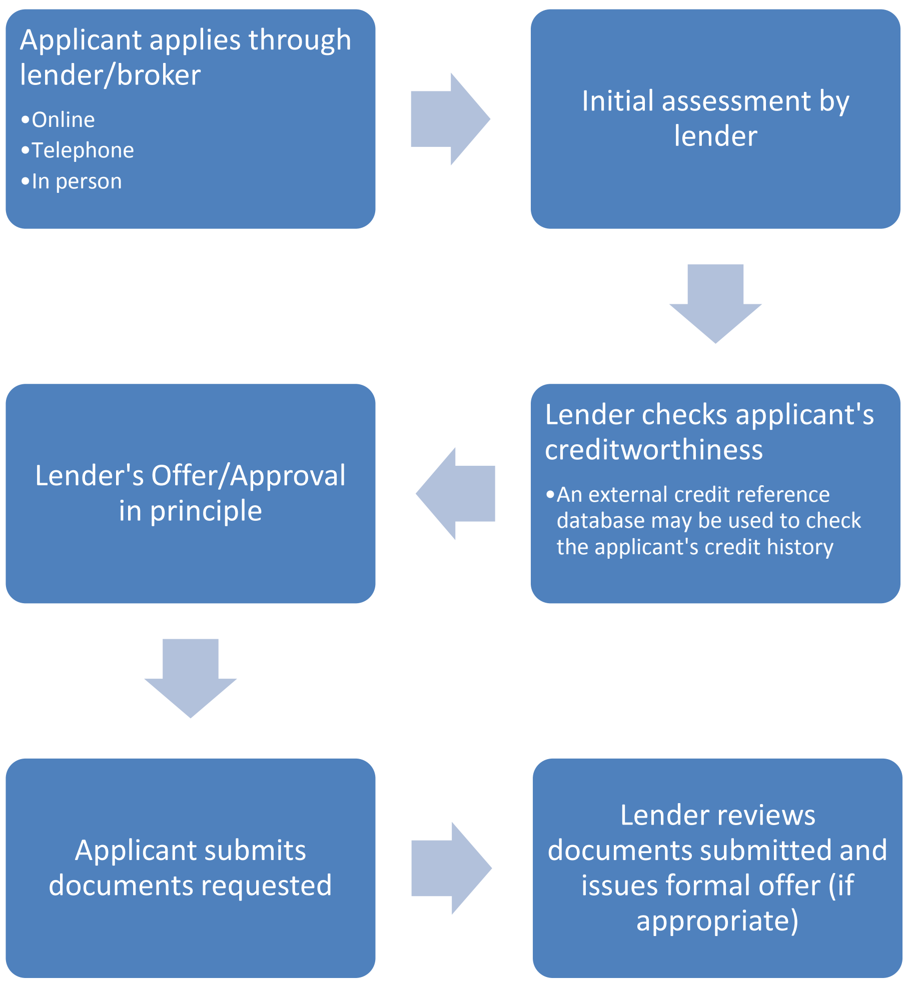
First-time Buyers' Guide to the Mortgage Application Process

A Typical Mortgage Application Process



Getting a mortgage is a big decision, so it pays to plan and prepare carefully. It's important to research the market by shopping around and looking for the offering that best suits you. Just as important is to know what you need.

What you should know

If you haven't yet found a property you want

- *The area in which you want to buy*
- *Your desired price range*

If you've found a property you want

- *The location of the property*
- *The sale price of the property*

Your income – your annual base income. Some lenders may also take into account irregular income such as bonuses and overtime payments or sources of additional income, such as the Rent-a-Room scheme.

Your outgoings/spend – what you typically spend each month including rent/mortgage payments, groceries, bills, clothing, travel, entertainment, childcare, loan/credit card repayments. Take account of major irregular expenses such as house/motor/health insurance or holiday expenses.

Savings – the amount of savings that you have and any regular savings commitments that you have. Savings are important to pay for a deposit and additional expenses, including legal costs, involved in buying a property. Lenders will also take into account whether applicants can show the ability to manage money and save.

Outstanding loans – any outstanding loans including overdraft balances, personal/motor loans, hire purchase agreements, credit union loans, point-of-sale credit agreements and credit card balances. The more borrowing you have, the less additional borrowing, in the form of a mortgage, you will be able to take on.

How much you need to borrow – the difference between the price you will pay for the property and the amount you will put towards the house yourself. This will depend on the savings and other funds you have available to pay for the deposit. You will need to factor in other expenses such as solicitor's fees and a valuation/surveyor report into the purchase price. You may also be entitled to mortgage interest relief on your repayments, see www.revenue.ie for up-to-date information.

Repayment term – the period in years over which you plan to repay the mortgage.

Single/Joint application – whether you will be applying on your own or with another person.

What you should have:

Proof of identity: such as a current valid passport or driving licence.

Proof of current address: such as a household bill in your name.

- Other documents may be accepted as proof of identity or address. You should check with the lender to ensure you have the documents you need.

Proof of income: your latest P60 and at least three of your most recent salary slips.

- These are minimum requirements. You should check with your lender for other requirements that it may have, such as:
    - a certificate of income from your employer;
    - for self-employed borrowers a lender may require two years of audited accounts.

Financial statements: Bank current account and loan account statements for the previous 12 months.

What a lender needs to know:

Lenders assess mortgage applications in different ways. The lender will take into account the information you provided to assess how much you can afford to borrow and whether or not you will be able to meet the mortgage repayments.

In making its decision, the lender will also look at other issues:

Your age - how old you are and when you will retire may affect the repayment term most appropriate to your situation;

Your credit record – your history of loan repayments may affect the lender’s assessment of your ability to meet repayments in the future.

Useful Terms

First-time buyer: a first-time buyer is a borrower who has never before been an owner-occupier, or part owner of a residential property in Ireland or elsewhere.

Mortgage: A mortgage describes a loan provided to a borrower by a lender, for which a legal claim against property acts as security for the loan. The lender becomes the legal owner of the property being used as security while the borrower is the beneficial owner. When the loan is repaid the legal ownership is given to the borrower.

Fixed rate: Under a fixed rate mortgage, the interest rate remains constant throughout an agreed term – irrespective of changes in the base rate, such as the European Central Bank (ECB) rate -- and the borrower repays the same amount each month during that term. A borrower may switch from a fixed rate mortgage but a penalty charge may apply.

Variable rate: Variable rates go up and down in response to a variety of factors including changes in the ECB's base rate, lenders' costs of funding and other market forces. This means that the amount the borrower pays goes up and down with the rate changes.

Annual Percentage Rate (APR): The APR is the total cost of borrowing expressed as an annual percent of the amount of the credit given. It is the nominal or flat rate of interest adjusted for the period for which interest is charged, the interest rate applied during that period and fees payable to the lender in connection with the mortgage.

Mortgage protection insurance: This type of insurance pays off the outstanding amount due on the mortgage if the borrower dies. Mortgage lenders are legally obliged (except in limited circumstances) to ensure that borrowers have mortgage protection insurance in place but borrowers do not have to take mortgage protection insurance from their mortgage lender.

Loan-to-value (LTV): This expresses the value of the mortgage that the homebuyer takes out as a percentage of the value of the property being purchased. The LTV is an important measure for lenders in assessing applications.

Note: Irish Banking Federation (IBF) is the leading representative body for the banking and financial services sector in Ireland, representing over 70 member institutions and associates, including licensed domestic and foreign banks and institutions operating in the financial marketplace here.