

FIRST TIME BUYERS GUIDE



Mc
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solicitors & estate agents

Explaining the terminology
and the process

If you are new to getting on the property ladder, buying your first home is an incredibly exciting time, but it can be also be very daunting. This is why we have put together a step-by-step guide to the process of buying a house in Scotland where we explain some of the unfamiliar terminology you may come across.




1. FINANCES, MORTGAGES AND WHAT CAN YOU AFFORD?

It is important to understand at the outset how much you are able to borrow and similarly what you can afford to pay each month. Before buying a property you will need a deposit and you'll need a mortgage lender to confirm that they are prepared to lend you money – this is a 'Mortgage in Principle'. This will involve obtaining a credit check and your credit score. You should speak to an IFA (Independent Financial Adviser) or Mortgage Broker to obtain information about the best mortgage deal to suit your circumstances. This is much quicker than trying to find one yourself as they have access to all of the deals available on the market.

You must have a deposit of at least 5% of the property price, however many lenders now ask for a 10-15% deposit, so ensure you have saved up as much as possible. Some even expect that the Bank of Mum and Dad are not used too heavily and they expect you to have saved up most of the funds yourself.

Additionally, it is important to take into consideration other costs involved in buying your first home - moving costs, furniture, utilities bills, lawyers' fees and LBTT. In Scotland, buyers must pay a lump sum tax called LBTT (Land & Buildings Transaction Tax) on properties costing over a certain amount, and the percentage tax payable increases with the price of the property. A new temporary threshold is currently in force, meaning all buyers will pay no tax on properties purchased for up to £250,000 (until 31 March 2021).


2. FINDING A LAWYER



You will need to instruct a solicitor to make an offer on a property on your behalf. It is handy to have this in place prior to looking for a property so you are able to act fast. There is nothing worse than being unable to offer at a quick closing date because you have not instructed a solicitor and dealt with all the anti money laundering requirements when you suddenly want to offer at a quick closing date. As soon as you find a property you want, contact your solicitor. McDougall McQueen has one of the largest property teams in Edinburgh and the Lothians, with seven high street offices. The highly experienced team all live in and around the area, so know the market inside-out.



3. NOTE INTEREST ON A PROPERTY



Once you have found your dream home, your solicitor will note interest with the seller's agent. The seller's agent will probably wait until several buyers have noted their interest before setting a closing date. A note of interest is not legally binding, but they do help you gain some time in getting yourself organised to put an offer on the property. This gives you time to arrange finance. Occasionally you may be able to try a speculative offer and the seller may negotiate with you or even accept the offer, especially if the property has been on the market for some time.

4. SURVEY

Sellers, under most circumstances, need to provide an up-to-date Home Report – the Home Report includes three separate documents; The Single Survey, Energy Performance Certificate (EPC) and the Property Questionnaire.

Not only is this necessary for you to obtain your mortgage, but it provides buyers with more information about a property prior to submitting an offer. The Home Report will identify any issues of concern, such as dampness, and also give you a valuation of the property's worth. It is very important that you read the Home Report carefully before making a commitment to buy. You can obtain Home Reports freely on www.espc.com.



5. MAKE AN OFFER

Once you have the survey results or once you are satisfied with the terms of the Home Report, and are happy with what they say, you need to decide how much you're going to offer. Your lawyer will carry out the whole negotiation process for you and submit a formal offer on your behalf. If you act quickly, the solicitor may be able to negotiate a deal before other buyers have had a chance to register their interest in the property.



6. CLOSING DATE & ACCEPTANCE OFFER



Where there are multiple notes of interest on a property, the seller will tend to set a closing date. You will be notified of the date and time by which offers have to be submitted. Your solicitor will submit your offer, following your instructions. If your offer is accepted, the seller's solicitor will negotiate to reach agreement on any conditions relating to the offer. This is when a property is "under offer" – meaning the homeowner has accepted an offer from a buyer but the paperwork is not yet complete.

Once all parties are in agreement, the contract (or "missives") can be concluded, constituting a binding contract between the buyer and seller. At this point, neither you nor the seller can withdraw from the transaction without paying damages to each other.

7. APPLYING FOR A MORTGAGE

Once your offer has been accepted, you should speak to your IFA to progress your formal application to your chosen lender. Once the offer of loan has been issued by your lender, your solicitor will liaise with your mortgage lender and let them know that the purchase is going ahead along with the proposed date of entry. They will then receive the loan monies shortly before the date of entry.

8. DATE OF ENTRY

Your conveyancing solicitor will undertake several tasks during the period from acceptance of offer and entry date, including checking the title deeds, examining all relevant searches, drafting the deed that will transfer title to you, preparing the security documentation relative to your mortgage, liaising with your mortgage lender over the release of funds and generally ensuring that all obstacles to the sale are removed.



9. COMPLETION

On the agreed date, your solicitor will transfer the purchase price to the seller's solicitor, accept in exchange the title deeds and keys to the property and arrange to have the property registered in your name.





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