The Dirty Little Secret That Mortgage Firms Don’t Want You To Know Until It’s Too Late & What To Do About It

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LONDON, UNITED KINGDOM, December 8, 2020 /EINPresswire.com/ -- In the past few weeks, we have been seeing examples of ‘down valuations’ occurring with regards to recent property sales when doing UK Property research.

Bottom Line: Down Valuations is when a bank or mortgage firm surveyor values a property that is on the market for sale, much lower than the agreed purchase price.You may ask what on earth is a down valuation and how would it impact me if I sell my property or me if I buy a property with a mortgage?

In certain instances, we have seen down valuations of around 20% and this will only increase in the future.

In the most extreme cases, it has resulted in house sales and chains falling through and homeowners unable to move, as the properties have been valued less than the price agreed between buyer and seller.

An October survey by Bankrate UK found 46% of buyers had their prospective property down valued by their chosen mortgage lender. According to the mortgage comparison service, 44% of homes included in its research were down valued between £5,000 and £10,000.

It also found that only a third of buyers had asked the seller to reduce the property price to cover the cost of a down valuation.

Why are ‘down valuations’ occurring?
There has been an increase in ‘down valuations’ occurring mainly due to the pandemic creating uncertainty amongst lenders. As interest rates remain at an all time low, there are strong concerns about a steep rise in unemployment and steep rises in future house prices. They want to avoid an oversized property bubble, as inflation will start to increase and affect the overall market in the future.

So what options do you have if you find yourself in this situation?
One option is to ask what your lender's criteria is and what their recent valuation record shows. This way you have an idea ahead of making an offer on a property and change lender if you realise they will be coming in and down valuing.

With the current backlogs in place, it's wise to pick a lender from the outset rather than after the surveyor has down valued the property as this could add weeks and months to the process and and become expensive as well.

Another alternative is to negotiate a new lower price with the seller.

If you don't have a lot of choice or leeway, you may have to bridge the gap between the originally agreed purchase price and the smaller mortgage offered due to the lower valuation. In some cases, the seller might agree to reduce the agreed sale price – or meet somewhere in the middle.

In the worst case scenario, if an agreement can't be reached, the house sale can fall through, affecting the rest of the property chain – something that is beginning to occur more widely across the country.

Top 3 Tips if you are a Buyer:
1. Try and negotiate a new price with the seller that you can meet in the middle and avoid losing the deal.
2. Do your homework before you find a property. Choose a lender that will offer the mortgage you need with little to no hassle.
3. Try and increase your deposit.

Top 3 Tips if you are a Seller
1. Consider lowering the sale price or meeting somewhere in the middle and avoid losing the deal.
2. Encourage the buyer to try another lender with different lending criteria. The goal at the end of the day is to sell, so if the buyer is genuine, support rather than ego trip is a better solution.
3. If none of the above points are an alternative, simply put your property back on the market and try to find a new buyer who can offer the required amount or try and attract a cash buyer. The choice of agent / property broker can make all the difference well before the property is shown to a new buyer.

Bonus tip: We are also recommending homebuyers look into taking out search and delay insurance. Call us direct for more information on + 44 (0) 207 993 4081 or contact us for assistance.

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