The Homebuyer's Handbook

Welcome to the Equifax Homebuyer's Handbook

Our home buying guide aims to provide a general overview of the process for those who have already made the decision to buy a house.

It outlines some basic steps within:

- **The mortgage process**
- **Finding a house**
- **The legal process after an offer has been made**

It also includes a selection of resources, such as budget plans, possible positive/negative factors affecting your credit report, and essential questions when house hunting.

For many people, buying a home will be the biggest purchase they make during their lifetime and therefore requires a lot of thought and consideration. The Homebuyer's Handbook offers a starting point for further research and understanding on the subject.

This guide is not intended to replace the formal advice you can obtain during the home buying process through financial, legal and other professional advisors. Please note that some of the processes outlined in this guide are only applicable to buying a house in England & Wales. The legal aspects and steps may differ in Scotland.

Contents

Please note that this guide is not intended to replace the formal advice you can obtain during the home buying process through financial, legal and other professional advisors. It does not constitute legal advice tailored to your circumstances. If you act on it, you do so at your own risk.

The information contained within this handbook is accurate at the time of publication – May 2016. Over time, regulatory and other market changes may result in some of the information becoming outdated.

First Time Buyers

Before you begin

Before you start planning your home purchase, there are few things you might like to consider…

Buying a home requires a long term commitment and you should think carefully about what is important to you.

Where do you want to live?

How might your circumstances change in the future?

What type of property suits your lifestyle and circumstances?

It is important to consider how significant life events could impact you, e.g. if you were to lose your job.

The one-off costs associated with moving can be significant and it's wise to think ahead.

You may like to spend some time comparing the overall cost of buying a house with other options available to you, such as renting.

It is important to think about how negative events could impact you in the future.

e.g. the housing market fluctuates and in some circumstances can lead to homeowners experiencing 'negative equity' *(when the market value of a property falls below the outstanding amount of a mortgage secured on it)*

A few preparation tips for first time buyers

Ask friends/family members about buying experiences (this can help you spot unforeseen circumstances or road blocks).

Carefully estimate your total budget and do not be tempted to exceed it. Don't forget to think about the one-off costs of moving, such as legal fees and removals / storage (see page 8).

Work out how much you can afford to spend on mortgage repayments, taking into account other costs of living such as utilities, council tax, etc.

Think about your deposit. Typically, a larger deposit can mean a wider range of mortgages are available.

Obtain a copy of your **Credit Report**. Check that is accurate and up to date.

Avoid borrowing additional money towards your deposit as the repayments could impact your ability to afford mortgage repayments and other costs of living.

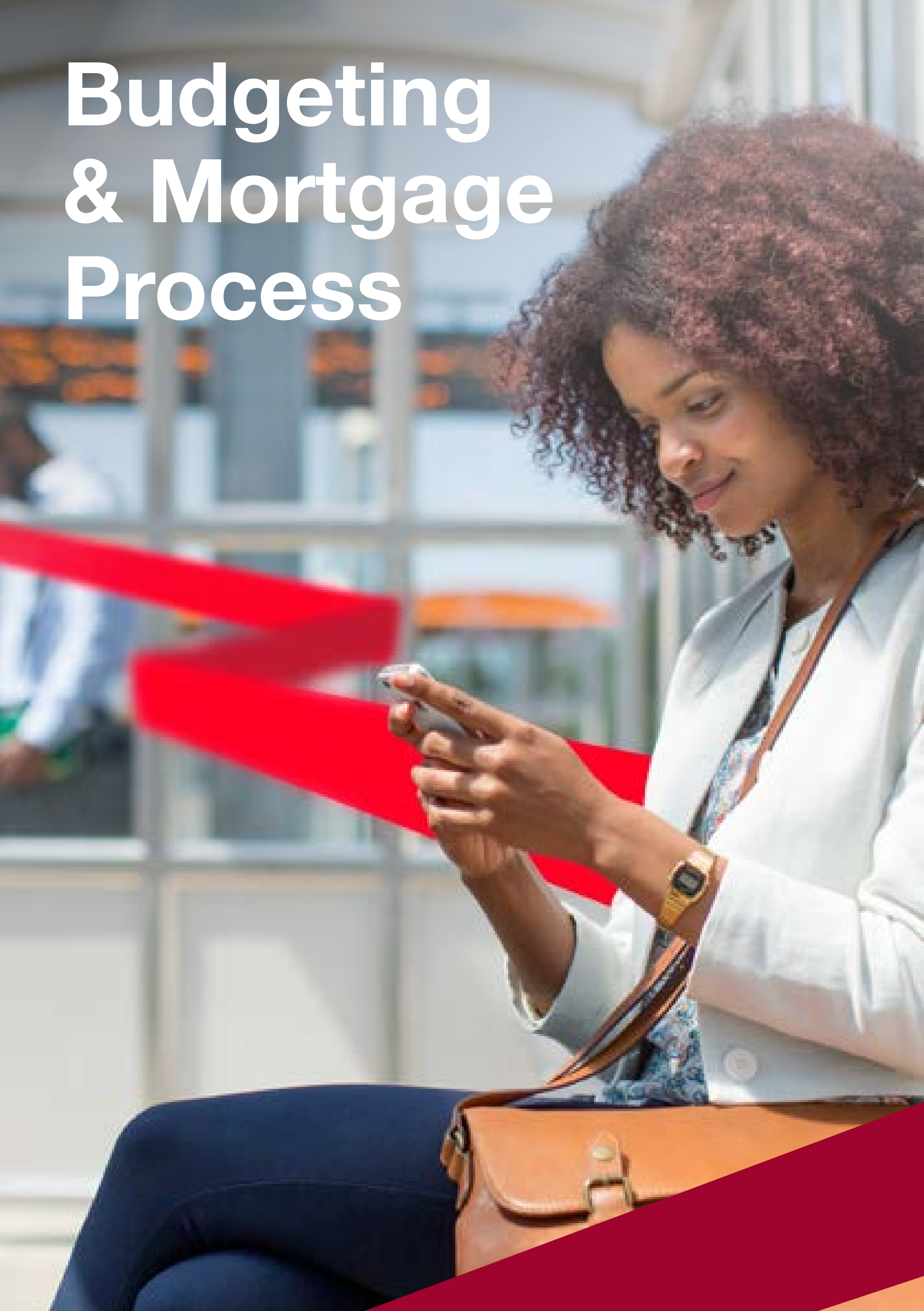
Research the types of property you're interested in and learn how different features can impact prices in your area.

Explore whether any home buying schemes in your area could help you onto the property ladder, e.g. Help to Buy, NewBuy and Shared Ownership.

Research the different types of mortgage available on the market and understand how interest rates will affect the amount you repay.

Some lenders also offer incentives, such as free legal services or reduced survey fees.

Budgeting & Mortgage Process



Living expenses budget plan

Calculating how much you spend on living expenses is essential when working out how much you can afford to spend on monthly mortgage repayments. Lenders will look at your income and expenditure when assessing your mortgage application.

The below plan can help you to budget your living costs.

Category	Budget	Actual	Difference
Primary salary *(after tax, student loan, NI*)*			
Spouse's salary *(after tax, student loan, NI*)*			
Other income *(benefits, part time job, etc.)*			
Income total			
Rent/housing payments			
Gas			
Water			
Electricity			
Landline & mobile phone			
Internet			
TV licence & satellite			
Council tax			
Other utilities			
House maintenance & service charges			
Spousal maintenance			
Child support			

Category	Budget	Actual	Difference
Pension			
Life insurance			
Credit cards			
Other debt/loans			
Family expenses *(clothing, activities, education)*			
Food & household			
Entertainment & lifestyle *(cinema, restaurants, DVDs, etc.)*			
Personal *(gym, clothing, etc.)*			
Health/medical outgoings			
Other personal outgoings			
Public transport			
Car *(insurance, road tax, fuel)*			
Miscellaneous *(vet, charity, holiday, etc.)*			
Outgoing total			
Balance			

*NI - National Insurance

Buying and moving home budget plan

In addition to calculating your living expenses, you will also need to think about the one-off costs associated with buying and moving home.

The plan below can help you do this.

Associated Costs	Estimated Amount
Deposit	
Mortgage arrangement fee	
Stamp Duty	
Legal fees	
Survey & valuation fees	
Estate agent fees (if selling and buying)	
Furniture, maintenance, and decoration costs	
Removal services	
Total	

Mortgage process

1 Visit your chosen lender, broker or independent financial advisor for mortgage advice. Check in advance what documentation will be required (e.g. passport, payslips, bank statements). Use the meeting to check that your borrowing plans are realistic and to find out about next steps.

Obtain a copy of your Credit Report and check to make sure that is accurate and up to date. (See page 11 for some of the positive/negative factors that may appear on your report.)

2 To help determine your eligibility and potential rates, most lenders will use a variety of information when assessing your application, including the information your provide on your application, information held by credit reference agencies and any other information they hold about you.

The lender, broker or independent financial adviser will explain what mortgages are available to you. Use the information provided, to help you make an informed decision.

If you're struggling to find a mortgage, explore the possibility of a guarantor: A relative or friend that agrees to be responsible for the mortgage payments if you are unable to pay (this is an important decision for both parties).

3 Once you've found your preferred mortgage, find out if the lender can offer a 'decision in principle' (check with the lender if their offer expires, if it does, confirm the expiry date).

A 'decision in principle' can help show sellers and estate agents that you are in a position to proceed with the purchase.

4 **Start searching for your new home.**
(See the **House hunting** flowchart on page 13).

Credit report positive factors

- **Building up credit history (1)**
- **Keeping a low credit balance and never exceeding your limit (2)**
- **Never missing a payment (3)**
- **Settling outstanding debts (4)**
- **Noticing & correcting errors on credit report (5)**
- **Registering on the electoral roll (6)**
- **Closing any unused accounts (7)**
- **Spacing out credit applications (8)**

(1) Lenders are likely to review your credit history when you apply for credit, before making a decision on your application. Building up a credit history will allow lenders to see that you have demonstrated responsibility in repaying debts.

(2) Keeping your credit balance low and within your credit limit indicates good money management.

(3) Many lenders will carry out checks using credit reference agencies to confirm that an applicant has kept up to date with their existing financial commitments.

(4) Settling debts, such as personal loans or hire purchase agreements, in full demonstrates responsibility in repaying debts.

(5) If there is an error on your report, you have a right for it to be rectified. Contact the lender or a credit reference agency to ask for it to be corrected. You also have the right to explain. A 'notice of correction' can be attached to explain things like missed payments due to extenuating circumstances. Lenders reviewing your credit history will be able to see this.

(6) The electoral roll is used by many companies for identity verification purposes and in order to combat identity fraud. Lenders must verify that a potential customer is who they say they are, and being registered on the electoral roll at a current address can assist with this verification.

(7) Lenders will often look at the total amount of unutilised credit available to an individual and consider this when making a lending decision. This could include looking at credit available to you in accounts you no longer use.

(8) When a lender uses a credit reference agency to 'search' your credit history during an application for credit it will leave a 'footprint' on your credit report. This can be viewed by other lenders and a high volume of searches in a short space of time could impact the success of an application.

Credit report negative factors

- **Late or missing payments (1)**
- **Frequently changing address (2)**
- **Financial associations with others that have poor credit history (3)**
- **Bankruptcy (4)**
- **Receiving a County Court Judgment (CCJ) (5)**
- **Setting up an Individual Voluntary Arrangement (IVA) (6)**
- **Making multiple credit applications in a short period (7)**
- **Keeping a high credit balance (8)**
- **Spending all available credit (9)**
- **Defaulting on a credit agreement (10)**

(1) Missed or late repayments could indicate an individual is financially stretched or lacks responsibility in repaying debts; both of which are likely cause for concern for a lender when assessing an application for credit.

(2) Some lenders consider the length of your residency at your current address. The longer the period of residency, the more likely it may be considered a positive an indicator of financial stability.

(3) A lender might look at your 'financial associations', i.e. individuals with whom you share a financial responsibility, such as a joint loan or mortgage. Being financially associated with an individual who has a poor credit history could impact your own application for credit.

(4) A bankruptcy entry will remain on your credit report for six years and could affect your ability to access credit during that period.

(5) A CCJ could stay visible on your credit report for six years, even if it has been settled. Unsettled or multiple CCJs could indicate an individual is financially stretched or lacks responsibility in repaying debts; both of which are likely cause for concern for a lender when assessing an application for credit.

(6) An IVA will remain on your credit file for six years and could impact your ability to access credit during that period.

(7) When a lender uses a credit reference agency to 'search' your credit history during an application for credit it will leave a 'footprint' on your credit report. This can be viewed by other lenders and a high volume of searches in a short space of time could impact the success of an application.

(8 & 9) Lenders will often look at the total amount of credit already utilised by an individual and consider this when making a lending decision. Using a significant proportion, or all, of the credit available to you could indicate that you are already financially stretched.

(10) A default will remain visible on your credit report for six years, even if you repaid the amount owed. Unsettled accounts and / or multiple defaults could indicate an individual is financially stretched or lacks responsibility in repaying debts, both of which are likely cause for concern for a lender when assessing an application for credit.

Finding a house

House hunting

1 Before you begin it's important to think about the home you would like to buy.

What type of property do you have in mind and can you afford it? *(House, flat, etc.)*

Does your budget accommodate both your chosen location & preferred property type? If not, which one is flexible?

What do you consider essential features of your property? *(Garden, parking, balcony, etc.)*

2 Start searching via local estate agents, property websites, newspapers, etc. For properties in your chosen area(s) and within your price range.

Looking at properties at both the top and bottom of your chosen price bracket can help you assess what the money can buy.

3 Begin viewings of your chosen properties and find your new home.

4 Research the property details and its history (see our **Essential questions** on the next page).

A flat can have extra factors to consider such as maintenance charges and a building lease. *(See Additional questions for buying a flat on page 16).*

5 Make an offer. This is usually done through an estate agent.

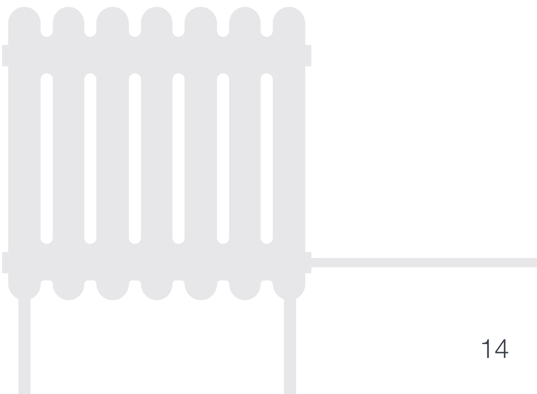
6 In the event of other offers, keep a maximum in mind and think carefully before increasing your offer.

7 Complete a full mortgage application with your chosen provider and wait for your offer to be accepted.

Essential questions to consider

- How long has the property been on the market? *(longer than three months may mean that you can place a lower offer. It can also indicate problems with the property)*
- How long have the owners lived there? *(a short period may indicate issues with the house or area)*
- Why is the seller moving?
- Has the seller found another property / is there a chain?
- What Council Tax band does it fall under?
- Are the neighbours noisy? *(if the seller has lodged complaints against their neighbours, when asked, legally the seller has to tell you)*
- What fixtures and fittings are included in the price?
- Are any appliances included?
- What is the heating system? *(is it central heating?)*
- When was the boiler last checked and how old is it?
- Has the property ever been burgled or has the area ever suffered flooding?
- Where are the property boundaries and who is responsible for maintaining them?

Tip
View properties at different times of the day for changes in environment and noise levels



Further considerations

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- How energy efficient is the house?
  (Look at the Energy Performance Certificate)
- Do the taps work and how long does it take for the water to come through?
- Are there signs of damp? *(Mould, decay, visible patches, cracked window frames)*
- What is the neighbourhood like? *(Schools, crime rate, rush hour, nearby pubs, etc.)*
- Where are the nearest transport links and are they reliable?
- Where are the closest supermarkets/shops?
- In what condition are the neighbouring houses? *(If they are in bad condition, it could affect the value of your property)*
- Are there any nearby trees whose roots could affect the property's foundations?
- If there is no driveway, what are the parking restrictions and the cost of a permit?
- Are the windows double-glazed or triple-glazed and how well insulated is the property?
- Has the property been recently redecorated?
  (This could indicate concealed damp or cracks)
- Does your furniture fit in the layout of the rooms?
- Do you think it's worth the asking price? What have similar properties in the area sold for?
- Is the property part of housing development? Are there additional costs for shared areas? *(Some housing developments are managed similarly to leasehold flats, see the next page for additional questions)*

Tip

There are some specific things to consider when buying a flat or a housing development home

See next page

Additional considerations when buying a flat

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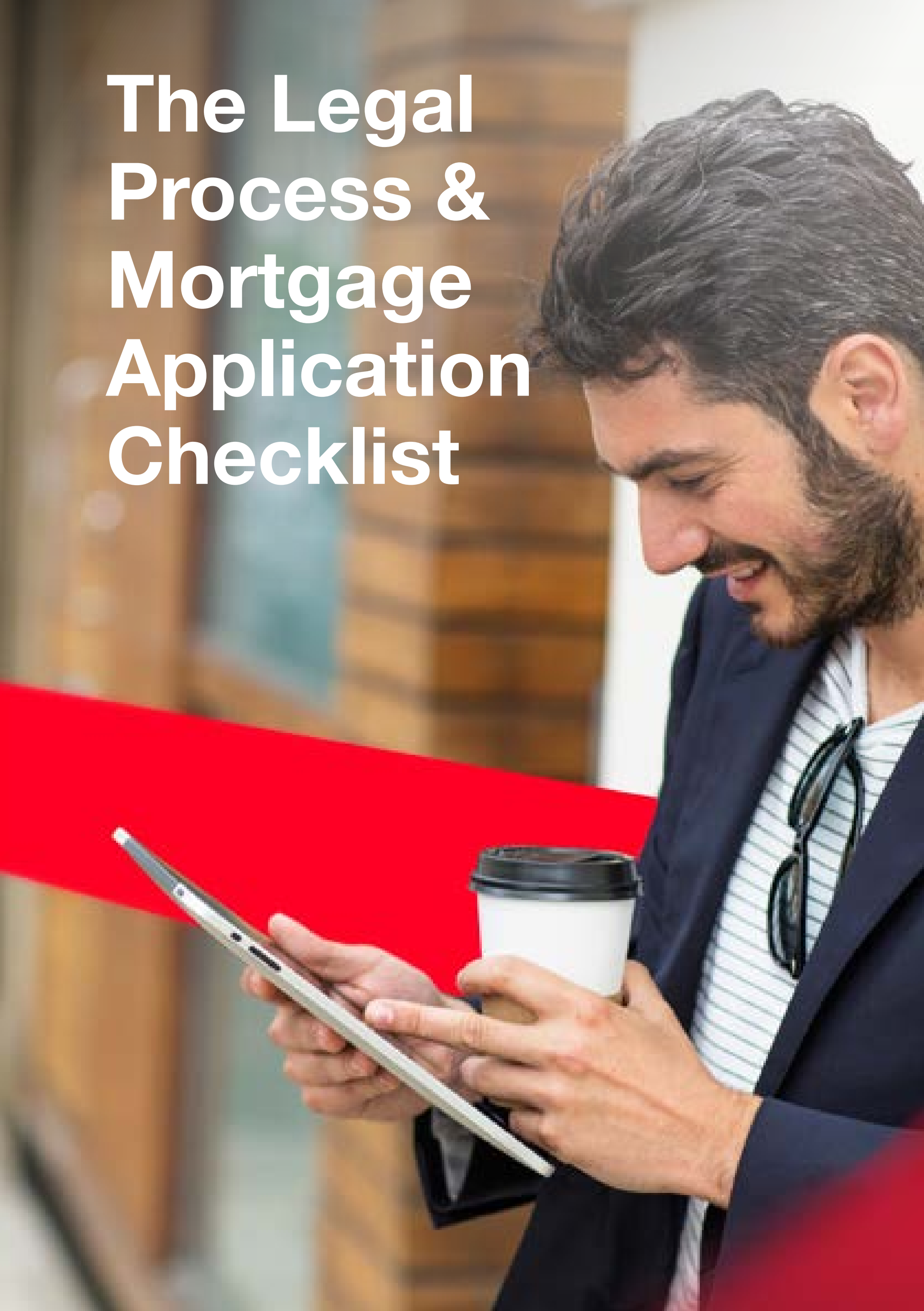
- **Is it leasehold** *(leased from the building owner)* or freehold *(you would own the building and the land)?*
- **Is there service charge and how much is it?** *What is included in the service charge and how often is it paid?*
- What **restrictions are included in the lease?** *(E.g. no pets)*
- **Who are the managing agents?** *(Managing agents are in charge of the building services & vary in reputation – it may be worth researching the company)*
- How **many years are left on the lease?** *(Under 80 years can be a problem for lenders so check your provider's lease criteria)*
- Are **the communal areas clean and well kept?**
- Are **there any major upcoming works that could add a premium to the service charge?** *(I.e. a new roof)*
- How **much is the ground rent and how often is it paid?**
- Is **the garden shared or private?** *(What are your responsibilities?)*
- Who **owns the parking area/spaces?**

These questions can also apply to some housing development homes that are managed similarly to leasehold properties.

The Legal Process & Mortgage Application Checklist



The legal process - when your offer is accepted...

Tip
Using a local solicitor can save time as they will know local laws and lease restrictions

1 Hire a licenced conveyancer or solicitor

Some lenders may have rules about solicitors/conveyancing *(e.g. if the property is over a certain value)*. Check with your provider if they have any restrictions.

2 Arrange for a surveyor to carry out your chosen survey/homebuyers report and prepare a valuation for your lender.

3 Finalise the mortgage agreement.

4 Your conveyancer or solicitor transfers the property's legal title from the seller to you *(this conveyancing process can take between 10 and 12 weeks)*.

5 Agree on a completion date, sign the contract and pay your deposit.

6 The solicitor/conveyancer will send documents for you to review and sign.

Completion statement. Transfer deed. Mortgage deed.

7 The solicitor/conveyancer arranges for your lender to pay the funds, they will then transfer to the seller's solicitor.

8 The transfer deed is stamped by your conveyancer/solicitor who then arranges for the Stamp Duty Land Tax to be paid *(by you)*.

9 The transfer deed and mortgage deed are sent to the land registry. This registers you as the new owner as well as registering your mortgage *(The paperwork is usually returned a few weeks after the sale completes)*.

10 The seller hands over the keys and the property now belongs to you!

Mortgage application checklist

- ☐ Save your deposit
- ☐ Work out your budget *(See budget plans on pages 7 & 8)*
- ☐ Check your credit report is accurate and up to date
- ☐ Check what documentation is required when seeking mortgage advice *(E.g. passport, payslips, bank statements)*
- ☐ Visit your chosen lender, broker, or independent financial advisor with the required documentation. *(See the step above)*
- ☐ Decide on the best type of mortgage for you
- ☐ Find out if your chosen lender will offer a 'decision in principle'
- ☐ Look for your new home
- ☐ Make an offer
- ☐ Complete a full mortgage application
- ☐ Hire a solicitor/conveyancer
- ☐ Arrange for a homebuyers report/survey and valuation
- ☐ Finalise the mortgage agreement
- ☐ Agree on a completion date and sign the contract
- ☐ Review and sign:
  - ☐ Completion statement
  - ☐ Transfer deed
  - ☐ Mortgage deed
- ☐ Collect your keys

Moving home

Moving house - essential checklist

- [ ] Book a removal company *(Preferably belonging to the British Association of Removers (BAR))* with a couple of weeks notice *(Check the contract for duties they cover and what happens if anything is damaged in transit)*
- [ ] Collect/buy moving boxes
- [ ] Start packing less used items and taking down shelving and lights etc. as these take time
- [ ] Pack an essentials box on the day *(This includes items such as a kettle, tea, milk, screwdriver, toilet paper, and lightbulbs etc. as well as all your important documents and valuables)*
- [ ] Arrange the removal of any gas appliances you are taking with at least a week's notice
- [ ] Take the final meter readings *– gas, water, electricity.*
- [ ] Notify each utility company that you are moving and supply them with the new address and move your in date
- [ ] Organise the transfer of your phone number, or settle your last phone bill if cancelling the contract
- [ ] Cancel standing orders for any bill/outgoings of your current house
- [ ] Defrost and clean the fridge/freezer
- [ ] Arrange for the redirection of your mail
- [ ] Check your possessions are insured during the move *(if you are using a removal company belonging to BAR make sure they have sufficient cover)*
- [ ] Organise internet access at the new property *(to go live on the move-in date or installation just after)*
- [ ] Notify your change of address to :
  - [ ] Banks/building societies
  - [ ] Credit card companies
  - [ ] Employer
  - [ ] HMRC
  - [ ] Council tax departments of current address and new address
  - [ ] Home insurer
  - [ ] Car insurer
  - [ ] DVLA
  - [ ] TV licence & TV supplier *(e.g. sky)*
  - [ ] Doctor
  - [ ] Dentist
  - [ ] Optician
  - [ ] Mobile phone company
  - [ ] Online shopping sites both delivery and billing address.

The importance of your credit report

Obtaining a copy of your ***credit report*** early can help you to make sure that it is accurate and up to date.

Get a copy of your ***credit report*** with Equifax and prepare for your home buying journey today

https://www.equifax.co.uk

Useful resources

- Your local council website
- ***www.ordnancesurvey.co.uk*** (Links to maps)
- ***www.mouseprice.com*** (House price comparison site)
- ***www.maps.google.com*** (Google Street View)
- ***www.iammoving.com*** (notifies people that you have moved)
- ***www.homecheck.co.uk*** (Free information about the environment in and around your property)
- ***www.voa.gov.uk*** (Valuation Office. Contains details of council tax and business rates for every property in England and Wales)
- ***www.zoopla.co.uk*** (Property search site. Zoopla allows you to view the area's average sale price, area stats, etc. It can also display the price history of your chosen property and surrounding houses.)
- ***https://www.gov.uk/change-address-driving-licence*** (DVLA change of address)
- ***https://www.gov.uk/register-to-vote***