



Guide to Buying a New Build Home

Buying a home is perhaps the most important purchase you will ever make and the Jackson-Stops & Staff Residential Development team will offer you all the support you need throughout the purchase process.

There are 4 key stages in buying a new build home:

1. The Reservation Process
2. The Conveyancing Process
3. Exchange of Contracts
4. Completion

Stage 1: The Reservation Process

When you have chosen your property, you will usually need to complete a **reservation form**. This will clearly set out the agreed price for the property and the time by which contracts must be exchanged. The reservation will also be subject to paying a **reservation fee**, at which point the chosen property will usually be removed from the market and a period of exclusivity granted. However, if you fail to exchange contracts within the stipulated time frame the property may go back onto the market and you may lose your deposit and incurred costs, such as legal fees.

Ensure you have received a copy of the **Consumer Code for Home Builders**, as this sets the mandatory requirements that all Home Builders must meet in their marketing and selling of New Homes and their after-sales customer service. It also sets out the terms by which any deposit will be held.

Stage 2: The Conveyancing Process

NB. This assumes a 28 day exchange deadline

Week One

- Instruct a solicitor/firm of solicitors and establish who will be dealing with your purchase
- Put your instructed solicitor in cleared funds so **searches** can be applied for. These can take up to 28 days to be returned, so it is vital this is done without delay.
- Complete the mandatory checks for Anti Money Laundering Regulations with your solicitor
- Apply for a **mortgage** (if applicable)
- Put your mortgage provider/financial adviser in funds for your survey/valuation fees
- If you have a related sale, ensure that your buyer will not delay the **exchange of contracts deadline**

Week Two

- Ask your solicitor to raise any **enquiries**
- Ensure that an appointment is scheduled for your survey/valuation

Week Three

- Check with your mortgage provider/financial adviser that your survey/valuation has been carried out and when you expect to receive your mortgage offer
- Check with your solicitor
 - Any enquiries have been responded to
 - All searches have been received and that any enquiries arising from the searches have been raised
- Put your solicitor in cleared funds of your deposit and in sufficient time to achieve your exchange deadline.

Week Four

- Ensure your mortgage offer has been received
- Make an appointment with your solicitor to sign appropriate documentation for the contract and mortgage offer

Stage 3: Exchange Contracts

During the reservation period, your solicitor would have undertaken the entire necessary due diligence to enable you to be in a position to formally exchange contracts. When all parties are happy with the agreements, the contracts can be formally exchanged at which time you will sign the contract and pay the deposit, which is usually 10% of the purchase price. After exchange of contracts you are legally bound to purchase the property.

Stage 4: Completion

At the time the initial reservation deposit is paid, an approximate completion date will have been given. This is often nothing more than a season in a given year (ie. summer/autumn) or an approximate date in the future. Depending on the timescale of the development, you may receive a revised target date for completion after exchange of contracts.

You will be served with a **completion notice** via your solicitor which will formalise the date you will be expected to complete. The period of time between this notice and your completion date will have been set at exchange of contracts.

During this period you will need to:

- Ensure mortgage funds are available. Your solicitor will liaise with your lender once notice has been received but it would be prudent to converse with your IFA or mortgage adviser.
- Put your solicitor in funds for completion. This will be the purchase price, less the sum of deposits and reservation fees already paid.



Please note the purpose of this document is to serve as a guide only and not to be relied upon as statements or representations of fact. Whilst every care has been taken in its preparation, no liability can be accepted for any inaccuracy. Please check the terms of the reservation form for any specific terms related to your purchase.

New Homes Jargon Buster

Assignment

The transfer of ownership of a contract.

Building Survey

A full inspection of the property, conducted by a chartered surveyor, who will write a detailed report setting out the soundness of a property and any property defects. Typically conducted for any house, particularly older properties and those that have been poorly maintained and therefore is not usually undertaken when purchasing a New Home.

Completion Notice

A document that specifies the completion date for a new build property. It is the date on which the property becomes a dwelling for Council Tax purposes.

Consumer Code for Home Builders

The Consumer Code for Home Builders gives protection and rights to purchasers of new homes, ensuring that all new home buyers are treated fairly and are fully informed about their purchase before and after they sign the contract.

The Code is designed to help Home Buyers who, on or after 1st April 2010, reserve to buy a new or newly converted Home built by a Home Builder under the insurance protection of one of the supporting Home Warranty Bodies.

Contract

A legal agreement between the seller and the buyer of a property, which binds both parties to complete the transaction.

Preliminary Enquiries

The initial enquiries about a property put forward to a seller, which the seller must answer before the exchange of contracts.

Exchange of Contracts

The point at which signed contracts are physically exchanged, legally binding the seller and buyer to the sale and purchase of a property at the agreed price.

Deadline

The date by which a purchaser must exchange contracts. Failure to exchange contracts within the stipulated time frame means the property may go back onto the market and you may lose your deposit and costs incurred by the seller, such as legal fees.

Deposit

A sum of money paid by the buyer on exchange of contracts, less the reservation fee.

Holding Fee

See "Reservation Fee"

Leasehold

A type of ownership in which a person owns a property, but not the land on which it is built. The owner of the Freehold will grant a lease on the property for a specified length of time.

Mortgage

An amount of money advanced by a lender such as a bank or building society on the security of a property and repayable over a long period of time. It is important to consider the estimated completion date as a mortgage offer will typically be valid for a maximum of 6 months.

Reservation Fee (or holding fee)

This is either a part or non-refundable deposit that will reserve a new home for a pre-agreed length of time, allowing the buyer a period of exclusivity to exchange contracts. During this time, the property will usually be withdrawn for sale and will not be subject to any price increases. The reservation fee will be deducted from the agreed sale price upon either exchange or completion of contracts.

Reservation Form

An agreement made between the vendor and the proposed purchaser which sets out the terms of the proposed purchase including the price, tenure, reservation fee (holding fee), and the target exchange and completion dates.

Searches

A 'search' is when your conveyancer requests information from the local authority to confirm details about any planned developments, disputes or road works that may affect the property. They will also ask the local authority to confirm whether the property is likely to have been built on land previously used for mining or has a history of flooding.

Searches are carried out to discover additional information about a property that often isn't obvious. They include things such as where planning permission may be granted for a future development that would negatively impact your property in the future, whether the property is liable to Chancel charges from a local church, the quality of the ground on which your house is built or details of common drains and access rights

Service Charge

Paid by the owner to cover the cost of repairing and maintaining external and/or internal communal parts of a building (eg. heating, lighting, security, insurance, etc)

Share of Freehold

Where the freehold on which the property stands is owned by a limited company and the shareholders of that limited company are the owners of the property.

Stamp Duty Land Tax (SDLT)

A government tax paid by the buyer of a property; the amount paid is dependent upon the value of the property. As the price you pay for a new property increases, so do the rates of stamp duty. You pay a percentage of the cost, and the rate payable increases at a set of thresholds - but, you only pay the proportion of the purchase price that's actually above the thresholds at the higher rate.

PURCHASE PRICE BRACKET	STAMP DUTY RATE - ON THAT PORTION OF THE PURCHASE PRICE	
	STANDARD	SECOND HOME
Up to £125,000	Zero	3%
Over £125,000 - £250,000	2%	5%
Over £250,000 - £925,000	5%	8%
Over £925,000 - £1,500,000	10%	13%
Over £1,500,000	12%	15%

From 4 December 2014, SDLT for residential property is charged at different rates depending on the proportion of the purchase price that falls within each band.

From 1st April 2016, an extra 3% on top of the standard rate will be applicable on second homes.

Source: HMRC

Surveyor

A professional person qualified to estimate the value and condition of land and property.

Survey

A survey is not usually required when buying a new build property. Any structural defects would be covered by the warranty.

Snagging

This is the process of visually checking a new home for minor faults that will be rectified by the developer prior to handover.

Tenure

Conditions on which a property is held (ie. length of lease).

Title Deeds

Documents showing legal ownership of a property

Title Search

An investigation carried out by a conveyancer or solicitor into the history of ownership of a property. The search will check for liens, unpaid claims, restrictions or any other problems that may affect ownership.

Transfer Deeds

The Land Registry document that transfers legal ownership from seller to buyer.

Valuation

A basic survey of a property to estimate its value for mortgage purposes. Mortgage lenders will insist on this before lending.

Warranty

An insurance policy which protects buyers of new homes from structural defects, usually offering 10 years of cover.