



FIRST TIME BUYER

FINANCING YOUR FIRST HOME

LifestyleMortgages
Independent Mortgage Brokers

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FINANCING YOUR FIRST HOME

Buying your first home can be a daunting prospect. Deciding on what you want in a property, finding the finance, dealing with solicitor's, auctioneers, surveyors, and moving in can all take their toll on your stress levels. Buying a home is one of the biggest financial investments you will make in your lifetime and is up there with marriage, divorce and bereavement in terms of stress levels. However, it does not need to be like this. If you plan carefully, get the correct finances in place and know your limits, then it can be plain sailing.

A good place to start is by contacting us at Lifestyle Mortgages to get your mortgage arranged from the outset. We have access to 13 lenders giving us an advantage over most financial institutions and we can shop around for the best option for you. Once you have the finances in place and you know what you can afford to borrow and spend, then the process becomes all the easier. Think of everyone you know that owns a property. If they can do it, then so too can you. If finance is the biggest worry for you, which for many first-time buyers this is the case, then remember that there are a number of schemes available to help you. Contact your local council for information on the affordable homes scheme or the shared ownership scheme.

WHAT IS A MORTGAGE?

A mortgage is a long term loan that is secured against a property. Taking out a mortgage will probably be the single biggest financial decision you will ever make as it is the longest financial commitment you will ever enter into, it is important to choose the right mortgage and provider. Below we have listed out some guidelines for you to follow.

HOW MUCH CAN YOU BORROW?

The first all important step is to find out how much you can borrow. Most lenders have diverse lending criteria subsequently loan amounts will vary from company to company. Knowing the difference between different types of loans and interest rates will help you get the best long-term value for your money. Lifestyle Mortgages can help you do this. It is very important to do your research and shop around before choosing to go any further with your mortgage. Lifestyle Mortgages can take the bother out of this for you and you can avail of our in depth product knowledge and understanding of the mortgage market.

APPROVAL IN PRINCIPLE

We advise to get Approval in Principle before you start your house hunting. This can take from 24 – 48 hours depending on the lender and will give you the confidence to look at properties and know your price range. We can discuss what type of mortgage and rate best suits you.

Costs to also consider when buying your home

- Legal Costs
- Stamp Duty
- Valuation fees
- Structural Survey
- Insurance (Life, home and Contents)



At our initial meeting we will give you an outline of all the costs involved. We work closely with other professions and have arranged a substantial discount on some of the above services for first time buyers.

OFFER

Once you have found your dream home you make an Offer. When the offer is accepted the next step is to pay your deposit. This is normally 10% but at this stage you are only required to place down some of the money to secure your interest. Your solicitors will have to be informed at this stage of the selling price and the property's address and the seller's solicitor's starts drawing up the contracts for sale.

FORMAL LOAN APPROVAL

Formal Loan Approval is now organised and this is sent to us and to your solicitor. The loan offer is valid for 3-6 months from the date it is issued, this will vary from lender to lender. Contracts now have to be signed and the remainder of the deposit has to be paid. Your loan has to be formally approved at this stage because if you could not finance the purchase of the property after signing the contracts you will lose your booking deposit. Lifestyle Mortgages will ensure that all is in place prior to this to ensure this will not happen.

INSURANCE

If you wish, Lifestyle Mortgages will now organise your Life Cover and Buildings Insurance which are both conditions stated on your loan offer that are necessary before the lender will release the funds to your solicitor. We have access to a numerous selection of life companies and will ensure that we can get you the best policy to suit you.

CLOSING THE DEAL

When the conditions of the loan offer have been fulfilled your next step is to Close. Both Insurance policies will be submitted and your solicitor will submit legal papers to the lender and request a cheque. This will be released to your solicitor who will then transfer the funds to the vendor. The deal is then complete so you can move into your new home.

THE PERKS

- Don't forget first time buyers can apply for Mortgage Interest Relief. This is available for a period of seven years and the annual saving could be as high as €2,000 for an individual or €4,000 for a couple. The fastest way to claim mortgages interest relief is online at www.revenue.ie or complete form TRS1 available on the website or by contact TRS Helpline at 1890 463 626..
- Also if you are to rent a room gross annual rental income of up to €10,000 is exempt from tax. So if you rent a room and receive over €700 per month this will not incur any tax liability.
- First Time Buyers can avoid paying Stamp Duty by buying a new home. This applies if you are an owner occupier and the floor area of your home is less than 125 metres square.

CHOOSING PRODUCTS

Choosing a mortgage can be complex, especially with so many products on offer. As it's probably going to be one of the biggest financial decisions you will ever have to make, it's worthwhile finding out about your product options first.

REPAYMENT/ANNUITY MORTGAGE

Your monthly repayments are made up of capital and interest. The first few years of your mortgages you pay back mostly interest however in the second half of the mortgage you are mostly paying back the capital or the original loan amount. This is the most common type of mortgage. This repays the full loan amount within the agreed term of the loan. There is up to a 40 year term available. There are options of fixed, variable or tracker rates.

INTEREST ONLY MORTGAGE

Your monthly repayment covers only the interest on your loan. The original amount borrowed stays the same for the term of the mortgage and must be paid in a lump sum at the end of term. This can be done by taking out a pension policy or an endowment policy that is expected to grow in value by enough to repay the original loan or by selling the property and using the proceeds to pay off the loan. There is no guarantee that these options will be enough to pay off the original amount borrowed at the end of term. That is the risk of this type of mortgage.

NON-CONFORMING MORTGAGES

This is mainly available to customers who may be having difficulty gaining mortgage approval from any of the traditional banks and lending societies for reasons such as poor credit history. They are slightly more expensive than traditional mortgages but customers who avail of a non-conforming mortgage can switch to another lender for lower rates after a year if they have meet all of their repayments.


TRACKER MORTGAGE

This tracks the European Central Bank (ECB) rate. It is based on a guaranteed margin above the ECB rate for the life of your mortgage. You will benefit from any fall in the ECB base rate, but your interest rate will also rise with any increase in it.

PENSION MORTGAGE

Interest only mortgage with the capital being paid off through a pension plan. This is only an option for someone who is either self employed or in non-pensionable employment.





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TYPES OF INTEREST RATES

The best interest rate for you will depend on your current circumstances and expectations and what the rates are in the market. Below we have explained the types of rates that can be taken out on your mortgage.

FIXED RATE

A Fixed Rate will ensure there is a set rate for a chosen amount of time, 1 – 5 years. This guarantees the monthly payment remains the same during the fixed period. After this it reverts to a Variable rate.

VARIABLE RATE

Variable Rate is the most common type of mortgage rate. Your repayments are linked to market interest rates which can go up or down during the life of your mortgage

SPLIT RATE

Split Rate is a portion of your mortgage fixed rate and the other portion is variable rate.

TRACKER INTEREST RATE

This tracks the European Central Bank (ECB) base rate by a set margin. This margin is guaranteed for the full term of the loan unless there is a material change in the terms of the loan. If the ECB rate rises by a percentage point, so does your rate. It will also 'track' the ECB rate when this rate goes down This interest rate option suits those who wish to avail of a variable rate of interest but want a guarantee on the margin that will be charged for the life of the mortgage.

CAPPED TRACKER MORTGAGES

This is a variable interest rate with a pre agreed facility to cap the rate of increase on the mortgages regardless of decisions taken by the Governing Council of the European Central Bank. Like a fixed rate, you benefit from setting an upper limit for your monthly payments but here you have the added advantage of seeing your payments reduce if interest rates fall below the capped rate.

DISCOUNTED VARIABLE/TRACKER INTEREST RATE

Interest rate options available at a discounted rate for an agreed period of time.

MANAGE YOUR MORTGAGE

As your needs may change at different life stages we have listed below some options that some of the banks may offer throughout your mortgage.

DEFERRED START

This means that you won't have to make any mortgage payments for the first 1, 2 or 3 months in your new home. We'll simply adjust your repayments so you'll pay off your mortgage in the original time agreed. Available on loans of up to 92% of the value of the property.

FLEXIBLE MONTH

This allows you repay a slightly higher amount over 10 or 11 months each year so that there's one or two months where you have no repayments, e.g. take December off and have extra cash for Christmas.

LEVEL PAY

If you opt for a variable rate mortgage, you can still choose to enjoy a level of certainty for the first year while you adjust to your mortgage repayments. Level pay allows you to set your repayments at an agreed amount for the first twelve months. At the end of this period, repayments are returned to a level that lets you pay off your mortgage in the original agreed time.

MORTGAGE BREAK

You can take a mortgage break of 3 consecutive months up to four times during the life of your mortgage after you've made at least two years repayments. After each break, repayments are returned to a level that lets you pay off your mortgage in the original agreed time.





SOME HANDY TIPS FOR FIRST TIME BUYERS

START SAVING

Expenses such as legal, fees, stamp-duty and furnishings will all have to be paid for. If you have your own personal savings this will help to pay for these. Also sometimes you will need the difference between the mortgage amount you qualify for and the purchase price of the property, your savings will make this up.

MAINTAIN A GOOD CREDIT RECORD

This is very important as a credit search is carried out on each customer and banks will know if you have not kept up with you bills or loans.

HOLD OFF ON ADDITIONAL COSTS

If you are considering financing a new car think again, it could make the difference in how much you can borrow and also where you buy.

STRETCH THE LOAN TERM

The longer the term the smaller the monthly repayment. It may be the best option for you starting off. The term can always be changed when your financial situation gets better.

PARENTAL ASSISTANCE

There is no limit to this and can make a big difference for you.

SHOP AROUND

It is very important to shop around and be aware of all the products and services available to you. We at Lifestyle Mortgages can help you with this and take the hassle out of finding your first home.

SOME TERMS EXPLAINED

Some of the terms explained that you may hear or come across when buying your first home.

ANNUALISED PERCENTAGE RATE (APR)

This is a financial tool to help you identify the true cost of borrowing and to give you a way of comparing the true cost of different types of loan on an annual basis, as it included the rate, the way the rate is applied and any other fees and charges.

INTEREST RATE:

This is simply the cost of borrowing money. If the interest rate was 10% per annum and you borrowed €100 for a year, the interest payable would be €10. Another way of saying this is that the cost of borrowing €100 for a year is €10. Interest rates can be either:

- a. Fixed: A loan where the payments are based on a constant interest rate for a set period of time.
- b. Variable or tracker: This means that the interest rate charged on the mortgage can go up and down over the term of the mortgage.

INDEMNITY BOND:

A type of insurance that covers the lender in the event that they make a loss on the sale of a reposed property. It normally comes into effect when the loan amount exceeds 75% of the purchase price or property value.

LOAN TO VALUE (LTV):

The amount you wish to borrow expressed as a percentage of the value of the property.

CONVEYANCING

The practice of arranging the necessary legal work in transferring the ownership of a property. A solicitor usually undertakes this.

HOME BOND

This is a service provided by the National Housing Building Guarantee Scheme, through registered builders, to people buying new, privately built houses and apartments. The certificate is called 'HB47' and it provides:

- A guarantee against losing your deposit if the builder goes into bankruptcy or liquidation
- A 10 year Defect Warranty against major structural faults which happen within 10 years of completion
- A 2 year Defect Warranty against water and smoke damage after completion.



TIME TO GET STARTED

We've looked at the various parts of buying a home and we've tried to explain them as simply as possible. Now it's up to you. With our help it doesn't have to be complicated, because we'll be with you every step of the way. So why not make the first move and talk to us today about the types of mortgage that will best suit your needs.



- Call into our office at 12 Calbro House, Tuam Road, Galway
- Call us direct on 091-762000. We are open Monday to Friday 9.30 to 5.30pm
- Visit our website on www.lifestylemortgages.ie