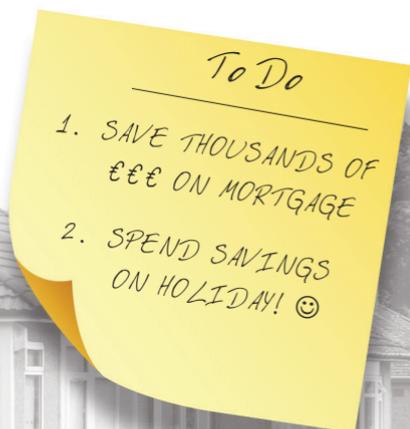


'... an invaluable guide through the mortgage maze.
It takes a complex subject and breaks it down and simplifies it.'

— *Charlie Weston*, Personal Finance Editor, *Irish Independent*

THE MORTGAGE COACH



JOEY SHEAHAN

THE ULTIMATE GUIDE FOR FIRST-TIME BUYERS AND
HOMEOWNERS TRADING UP OR SWITCHING MORTGAGE

**THE
MORTGAGE
COACH**

JOEY SHEAHAN

**THE ULTIMATE GUIDE FOR FIRST-TIME BUYERS AND
HOMEOWNERS TRADING UP OR SWITCHING MORTGAGE**



MERCIER PRESS

PREFACE

In Ireland we share a rich history and culture that instills a natural aspiration in every man, woman and child for home ownership. In 2016, according to the CSO Census report profiling housing in Ireland, 67.6% of us continue to live in a home that we own. Changing attitudes in a changing Ireland and periods of economic uncertainty made us more open to alternatives, but the desire to have an affordable home providing comfort and security for our loved ones continues to be an abiding motivator in contemporary Ireland.

This book was written for all of those considering first entry into or a move within the property market. It serves as a practical, no-nonsense guide for first-time buyers and homeowners trading up, as well as those looking to downsize, and all mortgage holders who wish to explore how switching could benefit them.

By reading this book you will come to understand how the market works, and also gain insight into how important it is

to prepare well and what to look for when determining your options in the long term. The step-by-step approach has been formed over twenty years of direct experience working with clients who faced real-life challenges in their mortgage journeys. This book provides the benefit of their stories, combined with expert knowledge to help you achieve the goal of your dream home.

I

MORTGAGE PREPARATION

CHAPTER 1

FIRST STEPS FOR FIRST-TIME BUYERS

In the Beginning ...

You're renting an apartment with college friends and are in the early years of your career. Or you're still living with your parents while you build up your savings for a deposit. Now that your job is more secure and you see a steady path ahead of you, it seems like the right time to think about getting the keys to your own place. However, whether you're considering buying an apartment with a friend or sibling, or taking the big step of moving in with your partner, remember, a mortgage is the biggest financial undertaking most of us will ever make in our lifetime.

The word 'mortgage' translates from the French as 'death pledge', and while this may make it sound daunting, it doesn't have to be. If you arm yourself with a detailed knowledge of the process, you will be prepared for the road ahead and will therefore be able to easily navigate the twists and turns in order to arrive at your destination – your new home.

But before you start down this road, you need to be utterly sure that it's the right route for you.

Considerations before you start

How you arrive at this decision will be based on a myriad of factors:

- Timing: Is it the right time for you?
- Deposit: Can I save a 10% deposit, plus the associated costs such as 1% stamp duty and say another 1% towards fees?
- Monthly costs: How much rent am I paying monthly now? In contrast, how much would a mortgage cost me on a monthly basis? Engage an expert to run the mortgage calculations for you. This will give you a good indication of whether or not buying makes financial sense in your current situation.

With the last two points in particular, it basically boils down to affordability. This is the key consideration. You need to consider your potential mortgage repayments and your ability to save enough for a deposit to meet the Central Bank's mortgage lending rules (also known as 'measures') for determining whether or not you can secure a mortgage.

These rules were introduced in 2015 and are reviewed each year. Their purpose is to ensure that buyers cannot borrow more than they can afford to repay, and that banks and lending institutions are prudent in how they lend money. The rules basically serve to determine the amount of money that can be borrowed to buy residential property; this is done using loan-to-value (LTV) limits and loan-to-income (LTI)

limits. First-time buyers, for example, can obtain a loan for 90% of the value of their house and up to 3.5 times their annual gross income (i.e. before tax is deducted), though in some instances stronger applicants can be entitled to more than 3.5 times. (I will delve into these requirements in more detail in Chapter 3.)

Let's look at an example:

Kerrie and Rory go to buy a house in Dundrum. Each of them has an annual gross basic salary of €40,000. They want to purchase a house for €300,000 and they're looking to borrow 90% of this, which is a €270,000 loan amount. Multiplying their combined income by 3.5 we get a total of €280,000, so the €270,000 loan required is within Central Bank limits.

Their monthly repayments over thirty-five years would be €1,062 based on a variable interest rate of 3.15%. The cost of the mortgage in this scenario is likely to be much lower than the rent for a similar property in Dundrum. So, based on these calculations, it makes financial sense for Kerrie and Rory to give a house purchase serious consideration as soon as they can get a deposit together and decide on their preferred location.

Mortgage	Term	Variable Interest Rate	Monthly Payment	Total Interest
€270,000	35	3.15%	€1,062	€175,968

However, they will need to factor in ancillary costs associated with taking out a mortgage, including survey expenses, stamp duty, moving costs and legal fees. Additional expenses also include mortgage protection and home insurance – these are usually mandatory under the conditions of the bank's mortgage loan offer. Still, even taking these into consideration, the house purchase would likely still make sense for Kerrie and Rory in this case.

Finding your Dream Home

Once you have made your decision to buy, that's when the real fun begins! Finding a property and securing a mortgage can be done at the same time, but it is advisable to have some of the legwork on the mortgage application done in advance of property hunting. (See Chapter 2 for more information on how to prepare.) For example, most estate agents/auctioneers will not accept a bid unless you can show them a copy of your 'approval in principle'. This is a document that a lender will provide, stating their approval of a mortgage for you up to a certain amount based on the details you have given in your application. A mortgage approval in principle will usually be valid for six months.

When looking for a property, it is important to ask yourself:

- What type of property am I looking for? Would I consider an apartment? Do I need a minimum number of bedrooms? Would I like a garden? Do I require parking spaces? What about other specific requirements?
- Where would I like to live? Your level of flexibility in this regard will determine how much choice you have. Start with your ideal location and work your way from there. You could list the pros and cons of each location to get a clearer picture.
- Is your place of employment a deal-breaker? For many people proximity to their workplace will be one of the primary considerations in choosing a property. But, depending on how long you intend to stay in the property, you should also consider other factors. Do you want to live close to family members? Or friends? Is access to transportation important? What amenities are nearby, e.g. schools, parks, childcare and community facilities, sports clubs, shopping centre, coastline?

And, of course, you must once again consider:

- How much can I afford to spend?
- How much do I want to repay on a monthly basis?

The next step is homework!

Talk to local estate agents and browse property websites such as daft.ie or myhome.ie to get an idea of what's out there and current market prices. Line up some viewings.

If you are considering moving close to friends or family, ask them about their neighbourhood; they will give you a better sense of the area than a property website will – for example, whether it's a bottleneck for traffic that restricts movement and access, or if there are ongoing problems with contaminated water, sewage treatment or fly-tipping.

It's also a good idea to visit the area of a property you are interested in at different times of the day and night before making a bid, in order to see if there is a problem with anti-social behaviour, disturbances, etc., in the area.

Even if you are not ready to make a bid on a house just yet, getting a 'feel' for what you are looking for and what's out there is the first step in the process towards moving into your new home.

When deciding to buy, particularly if you are going to buy in a new development, off the plans, there are some other elements to watch out for. Such as, what if your neighbours are student renters and party all night? If you're also a student you may not mind, but you will if you have a sleeping baby!

It's important to keep all this in mind when beginning the process of applying for your mortgage.

'Joey Sheahan's *The Mortgage Coach* is an invaluable guide through the mortgage maze. It takes a complex subject and breaks it down and simplifies it. The book is a must-read for anyone buying a home for the first time, building their own home, moving, switching mortgage, or acquiring a buy-to-let property.'

– **Charlie Weston**, *Personal Finance Editor, Irish Independent*

'An easy-to-read, practical guide which will help everyone, irrespective of their mortgage stage in life. Mortgages are typically a product people only buy once or twice in their lifetime, and it can be a minefield with ever-changing rules. Joey easily cuts through the process, streamlining it, and makes it a far less daunting journey.'

– **Sinead Ryan**, *Personal Finance Expert, Journalist and Broadcaster*

'Joey Sheahan has written a must-read guide, relevant to anyone considering their first or long-term mortgage position. The content is insightful and practical, and it is evident that, like any great coach, he aims to focus the reader on taking the best steps to achieve a successful result!'

– **Michael McGrath TD**, *Fianna Fáil Spokesperson on Finance*

Need a little help to get you on the path to your dream home? Are you applying for your first mortgage or trading up to a new home for your growing family? Do your kids need some guidance on taking that first step on the property ladder? Maybe you are downsizing so that you can travel the world during retirement, or are ready to discover how much you could potentially save by switching your mortgage? **The Mortgage Coach was written with you in mind. So get started today and let's get you mortgage-fit and ready to achieve your full potential!**

BEFORE YOU BUY YOUR HOUSE, BUY THIS!

Powered by:



MERCIER PRESS

CELEBRATING 75 YEARS