacted a solicitor by now you should do so at this stage as your solicitor is best placed to advise you on all matters relating to securing that all important property.

Noting Interest

If you are interested in a particular property let your solicitor know and they will note your interest with the selling agent. If that is done the selling agent should tell your solicitor if another offer is received or if a closing date is to be fixed and so on. Noting interest does not mean you are obliged to proceed further, or that you will be penalised if you do not, but it does mean you should be kept advised of developments.

The Home Report

All properties marketed for sale after 1st December 2008 must have a home report. The report must be made available to a potential buyer. This is usually available on-line, or if you do not have internet access a printed copy should be available.

The Home Report comprises three elements; a valuation and survey, an information section and an energy certificate. If you buy the property the surveyor who carried out the home report is liable to you for any erroneous statements even although the report was instructed by the Seller. The Surveyor must also act impartially in the preparation of the report.

The purpose of the Home Report is to provide potential buyers with more relevant information about the property than was previously the case and for that information to be freely available.

Most Lenders will accept the terms of the Home Report for the purpose of their mortgage, although some may not. Also, if the report is more than 3 months old a lender may require the report to be updated.

Offering for a property

You should now be in a position to submit an offer.

Items to be included in the offer

Before the offer is submitted it is important your solicitor knows of any particular matters which need to be taken into account. This could include:-

- details of any moveable items you expect to be included in the sale such as carpets, curtains, appliances and the like.
- whether you will be using the property for any specific purpose other than just as a home
- whether you plan to alter or extend the property
- if the property is served by private roads or paths, or private services
- if there should be guarantees available, for example for woodworm or damp treatments

"Missives" Securing the contract

If the seller's agent is not fixing a closing date the parties are free to negotiate on the offer. After discussing the offer with you negotiations on your behalf with the seller's solicitor or estate agent can proceed, verbally or in writing. A verbal offer is not binding but in some cases the negotiations will be carried out verbally with the written offer only being submitted once agreement on terms is reached.

In most cases where a written offer is to be accepted the acceptance will contain some further conditions (this is referred to as a qualified acceptance). If these qualifications are acceptable a letter accepting them is issued and the contract, or bargain, will be concluded at that stage. The contract is then binding on both parties. Only once the point has been reached where neither party has any further qualifications and the last set of qualifications has been accepted is there a binding contract - up to that point either party can withdraw without penalty.



The letters forming the contract are also referred to as the missives. Until recently a valid offer for property had to be in writing and signed in accordance with various legal requirements. Now, any signed letter can form the basis of the contract. You should therefore take care not to commit any discussions in writing to either the seller or selling agents as that could end up being accepted and forming part of the contract.

Between contract and settlement

Much of the subsequent work involved in the transaction will be carried out between the two firms of solicitors and if the transaction is reasonably trouble free there may be little of substance to report until nearer settlement.

Your loan

Whilst you should be certain by this stage that your loan will be granted by the Lender, you should ensure at this stage that your loan application has been completed and that the lender does not need any further information from you to enable the loan to be processed. The lender will then issue a formal offer of loan to you. Loan instructions will also be issued to your solicitor.

Your solicitor completes a certificate of title to the lender and request the loan funds for the date on which they will be needed. Your solicitor will also prepare the main document securing the loan to the lender - the standard security. This document must be signed by you before the loan funds are used. There may be other documents which the lender will also require.



Making sure there are no problems

One of your solicitor's principal jobs is to make sure there are no problems with the title to the property or any other problems which could cause difficulties in the future.

Title

The title is checked to ensure that there are no defects and that you will receive good title to what you are buying. This would include any additional rights you may need, for example access over a private road.

Your solicitor will also check that there are no unusual conditions in the title which would unreasonably restrict your ownership or use of the property.

Local authority searches - the property enquiry certificate

The seller obtains a certificate from the local authority or a private search company which confirms various matters relating to or affecting the property. These include whether the road is adopted or private, whether there are mains services, whether there are any planning notices, orders or applications affecting the property, outstanding matters relating to building control, environmental health and so on. The contract is usually conditional on this certificate being clear of any problems.

Title searches

These are separate searches again instructed by the seller, in terms agreed with your agent, to ensure that there are no legal impediments to the sale. Clear searches must be exhibited before the transaction can be settled.

Alterations

If there have been any internal or external alterations to the property your solicitor will check that these were completed with the necessary local authority consents. If these are not available the seller may need to apply to the local authority for either a retrospective building warrant and completion certificate or alternatively a "Letter of Comfort". A Letter of Comfort is a letter issued by the Local Authority confirming that they are aware work has been carried out to the property without the necessary warrants, but that they intend to take no action. In some cases the title deeds may also specify that further consents are needed.

Whilst the Home Report will usually mention any relevant alterations if you are aware of any alterations you should make sure your solicitor is advised about them.

Settlement - the date of entry



Settlement will occur on the date of entry specified in the contract unless all the conveyancing matters have not been concluded. You should be made aware in advance if anything is likely to delay you moving into your new home.

At settlement the full price is paid to the seller in exchange for the title deeds, signed disposition in your favour and of course, most importantly from your point of view on the day itself, the keys.

There is no specific time by which this must happen. If you are likely to need the keys by a specific time on the date of entry you should let your solicitor know.

After settlement a lengthy stamp duty land tax return must be submitted on your behalf to Inland Revenue, even if no tax is payable for the transaction. After the transaction has been approved by Inland Revenue, and any appropriate duty is paid, the disposition and standard security are registered in the Land Register.

There will usually be a warranty that the central heating system is in good working order – this may apply to other items as well. There is usually a time limit after which no claim can be made for defect, probably 5 days, so you should check any such items as soon as possible and let your solicitor know if there are any problems.



The Land Register

Title to property is now registered in the Land Register of Scotland.

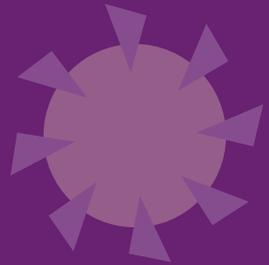
Once title is registered the purchaser receives a Land Certificate, which is a title guaranteed by the State. As part of the process the boundaries of the property as defined by the current title deeds are compared with the Ordnance Survey map. If there are no discrepancies between the two, and there are no other problems with the seller's title the registration should proceed without difficulty. However, if there are discrepancies this may cause problems with the registration of the title.

Where a property has not previously been registered in the Land Register a report, referred to as a P16 report, or property definition report, is usually obtained by the seller at an early stage in the transaction. This report compares the seller's title with the OS map. Any discrepancies shown at that stage may involve the seller in obtaining a corrective deed from a neighbour to remove any discrepancies between the ground being sold and the ground actually owned by the seller. This process only applies in relation to the first registration in The Land Register.

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Ask The Experts

To make an appointment with our Duty Solicitor telephone 01738 635301.
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