

First Time Buyer Guide



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introduction



Buying a first home is one of the biggest decisions many of us will make in our lifetime.

That's why it is so important to get the very best advice on every aspect of purchasing, including selecting the right property, choosing the right mortgage, choosing a solicitor, protection options.....the list goes on and on.

This First Time Buyer's Guide has been compiled to discuss many of the areas Just Mortgage Limited frequently gets questions on.

For example, the path to Purchase your first home has become an integral part of the initial contact with first time buyers. Other topics include stamp-duty, different insurance (protection) options and why a solicitor is needed in the purchase process.

FIRST TIME BUYER'S GUIDE

Just Mortgages Limited is delighted to make this free guide available to first time buyers. We hope that it helps answer as many of the important questions that will arise during the purchase of your first home.

We understand that every individual has circumstances unique to them, let our expert Financial Advisors guide you through the mortgage maze from Application to Approval In Principal to Cheque Issue.

If you have any questions that are not answered in this guide, contact one of our friendly advisors on 01-2051750.

In the meantime, good luck with the purchase of your new home!

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Do I qualify as a First Time

If you are applying for a 100% finance must:

- v Be a first time buyer
- v Be either a (1) Public & Civil Servant or (2) Professional (see below)
- v Have a minimum of 12 months continuous employment
- v Have a minimum income of €40k for a single applicant (€37k for Civil Servants) and €60k for joint applicants

Public Servants are defined as:

- v Teachers
- v HSE Nurse & Employees
- v Gardai
- v Prison Officers
- v Firefighters

Civil Servants are defined as:

- v Employees of government departments only

Professionals are defined as:

- v University Lectures
- v Psychologists
- v Physiotherapists
- v Veterinarians
- v Pharmacists
- v Engineers
- v Optician
- v Solicitors
- v Barristers
- v Pilots
- v Doctors
- v Dentist
- v Accountant

Step by step guide

1. Budget / Quote

The very first step is to find to borrow. You need to carefully out how much you can afford budget before considering any property. List all monthly outgoing and incomings and remember that you still have a life! Don't sacrifice important activities like holidays, hobbies and socializing to pay your monthly mortgage.

There are still a number of other expenses you will incur when buying your first home, such as stamp duty and furnishing your home.

OTHER COSTS INVOLVED IN BUYING A PROPERTY

There is a big cash outlay involved in buying a property.

Don't forget to budget for all the following:

- ¾ Legal costs
- ¾ Stamp duty (I f applicable)
- ¾ Valuation fees
- ¾ Structural Survey
- ¾ General Insurance and Life Insurance



KNOW YOUR STAMP DUTY

Stamp duty is a tax payable to the Government based on the documents used in the transfer of property. For stamp-duty purposes, a first time buyer is defined as a person who has not on any previous occasion (individually or jointly) purchased or built a home on their own behalf in Ireland or abroad.

The property must be used as their principal place of residence and it cannot be rented out (excluding the rent a room scheme) for five years after completing the purchase. In certain circumstances, a divorced or separated person may be considered a first time buyer.

CURRENT STAMP DUTY RATES

Chargeable consideration	Owner occupier
Up to €125,000	Exempt
€125,000 - €1million	7%
€1million	9%

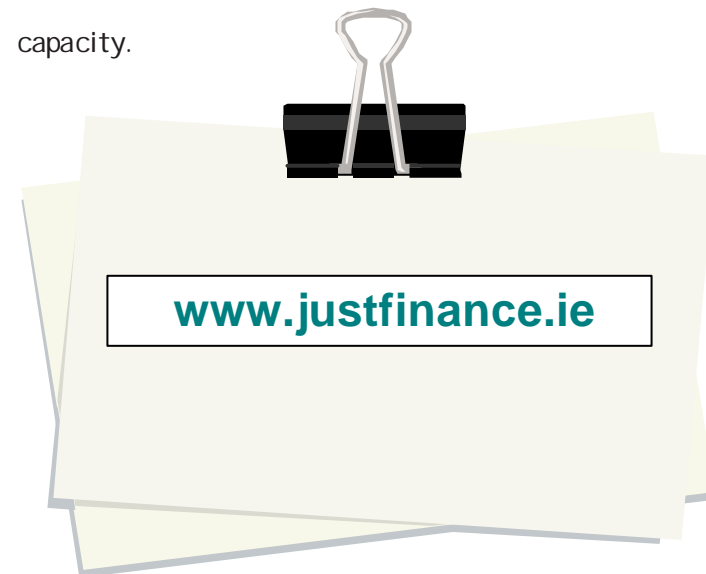
<http://www.budget.gov.ie/2008/downloads/AnnexG.pdf>

RENT A ROOM

The Rent-A-Room scheme has been available since 2001

and provides owner occupiers with a significant option to help make their mortgage payments if and when they choose to avail of the scheme.

- Rent-A-Room can also be used to help first time buyers get a foot on the property ladder.
- Financial institutions will accept the Rent-A-Room scheme as a usable source of income for qualifying applicants, which can boost borrowing capacity.



Finding your home...

2. Make an appointment

Talk to any one of our independent mortgage advisor and they will advise you on your available options. With over 300 different mortgage packages on the market, it is essential to shop around and get good professional advice. It is essential to obtaining approval in principal from a lender - this gives confidence that a lender will lend a certain amount of money when a property is found.

There is no simple formula which first time buyers can use to estimate the amount they can borrow as each of the 12 main Irish banks and lending societies use slightly different calculations. Therefore, it is important to get good advice from any one of our independent mortgage advisors on the different borrowing amounts you can get from each lender.

3. Find a property

Once you know your price range, it is time to go shopping for your first home. Search the Internet and property pages in the newspapers and talk to estate agents that can advise you on the types of properties available in your price range.

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



Arranging your mortgage

4. Making an offer

Now you've found a property that you like and is within your budget you should make an offer. This is normally done through the Estate Agent. People normally offer less than what the price of the property is listed at. Vendors may accept your offer. Be careful when you make your offer bear in mind the property's state of repair..... does it need much money spent on it, is it in a good decorative order?

5. Offer accepted

Once your offer has been accepted, the estate agent normally confirms this in writing. He will ask you for your solicitor's details in order that the vendor's solicitor can send on the contracts. Remember your Offer to purchase the house and the Vendor's acceptance is not legally binding until you and the seller exchange contracts.

FIRST TIME BUYER'S GUIDE

6. Pay booking deposit

Once you have decided to proceed with the purchase of the house and have been approved, at least in principle, for the loan, you should pay a booking deposit to the Estate Agent. Booking deposits can be as low as €3,000 but can be up to 3%. This deposit is refundable up to the point where contracts are signed. When the Estate Agent receives the booking deposit they issue a sale details to all parties.



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6. Valuation Report

The professional Valuer has to take a look at the property you are buying and prepare a valuation report. Usually you would expect to pay in the region of €127 for your valuation report.

Remember it is always a good idea when purchasing a second hand house to arrange a structural survey to be carried out before you sign the contracts.

7.. Sales Details

This is prepared by the Estate Agent and issued to you, your Solicitor and the Builder's Solicitor. It contains the price, conditions of sale, estimated closing date, names and addresses of all parties.



8. Appointment with Solicitor

A solicitor acts on your behalf throughout the property purchase, reviewing important legal documentation, such as the deeds and loan offer and will advise you on issues such as stamp-duty and purchasing with a friend.

Finding an experienced solicitor to carry out the conveyance on the property at a competitive price is important. Solicitor fees will vary so don't be afraid to shop around! Just Mortgages can help by giving you a list of solicitors who offer special rates to first time buyers.

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

9. Loan Offer

Once your Bank/Building Society has formally approved your loan in writing on the basis of the price of the house and information furnished by you, a formal loan pack is issued. Normally a Letter of Offer setting out the main details of the loan is issued to you and the Loan Pack comprising Mortgage Documentation, Acceptance of Letter of Offer and Assignment etc., is issued to your Solicitor. When your Solicitor has checked the Loan Pack and discussed key terms with you, various documents are signed and completed to enable the Bank/Building Society to proceed. This offer will include all the particulars of the mortgage such as rates and repayment term.

10. Contracts Received

The seller's Solicitor on receipt of the Sale Details will issue the Contracts. The Contracts are sent in duplicate together with a copy of the Title Deeds to your Solicitor.



Life Assurance and Home Insurance



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 insurance.

All lenders require you and your partner to have Life Insurance, or more commonly known as Mortgage Protection Assurance or Level Term Assurance. If either you or your partner dies before the mortgage has been repaid, insurance is designed to cover the mortgage amount outstanding, at the very minimum, depending on the type of life cover selected.

Life Assurance is a legal requirement when you take out a mortgage and your monthly premium is usually billed monthly by direct debit

Home insurance means you're covered for the cost of rebuilding your home. Home Insurance is also highly advisable and is required by all lending institutions to insure your home and property against e.g fire, flood, theft. 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. This step often takes longer than many buyers expect so allocate time to making it happen.

Legal work

11. Sign contracts, pay second deposit

When your Solicitor has checked the Contracts you will be required to visit your solicitor to sign the Contracts and pay the Contract Deposit (10% of the purchase price less booking deposit already paid). With a new house you may not be obliged to pay a full 10%, instead a reduced payment (called a stage payment) is accepted. The amount of the stage payment is specified by the Estate Agent at the outset. This should happen within 3 weeks of paying deposit. Your solicitor returns the Contracts and Building Agreements in duplicate signed by you together with the Contract Deposit/Stage Payment to the Seller's Solicitor.



12. Contracts Exchange

The Seller's Solicitor returns one copy of the Contract and Building Agreement. This creates a binding agreement between all parties, subject to the terms and conditions contained in the Contract.

13. Loan accepted

On exchange of Contracts, your Solicitor returns the loan acceptance and ancillary documents to your Bank/Building Society.

14. Title work

Your Solicitor raises Requisitions (lengthy Questionnaire) on Title and these are sent to the Sellers Solicitor together with a draft Purchase Deed. The Sellers Solicitor replies in writing to the Requisitions received from your Solicitor and approve the Deed.

15. Notification of Completion - New House Only

When the house is finished the Builder sends you and your Solicitor a "Completion Notice". This is an important document and sets the meter running against you within which time period you must finalise completion.

Immediately on receipt of the Completion Notice you must "snag" the house. This is a formal inspection by you or your agent to establish that the house has been finalised. You draw up a list of any unfinished works. This list, known as a "snag list", is prepared in duplicate and one copy retained by you and the other handed to the Site Foreman. You should contact the Site Foreman within a number of days to check if all the items of the "snag list" have been completed and that exercise should be repeated until all matters have been dealt with. Immediately the house has been completed to your satisfaction you should inform your Solicitor.

16. Closing

Once all queries raised and the Requisitions have been satisfied and all matters are dealt with a closing date and time is finalized to suit all parties. You should check with your Bank/Building Society that everything is in order to allow the loan cheque issue. A common cause of delay is that the Life Insurance or Fire Insurance has not been taken out in time. Your Solicitor will prepare a Statement setting out the balance required to complete the purchase and costs. This is sent to you in advance of the completion in order that you can deliver the balance of funds to your Solicitor (see 15 below). This takes into account any extras or allowances agreed by you and the Seller.

17. Loan cheque

This is received in advance of the completion date.

18. Balance of funds

These are delivered by you, by Bank Draft made payable to your Solicitor in advance of the completion date. Normally the loan cheque and balance of funds are received the day before the completion date.



19. Close sale and move in

The completion is the formal completion of the purchase. This takes place at the Seller's Solicitor's offices. You do not need to attend as your Solicitor will represent you. Your Solicitor checks the Vendor's Title and when he/she receives good Title with fully signed documents hands over the balance of the purchase price. At that time keys are handed over to your Solicitor. For a second hand purchase for a new house the Site Foreman is contacted by telephone following completion of the transaction and informed to release the keys to you. Usually you collect the keys from the Site Foreman.



20. Signed Deed

After the sale is completed you must sign the Purchase Deed. This document is only handed over to your Solicitor at the closing and is not available for signature by you prior thereto. You must sign immediately following the closing as there are strict time limits for stamp duty.

21. Stamping Registration

Following signing by you of the Purchase Deed your Solicitor will proceed to stamp the Purchase Deed and Mortgages and then register same in the Land Registry/Registry of Deeds. Registration can take months, if not years, depending on the County and type of property involved.

22. Registration Completed

At this stage you are registered as owner of the house in either the Land Registry or Registry of Deeds. Legal ownership to the property passes to you on completion of the purchase but registration may take a minimum of 6 months. This delay does not in any way undermine the fact that you are the legal and beneficial owner of the property. Indeed you can sell a property even though registration has not been finalised in the Land Registry or Registry of Deeds.

23. File Closed

Your Solicitor, on completion of registration, returns your Title Deeds, to your Bank/Building Society together with a Certificate confirming that you have acquired a good marketable Title. Usually, you will be notified that registration has completed and the Title Deeds have been returned. At this stage your Solicitor closes off your file.

Mortgage Options

ANNUITY MORTGAGE

This is another term for the standard mortgage. With an annuity mortgage, monthly payments are used to pay off both the loan amount and the interest charged on the loan.

SPLIT-RATE MORTGAGE

This is a mortgage where part of the interest rate on the loan is fixed and part is variable. It is typically used by someone who wants to gain some benefit from various options in a changing interest rate environment.

VARIABLE INTEREST RATE

This is where the rate of interest will fluctuate based on a set criteria, for example, the European Central Bank (ECB) base lending rate.



WARNING: THE COST OF YOUR MONTHLY REPAYMENTS MAY INCREASE – IF YOU DO NOT KEEP UP YOUR PAYMENTS

NON-CONFORMING MORTGAGES

This is a relatively new product in the Irish market and is available for consumers who may be having difficulty gaining mortgage approval from any of the traditional banks and lending societies for a variety of reasons, including: poor credit history, recently becoming self employed, or relocating to Ireland from overseas (and has limited employment history). Non-conforming mortgages are slightly more expensive than traditional mortgages. Consumers who avail of a non-conforming mortgage can eventually switch to another lender for lower rates.

FIXED INTEREST RATE

A fixed interest rate does not change during a specified term, e.g., 1-year, 3-years or 5-years.

One important aspect of fixed rate mortgages that first time buyers need to consider is the “break” cost of the loan that will be applied if there is an early redemption (repayment) of the loan. Typically, the “break” cost can be as much as 3 - 6 months interest.

A loan may be redeemed early as a result of the sale of the property or a mortgage refinance.



MORTGAGE INTEREST RELIEF (TRS)

It is possible to claim tax relief on the interest you pay on your mortgage. Under TRS, the mortgage lender gives the relief either in the form of a reduced monthly mortgage payment or a credit to the borrowers funding account.

- Mortgage interest relief (TRS) is available for the first 7 years of a qualifying loan. If you have been in receipt of mortgage interest relief for more than 7 years on your current mortgage, you are no longer entitled to TRS with effect from the 1st of May 2009.
- Your account is credited each month
- The TRS application form is available from www.revenue.ie



YOUR CREDIT REPORT (ICB)

CREDIT REPORTS & WHAT YOU SHOULD KNOW

How you pay your monthly bills is a central issue in whether or not your mortgage (personal loan, credit cards and even car loan) application is approved.

Currently, all banks and lending institutions, including credit card companies and other finance companies, report into the Irish Credit Bureau and also access it when new and existing clients apply for credit. In addition to all loans being reported, other information that can be reported to the Irish Credit Bureau include judgments, collection items, defaults loans and revoked credit cards, as well as the standard items including mortgage payments that are greater than 30 days passed due. Banks and other lenders not only want to know the level of debt each applicant currently owes, they also need to know how that debt is managed and, most importantly, how they can expect the applicant to manage the new loan (be it a mortgage, personal loan or credit card).

Homeowners who want to find out what information the Irish Credit Bureau holds on them can access it by contacting the Irish Credit Bureau directly at:

The Irish Credit Bureau

ICB House, Newstead,

Clonskeagh, Dublin 14

Tel: (01) 260-0388

Web: www.icb.ie.

