



# first time buyers' guide



## Getting started

Even experienced home owners find buying a property a complicated and confusing exercise, particularly as it's something most of us only do a few times in our life. For first-time buyers, the process can be even more baffling. Our simple guide and mortgage advice takes you through this process, in bite size chunks.

Before you start your search it's important to establish a price range. How much are you willing or capable of borrowing? Banks and building societies offer very generous lending ratios but don't borrow what you'll struggle to repay. It's crucial that you don't over extend yourself. A small hike in interest rates can have a dramatic effect on your finances so avoid getting in to a situation where you are totally maxed out at the end of each month, with little room to manouvre.

And, remember early planning and a bit of homework can save a lot of delays later!

## Budgeting

Sit down with a pen and paper and do the maths. List all monthly outgoings and incomings. Remember you still have a life! Don't sacrifice important activities like holidays, hobbies and socialising to pay your monthly mortgage. Keep a sense of perspective. Factor in changes in interest rates. Remember if you choose a variable rate loan your monthly repayments will vary, so take that into consideration.

## Location location location

Location is extremely important and demands careful consideration. Consider work, family and friends - where are they located and therefore how far are you willing to travel? People are commuting further and further these days but long commutes can take their toll –both on health, relationships and your car!

## Shopping around

It is important to organise your mortgage as soon as you decide to buy a property. Your home loan may take a few weeks to process, and most vendors are slow to accept an offer if a borrower's finance is not in place.

We would suggest that you get Approval In Principle before you start looking for a property. At NC Mortgage Brokers, we can arrange an Approval in Principle for you, within a few days.

The amount you are able to borrow is primarily determined by your income, your employment status, the size of deposit you can provide and any other financial commitments you may have.

You can use the online mortgage calculators as a yard stick to find out how much you can borrow. Check our online calculators on [www.ncmortgagebrokers.ie](http://www.ncmortgagebrokers.ie)

## What type of mortgage and rate is best?

There are a wide range of Irish mortgages in the market at the moment. That's why when you choose NC Mortgage Brokers, we guarantee to find you the package that best meets your requirements. Choosing the right mortgage and rate is not simply a matter of facts and figures – it involves making choices. How much do you want to pay back monthly? How comfortable or uncomfortable you are with variable rates? Are you happy to pay a little extra for a fixed rate loan in order to secure safety of mind?

These are the kind of questions you must answer when deciding on the type of mortgage to choose.

## **Costs involved in buying a property**

There is a big cash outlay involved in buying a property. Don't forget to budget for all of the following:

- ▲ Legal Costs
- ▲ Stamp Duty (if applicable)
- ▲ Valuation fees
- ▲ Structural survey
- ▲ Insurance (Life, home and Contents)
- ▲ Indemnity Bond Fee( if applicable).

## **Things to consider when viewing a property**

A property check list is a great tool to help ascertain all the things you deem important in a property. It also keeps you focused. Bring a copy of this with you to every property you view. Property and relationships are not too dissimilar! It's highly unlikely that you will find everything you are looking for in just one house so be flexible and prepared to compromise.

## Finding a property

Once you have decided what sort of property you are looking for and the area that you wish to buy in, contact as many local estate agents as possible. Ask them to send you details of suitable properties on their books on a regular basis.

Other sources of property lists include:

- National Press
- Local Press
- Web Sites

## Making an offer

Once you have found a property you would like to buy, the next step is to make an offer, normally through the estate agent. Most sellers build a certain amount of leeway into their price, so it is possible to offer less than the vendor is looking for.

In deciding what you are prepared to pay, bear in mind things like the property's state of repair and how much you will have to spend on building work or redecoration.

Your first offer might be up to 10% below the asking price. It is then up to the seller to either accept that price, or try to negotiate a higher one. If there are several potential buyers interested in that particular property, the vendor may have enough bargaining power to insist that his/her full asking price is met. Indeed, in a strong market, the property may sell for a price in excess of the asking price. The asking price is no longer the preserve of the auction rooms. Some properties in bigger cities are reported to be selling for 5% – 10% above the asking price.

If you know that many people will be interested in the property (perhaps because good properties of that type are scarce in the market), and you are very keen on securing that particular home, you might consider offering over the asking price to avoid a “bidding” war.

## Offer accepted

Once your offer has been accepted, the estate agent will confirm this in writing. You can then go ahead and arrange a survey and finalise your mortgage arrangements. The acceptance of your offer is not legally binding until you and the seller exchange contracts.

Call NC Mortgage Brokers on 1890 450 890 and we will take you through each step of the Mortgage Application process and arrange a letter of offer for you.

## Additional to the mortgage

Your home is probably the most important thing you’ll ever own, so you should give it the protection it deserves.

In addition to applying for the mortgage you will also have to apply for life cover and home & buildings insurance.

Life Assurance protects your partner or family. If you die before you’ve paid off your mortgage, the assurance is designed to pay off what you still owe. Life assurance is a legal requirement when you take out a mortgage. Your premium is usually billed monthly by Direct Debit.

Buildings insurance means you’re covered for the cost of rebuilding your home – if there is a flood or fire, for instance. You’re better off opting for buildings and contents insurance if you can afford it. This comprehensive insurance cover means you can replace everything, from curtains and carpets to structural items.

## Choosing a solicitor

Finding a solicitor to carry out the conveyancing on the property, who is competitive and experienced in this area, is important. Prices can differ from one solicitor to another – so don't be afraid to shop around. NC Mortgage Brokers can help by giving you a list of solicitors who offer special rates to first time buyers.

Put aside between 1% to 1.5% of the purchase price of your new home to cover solicitor's fees, before VAT. There will also be other related costs, for example, phone and fax charges, as well as a payment to the Land Registry or Registry of Deeds Office.

## Other fees involved

### Valuations

A professional valuer has to look at the home you want to buy and then write up a valuation report. This valuation report ascertains the market value of the property you intend buying, i.e. it makes sure that the property is worth at least the amount you are paying for it.

The fee for a valuation is approximately €127. Be aware that a valuation report does not detail any structural inadequacies in the property. It merely advises lenders on the actual market value of the property.

## Structural valuations

In some cases you will need more than just a valuation report to make sure your new home is worth the amount you're paying for it.

A structural surveyor's report is a far more in depth examination of the property than a valuation report. It can highlight faults that aren't easy to see. It can also give you an estimate for any repairs or renovations that need to be carried out. In addition, if the damage can be rectified with out incurring huge costs, you may be able to use the survey results to negotiate a reduction in the asking price of the property to compensate you for the extra expense you will incur further down the line.

## Stamp Duty

This is a tax payable to the government when you buy a new or second-hand home. However, in certain circumstances, you might not have to pay it. (New homes are exempt from stamp duty provided they are owner occupied and the floor area is less than 125 metres square). All other properties incur stamp duty.

Purchase Price	Stamp Duty
€0 - €190,500	Exempt
€190,501 - €254,000	3% of purchase price
€254,001 - €317,500	3.75% of purchase price
€317,501 - €381,000	4.5% of purchase price
€381,001 - €635,000	7.5% of purchase price
€635,001 and over	9% of purchase price

## Mortgage Interest Relief

This is a tax relief you are entitled to on mortgage interest payments. It is a great bonus if you are buying for the first time, since you are entitled to the highest amount of relief.

Enquiries in relation to the tax relief at source for mortgage interest should be made to:

TRS Section, Collector-General, Sarsfield House, Limerick. LoCall: 1890 463 626

*(Source: Tax relief at source Mortgage Interest, published by Collector General May 2001)*

## Exchanging contracts

With your survey safely completed and the lender happy with it, you can move to the stage of getting a formal mortgage offer from your chosen lender which will detail all the conditions of the loan.

Typically at exchange of contracts (unless exchange and completion are on the same day), you will have to put down a deposit of 5% or 10% of the purchase price. You also need to make sure that the building is insured as you are now legally obliged to buy it (your solicitor will help make sure that this happens).

When you have signed the contract, your solicitor will deliver it to the seller's solicitor in exchange for the contract the seller has signed. From this point onward, both you and the seller are legally committed to the deal.

## Completing and moving in

All that remains after exchanging contracts is to pay over the money needed to buy the property, less any deposit already paid at exchange, on the agreed date. Your solicitor will get the mortgage funds direct from the lender and the remainder (if any) from you, and then pass it all on to the seller's solicitor. Once payment has been confirmed, you can collect the keys to your new home from the estate agent.

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