



SEARCHLIGHT FINANCE

FULFIL YOUR PROPERTY AMBITIONS

The purpose of this guide is to help you prepare for a valuation. It's the most talked about part of the finance process and can make or break an application.

3 Steps to a Successful Completion – Valuation Process

1. What is a valuation?

It confirms to the lender the current value, market rent, demand, any obvious issues, buildings reinstatement cover and if the property is mortgageable.



2. Who is it for?

It is only for the lender although most of the time you will get a copy.

3. How much does it cost?

Some lenders offer free valuations for basic BTL/HMO properties, but not all. The cost is linked to the value you put down on your application and the higher the value the higher the cost. No you don't get a refund if it comes in lower!

4. How long does it take?

Typically you will get a call to arrange the visit within 48 hours of your application going in. Once done the report can be back the same day or up to 10 working days for a commercial report.

5. Most common issues

Damp, movement, wood worm, dry rot, trees affecting foundations, electrics, Asbestos, Japanese Knotweed, flying freehold (where part of one property extends over another) and commercial properties in the surrounding area.



Most lenders don't like anything near a property that is noisy, smelly or reduces the number of people who want to buy it. This includes pubs, fast food, shops, launderettes, commercial buildings.

Since April 2018 any BTL property must have an EPC of A -E and the EPC needs to be in date.

HMOs need to comply with local and national legislation both on planning and licensing.

I would always recommend that you get your own survey before buying a property.

Which Survey?

Feature	Basic Valuation	Homebuyer Report	Building Survey*
Suitable for a conventional house, flat or bungalow, built from common building materials and in reasonable condition.	✓	✓	✓
Suitable for listed buildings.	✓		✓
Suitable for older properties or extensively modified buildings or one in need of modernisation.	✓		✓
Provides a market valuation.	✓	✓	*
Provides reinstatement cost for insurance purposes.	✓	✓	*
Describes the construction and general condition of the property on the date of inspection.	✓	✓	✓
Aims to identify any problems that need urgent attention or are serious.		✓	✓
Aims to identify things that need to be investigated further to prevent serious damage.		✓	✓
Aims to inform about problems that may be dangerous.		✓	✓
Aims to show up potential issues and defects, before any transaction takes place.		✓	✓
Aims to help with planning for expenditure for any repairs.		✓	✓
Aims to identify legal issues that should be addressed before purchase.		✓	✓
Aims to help decide whether additional advice is required before committing to purchase.		✓	✓
Aims to advise on the amount of ongoing maintenance that may be required in the future.		✓	✓
Gives advice on the steps needed to investigate/repair/resolve any defects identified.		✓	✓
Aims to outline the repair options, repair timeline, and explain the consequences of not acting.			✓
Establishes how the property is built, what materials are used and how these will perform in the future.			✓
Provides specific comments on energy efficiency.			✓
The most detailed visual inspection of a wider range of issues, including the most thorough consideration of the roof space, ground floors and services.			✓



Some lenders will give you the option of purchasing a homebuyers report from the valuer who does the mortgage valuation. Most of the time you will have to instruct your own report.

If a valuer recommends further reports, the most common are damp and timber and structural. If you identify a potential issue, raise it with your broker as the valuer will spot it and it will save you time and importantly money. Short term lending is required if the property is not mortgageable.

6. How do I appeal a valuation?

Not all lenders accept appeals and the ones that do have a process you have to follow within a specified time period.



It's not the end of the world and the valuer will have their own reasons for the figures on the report. They work off comparable evidence if the property is being valued on a bricks and mortar basis. Most reports have details of the evidence, so you can see the properties the information is based on.

To appeal the lender usually has their own appeal form to complete. You need to provide the information quickly, but rather than have the stress of this after you have paid for the report, do the exercise yourself before the valuation is instructed.

This will help you in coming up with a figure and if it doesn't work out you have gathered the additional evidence the valuer requires.

To consider the appeal the following information is required:

- Evidence of three comparable property sales, ideally within the last three months of the same type in the same postcode. This should include the sales figure, date of completion, full address of the properties and name of the estate agents. Also details of how the properties compare with the subject property in terms of size, age, condition and distance.
- Properties on the market are not accepted – it has to have been sold or rented.
- Where available provide a web site link to each comparable.
- For remortgage properties, details of any improvements or alterations made to the property since it was purchased (e.g. extension, conservatory, loft conversion) that may have increased the value.

7. How do I prepare for a remortgage valuation?

Make sure the property is presentable inside and out and be there if you can. I would recommend a pack to give to the valuer to include:

- Sales price and date of purchase and if lower than market value reasons why.
- Before pictures.
- Detailed breakdown of work done to include costs (if you are builder and there is no contractors profit in the figures tell them).
- Comparable evidence you have found from your own research. Explain why it's a good or a bad comparable. Try and find information that is not available in the market, by talking to local agents about recent transactions.
- Gas Safety Certificate.
- EPC.
- Electrical Certification sign off especially for HMO alarm systems.
- Building Regulation sign off.
- Copy of tenancy agreements/lease.
- HMO - a list of the monthly expenditure that you pay.
- License – copy of any license the property requires.
- Planning Permission if recently changed.
- Certificate of Lawfulness if applicable.

8. Non Standard Construction



Anything that is not standard which include Timber Frame, Modular, Steel Framed, Glass, Prefab/Huf Haus, Concrete will reduce the number of lenders available to you.

You will normally get a higher yield than a standard property in the area and that can be a clue. The construction type normally has a name, so find that out first as it will help the lender and you will get a quicker decision.

If buying from an agent ask them the type of construction. The resale market can also be reduced for this type of property so tread carefully.

9. Leasehold/Flats

If newbuild the property has to be suitable for both the investor and owner occupier market. If it's only investors then most lenders will decline the mortgage. Other points to look for include:

- Commercial on the ground floor.
- Commercial/Industrial adjoining, behind or opposite.
- Is parking included?
- Condition of common areas, outside and roof.
- Terms of lease – what do you need permission from the freeholder for and what are the costs, a lease term left of 80 years or less reduces lenders, Service Charge and Ground Rent payable and on what basis can they increase.
- Is there an active management company and managing agent?
- If ex council the percentage in the block that are privately owned.
- If cladding on the exterior, is there a report which confirms it's safe?

10. Land Registry

The best £6 you will ever spend which includes a plan <https://www.gov.uk/search-property-information-land-registry> to find out how long the property has been owned, price paid, freehold or leasehold, is it absolute title (anything less can be an issue), if a property is ex council, covenants eg: only use as a family home can affect change of use to an HMO.

Always consult with a solicitor early on in the process and take legal advice.

Next in this series we will have guidance and tips on the legal process.

If you have a finance enquiry then please call on 01565 654005 or email mortgages@searchlightfinance.co.uk

Secure Portal

If you want to apply for finance register now at <https://searchlight.omsystem.co.uk/client-registration>

Legal Stuff

Registered address: 98 King Street, Knutsford, Cheshire WA16 6EQ Company Number 07929050.

Searchlight Finance Ltd is authorised and regulated by the Financial Conduct Authority reference 743220.

Member of National Association of Commercial Finance Brokers (NACFB)

©Searchlight Finance 2020