THE ABC OF HOME BUYING

To make life easier we've explained below many of the terms you are likely to come across during the property buying and selling process.

Bridging loan:
When there is a delay between the purchase of your new home and the sale of your present property, then a loan may be needed to "bridge the gap".

Cash buyer:
There are 2 types of cash buyer

(a) a person who already has the purchase money saved or deposited in a bank or building society account; or

(b) a person who can pay for the property with the proceeds from the sale of their own property and does not need a mortgage.

Completion:
This is when a sale / purchase is finalised and is usually your moving date. Monies are passed over and the buyer has the legal right to the property.

Covenant:
A restriction or condition affecting the property which must be complied with.

Conveyancing:
The legal transfer of a property from one owner to another.

Declaration of Trust:
A document setting out in what proportions you own the property and what will happen to the proceeds of sale once the property is sold.

Deeds:
These are all of the legal documents relating to ownership of the property. These are generally of limited relevance nowadays, as the ownership of the vast majority of properties is electronically registered at the Land Registry.

Deposit:
This is a part payment of the agreed purchase price paid by the buyer on exchange of contracts. Most contracts provide for the buyer to pay 10% of the purchase price. If you feel you will be unable to pay a full 10% deposit you must let your conveyancer / solicitor know at the beginning of the purchase process so that they can try to make other arrangements for you. This can frequently be arranged, especially where there is a chain of transactions involved. In the very rare event that a buyer backs out of the purchase after exchange of contracts, the full 10% would be forfeited.

Easement:
A right over somebody else's property, for example a right of way over an access way.

Energy Performance Certificate (EPC):
In England and Wales when you are selling a property you are required to provide an EPC for that property. This gives details of the energy efficiency of the property. Your estate agent will normally arrange this for you, but if you do not have an estate agent we can advise you in this area.

Exchange of Contracts:
This happens when all necessary searches and enquiries have been satisfactorily concluded and when both parties, the buyer and seller of a property, have signed identical documents (contracts) and the purchaser has given the agreed deposit to their conveyancer / solicitor. Once exchange of contracts has been "formally" agreed, both sides are legally bound to complete the transaction. See:

Freehold:
Buying a freehold property means that the property and the land on which it stands will be fully owned by the purchaser.

Insurance:
Your mortgage lender, if you have one, will usually discuss insurance with you. There are 2 types of insurance that you will need:

- Buildings Insurance: cover for the bricks and mortar of your home
- Contents Insurance: cover for your household contents. You will need to work out how much cover you need

A buyer of a freehold property should arrange insurance cover for their new property from “exchange of contracts”. However, if you are buying a leasehold flat the landlord will already have buildings insurance in place so you will not have to arrange this.

Leasehold:
Buying a leasehold property means that your right to hold or use the property is granted by a lease for a fixed number of years. Ground rent on the lease is paid annually by the leaseholder to the freeholder. A service charge is also often payable. This is the contribution determined by and paid to the freeholder towards the cost of maintaining the building and/or estate that the property is in.

Lender:
This is the bank, building society or other financial institution with which you arrange your mortgage. The lender is sometimes referred to as the Mortgagee. As the borrower you will sometimes be referred to as the Mortgagor.

Mortgage:
This is a loan specifically to buy a property. Most people will need to take out a mortgage when purchasing a property.

Source of Funds:
This is where the purchase money is coming from, e.g. a mortgage, proceeds of sale of an existing property, savings, a gift, a private loan, perhaps from parents, or any combination of the above.

Stamp Duty:
Stamp Duty or Stamp Duty Land Tax (SDLT) as it is properly known is a government tax charged on land and property transactions in the UK. See:

Will:
A legal document that allows a person to make decisions about how his or her estate will be managed and distributed following their death. As a homeowner it is advisable to make a will or consider whether an existing will needs altering.