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and get the price you want*

# **Buying & Selling a Home**

FOR  
**DUMMIES®**

**2nd Edition**



**Melanie Bien**

*Property writer and Director  
of Savills Private Finance*

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**by Melanie Bien**



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# *Dedication*

This book is dedicated to Jonathan, JB, Helena, and William.

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# Introduction

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Welcome to *Buying & Selling a Home For Dummies, 2nd Edition*. You can discover many of life's lessons by trial and error, but because buying a property is one of the most expensive and stressful things you are ever likely to do, the fewer mistakes you make along the way, the better. In this book, you can find loads of information and advice that you might need to make buying or selling your home as smooth, straightforward and pain-free an experience as possible.

## About This Book

These pages are overflowing with useful advice and information presented in a light, easy-to-access format. This book helps you decide whether the time is right to get a foot on the property ladder for the first time, how to decide upon the location and type of property you want, what you need to know about arranging the financing, and what happens on the legal side of things. Those selling their homes can also find plenty of help, from setting the price to preparing your property for viewings and haggling with prospective buyers. Just as important, this book can help you maintain your sense of humour – as well as your sanity – as you deal with these challenges and more.

## Conventions Used in This Book

To help you navigate through this book, I've set up a few conventions:

- ✓ *Italic* is used for emphasis and to highlight new words or terms that are defined.
- ✓ **Boldfaced** text is used to indicate the action part of numbered steps.
- ✓ Monofont is used for web addresses.

## What You're Not to Read

I've written this book so that you can find information easily and easily understand what you find. And although I believe that you want to pore over

every last word between the two yellow covers, I actually make it easy for you to identify ‘skippable’ material. This is the stuff that, although interesting and related to the topic at hand, isn’t essential for you to know:

- ✔ **Text in sidebars.** The sidebars are the shaded boxes that appear here and there. They share personal stories and observations, but aren’t necessary reading.
- ✔ **Anything with a Technical Stuff icon attached.** This information is interesting but not critical to your understanding of buying and selling property.
- ✔ **The stuff on the copyright page.** Take it from me, there’s nothing here of interest unless you are inexplicably enamoured by legal language and reprint information.

## *Foolish Assumptions*

In this book, I make some general assumptions about who you are:

- ✔ You may never have bought your own property before but are thinking about it. Perhaps some of your friends have recently got a foot on the first rung of the property ladder, and you’re thinking about joining them. Maybe you’re sick of renting and are wondering whether buying would actually work out cheaper. Or maybe you’ve had enough of living with the folks – bless ’em – and are ready to move on.
- ✔ You may be a homeowner who’s looking to upgrade to a bigger property. Even though you’ve bought a flat or house before, you may not have sold one and want to know what avenue – selling privately, at auction, or with the help of an estate agent – is best.
- ✔ You hope to get information on the best mortgage for your circumstances, whether you are a first-time buyer or moving to a bigger property.
- ✔ You want easy-to-understand information that explains just what you need to know about buying or selling property because you’ve got better things to do (like sleeping, participating in your favourite leisure activity, or even relaxing on holiday) than become an expert on property law. In other words, you want to get it right while you retain control over your life.

## *How This Book Is Organised*

*Buying & Selling a Home For Dummies, 2nd Edition* is organised into six parts. The chapters within each part cover specific topic areas in more detail. So

you can easily and quickly scan a topic that interests you, or you can troubleshoot the source of your latest major headache!

## ***Part I: So You Want to Buy Your First Home?***

You may currently be renting a flat or house for good reason – perhaps you aren't in a position to buy your own home. But before you throw in the towel and decide that you simply can't afford to buy your own place, find out for sure whether this is the case or not. You may discover that home-ownership is a possibility for you. This part helps you assess whether you can get your hands on the necessary cash to buy the home of your dreams or whether you need to downscale your ambitions. If you can't afford to raise the money on your own, this part also help you examine what options – like teaming up with family or friends – can help you get your foot on the property ladder. You can also find advice on how to choose the right property and how to research an area, so that when you do finally buy, you're happy with the house and the area you chose. And because you'll probably use the services of an estate agent, this part explains what you need to know about those, too.

## ***Part II: Finding the Right Property***

Once you know what you want and have worked out that you can vaguely afford it, the next step is the sometimes hit-and-miss process of actually finding the home of your dreams. Some people are lucky and end up buying the first property they set foot in, while others spend months fruitlessly searching for what they want. In this part, you can find what questions to ask when viewing properties, and I also guide you through the various construction styles and architectural periods you may come across during your search. If you are especially brave, or can't find a property you want to buy, this part also includes information on self-build, including advice on sticking to budget, not falling afoul of planning rules, and getting your home completed on time.

## ***Part III: Making an Offer and Finding the Readies***

Buying property is an expensive business, so it's important to get the financing just right. This part takes you from making an offer to signing on the dotted line – and everything in between. Here you can find advice on making an offer that gets you the property you've got your heart set on without paying over the odds. You also get advice on using a mortgage broker and the

different types of mortgage available. If finances are tight, you'll find the information on low-cost routes to homeownership helpful. This part also helps you safeguard your money, with advice on the various surveys available to ensure that you don't make an expensive mistake, as well as the insurance cover you need to protect the roof over your head.

## ***Part IV: Selling Your Home***

The worst fear of many homeowners is selling their property at the wrong time – and not getting as much for it as they could have done. This part helps you assess whether the time is right to move and helps you ensure that you get the best price for your home. You can find advice on getting your home ready for prospective buyers to view and how to guide them round – especially helpful information if you're selling your home privately. Because many sellers use estate agents, this part also includes information on how to ensure that you get the best services from your agent and what to do if your agent isn't performing as well as you had hoped. Even if you leave the negotiating to your estate agent, the final decision as to whether to accept an offer or not is yours. You can also find advice on whether your response to an offer should be yes or no.

## ***Part V: The Legal Process of Buying and Selling***

The legal stuff is usually guaranteed to make most people's eyes glaze over, but if you're buying or selling a home, you must become familiar with the *conveyancing process* – the name for the legal transfer of a property from seller to buyer. Certain things will be expected of you along the way – from signing and returning forms quickly to supplying your solicitor with additional information. By knowing what you need to do and when you should be doing it, you can avoid holding up the entire buying-selling process. This part gives you the low-down of what both parties' solicitors do during conveyancing; it also gives you an idea of the costs involved. And because the property buying and selling process in Scotland differs in many ways from the process used in England, Wales, and Northern Ireland, I give you a full breakdown of that, too.

## ***Part VI: The Part of Tens***

Here, in a concise and lively set of condensed chapters, are tips that can make the difference between success and failure. In these chapters I address the things a first-time homeowner should know, offer suggestions on how to sell your home, and provide advice that can help you deal with estate agents.

## Icons Used in This Book

Scattered throughout the book are icons to guide you along your way and highlight some of the suggestions, solutions, and cautions of buying or selling your home:



Keep your sights on the target for important advice and critical insights into the best practices in buying and selling property.



Remember these important points of information, and you'll stand a better chance of buying or selling your property successfully.



This icon highlights the landmines that both novice and experienced homebuyers need to avoid.



This icon covers the boring stuff that only anoraks would ever know. You can skip paragraphs marked by this icon without missing the point – or you can read it and impress your friends with what you know.



This icon highlights the real-life anecdotes from years of experience and mistakes, made by friends, who have bought and sold property, and myself. While we should all learn from our own mistakes, it's even better to learn from other people's – and I share some of them with you here.

## Where to Go from Here

This book is organised so that you can go wherever you want to find complete information. Want to know what insurance you need to take out to protect your mortgage repayments? Head to Chapter 12. If you're interested in how to get your property ready for prospective purchasers, go to Chapter 15 for that. You can use the table of contents to find broad categories of information or the index to look up more specific things.

If you're not sure where you want to go, you may want to start with Part I. It gives you all the basic information you need to get started in buying and selling your home and points to places where you can find more detailed information.



# Part I

## So You Want to Buy Your First Home?



'...and another point — this neighbourhood's fine if you want quiet and total privacy.'

### *In this part . . .*

**B**uying your first home is one of the biggest purchases you will ever make in your life. The chapters in this part guide you through the process of figuring out whether it's the right time for you to take the plunge. I also fill you in on working out whether you can afford to buy your first home, and how you can manage it even without a huge salary or sizeable deposit. I also help you establish where you should buy.

This is the part for you if you've just started to think about purchasing a property, but you're not quite sure whether you are ready, or able, to do so.

## Chapter 1

# Why Getting Your Foot on the Property Ladder Is a Smart Move

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### *In This Chapter*

- ▶ Being aware of the advantages of owning property
  - ▶ Knowing the different ways and means that enable you to afford your first home
  - ▶ Making sure that you don't lose your hard-earned cash in a property crash
  - ▶ Understanding your responsibilities as a homeowner
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**C**ongratulations! You're thinking about buying your first home and getting a foot on the property ladder. Property is an excellent investment: not only does it enable you to kiss goodbye to grotty rented accommodation and throwing money down the drain – paying the rent – you're also investing in something that's likely to increase in value over a number of years. That has to be a sound move.

But it's a tough environment for first-time buyers, many of whom delay getting on the property ladder because they simply can't afford to buy any earlier. The average age of a first-time buyer in 2006 was 33, according to the Halifax, the UK's biggest mortgage lender. The reason? Many people spend their twenties paying off student debts and struggling on low incomes, which can make drumming up a deposit impossible. Rising house prices, particularly in London and the south-east, have created further problems for first-time buyers, making a place of their own seem an ever-diminishing dream.

Before you go any further you need to determine whether you are ready to buy your own home. In this chapter, I start by giving you the low-down on some of the advantages of owning your own property. Then I help you to assess whether you can afford to do so now or whether you need a bit of help before you are in a position to buy a place of your own.

## *Recognising the Advantages of Owning Property*

Property serves two functions: It provides you with a roof over your head, and it serves as a wise investment in the longer term. But unless you're buying a rental property, which you do specifically to make a profit (see my book *Renting Out Your Property For Dummies* for detailed information), having adequate shelter is more important than making a huge profit. You need somewhere to live; *that* is the very practical reason behind buying a home. The following sections outline the advantages you'll accrue from making such a practical decision.

### *Closing the door on the rest of the world*

If you live at home with your parents, you may be looking for a bit more independence; if you're renting – with friends or on your own – you may be looking for something you can decorate to your own tastes and make decisions about without anyone else's permission. Buying a home may very well be the answer.

There's nothing quite like walking into your new home – the one you've managed to buy yourself – for the first time. It is the most incredible feeling. But it gets even better. Having your own space means not having to answer to anyone else, not having to do what anyone else wants, and being able to live exactly how you like. If you live alone in your new home, you don't have to queue up for the bathroom anymore. And if you want to stay in bed all day in your one-bed flat, what's to stop you? (Just ignore for a moment the fact that your boss may have something to say about you lounging in bed on a day when you should be in the office!)

The best bit about buying your own place is that it's *your space*. You don't have a landlord to kick you out after six months because he or she's planning on selling the flat or house from under you. And because it's your space, you're more likely to stay in an area for longer (homeowners tend to put down roots), which can be very attractive if you've spent years lugging your belongings between different rental properties.

### *No more throwing money down the drain*

Most tenants complain about paying rent because they don't see any return in the long run. You get a roof over your head for several months, and that's it. If you recognise that property tends to appreciate in value over time, you're likely to feel that you're missing out the longer you delay purchasing your own place.

In addition, decorating rented accommodation is a waste of your time and money. Spending money doing up your home – painting and wallpapering and buying new furniture – makes perfect sense if you own the property. But doing up rental accommodation doesn't make sense. If the landlord supplies the materials and you supply the labour, you may not waste your own money, but you should consider whether you really want to spend your free time adding value to the landlord's property. And if doing up your rented accommodation means paying for the improvements yourself, doing the work on your own, and having the colour scheme approved by the landlord, you may want to think twice about whether it's worth the hassle.



Keeping your own home in good decorative order is a good investment. You will also have less work to do when you come to selling it later on.

## *Buying When You Don't Have a Huge Deposit or Big Income*

With thousands of mortgages available from over 100 lenders, you're bound to find one out there that suits you – even if you haven't got a big deposit or earn hundreds of thousands of pounds every year.

### *Buying without a deposit (or with a very small one)*

Homebuyers used to save up for years for a deposit before they could get on the housing ladder. Without a sizeable deposit, lenders simply wouldn't take you seriously and agree to let you have a mortgage. This is no longer the case. Nowadays, if you haven't got a deposit, you may be able to get a 100 or even 125 per cent mortgage.



If saving up a 5 or 10 per cent deposit would realistically take you several years, it might make sense to borrow a greater proportion of the purchase price now rather than put off buying for a few years. In a rising property market, if you delay your purchase while you save up several thousand pounds for a deposit, you may find that house prices have risen to such an extent that you've been priced out of the market and need an even bigger deposit than the one you've got.



Following are a few points you need to be aware of if you don't have a deposit (or have a very small one):

- ✓ **You won't qualify for the cheapest mortgage rates.** Lower rates are offered to borrowers with bigger deposits because the lender sees them as being lower risk.
- ✓ **A number of lenders impose a higher lending charge (HLC)** – a one-off insurance premium to those borrowing a high loan-to-value (LTV), depending on the lender's terms. The HLC protects the lender, but *you* have to pay for it. The idea is that if you default on your mortgage repayments and the property has to be sold, the HLC will cover any losses incurred by the lender.
- ✓ **You may experience negative equity.** If you borrow 100 per cent or more of the property price and house prices fall, your mortgage may be greater than the value of your home. This means that you're trapped and can't sell until prices rise again.

## *Coping with a low income*

Lenders decide how big a mortgage to let you have by taking your income into account. Four times a borrower's income is the general income multiple, or three times joint income if you are buying with a partner. So, for example, if you earn £30,000 a year, you could borrow up to £120,000 if you are buying a property on your own, or £180,000 if you're buying with a partner who earns the same as you. But a number of lenders are prepared to let you borrow more – up to four, five or even six times your income – in response to rising property prices and the increasing difficulty this poses for first-time buyers.

Lenders increasingly use affordability criteria rather than strict income multiples to determine how much you can borrow. They take into account outgoings and debts as well as income to ensure that you can afford to pay the mortgage.



While you may be tempted to borrow as much as possible in order to purchase a bigger property, keep in mind that doing so isn't always a good idea. You may be able to afford the mortgage repayments initially, but would you still be able to if interest rates were to rise? Even a 1 per cent increase in the base rate could mean a big rise in your mortgage repayments – could you cope with such a scenario? If you can't, your home could end up being repossessed. Overstretching yourself tends to be a bad idea in the long run.

Following are some alternatives to taking a high income multiple and borrowing more money than you can really afford:

- ✓ **Find a guarantor.** If you can't meet your mortgage repayment one month, your guarantor (a blood relative, usually a parent) is responsible for doing so. A mortgage lender is more likely to let you have a bigger loan than your salary strictly justifies if a guarantor is prepared to take responsibility for you making these mortgage payments. An increasing

number of first-time buyers are finding that having a guarantor is the only way they can get on the property ladder. But if you do use a guarantor, make sure they appreciate the risks involved: the guarantor must pay your mortgage if you default on the repayments, for example.

- ✓ **See whether your parents can help with the deposit.** If your parents aren't in a position to act as guarantors, they may be able to help with the deposit if they have some savings. With a larger deposit you can borrow less, thereby lowering your monthly mortgage repayments. And if you're really lucky, your folks may not ask for the money back!
- ✓ **Buy a house with someone else.** An increasing number of friends and siblings are buying property together because it means you can get a bigger mortgage than if you buy on your own. You should also be able to drum up a bigger deposit and the monthly repayments should be more manageable because you won't be the only one contributing to the mortgage. Consider whether you know someone that you could happily buy and share a house with.



If you do go down this route, however, make sure that you get your solicitor to draw up a legal contract stating what share each of you has in the property – how much each of you contributed to the deposit and to the mortgage each month. Then if you do fall out, your investment is protected.

## *Timing Your Purchase to Avoid Negative Equity*

While there are many advantages to getting on the property ladder, there are potential downsides, too. These mainly relate to the value of the property. If you buy at the peak of a housing boom, you could pay well over the odds for your new home. And if a property crash occurs soon after you buy at an inflated price – as happened in the late 1980s – you could end up in *negative equity*. This is when your property is worth less than you paid for it, and it's a very demoralising position to be in. You are effectively trapped until the value of your home recovers, which could take several years. If you can't stay put until then and are forced to sell you are likely to do so at a considerable loss.

Making sure that you don't find yourself in this position is the hard part. To avoid negative equity don't pay over the odds for a property in the first place – and buy as a long-term investment. When property prices are rising, it's easy to get carried away and imagine that they will continue to move upwards forever. But prices don't always go up. Although historically house prices rise over time, they sometimes experience the odd blip or two along the way.