SIMPLY MORTGAGE

NEWSLETTER FROM A1 FINANCIAL SOLUTIONS

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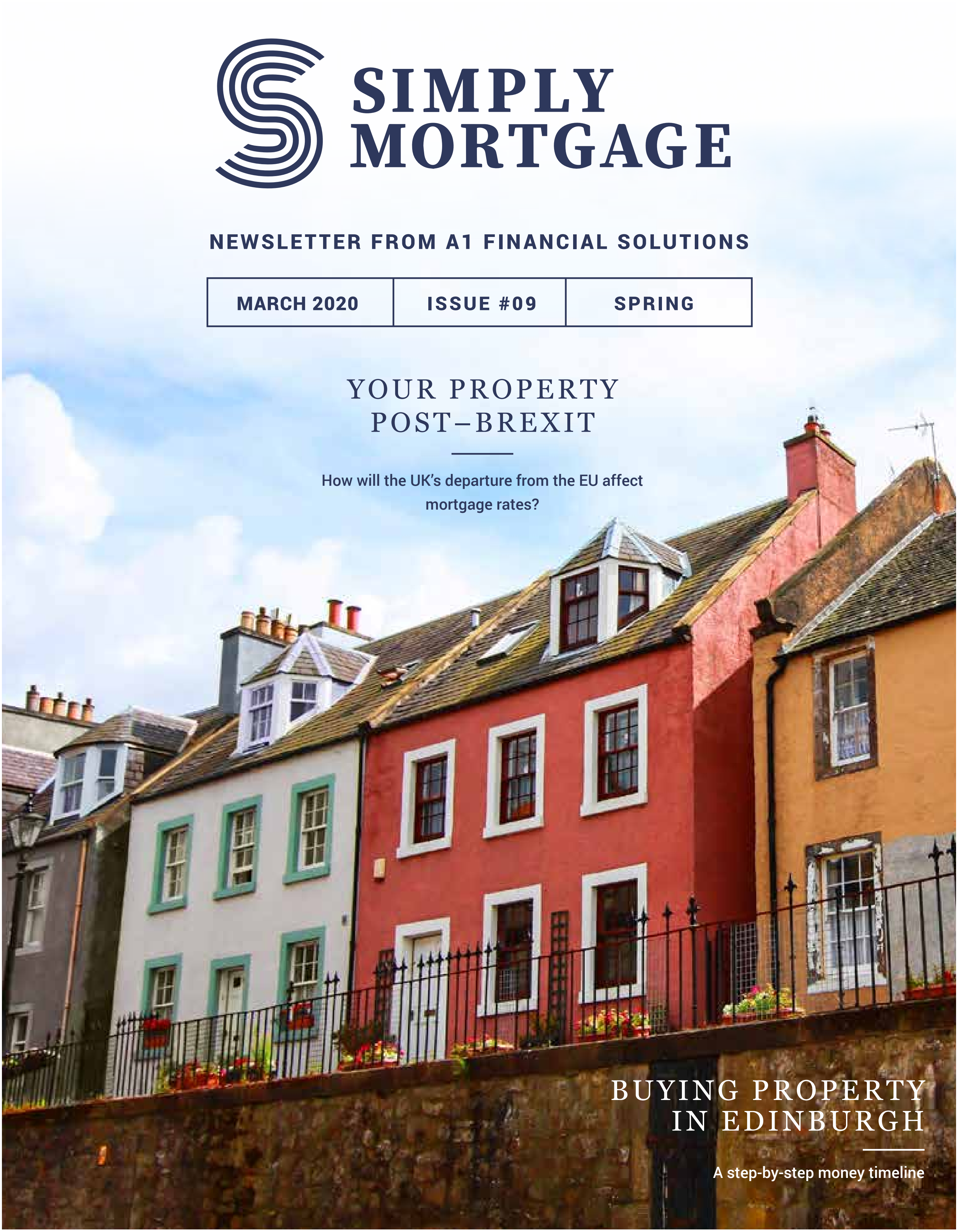
YOUR PROPERTY POST–BREXIT

How will the UK's departure from the EU affect mortgage rates?



BUYING PROPERTY IN EDINBURGH

A step-by-step money timeline

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A step-by-step money timeline

If you are thinking about buying a house or a flat in Edinburgh, in this article we'll take you through the different steps you will need to take, including getting a mortgage, speaking to a solicitor and completing home surveys, all the way through to completion.

STEP 1 – GET A MORTGAGE 'IN PRINCIPLE'

Before you can put in a bid on a property, you need a mortgage lender to confirm it's prepared to lend you money. This is called a mortgage 'in principle'. Without this, your offer won't be taken seriously.

Check your mortgage and deposit will cover the value of the property you would like to buy.

Remember: there are many other expenses you will need to cover, including mortgage fees, legal fees and Land and Buildings Transaction Tax (on properties costing more than £145,000).

STEP 2 – FIND A SOLICITOR

You'll need a solicitor before you can make an offer on a property. Solicitors are responsible for putting in the offer, negotiating and checking the contract and organising the transfer of the Title and money.

When you've found a property you want to buy, your solicitor will register a 'note of interest' with the seller's agent. This shows you are interested in the property and want to be kept advised of developments such as the fixing of a closing date to submit offers.

Most solicitors request payment for their work after completion, but you might have to pay a deposit, or pay for searches upfront.

If the sale doesn't go ahead, but you paid for the search upfront, then you'll have wasted your money, so it's worth carefully considering this in advance. You can also instruct your solicitor to carry out the search once the offer has been accepted, but this will need to be agreed with the seller as a condition of the sale going ahead.

As a result, the seller might be reluctant to agree to this as the findings might give you a reason to ask the seller to lower their price, or even back out from the sale altogether.

STAGE 3 – HOME REPORT AND SURVEY

Before marketing the property for sale, sellers have to arrange a Home Report to show to buyers interested in their property.

This must include:

- **Energy Performance Certificate (EPC) –** this reveals how energy efficient the property is and where improvements could be made
- **Survey –** an assessment by a qualified surveyor from the Royal Institution of Chartered Surveyors (RICS) pointing out

the condition of the property, where repairs are needed and a valuation of the property
- **Property Questionnaire –** sellers have to provide an accurate account of the property including its Council Tax band, any Local Authority notices served on it, alterations made, parking, any history of flooding as well as factoring in arrangements covering any repair and maintenance

When you receive the Home Report for the property you want to buy, make sure to read it carefully, as it will give you a good idea of the running costs of your new home. You can also use it to ask the seller about utility bills.

STAGE 4 – MAKING AN OFFER

Once you have the survey results and are happy with what it says, you need to decide how much you're going to offer.

The amount you offer will depend on:
- Property prices in the area
- How much you can afford
- Any competing interest in the property
- Anything else you wish to be included in the offer such as fixtures and fittings

Your solicitor will do this in in a formal letter.

If there are several competing bids, the seller's solicitor will open them at the same time on the closing date and ring your solicitor to tell you if you've been successful or not. You might wish to wait until your offer is accepted before having your own survey done, in which case you make your offer subject to survey.

If your offer is accepted, the seller's solicitor issues a qualified acceptance, which means the property will be yours if contract details can be worked out. The solicitor will also hand over information about the property such as the title deeds and planning papers.

Go through everything you receive with your solicitor as they might raise queries about the paperwork. Neither you nor the seller is committed yet.

STAGE 5 – AGREEING THE CONTRACT

Once all the contract details have been agreed, the two solicitors exchange letters. These letters are known as 'conclusion of missives'. Both parties are now legally committed to the sale.

Once you've agreed the contract, it's time to discuss your buildings insurance requirements with us at A1 Financial Solutions. You may wish to consider protecting yourself and your new home with contents and life insurance.

Your solicitor will check the title deeds and discuss with you the 'title burdens' – conditions attached to owning the property ranging from where rubbish bins can be put to more serious restrictions on how the property can be used and altered. The seller then signs the transfer of the title deeds, known as the 'disposition'

Next, you or your solicitor should contact your mortgage lender and let them know the purchase is going ahead along with the proposed date of entry. This will allow your lender to issue their loan and security instructions to their nominated solicitor.

In addition, this will also allow the lender to prepare the release of their loan monies to allow the sale to complete on the date of entry.

There is often a fee to set up the mortgage – usually referred to as an arrangement fee. In many cases, this can be added to your mortgage, but choosing this option means you'll pay interest on it for the length of the mortgage. As a result, you'll pay more in the long run than if you paid for it upfront.

STAGE 6 – COMPLETION AND FINAL STEPS

After your offer has been accepted, the sale will be completed on the date of entry agreed with the seller. The seller's solicitor will ask your lender for the remaining money owed in preparation for the date of entry.

If you are a cash buyer, you'll need to pay the rest of the purchase price via your solicitor. Other fees you might need to pay now.

Your lender might ask you for:
- A fee for transferring the money, typically £40-£50
- A fee of £100-300 for setting up, maintaining, and closing down your mortgage account

The seller's solicitor will also prepare the Land Transaction Return for you to sign.

You'll need to pay your solicitor's bill at this stage, minus any deposit already paid. If you haven't yet paid for searches, their cost will be included in the bill along with other fees paid on your behalf. They will also arrange for the signed title deeds to be registered with the Land Register.

The cost starts at £60 and rises , depending on how much you've paid for the property. If you wish to submit a manual return, a paper LBTT form is also available along with a guide for 'how to make a paper return'. However, if you choose this route you will only be able to pay LBTT by cheque. The new rates will only be payable on the proportion of the total value which falls within each band. ■

YOUR PROPERTY POST–BREXIT

How will the UK's departure from the EU affect mortgage rates?

The UK has finally left the EU and entered a transition period with the bloc for a year, which will impact homeowners in Britain. However, will mortgage rates go up after Brexit?

Since 31 January, the UK has entered what is known as the 'transition period'. This will see the UK remaining in the EU and bound to follow its rules, despite not having representation in the EU's institutions.

The transition period ends on 31 December 2020, and is designed to smooth the UK's exit from the EU, thus giving the Government time to negotiate trade deals and the terms of the UK's future relationship with the bloc.

After Britain's exit from the EU, trade talks with the bloc are expected to start almost immediately. At the time of writing, an EU summit is also scheduled for February to kick-,start the future relationship negotiations.

POST-BREXIT SPENDING PLANS

Chancellor Sajid Javid will unveil a budget in March that sets out the Government's spending plans post-Brexit. Until the UK's trade deal with the EU is detailed, we won't know the precise impact on the housing market and homeowners, but what is clear is that how closely the UK remains to EU regulations or its distance from them will affect mortgage rates.

Interest rates will have the biggest effect on people's mortgage rates. How the economy reacts to the UK's exit from the EU would cause interest rates to either go up or down. If the economy is slowing down, the Government could choose to step in and lower the interest rates to help boost growth. Alternatively, it could raise the rate should inflation become a problem.

If interest rates go up, it's likely mortgage rates will also go up, which would affect people not on fixed-rate deals. Those people will see their mortgage rate stay the same until it runs out. For those on a variable rate mortgage, repayments will go up in line with the increase to interest rates.

If interest rates drop, then this is good news for people on a variable rate or who want to remortgage, while those on a fixed-rate deal will not benefit from the change.

With uncertainty around Brexit now over, the housing market could see the upward trend seen since the Conservatives' election win continue. Buyers and sellers who had been delaying a decision until certainty returned could now be prepared to make them. Mortgage providers would be competing to give consumers the best rates – and with low mortgages rate potentially continuing, it would be a good time for those borrowing.

'MORTGAGE PRISONERS'

Post-Brexit, changes could be made that see the UK stop adhering to the EU's Mortgage Credit Directive (MCD), introduced in 2016, which is the European legislation that created a framework of conduct standards for those selling residential mortgages.

The directive has been blamed for creating 'mortgage prisoners' – people who have been locked into mortgage terms and whose circumstances later change, leaving them trapped with the initial terms. This leaves them paying more and trapped with their provider, as they can't pass an affordability test with other banks. After Brexit, the MCD legislation could be changed by the Government. ■

IT'S GOOD TO TALK

Since the referendum in 2016, the whole Brexit process has been detailed and complex, and at the time of writing there is still uncertainty as to the final outcome and its direct impact on mortgage rates. If you would like to discuss any aspect of your financial plans in the light of Brexit, please contact us.

RENTING OUT YOUR PROPERTY

Important factors to consider

Before you can rent out your property, you have to register with the local council which covers the area where your let property is located. Registering before you rent out your property makes sure you meet the minimum legal requirements.

Joint owners (anyone else who's named on the title deeds) need to register too, but they will not be charged. You can apply for landlord registration online on the Scottish Landlord Register website, or you can contact your local council's housing department.

FEES

There are three types of landlord registration fee:

- Principal Fee: £65, increasing to £66 from 1 April 2020
- Property Fee: £15 (per let property)
- Late Application Fee: £130, increasing to £132 from 1 April 2020

Discounts are available for:

- Landlords who own properties in more than one local authority area
- Joint owners
- Landlords who have a House of Multiple Occupancy (HMO) licence
- Scottish charities

If you apply to register for the first time or renew your existing Landlord Registration before 9am on 1 April 2020, you will not have to pay the new fee rate.

EXEMPTIONS

There are some situations where you do not have to register with a council to rent out a property. These include:

- Holiday lets
- Houses managed by religious orders
- Houses with a resident landlord
- Houses with agricultural and crofting tenancies
- Letting to family members
- Houses providing care services governed by Care Inspectorate regulation

HMO LICENCE

You need a house in multiple occupancy (HMO) licence if both of the following apply:

- You want to rent your property out to 3 or more tenants
- None of the tenants are related or part of the same family

If you want to use your home in this way, there are extra criteria you'll need to meet before the council will agree to register you.

They'll have to decide:

- If you are 'fit and proper' (able) to hold an HMO licence
- If the property is managed properly
- If the property meets their required standards

It's a criminal offence to rent out a home to three or more unrelated people without an HMO licence. You could be fined up to £50,000 if you do.

LANDLORD ACCREDITATION

Although you legally have to be registered as a landlord in Scotland, you can also apply for accreditation. This could make tenants more likely to want to rent out your property instead of non-accredited ones.

To apply for accreditation, you can contact Landlord Accreditation Scotland and fill in their application form. If you can confirm that you meet (or are working to meet) the standards listed in the form, you can become an accredited landlord.

TALKING TO YOUR LENDER AND INSURERS

Once you've registered to be a landlord, you'll also have to discuss your plans with your mortgage lender and your insurers. The terms of your mortgage or insurance may change if you rent out your home.

MORTGAGE LENDER

You should tell your mortgage lender about your plans to rent your property out. Some lenders have restrictions on who you can let to.

Some mortgages may have terms and conditions that stop you from renting your home out to anyone, so if you do this without consulting them you might break your contract and get into serious trouble.

INSURERS

When you rent your home out to other people it may have an impact on your existing buildings and contents insurance.

You should discuss the situation with your insurers and let them know you plan to have tenants move into your home. They will give you advice on what steps you should take regarding:

- Buildings insurance
- Contents insurance
- Property owners liability

RENEWING YOUR LICENCE

When your application for registration is approved, it's then valid for three years. If you want to keep letting after that, you have to renew your registration.

You can apply to renew your registration on the landlord registration website up to three months before your current registration expires. Your local authority will also send you a reminder when your registration is due to expire. If you renew your registration after it expires, you may have to pay a late fee. ■

SIMPLY MORTGAGE

When it comes to mortgages, taking advice can be a daunting process, whether you are looking to take financial advice for the first time or you've taken financial advice in the past.

Finances often take a low priority for many people because they are complex, but at Simply Mortgage our clients appreciate our ability to make the mortgage-arranging process both simple and enjoyable.

At Simply Mortgage, we ask the questions, look into your future, give straightforward advice and find the right mortgage solution for you.

Contact us today to begin your journey – we look forward to hearing from you.

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