

Home Buyers Guide 2009

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SAMPLE CHAPTER

This is a sample chapter from Moving.ie's Home Buyers Guide 2009.
You can download the full guide for €17 at www.moving.ie/2009.html

Introduction:

First of all, congratulations!!

There's really nothing quite like the feeling you get when you start looking for your dream home.

Over the coming months, you'll spend hours searching the home buyer websites, reading the property supplements and visiting local estate agents.

You'll probably view quite a few properties. Some will be ugly. Some will be overpriced. And some just won't feel right.

But it'll all be worth it, when you find a home you love, make an offer and get a call from the estate agent to tell you that your offer has been accepted.

It's really exciting....but it can be pretty daunting, confusing and expensive too. It's hard to even know where to start, because there are so many different people you have to deal with:

- Estate Agents
- Banks and Building Societies
- Mortgage Brokers
- Solicitors
- Valuers
- Surveyors
- Mortgage Protection & Life Insurance Companies
- House Insurance Companies
- Removal Companies
- And that's before you even move in...

Hopefully this guide will help you in a 4 main ways

1. Get Informed:

We'll outline the home buying process for you, explain all the confusing jargon, and educate you on what you need to do and when you need to do it.

2. Reduce Stress:

They say that buying a house can be one of the most stressful things you'll ever do. It is. In fact, statistically it's up there with having a baby and getting a divorce.

But a lot of that stress can be minimized if you know what's required, plan ahead and timetable what you need to do. Our simple guides, tips and checklists will help you do that.

3. Save Money:

Buying a home is expensive...really expensive. And I don't even mean the cost of the actual bricks and mortar. I mean all the other expenses:

Deposits. Legal Fees. Searches. Land Registry fees. House surveys. Valuation fees. Mortgage Indemnity Bond fees. Mortgage Repayments. Insurance. The list goes on....

We'll outline all the costs you'll incur (including the hidden ones you don't even know about yet) and we'll show you how you can save thousands of euros with a little shopping around.

4. Improve your chances of getting a mortgage

The credit crunch has made it more difficult to get finance to buy a home. We'll outline the steps you need to take to improve your chances of getting mortgage approval.

Before we get started, I'd suggest you print a copy of this guide right now.

Sit down for half an hour with a tea or coffee and have a quick read through it. You'll get an overview of what involved and where to start. Then over the coming months you can use it as a reference, which you can dip in and out of as you need to.

And if you haven't done so already, I'd recommend that you put together a folder for all the paperwork, brochures and documents which you'll amass over the next few months (and keep a copy of this guide in the folder).

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Chapter 1: The 10 Steps to Buying Your First Home:

1. Arrange Mortgage Approval in Principle
2. Search for a property
3. Make an offer / pay a booking deposit
4. Hire a solicitor
5. Mortgage Valuation
6. Letter of offer
7. Arrange a surveyors report
8. Sign contracts
9. Pre completion requirements
10. Complete the purchase & get your keys

Step 1: Get Mortgage Approval in Principle

The very first thing you should do when house hunting is to establish how much you can spend. There's no point looking at million euro houses if you can only afford a 2 bed apartment.

But because it's not as much fun as checking out cool homes, a lot of people make the mistake of jumping straight to step 2 and spending hours searching MyHome.ie or Daft.ie.

Don't fall into that trap. Do a little bit of work first, find out how much you can borrow and once you know what you can afford, you can start house hunting.

5 Reasons for getting Mortgage Approval in Principle:

- It removes the guess work and any doubts about what you can and can't afford.
- You'll be able to easily identify homes within your price range.
- You'll be able to move fast when the right property comes up.
- You'll find out what size deposit you'll need
- You'll be in a better bargaining position (and could knock a few extra grand off the asking price).

There's nothing more frustrating for a seller than having a house sale fall through after agreeing a price. The main reason a sale falls through is because the buyers can't get sufficient finance. So if you make an offer and you have mortgage approval in place already, you're in a much better position to secure a good price.

The factors that can effect what you'd be able to borrow include:

- Age
- Existing loans
- Disposable income
- Credit history
- Occupation
- Employer
- Industry
- Employment contract status
- Savings patterns
- The deposit you have (and how you raised it)
- How many kids you have
- The mortgage term (i.e. how many years you'll take the mortgage over)
- What type of interest rate you choose

TIP: There's a wide range of lenders in Ireland and each lender uses different criteria, or rules, to work out how much you can borrow. The different rules mean that the amount you'd be approved for varies significantly from lender to lender. If you want to find out your maximum approval amount, speak to a broker who deals with 10 or more lenders.

Warning: Do NOT rely on approval calculators on mortgage or property websites:

You'll get a rough indication of what you can borrow on most property and mortgage websites, but you have to take these figures with a pinch of salt.

The problem is that there are lots of different factors which mortgage lenders take into account when they calculate how much you can borrow, so getting an accurate figure from any website is next to impossible.

In addition to this, one of the results of the worldwide 'credit crunch' is that the banks and building societies are reviewing and changing their criteria on a constant basis, so the figures you'll find on websites tend to become out of date very quickly.

How can I arrange mortgage approval in principle?

- Speak to a [mortgage broker](#) (or a selection of banks) or make an online enquiry
- They should be able to give you a good indication of what you can borrow, based on the information you give them over the phone or information you submit online.
- They'll send you an application form and a checklist of supporting documents which they'll need to get formal approval in place for you
- These documents will include bank and loan statements (showing a list of payments over the previous 12 months), an original utility bill, passport or driving license, pay slips, an employment cert from your employer and a P60.
- You'll get 'approval in principle', subject to finding a suitable property.
- When you successfully bid on a property, the mortgage advisor will arrange a mortgage valuation of the property and your 'letter of offer' with the property details etc is issued.

To arrange mortgage approval, call independent mortgage advisers Mortgages Direct on 1890 44 66 44 or fill in an [online enquiry](http://moving.ie/mortgageform.asp) (moving.ie/mortgageform.asp)

Now that you know how much you can borrow, you can start house hunting.

Step 2: Find a property

There are lots of ways to look for a property – you can search the internet, read the property supplements or call the local estate agents. The best chance of finding a bargain is to use a combination of websites, newspapers and by contacting the local agents.

TIP: Make sure you don't search exclusively on the property portals because not all properties are advertised there.

Property Portals:

- MyHome.ie
- Daft.ie
- PropertyNews.com

Estate Agent Websites:

- [Douglas Newman Good](http://DouglasNewmanGood.com)
- [Gunne](http://Gunne.com)
- [Lisney](http://Lisney.com)
- [Property Partners](http://PropertyPartners.com)
- [Property Team](http://PropertyTeam.com)
- [Savills](http://Savills.com)
- [Sherry Fitzgerald](http://SherryFitzgerald.com)
- [Real Estate Alliance](http://RealEstateAlliance.com)
- [Remax](http://Remax.com)
- Moving.ie/property (1000's of links to local estate agent's websites / contact details)

For Sale By Owner Websites:

- PrivateSeller.ie
- SellItYourself.ie
- YouBuyFromMe.ie
- 4salebyowner.ie

Most people don't even think about checking the 'for sale by owner' sites when looking for a home, but they can be a great source of bargains.

Property Supplements in the National Newspapers:

- Irish Examiner (Saturdays)
- Irish Times (Thursdays)
- Irish Independent (Fridays)
- Also consider the Sunday newspapers and local publications.

Search Locally:

- For Sale Signs: Drive around your target area and look out for estate agent for sale signs.
- Estate Agent Branches: Visit the local agents and let them know what you're looking for. Even if they have nothing suitable on their books now, join their email list to get updates when they get new properties on their books.

3: Make an offer on a property / pay booking deposit

OK, now that you've viewed a property and decided that you want to buy, it's time to speak to the estate agent to negotiate a deal. The process is a little different depending on whether the property is second hand or if it's in a new housing development.

Buying a Second Hand Home:

- When you find a suitable property, you'll have to contact the estate agent who is looking after the sale and 'make an offer' on it.
- Don't offer the asking price.
- Make an offer below the asking price, and the seller will either accept or reject it.
- If your offer is rejected, you can simply increase your offer.
- Don't be embarrassed about making an offer significantly below the asking price – all they can say is 'no'.
- Don't forget that the estate agent is working for the seller NOT for you (no matter how friendly they are).
- If your bid is accepted, you will have to pay a 'booking deposit' straight away (which is usually a couple of thousand euros).
- You are then given 3 - 4 weeks, to get your mortgage documents issued and complete a survey on the property.
- Arrange a survey (you can find a local surveyor on surveyors.ie)
- If for whatever reason, you can't get mortgage approval, or if the survey reveals structural damage, and you don't proceed with the purchase, this booking deposit is usually refundable.

• Buying a Brand New Home:

- There are set prices for each unit in a development. In a strong market, there was no movement on the price. However, in the current market, it's worth trying to haggle on the price.
- A lot of new developments have seen huge price reductions, so make sure to compare prices with similar developments locally.

- Find out what the standard fit out includes – for example, what's included with the kitchen / is there a decoration allowance etc.
- If your bid is accepted, you will have to pay a 'booking deposit' straight away (which is usually a couple of thousand euros).
- You are then given 3 - 4 weeks, to get your mortgage documents issued and complete a survey on the property.
- There's usually no need to get a survey on a new home (as long as it's covered by Home Bond or Premier Guarantee) but you should get a snag list done when the property is completed (before you complete the deal)
- Arrange a snag list (you can find a local surveyor to do a snag list for you on [surveyors.ie](https://www.surveyors.ie))
- If for whatever reason, you can't get mortgage approval, and you don't proceed with the purchase, this booking deposit is usually refundable.

Step 4: Hire a Solicitor

You should appoint a solicitor, as soon as you place a booking deposit on a property.

Once you've done that, give the solicitor details to your mortgage broker (or to your bank if you've arranged your mortgage directly) so they can issue your letter of offer and to the estate agent who's looking after the sale.

Solicitor fees can be quite expensive. Traditionally, solicitors charged a professional fee in the region of 1.0% - 1.5% of the purchase price (plus vat) and legal outlay.

However, some solicitors will now negotiate the rates they charge, so it's important to shop around. It is not unusual for one solicitor firm to charge thousands of euros more than another.

Choosing a low cost conveyancing service can save you a lot of money.

For example, [Moving.ie](https://moving.ie) offer legal fees of €947 + vat and legal outlay through a Dublin based legal firm.

Example:

Paul and Sarah have just agreed to buy a home for €350,000 and have given the estate agent a booking deposit. They have been quoted conveyancing fees of 1% of the property plus 21.5% vat, amounting to €4252.50

Instead, if they use a low cost conveyancing service (from Moving.ie's for example) they'd pay €947 plus 21.5% vat, amounting to €1150.61 – a saving of €3101.89

For more info see: moving.ie/conveyancing

Regardless of which solicitor you use, you will also have to pay 'legal outlays' in addition to your legal fees. These are the legal costs associated with buying or selling a property such as land registry fees, search fees etc

You can calculate your legal outlays on the Moving.ie website by using the links below:

- [Calculate your home buyers legal outlays](http://moving.ie/conveyancing/buying.php) moving.ie/conveyancing/buying.php
- [Selling your home – calculate legal outlays](http://moving.ie/conveyancing/selling.php) moving.ie/conveyancing/selling.php

5: Arrange a mortgage valuation

As soon as you agree a price with the estate agent, inform your mortgage adviser, so that a 'mortgage valuation' of the property can be completed.

A mortgage valuation is an inspection of a property to establish the market value. It involves a qualified valuer visiting the property to confirm that the property is a suitable property to offer a mortgage on. (It should not be confused with a surveyors report, which is explained on page 23)

While it's completed in the interest of the bank you have to pay for it. The valuation usually costs about €150, but speak to your broker or bank as the price can vary.

Your mortgage adviser will either arrange this valuation for you or will give you a list of acceptable valuers in the area who can complete the valuation for you.

If you are buying a new home off plan, the lender will usually need an initial valuation and a 'final' valuation when the property is completed. This usually adds about another €70 to the cost.

When the mortgage valuation is completed, it's submitted to the lender and a 'letter of offer' will be issued by the Bank or Building Society.

6: Letter of Offer

A letter of offer is the contract between you and the bank, which outlines the terms under which they will lend you the money. It outlines:

- The purchase price
- The amount you will borrow
- The mortgage term (i.e. how many years you are taking the mortgage over)
- What type of rate you are choosing (e.g. fixed rate, tracker rate, variable rate)
- What is the initial interest rate
- Any conditions which need to be met, before the mortgage cheque is issued

2 copies of the letter of offer should be issued – one to you and one to your solicitor. As soon as you get it you should read through it carefully, paying particular attention to the 'special conditions'.

These 'special conditions' have to be complied before you get the mortgage cheque, so make sure you are in a position to satisfy all these conditions. These conditions could include:

- Provide the bank an original mortgage protection policy
- Provide the bank a home insurance 'letter of indemnity'
- Give evidence of where you are getting your deposit
- Letter from your parents to confirm that money they have given you for a deposit is a gift not a loan.
- Evidence that a loan has been paid off

7: Surveyors Report

If the property is a second hand property (especially an older one), you should arrange a survey, to ensure that the property is structurally sound.

It is NOT required by the mortgage lender but is important for your protection

Some people don't bother getting a report done, as they want to save on the cost, but if you take nothing else out of this guide, please ensure that you get a surveyors report done.

They are not particularly cheap, but I've come across quite a few home buyers over the years, who have saved themselves from the nightmare of buying a home with bad structural problems by getting a house survey completed. Some of the problems, which only the experts will notice, can cause a fortune to fix.

You can find a local surveyor on [surveyors.ie](https://www.surveyors.ie)

8: Sign Contracts / Get an estimated Closing Date

As soon as the letter of offer is issued and the property survey is completed, you should arrange with your solicitor to sign contracts.

At this stage you'll have to pay the balance of the deposit through your solicitor (which along with the booking deposit you've already paid, usually adds up to 8% - 10% of the property price).

When you sign contracts, you are committing yourself to the purchase, and if you pull out of the purchase after this date, you are at risk of losing your deposit.

The Estate Agent should now give you an estimated completion date, when all things going well, you'll receive the keys!!

Inform your solicitor and mortgage broker when you expect to complete the purchase so they can ensure that they have their work completed in time.

It's important to remember that the estimated completion date is only an estimated date. House purchases often drag on past the projected completion date, so if you are planning on giving notice to your landlord, allow some extra time for delays.

9: Pre Completion Requirements

People often say that buying a house is really stressful (and it certainly can be). The biggest stress point is just before closing the purchase, caused by delays in getting the mortgage cheque issued.

The banks 'mortgage completion' departments have a checklist of documents which need to be in place before they issue the cheque - if any item is outstanding they won't issue the money.

Allow yourself plenty of time to arrange the outstanding requirements. These include:

- **Apply for mortgage protection (life) insurance:**

This insurance usually takes about a week or ten days to set up, but it can take a lot longer if you have a medical condition or family medical history etc. so make sure to apply for it at least 4 - 6 weeks before you need to close. You will have to give the original life policy to your mortgage advisor & sign a form which the lender will provide to 'assign the policy'. Assigning the policy means that if you died the life insurance cheque will go to the mortgage lender to pay off your outstanding balance (and any excess is then paid to your estate).

- **House (& contents) insurance.**

Your mortgage letter of offer will outline how much the house has to be insured for. You will need your insurance company to issue a 'letter of indemnity', naming your mortgage lender, which you should give to your broker. Some lenders will require the original document & may not accept a fax or scanned copy of it.

- **Special Conditions:**

You should also make sure that any other loan conditions, as outlined on your letter of offer, are taken care of now

10: Complete the purchase & get the keys

When the Estate Agent is ready to close the sale, your solicitor will request the mortgage cheque from the Bank or Building Society.

Assuming that ALL the conditions on the letter of offer have been met, the bank's 'completion department' will issue the check to the solicitor.

You'll usually meet the solicitor at this stage, sign some documents and pay your legal fees and outlays (such as Land Registry fees etc).

Your solicitor will issue a check to the sellers solicitor and you'll get your house keys.

Time to crack open the Champagne!!!!

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