

Practical tips to enhance your financial position:

‘The Complete House Buying Guide In 7 Steps’

Whether it's your first house or next, here's some great info to help make it a smooth process!

Luv Asha x

Asha's
Financial Academy

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Inspirational financial education and guidance to help you plan and create the life you want to live!

The Complete House Buyers Guide (7 steps)

Buying a property is usually a very exciting time, but it can also seem a little daunting and a somewhat baffling experience especially if you are a first-time buyer.

The following guide takes you through all the steps from deciding what type of property you want, to moving in (there's also a viewing checklist at the end of the section for you to print off and use to accurately access each property you view).



The House Buying Process in 7 Steps:

Step 1. Where do you want to live?

The first thing you need to decide is what sort of area you want to live in. Make a list of the things that matter most to you. These might include having a good school nearby, good local transport links and good amenities.

Important factors you may wish to consider:

- Distance to work and quality of public transport if required
- Quality of local schooling if required
- Does the area have plenty of shops, supermarkets and restaurants
- Does the area have good transport links
- Are there good local amenities (e.g. local parks, sport and leisure facilities)

What type of property do you want to buy? First of all, make a list of all the features you would like:

Are you looking for a flat, house or a bungalow?

- If a house, are you looking for detached, terraced or semi?
- Would you prefer something old or new?
- How many bedrooms do you want/need?
- Do you want a garden? If so, how big?
- Do you want a garage?

Bear in mind that bigger properties not only cost more to buy, but also cost more to heat and maintain as well.

You may never find a property that meets all the requirements on your list. Be prepared to trade off one factor against another as you look around. For example, you might be prepared to live in a cheaper area if that meant being able to get a larger garden or maybe you opt for one less bedroom to get a property with a garage.



Step 2. How much can you borrow?

Lenders will generally lend you: a certain multiple of your income (or joint income). A typical multiple is up to 4 times your gross basic income or 3 times your joint gross basic income (if buying with a partner). On this example, if you earn £30,000 per year then you could borrow £120,000 on your own and if, let's say your joint income equals £45,000 you could borrow £135,000 jointly.

N.B. Any borrowing commitments you have such as loans and credit cards will reduce the total amount you can borrow if you intend to still have them when the mortgage starts. Each lender has their own set of lending multiples and will also look closely at how you generally spend your money and factor this in, plus they'll check your credit history (known as credit scoring).

To find out **how much can you borrow** simply visit a competent mortgage adviser (I recommend an independent one) or search online for 'mortgage borrowing calculator' to get an idea. You also need to keep an eye on the costs to make sure the repayments on the amount you are looking to borrow is affordable for your budget.

Fees: In addition to any deposit you have to put down, you also need to account for any related fees, as buying a property comes with certain costs, as follows;

Valuation Survey fee: this has to be paid up front with the application, there are 3 types of survey: basic, homebuyers & full structural, your mortgage adviser or lender will explain these to you in more detail.

Solicitor's fee: you can choose any solicitor you want to act for you, each one will quote you a price once you give them a few property details. Usually, the solicitor will ask for a nominal amount up front so they can start working for you and then request the balance from you on completion of the purchase.

Stamp duty (2021): This is an 'annoying' property tax charged on UK properties purchased for more than £125,000.

The first £125,000 doesn't attract a fee, however there is then an escalating percentage fee scale for set tiers above £125,000. The first tier where it applies is; a purchase price between £125,001 ~ £250,000 where a fee of 2% applies on the qualifying amount, e.g.

A £200,000 property would attract a 2% fee on a qualifying amount of £75,000 (i.e. £200,000 - £125,000 = £75,000) resulting in a stamp duty fee of £1,500. It starts getting expensive on properties sold above £500,000. You can search online for 'stamp duty land tax' to get more information and access stamp duty calculators to confirm the fees payable.

Now that you know what you can borrow and have factored in the costs, it's time to make sure you can get a mortgage by obtaining a:

Mortgage Decision in Principle (DIP)

A decision in principle simply means getting official approval (involving a credit search) to borrow funds from your chosen lender before making a full application. The DIP will approve an amount the lender is prepared to lend to you based on your circumstances. The actual lending is then subject to you making a full application, supplying the appropriate documents and the property valuation survey being satisfactory.

You don't have to get a decision in principle, it just gives you the added peace of mind and confidence, knowing the finance has already been approved, plus it is often handy in convincing a vendor that you are a genuine purchaser as lenders will issue you a certificate confirming the amount they have pre-approved for you. Your mortgage adviser can arrange a DIP for you.

Now you can go find a property with confidence.



Step 3. Start looking at property brochures and arrange to view a few.

Preference? With the fantastic online facilities available through sites such as www.rightmove.co.uk and www.zoopla.co.uk you can do huge amounts of browsing individual property details from the comfort of your own home. You may prefer to visit all the local estate agents and register your property preferences (i.e. price range, location and type) so they can notify you of all properties that match your requirements.

Whether you browse online, estate agent's premises or both, the objective is to create an initial shortlist all the properties that fit your criteria based on steps 1 & 2. Then, go through this list one at a time and create a final shortlist of properties you would like to view. Once you have the final list, simply call the relevant estate agent (or book online) to arrange a viewing for each property.

Viewing a Property

7 Questions you should always ask estate agents/vendors

- ❖ **Why is the owner selling?**
- ❖ **How long has the property been on the market?**
- ❖ **When does the current owner/occupier need to move out?**
- ❖ **What is the minimum price the seller will accept?**
- ❖ **What do you think the property will actually sell for?**
- ❖ **Who priced the property?**
- ❖ **What other homes are there in competition to this property?**

(*further explanation regarding the above 7 questions at the end of the report*)

The answers to these 7 questions may give you clues and an indication of how motivated the vendors are to sell the property, the more motivated they (i.e. need to sell quickly) the better your chances for reducing the asking price.

Always be courteous and friendly asking lots of general questions to show genuine interest and develop a friendly rapport with the sellers/agents, this can very often help you when it comes to the negotiating as '**people like to deal with people perceived to be like themselves'** (human psychology stuff!).

Things to look for/consider/ask

Area

- What are the local amenities like? Shops, schools, leisure facilities etc?
- Is public transport nearby?
- What is the condition of neighbouring properties?
- Are there any plans for development in the area?

Neighbourhood

- What are the neighbours like?
- Have there been any disputes with neighbours?
- Are they noisy?
- Has the property ever been burgled & does it have an alarm?



Neighbourhood continued...

- Is it likely to be noisy at certain times (from nearby school, pub, railway line)?
- What is the crime rate like in the area?

Inside

- What items are included in the sale?
- Are there any major cracks in the walls or doors that stick (this could indicate subsidence)?
- Does the property have double glazing (can be expensive to install)?
- Are all the wooden window frames solid (if you can press your finger into it, it's maybe rotten)?
- Do any walls feel damp, are there signs of mould or peeling wallpaper?
- Have any rooms been recently decorated? If yes, ask why (might be hiding something!)?
- Will your furniture fit in OK?
- Is there ample storage space?

Kitchen/Bathroom

- What sort of hot water system do they have?
- How long does it take for hot water to come through?
- Is there an electric shower?
- Is there plenty of ventilation?

Heating

- Does the property have central heating, if yes, how old is it?
- Have there been any problems with the boiler?
- When was the boiler last serviced?
- Is the loft insulated?
- Does the property have cavity wall insulation?

Outside of property

- Are any roof slates missing?



Outside of property continued...

- Does the roof sag? (this is a sign of subsidence)?
- What condition is the chimney in?
- Can you see the damp proof course above soil level?
- If there is no garage, does it have off road parking?
- What condition are any driveway & paths in?
- Are there any cracks in the walls?
- Is any guttering missing?

Garden

- What features are included in the sale?
- Does the garden get much sun (south facing gardens get the most sun)?
- Are there any trees or shrubs that could harm the property foundations?

General

- What is the cost of council tax?
- What are the average costs for gas, water, and electric (copies of bills will confirm this)?
- Don't be put off by internal decoration, it can easily be changed.

Did you get all that?

It is actually easier than it probably appears, a lot depends on the age of the property, the condition of a fairly new property should be reasonably good, whereas an older property will need closer attention.

Essential: remember to consider what requirements you need for your pets too 😊



Step 4. Making an Offer & Negotiating

Assuming you know how much you can borrow and the corresponding monthly repayments, decide on the maximum you are willing to pay for the property, this is your **walk away price**. If the negotiations take the price above this pre-determined figure, simply walk away.

- ❖ If you have asked all the questions listed in part 3 you should have a pretty good idea of the seller's circumstances and how keen they are to sell.
- ❖ When you come to negotiate, it could be direct with the seller or via the estate agent who is acting for the seller.

Important The key with any successful negotiation is to create a win-win situation where both parties feel they have got a good deal, you obviously want to pay as little as possible, but you also want the other party to feel good after the negotiation as you will be dealing directly/indirectly with them throughout the buying process (which will be for several months).

Making the Offer

When it comes to opening the bidding, there is a saying amongst seasoned property investors that goes '**never be the first to name a figure as that person always loses**' (it gives away the psychological edge).

Even if you are a first time buyer with no negotiation experience, it's still worth a try to get them to name a figure first, you could prompt them with "**what would you realistically accept for me to take it off your hands?**" Now stay silent, don't say another word until you get a reply, this may work or they may throw it back and ask you to make an offer.

N.b. more often than not you will be negotiating through an estate agent who is acting for the seller but also wants it sold as soon as possible.

'Test the Water'

Don't be afraid to price your opening offer fairly low as you can quickly counter offer, e.g. let's suppose the asking price is £96,000 you could offer £82,000, your first offer will nearly always be rejected unless it is the full asking price or close to it. A bid like this 'tests the water'

So, you now know £96,000 is the top limit (obviously) and £82,000 is the bottom limit, it will now go for somewhere between the two if you can both agree but it will probably be nearer to £96,000. If the seller is highly motivated to sell, by countering with a low offer of £82,000 you increase the negotiating range and psychologically 'lower the bar' in your favour (human nature generally dictates that any seller will want to sell to the next person making an offer for simplicity and convenience) as you're making a genuine offer.

Always act Unemotional during the Negotiating

No matter how keen you are to get the property, always act as though it doesn't matter if you get it or not, you want the seller to think you can take it or leave it. If you come across as desperate, you hand the psychological edge to the seller and will end up paying more.

A typical scenario might follow like this, after your offer of **£82,000** the seller replies £92,000, you counter this with **£86,000**, the seller comes back with £90,000, you counter with **£88,000** and then both agree at **£89,000**.

Always shorten the gaps as you counter-offer, with the above example the gaps in the offers are £4,000 £2,000 & £1,000 respectively, this gives the impression you are running out of funds and the seller will feel they are squeezing the last penny out of you.



Show displeasure and counter-offer with more reluctance (if face to face)

Remember all sellers are hoping the next person to view will be the one to buy as they want to get the property sold as soon as possible. If you act a little displeased and reluctant to increase your bid each time, not only does this also give the impression you are running out of funds, it also adds psychological pressure on the seller to reduce the price if they want a 'sold' sign on their property, otherwise the selling process continues for them.

As you increase your offer, to help give the impression even further, that you are at your limit, supply further evidence e.g. "I have £750 in an ISA which I could cash in but that's my absolute limit" or "I can just about squeeze to £89,000 if I sell the car".

Negotiate a few fixtures & fittings if you want them

The negotiation isn't just about money you can negotiate just about anything the seller owns e.g. furniture, fittings, satellite TV system, lawnmower etc, if the sellers have furniture & fittings just to your taste, you may as well pay them an extra £2,000 to leave them as opposed to ending up spending £3,000 and having the hassle of buying and doing it yourself.

The clincher

When you have agreed a final price that in your mind you are happy with, before you verbally confirm your acceptance, it's always worth pushing for that little extra in the way of an item (assuming you want something). E.g. "£89,000 is a little more than I really wanted to spend, but I'll tell you what, throw in the fridge freezer and I'll stretch to £89,000".

This is a very strong psychological technique to get that little extra as what you are really saying to the seller is, 'all you need to do is just agree to this final small demand and you've got the deal you've just asked for and sold your property'. This technique will very often get you something extra just for asking, once again, you've nothing to lose, you'll be surprised what you can get with this technique.

Rejection

If you can't agree a price, re-state your final offer, thank them for their time and calmly walk away. It can be disappointing if you had fallen in love with the property, but it's essentially a numbers game, if you view enough properties that meet your requirements, it probably won't be long before you find the right one at the right price.

Summary of Negotiating

- ✓ Decide on your 'walk away' price
- ✓ Ask lots of questions about the property and the sellers' circumstances to get as much information as you can.
- ✓ Try and get the sellers to name a price they would accept
- ✓ Always act unemotional during negotiation
- ✓ Make your opening offer (don't be scared to start low to 'test the water')
- ✓ Increase your offer with reluctance and make sure you shorten the gaps as you increase
- ✓ Ask for any extra's you want such as furniture & fittings etc.
- ✓ If an agreement can't be reached, show due courtesy and move on to the next property



Step 5. Arranging the Mortgage

Once you've agreed the sale, it's time to contact your adviser/lender and make an application.

Mortgage Application

If you've already had a 'decision in principle' from a lender you will only need to supply the additional information such as:

- The property details
- Estate agent's details
- Your solicitor's details
- Your bank account details

If you haven't had a 'decision in principle' you will need to complete a full application with your adviser/lender which entails the above details plus your personal details, i.e. name, address history, date of birth, employment & salary details etc.

Personal documents (UK)

In addition to the application, you will be required to supply certain personal documents, generally all lenders will require some or all of the following for all applicants:

- last P60 (to verify your earnings)
- last 3 months payslips (to verify your earnings)
- 2/3 years' accounts (to verify your earnings if self-employed)
- 3 months' bank statements (to see how you run your bank account)
- Passport or Driving License (to confirm your identity)
- Recent bill/statement (to confirm your current address)

Survey

As part of the application, you will be asked which type of **survey** you require, your lender/adviser will explain the different options to you. Unless the chosen lender offers a free valuation, **this is the first fee you will be required to pay in the process**, you will need to pay this when you make the application.

Solicitor

You will need to choose a solicitor to act for you, if you don't have one in mind, your lender/adviser should be able to recommend one or two for you, alternatively ask friends and family for any recommendations. To quote you, all they will need is the purchase price, type of purchase (leasehold or freehold) and property postcode.

Protection Insurance

Your lender/adviser will also discuss any life insurance, payment protection and property insurance you require and arrange the appropriate insurances to commence on completion of your mortgage.

Step 6. The Mortgage Process

Assessment

The first thing the processing department will do on receipt of your application is assess the information and your documents to verify everything is in order.



Survey

The lender will instruct a surveyor to carry out a survey to ascertain the property is appropriate security for the required lending. You may receive a copy of the survey; this will depend on the lender and the type of survey you have chosen. Any potential problems (e.g. damp) with the property will be recorded on the surveyor's report and brought to the attention of you and your solicitor.

Mortgage Offer

Once the processing and survey have been carried out to the lenders satisfaction, they will issue a mortgage offer, this is the formal offer which outlines all the lending terms and conditions. A copy is sent to you and your solicitor, from this point forward everything rests in the hands of your solicitor to liaise with the seller's solicitor and take the transaction to completion where you become the property owner.

Step 7. The Conveyancing (Legal) Process

Your solicitor will carry out all the necessary steps and liaise with the seller's solicitor to complete the transaction.

What Your Solicitor does ~

Stage 1 ~ Agreeing the Sale

- ❖ Organises searches at the local authority and asks you for a sum of money on account for such expenses. This is generally the second fee you will be required to pay in the process.
- ❖ Receives replies from local searches, looks at the valuation report and deals with any issues arising from either. Will also send you a document to confirm the fixtures & fittings included in the sale.
- ❖ Receives mortgage offer and deals with any conditions on your behalf.
- ❖ Finalises the contract with the seller's solicitor and reports to you with the contract for signing and requests your deposit (if applicable). At this point you will need to make an appointment to see your solicitor to sign the contracts and hand over your deposit (if applicable).

Stage 2 ~ Exchanging Contracts

- ❖ They'll exchange contracts with the seller's solicitor, hand over the deposit and set a completion date. This is the point where you are legally bound to purchase the property.
- ❖ Verify the mortgage funds are available for the completion date.
- ❖ Prepare the deed of transfer and mortgage deed for you to sign.

Stage 3 ~ Completion

- ❖ Finally, they'll transfer the mortgage funds to the seller's solicitor in return for the deed of transfer, land registry certificate and the property keys to complete the sale.



- ❖ You will receive a completion statement and will be required to pay the balance of the solicitor's costs plus stamp duty (if applicable), **this is the final time you will pay fees.**
- ❖ Your solicitor will then pay the stamp duty (if applicable) to HMRC, register you as the new owner with the Land Registry and send the property title deeds to your mortgage lender.

N.b. sometimes exchange and completion are done at the same time, your solicitor will advise you of what is appropriate to your circumstances.

Either the solicitor or estate agent will inform you that the process has completed and make arrangements for you to pick up the key.

Congratulations!! – You're a Homeowner

The 7 vital questions you should ask an estate agent

Love them or hate them, one thing's for sure, property buying would be a lot trickier without the help and support of the estate agent. We all know the reputation estate agents tend to have (in the UK)! Of course, there are many very good ones out there, however, there are good reasons not to just blindly go along with everything they tell you.

The estate agent is a deal maker. The reason for concern arises when the agent performs 'tricks' to get a deal through. Although no one has any objection to a bit of enthusiasm and creativity in getting a deal through, the problem arises if these 'tricks' go against the interests of either buyer or seller.

It is important to remember that the Estate Agent is contracted to work for the seller who will be paying their fee on a successful sale. However, a good Estate Agent has a duty to remain professional and ethical in his dealings with all parties throughout the selling process.

The question for a buyer is how to cut through all the estate agent waffle and get the true picture on a particular property deal.

If you ask these 7 questions with each property you are interested in, you will gain a greater insight into the deal, and obtain valuable information to help with your negotiating position.



1. Why is the owner selling?

If you are lucky, the estate agent may reveal more than they should about the seller's circumstances and motivation for selling. A motivated seller is more likely to accept an offer below the asking price.



2. How long has the property been on the market?

Has the property been 'sticking' on the market? Does this make the seller desperate to sell? Why is the property not selling? Are there any problems with the property which the estate agent is not disclosing?



3. When does the current owner/occupier need to move out?

Is there an urgent deadline which could be an advantage in negotiating a lower price for the property? If the owner has to move somewhere else, they will be keen to sell and get everything settled before they go. If the property is tenanted and the tenancy is coming to an end, the seller will not want to keep the property empty for too long after the tenancy has ended.





4. What is the minimum price the seller will accept?

If you can get it, knowing the bottom price (or 'ballpark' figure) which the seller will accept will help you formulate your offer. If a property has been on the market a while, most estate agents will be fairly forthcoming with this type of information (as they just want the sale).



5. What do you think the property will actually sell for?

This is a bit of a 'fishing expedition'. What you are looking for is signs that the estate agent has a different opinion as to the true value of the property. This may give you clues of where to start with your offer.



6. Who priced the property?

Another 'fishing' question to follow-up from the last. If the seller priced the property and the estate agent thinks it's too high, then when you place a lower offer, you stand a very good chance of having the agent bat for your corner. If the estate agent has priced the property, then they probably will stand by their valuation and push you to offer close to it.



7. What other homes are there in competition to this property?

This is a very useful question provided you get an honest answer! The estate agent is looking to close a deal, not reopen things with a whole load of new options. You are likely to get an honest answer by taking the property details sheet into a rival's office and asking them! The information you gather will be important in justifying any offer you make.

Get answers to these 7 questions and you'll be a lot more informed to make your offer.

Remember wealth creation is a team sport, grab all the help you need!



Professional advice?

As mentioned (as I always do 😊), I strongly recommend you seek the advice and guidance of a suitably qualified independent adviser for any mortgage and related protection (life insurance, home insurance etc) advice to understand your options and all the costs, before making any final decisions.

Section 11 Summary

The 7 House Buying Steps are:

1. Deciding what type of property you want and where you want to live.
2. Finding out how much you can borrow and getting prior approval.
3. Armed with your checklist, start viewing and appraising properties.
4. Negotiating and making an offer.
5. Arranging the mortgage.
6. The mortgage process.
7. The legal process required for you to become the new legal owner.



Checklist: pages 115 – 118 contain the property viewing checklist (from step 3) for you to print off as required. It is designed to systematically guide you through all the key areas so you can compile a detailed assessment and notes for each property you view.

Final thought...the 7 questions are very simple to ask. I am not suggesting you ask these like a script one after another. The best way is to engage the estate agent in natural conversation. Bring them up in whichever order feels right at the time.

Wishing you all the best,

Asha x

Remember, the more research you do and questions you ask, the more chance of getting a bargain!



Final Word:

"Investment in knowledge followed by intelligent action, pays the best interest."



Property Viewing Checklist

Address: _____

Asking Price: £ _____

Estate Agent: _____

Important Questions to ask owner/estate agents

How long has the property been on the market? _____

Why are you selling? _____

Have you had any offers? If yes, how many? _____

Are you in a position to move quickly or are you in a chain? _____

What is the cost of council tax? _____

What are the average costs of gas, water, electric (copies of bills will confirm this)?

Area

What are the local amenities like? Shops, schools, leisure facilities etc.

Is public transport nearby?

What is the condition of neighbouring properties?

Are there any plans for development in the area?



Garden

What features are included in the sale?

Does the garden get much sun? (south facing gardens get the most sun)?

Are there any trees or shrubs that could harm the property foundations?

Neighbourhood

What are the neighbours like?

Have there been any disputes with neighbours?

Are they noisy?

Has the property ever been burgled?

Does the property have a burglar alarm?

What is the crime rate like in the area?

Is it likely to be a noisy at certain times (from nearby pub, railway line etc)?

Inside

What items are included in the sale?

Are there any major cracks in the walls or doors that stick (this could indicate subsidence)?

Does the property have double glazing? (can be expensive to install)



Are all the wooden window frames solid (if you can press your finger into it, it's maybe rotten)?

Do any walls feel damp, are there signs of mould or peeling wallpaper?

Have any rooms been recently decorated? If yes, ask why (might be hiding something!)

Will your furniture fit in OK?

Is there ample storage space?

Is the loft insulated?

Kitchen/Bathroom

What sort of hot water system do they have?

How long does it take for hot water to come through?

Is there an electric shower?

Is there plenty of ventilation?

Heating

Does the property have central heating, if yes, how old is it?

Have there been any problems with the boiler?

When was the boiler last serviced?

Does the property have cavity wall insulation?



Outside of property

If there is no garage, does it have off road parking?

What condition are any driveway & paths in?

Are there any cracks in the walls?

Is any guttering missing?

Are any roof slates missing?

Does the roof sag (this is a sign of subsidence)?

What condition is the chimney in?

Can you see the damp proof course above soil level?

Notes