

## Home Information Pack

Properties marketed for sale from 14<sup>th</sup> December 2007 in England and Wales will need a Home Information Pack (HIP). This means that all properties for sale in England and Wales will need a HIP from 14<sup>th</sup> December. However if you have a property with 2 bedrooms or less to sell, you can beat this deadline. If you advertise such a property for sale prior to 14<sup>th</sup> December you will not need to get a HIP. HIP.

Hence if you have a studio, 1 or 2 bed roomed property which you need to sell advertise privately on <http://www.nethomes4u.co.uk/> BEFORE 14<sup>th</sup> December and save the price of getting a HIP.

Any 3 bedroom property '*new to the market*' from 10th September 2007 required a HIP by law or the person responsible for marketing the property, the seller for private selling, will face a £200 fine for every occasion they are caught without a HIP. However, 3 bedroom properties on the market prior to 10<sup>th</sup> September 2007 will be exempt until 1<sup>st</sup> January 2008 as long as the property has been continuously marketed. Any break in marketing, even for a day, will mean that the 3 bedroom property needs to have a HIP.

4+ bedroom properties '*new to the market*' from 1st August 2007 required a HIP by law or the person responsible for marketing the property, the seller for private selling, will face a £200 fine for every occasion they are caught marketing without a HIP.

## The Details

Government regulations will make it an offence to sell a property in England & Wales without a Home Information Pack (HIP) and anyone found doing so will be faced with prosecution and a probable fine of about £200 *for each day* that they have been marketing the property. However in certain circumstances, as long as reasonable steps have been taken, a property can be put up for sale with an incomplete pack. Putting a home on the market is not an instant process now - sellers have forms to fill in and particulars have to be agreed. It is expected that the home information pack can be assembled in about 10 working days.

The Government aims to make property buying and selling faster, easier to understand and more consumer friendly. The downside is that property owners will need to do more work in terms of getting the contents of the Pack.

Government research shows that a typical transaction takes 8 weeks from offer acceptance to exchange of contracts. This is far too long and causes problems. The new rules could shorten this period significantly by ensuring that buyers and sellers have the information they need right at the start of the process. They could then exchange contracts earlier than under the present system. The amount of time saved would depend on factors such as whether the transaction is part of a chain but there is no reason why the average time cannot be reduced. More importantly, the reduction of transaction threatening risks will mean that both parties can have greater certainty that the transaction will proceed to completion.

The home information pack will bring together at the very start of the process important information which at present is collected piecemeal in the days and weeks after an offer has been accepted. This will:

- Help the seller decide on a realistic asking price
- Give the buyer information needed to make a well-informed offer and proceed with the purchase.
- Greatly reduce the risk of the terms having to be renegotiated due to later disclosure of information.

- Shorten the period of uncertainty between offer acceptance and exchange of contracts

The Pack is valid while the property is on the market, however local searches are considered to be valid for six months. Hence if the property has not been sold within six months it might be a good idea to at least re-do the local searches. However, sellers will not be required to renew a search after this period.

Home Information Packs are estimated to cost in the region of £500. The home information pack will transfer responsibility for obtaining local searches and a home condition report from the buyer to the seller. However, since the vast majority of sellers are also buyers these costs would usually be balanced by corresponding savings and benefits. It is therefore expected that the seller will pay for the Home Information Pack either up-front or through the proceeds of the sale at completion.

To clarify Home Information packs are NOT required for:

- Properties in Scotland. HIPs are only required for properties in England and Wales.
- Commercial properties. Only residential properties require a HIP
- Seasonal and holiday accommodation.
- Mixed sales e.g. Shop and flat.
- Right to buy and similar sales.
- Sales of portfolio of properties.
- Properties being sold not with completely vacant possession.
- Unsafe properties and properties for demolition
- Rental properties. HIPS only apply to selling.
- 1 and 2 bedroom properties (law from 14/12/2007)
- 3 bedroom properties on the market before 10th Sept 2007 which have been continuously marketed. A break in marketing the property even for a day will mean that a HIP will be required.
- 4 bedroom properties on the market before 1st Aug 2007 which have been continuously marketed.
- Properties where there is no marketing e.g. selling to a friend or family member will not require a HIP. However, if you sell privately via the internet or a For Sale board you will require a HIP.

## **Content of Home Information Pack**

The Home Information Pack Regulations 2006 set out provisions on the “**required**” and “**authorised**” content of the Pack. Required documents must be included in the pack where appropriate and authorised documents may be included at the seller's discretion. An authorised document means that sellers can use them to top up their Packs voluntarily to include additional material where they judge that to be of interest to prospective buyers. Although the Government has indicated it will make Home Condition Reports voluntary, it strongly believes that these are likely to prove valuable to both sellers and buyers, and is working with the industry to ensure that there is active take up.

The **required** documents are:

### **Index**

A list of all pack documents, whether they are included, not applicable or will follow and any necessary explanations.

### **Sale Statement**

A simple statement summarising the terms of the sale

### **Land Registry documents**

Recent Office Copy documents of the Land Registry Title and Plan

### **Standard searches**

Local Authority searches and a drainage and water searches

### **Energy Performance Certificate**

This is a report giving the Energy Efficiency Rating and Environmental Impact Rating for the property. It should also include any further cost or improvement information.

The government is committed to comply with EU Directive 2002/91/EC which aims to promote improvements in the energy performance of buildings. The EU directive requires an energy performance certificate for all dwellings at the time of sale.

The certificate will give prospective purchasers an easy to read guide to the likely energy costs of occupying the property in a similar way that current 'white goods' have an efficiency label.

Domestic energy consumption causes 25% of national CO2 emissions, and heating uses 90% of energy in the home. Improvement in the energy efficiency of our homes is therefore important in reducing our overall emissions.

### **Leasehold and Commonhold Documents**

Documents as appropriate for Leasehold and Commonhold properties to ensure that the purchasers are aware of specific rules and requirements relating to the property. For Leasehold this would include a copy of the lease and information regarding the service charges and buildings insurance; regulations made by the landlords or management company; memorandum and articles of the landlord or management company. For commonhold this would include a copy of the commonhold community statement.

## **Copy of New Homes Warranty**

All new properties require a "New Property" warranty and a copy of this must be included where appropriate.

The **authorised** documents are:

### **Home Condition Report**

This is a report which is prepared by a qualified Home Inspector. It gives information relating to the physical condition of the property.

The Home Condition Report element of the Home Information Pack is a completely new report format which has been developed by the Government with the help of organisations such as the Royal Institution of Chartered Surveyors. It will cover the general condition of the property bearing in mind its age, character and location and highlight any defects requiring action.

The Home Condition Report will be a 'mid range' survey similar in detail to the current Homebuyers' Survey and Valuation Report, but excluding the valuation. It will be an objective report on the condition of the property that can be relied upon by buyer, seller and lender. The report will be in a standard format prepared in accordance with national occupational standards. It will cover matters of importance to a buyer - the general condition of the property taking account of its age, character and location; how energy efficient it is; and any defects or other matters requiring attention. There will be no requirement for sellers to renew the Home Condition Report. As with any survey, the Home Condition Report will provide a "snapshot" of the condition of the property at the time it was inspected. However as the home condition report will not contain a valuation of the property, it should normally be reliable for some time.

### **Additional Searches**

The property owner can provide additional searches related to the property or searches of adjacent land.

### **Property Identification Information**

i.e. a map or plan indicating what constitutes the property.

### **Warranties and Guarantees**

Any policies, guarantees or warranties available relating to the property or items in the property, e.g. a warranty on a new boiler or central heating.

### **Home Use Form**

This gives information related to the use of the property and is similar to standard enquiries before contract.

### **Home Contents Form**

This itemises what is included in the sale including fixtures and fittings.

## How to get a HIP

There are 3 main ways to get a HIP if you are selling your property; create a pack yourself, get a HIP Provider to create a pack; get an estate agent to supply a pack. A property can be marketed as soon as a HIP and its contents have been ordered.

### **Create a pack yourself**

It is possible to create a pack for yourself. You will need to apply for documents such as the Land registry and the searches from the local authority. You will also need to get an Energy Performance Certificate from a qualified body. Finding and chasing up the relevant bodies for the necessary forms can be time consuming and the cost for the whole package is likely to be in the region of £300-£400.

You can get the information you require to help you from the government website <http://www.homeinformationpacks.gov.uk/>

### **Get a HIP provider or Solicitor to create a pack**

This is likely to cost more than creating the pack yourself. However you will save your own time and effort. In addition the pack is effectively a legal document and the provider should be able to provide assurances that the information provided is correct. Potential buyers are also more likely to accept a well delivered and professional looking pack.

If possible consider a company that is a member of the HIP Code. The HIP Code provides protection for homebuyers, sellers, estate agents, conveyancers and mortgage lenders who rely on the information included in a Home Information Pack (HIP) provided on residential property within England and Wales. It sets out minimum standards which HIP providers have to meet. Always shop around for the best deal.

### **Get an Estate Agent to supply a pack**

As above, this will save you the time and effort of creating a pack yourself. However you will need to be aware that an estate agent may offer a free pack and claw back the cost as commission, or charge if you leave them and sell your property elsewhere. You may be tied to the agent as the agent owns the HIP, hence you will not be able to use multiple agencies and sell privately. The upshot is you may then have a separate pack for each agent you deal with. Always check the terms and conditions with the agent before agreeing to anything, particularly if they are offering a "free" HIP.

## Useful Websites

Buying and selling houses is big business and a number of websites have been developed relating to HIPs. The internet is a good place to start when looking for information or trying to locate a provider. Listed below are some websites which may help.

<http://www.homeinformationpacks.gov.uk/>

This is the Government website containing information related to HIPs

[http://www.homeinformationpack.gov.uk/pdf/sample\\_HIP\\_11.pdf](http://www.homeinformationpack.gov.uk/pdf/sample_HIP_11.pdf)

Sample Home Information Pack

<http://www.homeinformationpacks.gov.uk/pdf/sampleHCR.pdf>

Sample Home Condition Report

<http://www.hipassociation.co.uk/home.aspx>

Website of the Association of Home Information Pack providers.

<http://www.communities.gov.uk/index.asp?id=1150984>

Listing of HIP regulations and accompanying documents

<http://www.oea.co.uk/>

Ombudsman for Estate Agents

<http://www.offt.gov.uk/>

Office of Fair Trading

<http://propertycodes.org.uk/hipcode/index.html>

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<http://www.nethomes4u.co.uk>