

LESSON 6 – BRINGING CLARITY TO THE PURCHASE



- ✓ You've selected your property and are confident of its suitability to your strategy
- ✓ You've input the figures which in-turn has calculated the correct asking price
- ✓ The offer is put forward, accepted and agreed upon in principle

Now what?

A TIMELINE TO COMPLETION

In theory, this is a relatively straightforward process. Primarily because you are using leverage to complete the process – various members of the team you have put together are running around after you like well-trained colleagues.

This list gives you an outline of how the sale process works. Note that this is not an exact science and variations will apply.

1.) You have organised your finances, so you are putting offers forward on properties that suit your strategy. If you plan to use a mortgage then the broker will require a plethora of information from you, things like, but not limited to. Passport, driving license, utility bills, three months bank statements, financial information relating to incomings and outgoings including other mortgages, details of any loans, proof of funds and maybe even your inside leg measurements.

- 2). You put your offer forward. If you are dealing with an agent, they may require some identification and proof of funds.
- 3). The offer is accepted by the vendor in principle.
- 4). If you haven't already done so, you will now need to provide the full suite of Know Your Customer (KYC) information. This will include a Decision Agreement in Principle (DIP) (sometimes called an Agreement in Principle (AIP)).
- 5) A Memorandum of sale needs to be written and sent out to agents, solicitors and brokers. This is normally done by the vendor's agent.
- 6). Now is the time to instruct your solicitor. If you have never used them before, then they will require the KYC details also. They will need some payment on account to start work on the searches also to create a contract between you.
- 7). If you are using a mortgage, you now need to agree, with your broker, the most suitable mortgage and instruct the broker to set the full application in motion.
- 8). The next stage is where it appears to slow down, the conveyance stage. The solicitors (attempt to) talk with each other to make sure that they have collected all the information relating to covenants, boundaries, building regulation certificates, the right of ways, drainage etc. to agree the details of the exchange of contracts.
- 9). While this is going on the mortgage company will request payment for the valuation. They will then appoint a surveyor to complete the survey. Once the survey is complete, you have a valuation (usually), and the mortgage company will release the mortgage offer detailing any stipulations or conditions.
- 10). Your solicitor and broker will check through this for you. You will then need to sign all the paperwork to agree to exchange contracts; most solicitors like to do this in person to talk you through the contract.
- 11). A couple of days before the exchange of contracts it is a good idea to ask to view the property, this is to ensure that all the agreed furniture or goods have been removed or left as indicated.
- 12). You should arrange building insurance for the day of exchange.
- 13). On the day of exchange, you have entered into a contract to complete the sale. Your deposit will be transferred to the vendor's solicitor.

14). A final statement will arrive from your solicitor showing the amount you must transfer to complete the purchase; this will include all the associated fees inc Stamp Duty Land Tax (SDLT).

15). You transfer the remaining funds, and the mortgage company will release their funds to your solicitor.

16). Completion of sale takes place. For an investment property, this is often done at the same time as the exchange of contracts.

17). Next comes the phone call you have been waiting for, the call from the agent that tells you the keys are ready to collect.

18). Excitement can now manifest on our way to collect the keys up from the agent's office

THE REAL WORK BEGINS

Ok, so the process might not always be as smooth as we demonstrate above, in principle, it's as easy as 1, 2, 3 – (18) but it rarely ever plays out the same way twice.

You just need to grin and bear it, it can be a little taxing on your patience, but it's all for a greater cause, and relatively short-lived. It does get easier as your broker will not require half as much of the information the next time around.

A DEMONSTRATION OF THE COSTS INVOLVED

Without wanting to sound like a broken record, if you have implemented your strategy correctly, you will already have a good idea of the costs involved. However, as we realise at this point, very few will have any idea which way to turn let alone have constructed an in-depth business plan we have a demonstration below.

Agreed sale price	<u>£90,000</u>
Your contribution (based on 25%)	£22,500
Stamp duty land tax (SDLT) at 3%	£2,700
Solicitor conveyance	£750
Mortgage valuation fee	£350
Broker fee	£300
Searches	£300
Building insurance	£110

Refurbishment Costs

£0

TOTAL

£27,010

Omitting your 25% contribution, the most significant and most notable figure above is the inclusion of 'Stamp Duty Land Tax' or SDLT as its referred to. This second home tax liability was added to homeowners in April 2016. It means that the standard rate of SDLT is to be 3% higher for anyone who owns a second property, therefore, the 0% exemption on property under £125,000 now carries a 3% tax liability charge.

Brackets home	Std Rate	Buy-to-let/second
Up to £125,000	0%	3%
£125,001 - £250,000	2%	5%
£250,001 - £925000	5%	8%

So there you have it, its a very quick, easy to digest lesson. Now the process is a little arduous the first time around, and it has gotten harder in recent times. However, it should get easier the next time around.

In our experience, omitting any special circumstances the process takes between 6-10 weeks depending on the structure of your business, i.e. is it a personal or LTD company acquisition.

LESSON SUMMARY

Here's a summary of this lesson and your next steps to take ACTION! You must take action right now. Go! Go! Go!

Q. WHAT HAVE YOU LEARNT?

- That the process is just another form of leverage.
- The costs involved in buying a property.
- That you may need to show patience when buying a property as it is a little arduous, especially the first time around.

Q. WHAT ARE THE KEY POINTS?

- Speak with a broker to check your mortgage suitability.
- Asses what mortgage types are available to you.
- Begin looking at the information they may require.
- Preparation is key.

Q. WHAT SHOULD YOU DO NOW

- Speak with a broker to check your mortgage suitability.
- Asses what mortgage types are available to you.
- Begin looking at the information they may require.

PREPARATION IS KEY.