

PRELIMINARY INFORMATION

FOR CLIENTS OF HOWARD HYMAN & CO

INTRODUCTION

The purpose of this sheet is to give you information which we hope will be useful to you at the outset of this transaction. We are conscious that many purchasers are buying their property for the first time and there are various aspects of the transaction upon which we frequently find that the purchasers would like advice at an early stage. For others who have bought property before this information may act as a reminder as to the various items which we shall discuss. It may be helpful for you to consult this note during the transaction and particularly we would ask you to read it prior to exchange of contracts so that you can ask our advice on any points raised **before** you commit yourself to the purchase.

YOUR NEEDS

If you are purchasing a property and have any specific requirements (i.e change of use, alterations which may require building regulations or planning consents etc.) please let us know and set these out clearly for us in writing. Many properties have restrictive covenants which restrict certain uses, are in a conservation area or have Listed Building status.

DEPOSIT

Under the terms of the contract which you will be signing the Vendor (Seller) is entitled to an amount representing 10% of the purchase price. Nowadays it is common for the Vendor to accept a lower deposit although he will always strictly be entitled to a full 10% and in circumstances where the Buyer (Purchaser) fails to complete the purchase that sum would be due to the Vendor. If you are obtaining a mortgage the money will not be available from your lender to fund the deposit as funds are only available on completion of your purchase. If you are borrowing more than 90% of the purchase price the Vendor may well accept a lower deposit. You should however note that it will be necessary for you to put forward some deposit. The deposit is required at the time the contract is exchanged.

Where you are also selling a property it is sometimes possible to use the deposit from your sale to fund, in whole or in part, the deposit on your purchase. Your Vendor will often ask that he in turn, be allowed to use your deposit to fund his own deposit. This is common practice. In due course you will no doubt advise us whether you have any objection to the deposit being used in this way.

When we ask you to sign the contract we will also ask you for the deposit. In order to speed up the procedure it will be helpful if you can arrange for the deposit to be made available in the form of either a Bankers Draft, which is available from your own bank, or a Building Society cheque. This will save the necessity to clear a personal cheque which takes several days and can delay exchange of contracts. Unless otherwise

advised all drafts and cheques should be made payable to Howard Hyman & Co. You may need to give notice to the Building Society of your intention to withdraw the deposit.

MORTGAGE

You will, by now, probably have completed your mortgage application form and returned it to the lender together with the fee for the survey. In due course you should receive an offer. When you receive it can you please check that the amount which is being offered is the amount you have requested. Will you please also look carefully at the terms and conditions of your mortgage to make sure that these are satisfactory. Where you have applied for a mortgage in excess of 75% of the purchase price the lender will be required to take out an insurance policy known as a mortgage guarantee. The premium, which is payable by you, is a single once only payment. Your mortgage offer will specify the amount of the mortgage guarantee premium. Often the lender will deduct this premium from the advance account which they send to us. You should therefore take into account, when budgeting for your move, that this premium will be payable on completion. If you have any queries regarding the mortgage guarantee premium you should contact your lender when you receive the mortgage offer.

Some clients opt for an endowment mortgage. This is a mortgage which is linked to a life assurance policy. You will therefore pay a monthly sum to the lender and a separate monthly sum to the insurance company as a premium for the life policy. It is essential that this life policy begins to run as soon as you exchange contracts so that the loan is immediately covered by the terms of the policy. We need to know details of the policy you have arranged. The details we need to know are as follows; first we need to know the name, address and telephone number of the person who has arranged your life policy, we also need to know the name of the insurance company, the amount of the policy and, in due course, the policy number and the date of that policy. Once you receive an acceptance of your proposal from the life company it would be helpful if you could please send us a copy of that acceptance so that we know your insurance arrangements are in place prior to exchange of contracts.

We do not propose to discuss with you, in detail, the terms and conditions of your mortgage but it may be helpful to know that in each case the borrower covenants with the lender to repay the mortgage over a term of years with interest. The interest rate is usually variable during that period. The lender retains a power of sale over the property in default of repayment. Other terms and conditions of the mortgage will be set out in the supplementary information which will be sent to you with your offer and you should read through this information to acquaint yourself with your responsibilities under the mortgage. In certain cases the lender will impose a penalty of one or more months interest if you redeem your mortgage within its early stages. Again this is something you should take into consideration. The major Building Societies do not, generally, impose such a condition but your offer will make reference to any such penalty.

OWNERSHIP OF THE PROPERTY

Where a couple are buying together they may own the property in one of two ways. Please look at our Note on Joint Ownership.

Usually each individual will not be said to own a separate identifiable share in the property but rather each owner will, in effect, own the whole of the property. If a joint owner dies then the property passes automatically to the other owner. If however you wish to have separate shares in the property then you should let us know so that we can discuss the position further. In these circumstances where a joint owner dies the

share of the property does not automatically pass to the other. The share of the ownership of the property will be determined by the Will of the deceased or, where no Will exists, according to what is known as "The Intestacy Laws". We shall assume that you do not wish to own the property in this way unless you advise us otherwise.

SIGNING CONTRACTS

When we have completed our legal work we shall contact you again with a view to signing contracts. Once the contract has been signed we can then make arrangements to exchange the contract. It is only at this point that you become committed to purchase the property. Obviously we ask you to sign the contract in readiness for its exchange and we then make sure that all other parties in the transaction have signed their contracts. Once this has been done and a moving date has been agreed all round the contracts can then be exchanged which means that you have secured the property at the agreed price and the legal binding obligation on all parties arises. The work which we will now be carrying out will be to investigate the legal background to your purchase to make sure that all the legal paper work is satisfactory. We can then advise you on these aspects and confirm to you that it is in order for you to commit yourself to the purchase by exchanging your contract. The term "exchange of contracts" literally means that your Vendor's Solicitor will hand to us a contract signed by the Vendor and in exchange we will hand to him your contract which will of course be in identical terms. We will make all the necessary arrangements to deal with the exchange of contracts on your behalf.

COMPLETION

This is the day fixed by the Contract when the balance of the funds are remitted to the Vendor's solicitors to complete the purchase. The Sellers (if in occupation and the property is not vacant) should move out in the morning of Completion and the Buyer moves in afterwards, but usually in the afternoon. We are unable to confirm when completion (the time when the monies are received by the Vendors) takes place as this is subject to the vagaries of the banking system and there can be delays particularly prior to bank holidays and the last Friday of each month when the banking system can be overloaded. There can be penalties (i.e interest charges) if completion does not take place by the time specified in the contract which would be payable by you if you fail to complete a purchase on time.

If you have any queries about timing please contact us to avoid incurring any additional cost in removals etc.

IMPORTANT

Please note that if you are selling then unless this is subject to a tenancy you are required to give **VACANT POSSESSION**. This means that everything (including all items in a loft, cellar and garden shed) NOT included in the sale should be removed on or before completion. Please do not remove flowers or shrubs etc without the explicit agreement of the Buyer.

YOUR NEW PROPERTY

As we have mentioned above it is our job to look into the legal background of your property and to make sure that all the necessary legal papers are in order. We do not, of course, have any information regarding the state and condition of the property and in particular the person selling it to you does not give any guarantee regarding the

structure of the property. Your Surveyor will be able to advise you on these matters and you should refer any queries that you may have on such points to the Surveyor. You should bear in mind that we do not see the property itself but if there is anything particularly unusual about the property which you feel ought to be investigated please feel free to contact us for further advice. It may be, for example, that the boundaries of the property are not clearly defined. It may be that the property has been extended or altered. We shall be raising a comprehensive set of enquiries with the Vendor which will as for various pieces of information. We will provide you with details of the replies which we have received. We would ask you to check these replies against your own knowledge of the property and if there are any inaccuracies then please let us know so that we can make further enquiries on your behalf. We will provide you with this information before asking you to sign the contract.

CONCLUSION

There are a few further points which may be helpful for you to note. Once you have placed the matter in our hands and you have completed the necessary forms in respect of your finances there is nothing further for you to do. Clients often call us to enquire as to the progress of the transaction. It usually takes several weeks for us to gather the information both from the Vendor and from the Local Authority to check into the legal background of the property you are buying. During this time it will not be necessary for us to bother you unless there is a problem. As we have said in due course we will provide you with a full report on our investigations. Please, therefore, rest assured that when the preliminary legal work has been completed we shall contact you to sign the contract.

If, however, you have any particular problems during the course of the transaction upon which you feel we can assist please feel free to telephone us to discuss them.

We hope that this information has dealt with at least some of your queries and we shall supplement this with a report once our preliminary work has been completed.

June 2005