

## **Purchasing**

### **Common Questions and Answers**

#### **SHOULD I PAY ANY MONIES DIRECTLY TO THE SELLER?**

On no account should you pay monies directly to the Seller. The Seller may not be the legal owner. Also you may not get loan approval and it may prove impossible to recover monies paid directly to the Seller.

#### **SHOULD I PAY ANY MONIES TO THE AUCTIONEER?**

Normally you pay the deposit to your Solicitor who will forward it to the Sellers Solicitor who is required to hold it as stakeholder. This means that the Sellers Solicitor cannot release the monies to his client and must hold the monies on behalf of both parties until the transaction is completed. An Auctioneer may seek a booking deposit. If so, keep the booking deposit as small as possible and make sure that the Auctioneer is bonded (i.e. insured) and that he will hold the deposit as stakeholder.

#### **WHEN DO I PAY THE DEPOSIT?**

The deposit is normally payable when you sign the Contract. The deposit is usually 10% of the purchase price, less any booking deposit paid to the Auctioneer.

#### **WHO PREPARES THE CONTRACT?**

The Sellers Solicitor prepares two copies of the Contract and sends them to the buyers Solicitor. He will have to get the Seller's Title Documents before he can send out the Contracts. This may take some time.

#### **WHEN DO I SIGN THE CONTRACT?**

We will advise you to sign the Contracts after we approve the title and obtain satisfactory replies to pre Contract Enquiries from the Sellers Solicitor. You may sign the Contract subject to getting loan approval within a specified period.

#### **WHAT SHOULD I BRING TO MY SOLICITOR ON MY INITIAL APPOINTMENT?**

You should bring, a copy of your Marriage Certificate if you are married. If you are separate or divorced you should bring a copy of your separation agreement or your divorce Decree.

#### **WHAT IS MEANT BY "EXCHANGE OF CONTRACTS"?**

Both copies of the Contract signed by you are returned to the Sellers Solicitor. The Sellers sign both copies and one copy is returned to us. Exchange of Contracts is then completed.

#### **IF MY BANK/BUILDING SOCIETY CARRY OUT A SURVEY SURELY THERE IS NO NEED FOR ME TO HAVE A SEPARATE SURVEY?**

The Bank or Building Society carry out a survey for their own benefit. This will not be a detailed survey. You may not be able to use the Bank/Building Society's Surveyor for negligence if it later turns out that the survey was carried out negligently.

survey carried out before signing the Contract. You should accompany the Engineer or Architect at the Inspection. If you are buying a new house you should arrange for an Engineer or Architect to inspect the property during the course of construction and also once the house is finished to prepare a snag list of items for the builder.

Often, problems exist unknown even to the present owner of the home. An independent survey reduces the risks in home ownership by discovering any of the obvious problems or defects before you purchase the house. You may avoid costly and unwarranted problems in the future.

**ARE CARPETS, CURTAINS & FITTINGS INCLUDED IN THE SALE?**

No. It is important that any fittings included in the sale price are stated in the contract to be so included. Otherwise there may be difficulty on the closing date.

**WHEN SHOULD I ARRANGE INSURANCE?**

If you are getting a loan the lending Agency will insist that the house is insured from the date of issue of the loan cheque. If you are not obtaining a loan you should make sure that insurance is arranged before the sale is closed.

**WHAT HAPPENS IF THE HOUSE BURNS DOWN AFTER I SIGN THE CONTRACT BUT BEFORE THE SALE IS CLOSED?**

The Standard Law Society Contract provides that the Seller carries the risk between Contract and the closing date. If the house burns down you cannot be compelled to complete the purchase and you will be entitled to return of your deposit.

**SHOULD I ARRANGE SEPARATE CONTENTS INSURANCE?**

The insurance cover arranged by your Lender will normally only cover the cost of rebuilding the house. Therefore you should have your contents insurance in place before you place any of your belongings in the house.

**WHAT INFORMATION WILL I NEED TO FURNISH WHEN I APPLY FOR A LOAN?**

You will be required to complete a detailed application form. You will usually need to furnish evidence of your income (P60) and a Certificate from your Employer confirming your employment and your present salary. If you are self employed you will usually have to provide business accounts.

**WHAT DOES “SUBJECT TO LOAN APPROVAL” MEAN?**

Sometimes a buyer will sign the Contract before getting written loan approval. If so it is important that “a subject to loan approval” condition is inserted in the Contract. This means that if you do not get written loan approval within a specified period (or such further period as agreed) the contract is at an end and you are entitled to get your deposit back.

**WHAT IS A “MORTGAGE INDEMNITY BOND”?**

If Lending Institutions set a limit on the amount that they will allow a person to borrow eg some banks or building society's will not lend over 70% of the purchase price and if they do they will insist that you take out a mortgage indemnity bond.

premium is a once off payment and works out at approximately 2-3.5% of the difference between the loan and the percentage of the purchase price which the bank will lend.

### **WHEN DO I GET POSSESSION?**

On the closing date the balance purchase monies are paid over by Bank Draft to the Sellers Solicitors and in return the keys and title documents are handed over and you are entitled to vacant possession.

### **IS THE CLOSING DATE “SACRED”?**

The closing date may be changed even in the best planned transactions. It is important that the parties co-operate in this respect. For example, there may be a few days delay in the issue of your loan cheque or the seller may want a few extra days to arrange new accommodation.

### **WHAT ARE “SEARCHES”?**

Searches are essential checks carried out by us on the day the sale closes to confirm that the seller has not, e.g. attempted to sell the property to someone else, remortgaged the property or gone bankrupt.

We may also have to carry out searches before the Contract is signed e.g.:

- (a) a licensing search on the purchase of a pub.
- (b) In the case of a new house a Companies Office search against the Builder if stage monies are to be released.

### **WHAT IS A STAGE PAYMENT?**

This is a part payment of the purchase price that arises in the purchase of a new house. Some Builders insist that payments are made at stages of the construction e.g. at foundation or roof level. This will cause you difficulty if your bank or building society will not release part of your loan cheque and bridging may be necessary.

### **WHAT IS “BRIDGING”?**

A bridging loan is short term loan that will tide you over until your home loan is available. It is usually secured against your home loan cheque. Bridging allows you to make stage payments if the bank will release your home loan in stages. The interest rate is charged is higher than the normal mortgage rate.

We do not like bridging and as a matter of office policy we try to make sure that bridging is only used where there is no other alternative available to you.

### **WHAT IS “A SNAG LIST”?**

A snag list is relevant when you are buying a new house. When the Builder advises you that the house is completed your Engineer or Architect should inspect the house and prepare a written list of outstanding items. This list should be presented to the Builder.

Remember that buying a house is probably the biggest investment you will ever make and you should be satisfied that all is right.

**AFTER THE PURCHASE DO I HAVE TO NOTIFY THE LOCAL AUTHORITY THAT I AM THE NEW OWNER OF THE HOUSE?**

No. The Sellers Solicitor will already have given the details to the Local Authority.

**WHAT ARRANGEMENTS ARE MADE ABOUT THE OUTGOINGS AS OF THE CLOSING DATE?**

Outgoings e.g. water charges, rent are shared between the Seller and the Buyer as of the date of the closing of the sale.

For example, if the sale closes on the 1<sup>st</sup> of October 2001 the Seller is responsible to discharge all outgoing up to the date and the Buyer is responsible for the remainder of the year.

**ARE THE EXPENSES IN THE SELLING AND BUYING A HOUSE THE SAME?**

No. The expenses when buying a house are usually substantially greater. They include stamp duty, registration fees, searches and surveyors fees.

**WHAT IS STAMP DUTY?**

Stamp Duty is a tax levied by the government. The amount of stamp duty payable depends on the purchase price, whether or not you are a first time buyer owner occupier or investment.

**WHERE DO MY TITLE DOCUMENTS GO?**

After the sale is closed we will have to stamp your purchase deed and mortgage. After stamping we register you as the owner of the house. On completion of registration the original documents are lodged with the Bank or Building Society. If you have no mortgage, we can hold the title documents for you in our safe.

**HOW LONG DOES IT TAKE TO STAMP AND REGISTER THE DOCUMENTS?**

The stamping or registration process takes approximately six to twelve months from the closing Date:

**SHOULD I GET AN INDEPENDENT VALUATION OF THE PROPERTY?**

If you are unsure the price you are paying for the property is reasonable you should arrange for another Auctioneer to value the property. The difficulty, however, with value is that "it is what a willing buyer will pay and what a willing seller will sell it for"