



Hi there,

Thank you for requesting a copy of Moving.ie's home buyer's mini guide.

We hope it will help guide you through the pitfalls of buying a home & hopefully save you some time, money and hassle in the process.

We try to use plain English to explain the whole process, but if there are any phrases you don't understand, you can check out our online jargon buster (you'll find the link in section 8)

If you have any suggestions on how to improve the information contained here, or on our website, please email me directly at declan@moving.ie

Good Luck with the house hunting,

A handwritten signature in blue ink that reads "Declan Clare".

Declan Clare

P.S. If you know anyone who would like a free copy of this guide, and our free monthly email newsletter, they can receive it automatically by sending a blank email to guide@moving.ie

P.P.S You'll find details on a few special offers on mortgages and legal fees over the next few pages. These offers have saved home buyers hundreds of thousands of euros, so keep them in mind when you find a suitable property.



Home Buyer's Mini Guide

Updated August 2005

Index:

Section 1: Buying a house – what do I do first?

Section 2: Establish how much you can borrow & what price range you can afford.

Section 3: The costs involved in buying a home.

Section 4: How to find the perfect home & location.

Section 5: The pro's and con's of buying new vs. second hand property.

Section 6: Mortgage Interest Relief - The taxman will give you money!!!!

Section 7: Mortgages.

Section 8: Web Directory of useful home buyer sites.



Section 1: Buying a house – what do I do first?

Buying a home appears to be a complicated process, because there are so many different parties involved (estate agents, banks, solicitors, insurance companies, surveyors etc) and it's difficult to know where to start.

We've outlined the main steps below to help you get started. Don't worry - it's really not as complicated as it first appears!!!

Step 1: Get Mortgage Approval in Principle

While a lot of people wait to find a property before arranging mortgage approval, we'd recommend that you get approval in place, before you do anything else.

The last thing you want to do, is to spend ages looking for your ideal home, to find out that you can't borrow enough money to buy it. Most mortgage websites can give you an indication of how much you can borrow - (we'll explain how you can work it out for yourself later on in this guide.

If you'd like initial mortgage approval in principle, simply [follow this link](#) and fill in a couple of details. We'll respond within 24 hours (Monday – Friday)

Step 2: Place a bid on a property

When you find a suitable property, you'll have to contact the estate agent who is looking after the sale and place a 'bid' on it.

Your bid may be accepted quickly or if there are a few interested parties, a 'bidding war' may start, with each potential buyer raising the price.

If your bid is accepted, you have to place a 'booking deposit', which is usually a couple of thousand euros.

You are then given 3 - 4 weeks, to get your full mortgage approval in place and complete a survey on the property.

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 refundable.

Step 3: Hire a Solicitor

Appoint a solicitor, as soon as you place a booking deposit on the property.

Solicitor fees are quite expensive, with most solicitors charging in the region of 0.75% - 1.0% of the purchase price (plus vat) as a fee.



On top of this, you'll have to pay legal outlays, which are the legal costs associated with buying a property. These are primarily government fees, and they include land registry fees, search fees, stamp duty on the property (if applicable) and stamp duty on the mortgage.

You can calculate the legal outlays (and request details on Moving.ie's legal offers), by using our cost calculators:

[Buying Calculator](#)

[Selling Calculator](#)

Moving.ie offer a flat rate, low cost legal fees package - with legal fees of €895 + vat + outlay (or as low as €1 + outlay if you arrange your mortgage too)

Step 4: Mortgage 'Letter of Offer'

As soon as your offer is accepted, inform your mortgage adviser, and he or she will then arrange a valuation on the property.

Depending on the lender, the valuation usually costs about €130 - €150.

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

Step 5: Surveyors Report

If the property is a second hand property, you should arrange a survey, to ensure that the property is structurally sound.

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 wiring, with structural problems etc. And some of the problems, which only the experts will notice, can cause a fortune to fix.

Step 6: Sign Contracts

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 will have to pay the balance of the deposit (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.

Step 7: Closing Date

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

Step 8: 4 - 6 weeks before closing

You should arrange the house and mortgage protection insurance now. (You can either arrange these yourself, or your mortgage broker or lender can arrange them for you).

Usually, the insurance can be put in place fairly quickly, but sometimes, particularly if you have a medical condition, mortgage protection insurance can take a little longer to set up.

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

Step 9: Mortgage Cheque issued - You 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, and you'll get your house keys!!!

Now that we've covered the basics, the next thing we'll do is to help you set a price range and calculate how much you can borrow.



Section 2: Establish how much you can borrow & what price range you can afford.

There are two main things that you'll have to take into account when calculating how much you can spend on a home

- the deposit (and upfront costs) you'll require
- how much money the Banks or Building Societies will lend you.

Deposit:

Generally speaking, the maximum that the Banks & Building Societies will consider lending is 92% of the purchase price, so you'll need an 8% deposit.

For example, if the property costs €300,000, the Banks will consider lending up to €276,000. In this example, you'd need €24,000 as a deposit.

You'll also need to budget for money to pay for the associated costs such as legal fees and stamp duty (if applicable). We'll go into these costs in more depth later on in the guide.

However, the good news is that **100% mortgages are now available to first time buyers** in Ireland. We'll go into the details towards the end of this guide.

How much can I Borrow?

Each Bank and Building Society uses different rules to calculate how much you can borrow.

The good news is that if one lender won't lend you enough money, it doesn't mean that another lender won't lend you what you'll need.

Single Applicants:

The maximum the lenders tend to advance at present generally is either:

- between 3 - 4.5 times your yearly pre-tax basic income
- maximum of 35% of your net monthly income (take home basic pay less any monthly loan repayments) to service your mortgage repayments. They usually calculate this based on a standard variable rate.

Example:

A person aged 40 years old or less, earning €30,000 per annum, with no existing loans, could qualify for a mortgage of between €120,000 – €140,000 (depending on which lender they choose).



Joint Applicants:

The maximum the lenders tend to advance at present generally is either:

- 3.75 times your joint pre-tax yearly basic incomes
- maximum of 35% / 40% of your joint net monthly income (take home pay less any monthly loan repayments) to service your mortgage repayments. They usually calculate this based on a standard variable rate.

As with single applicants, overtime & bonuses will also be taken into account, but to a much lesser degree.

Example:

A couple both aged 40 years old or less, earning €30,000 per annum each, with no existing loans, could qualify for a mortgage of between €225,000 – €280,000 (depending on which lender they choose).

There are lots of variables involved in calculating your approval amount (such as outgoings, existing loan repayments, breakdown of your earnings into basic, overtime, bonuses etc), so the best bet is to get Approval in Principle in place before you start house hunting.

We can give you an initial mortgage approval in principle within 24 hours - [simply follow this link and fill in a couple of details](#)

The next section we'll look at, is the costs involved in buying a home



Section 3: The costs involved in buying a home

We are now going to have a look at the costs involved in buying a home.

Take a deep breath, because the costs can add up pretty quickly.

There are two sets of costs to consider:

- the upfront costs of buying a home
- the ongoing costs of owning a home.

Upfront Costs:

Deposit:

Generally speaking, the mortgage lenders will advance a maximum of 92% of the purchase price, so you'll need a minimum of 8% of the purchase price as a deposit.

Stamp Duty:

Stamp Duty is a government tax charged on buying property.

For First Time Buyer's and people trading up, it is usually payable on most second hand properties (costing more than €317,500) and very large NEW properties (where a reduced rate is charged).

People who currently or previously owned a home, have to pay stamp duty on second hand properties costing €127,000 or more and on very large NEW properties (where a reduced rate is charged).

Investors have to pay stamp duty on all properties over €127,000, whether new or second hand. The rates vary from 0 - 9% of the property price.

If you use our property calculator to calculate legal outlay fees, the stamp duty will be calculated for you too

[Buying Calculator](#)

Solicitors Fees:

The legal fees involved in buying a home can be pretty expensive.

Usually, you can expect to pay between 0.75% - 1% of the property purchase price + vat (@21%) + legal outlays.



If you are trading up (i.e. selling an existing home and buying another) you'll have additional fees for selling the property.

Moving.ie offer a flat rate, low cost legal fees package - with legal fees of €895 + vat + outlay (or as low as €1 + outlay if you arrange your mortgage too)

Estate Agent Fees:

The good news is that there are no estate agent fees for people buying property - you only pay the estate agent if you are selling a home.

Fees vary from agent to agent, but house sellers will usually have to pay 1.25% - 2% of the selling price as an agency fee.

Surveys:

If you are buying a second hand home, getting a survey done on the house is vital. The surveyor will view the house and write a report for you outlining any possible flaws. It will probably cost you between €300 – €500. It's money well spent, because it could save you from buying a house that has structural damage, which could cost you tens of thousand of euros in repairs in the long run.

Snag Lists:

As almost all new homes come with a 'HomeBond' or 'Premier Guarantee', (which guarantees the property structure from structural problems for 10 years), a survey is not required. However, it is important to get a snag list done on the property.

A snag list outlines all the little problems, or snags, that need to be rectified, before you complete the purchase, and get your keys. Snag Lists usually cost about €200 – €250 to complete.

Mortgage Fees:

Most upfront fees that were traditionally charged by the mortgage lenders (e.g. indemnity bonds, arrangement fees etc) have now gone for owner occupiers, although it is wise to ask your mortgage provider in case.

All lenders will require a 'mortgage valuation' of the property. This fee is usually €130 – €150.

Furnishings & Fittings:

Don't forget to allow some money to furnish your property. You'll need sofas, tables & chairs, beds, and possibly wooden floors, new kitchen etc.

Ongoing Bills:

The main items you need to account for are your mortgage repayments, mortgage protection insurance, house (& contents) insurance, and redundancy cover (if you choose to take it out).

You should also budget for your electricity, gas, phone and grocery bills along with the other essentials (such as your social life).



Section 4: How to find the perfect home & location.

What are the factors you should consider when choosing where to buy and what type of property is going to suit you best?

The rule of thumb is that you should not just look at what will suit you now, but consider your life a few years down the line, and what your requirements will be then.

Step 1: Property features:

1. List the features that are essential to you on a daily basis.
e.g. being near public transport or having adequate parking.
2. Put the ten most important features in order and decide which ones you can do without.

Step 2: Establish Location:

1. Write down all the areas, towns and counties which you would consider living in.
2. Get familiar with the area - the state of repair of nearby houses, the neighbours etc.
3. Find out about local facilities and services such as transport, fitness centres, local bars and restaurants.
4. Find out what facilities are available for kids (even if you don't have any yet).
5. If you will be using public transport, find out how close the bus routes or train stations are.
6. Visit the area at different times including rush hour, weekends and night time.
7. Is the area too far from your friends and family?
8. How long are you willing to spend traveling to work?

Step 3: Consider your needs in the future:

1. Ask yourself how long you intend living in the home.
2. Think twice about buying an apartment or flat - it may suit you now but will it if you decide to start a family?
3. Is there room for extending, if necessary?



4. Find out from the local authorities about future development plans, which could affect the value of your home and completely change your new homes environment.

(for example a positive development for previous home buyers, was the introduction of the Luas in their local area. A negative development may be a new dual carriageway being built right beside their home causing noise pollution and increased traffic in the area)

Step 4: When viewing a property:

1. Consider what the property would be like in winter and summer.

2. What direction is the garden facing?
Will it have the sun in the morning or afternoon?



Section 5: The pro's and con's of buying new vs. second hand property

Older Properties:

A lot of people prefer to buy second hand properties, as the houses tend to be bigger than homes built in recent years, with bigger dimensions in most rooms and much larger gardens.

The **negatives** of buying an older house include

- potential cost and effort to complete repairs.
- cost of replacing fixture and fittings.
- the running cost of things like heating can be higher.
- The **big negative** of buying a second hand property is that you might have to pay **Stamp Duty** (depending on the property price), which can be very expensive.
- And to make matters worse, you will need the stamp duty money at the time of closing the sale - you can not add it to your mortgage.

Therefore, the 'upfront money' needed to buy a second hand house, can be considerably higher than buying a new one.

Brand New Homes:

Again with brand new houses, there are pros & cons.

You get a property in '**walk in condition**', but the rooms and garden will be smaller and in large developments, the infrastructure (such as access to shops etc) may be less developed.

The big benefit of buying a new house, is that in most circumstances no stamp duty is payable (unless you are an investor, or the property is very large).

With no stamp duty payable, The 'upfront money' needed to buy a new home, is considerably less than buying a second hand property, for many people.

For stamp duty rates, and to calculate associated legal costs of buying a home, visit our property calculator:

[Buying Calculator](#)



Section 6: Mortgage Interest Relief - The taxman will give you money!!!!

The taxman will pay you money for living in the home you buy (or more correctly for paying interest on your new mortgage).

This is how it works:

You receive Tax Relief from the government on the interest you pay on your mortgage.

This will be paid into your bank account each month, usually on the same day as your mortgage repayment comes out.

When you complete the home purchase, your lender will send you the relevant forms (called a TRS1 Form) to fill out.

First Time Buyer's

You can claim interest relief at the highest level, for the **first 7 years** of your mortgage.

The relief is calculated on the interest part of your mortgage repayment only, **up to a limit of €8,000 for a couple / €4,000 for an individual, per year. Relief is granted at 20%.**

So how does this work in practice?

Lets say you take out a mortgage of €250,000. We'll assume that you get a tracker mortgage at 3.1% apr, with repayments over 35 years of €962.13 per month.

That works out at €11545.56 per year in repayments - with €7750 of this payment being made up of the interest element of the repayment.

You can claim on the interest element only, so in this example, a couple could claim 20% of €7,750 i.e. €1,550 per year, which works out at €129.17 per month.

This €129.17 would be paid into your bank account each month.

A **single person** with the same size mortgage, could claim a maximum of 20% of €4,000 per year (as this is the maximum ceiling for a person buying on their own) which works out at €66.67 per month

Owner Occupiers (non first time buyers)

The relief works in the same way as above; the maximum limit of interest you can claim relief on, is €5,000 per couple / €2,500 per individual, at 20%.

So how does this work in practice?

If the interest you pay on your mortgage, was €5,000 for example, a couple could claim 20% of this i.e. €1,000 per year or €83.33 per month. This amount would be refunded to you each month, by your lender, usually straight into your bank account.



Investors:

It works a little differently for investors. If you buy a rental property, you have to pay tax on the rent you receive. However, you are allowed to write off some costs which you incur - the main one being the interest you pay on your mortgage. To see a working example, check out: [click here](#)



Section 7: Mortgages

We could write hundreds of pages about mortgages, but rather than sending you to sleep, we'll keep it as brief as possible.

You can arrange your mortgage through Moving.ie, with independent mortgage advisors, Mortgages Direct.

You'll also have access to up to **10 mortgage lenders**, so whether you are looking for a fixed, variable or tracker mortgage, you'll be offered some of the best rates on the market.

By applying online, you'll also get **exclusive Moving.ie deals**:

- Legal fees from as little as €1 + legal outlay
- Free mortgage valuation (€130 - €150)
- 100% mortgages available for first time buyers

[Apply for approval](#)

Mortgages Direct Ltd t/a Mortgages Direct are regulated by the Irish Financial Services Regulatory Authority as a multi agency intermediary and a mortgage intermediary.

The five main mortgage topics we'll discuss are:

- 7.1 [Mortgage interest rate options](#)
- 7.2 [Mortgage options for first time buyers](#)
- 7.3 [100% Mortgages for first time buyers](#)
- 7.4 [Mortgages for people with less than perfect credit history](#)
- 7.5 [Remortgage your existing home \(suitable for investors\)](#)

7.1 Mortgage Rate Options

There are three main types of interest rates:

- **fixed rates**
- **variable rates**
- **tracker rates**

Fixed Rates:

Almost all lenders will give you the option of 'fixing in' your interest rate today, for a specific amount of time. This can be as short as one year, or in some cases, as long as 10 or 20 years. Generally speaking, the longer you fix the rate, the more expensive the rate will be.

The big benefit of fixed rates is that you know exactly how much your repayment will be over that period of time, regardless of what happens with interest rates generally, during that period.



The down side is that if variable and tracker rates stay low, or drop further, you are tied into a higher rate. Fixed rates tend to be less flexible than variable and tracker rates, not allowing you for example, to make any additional payments or redeem the mortgage early without a penalty.

The important thing to remember, if you are choosing to take a fixed rate, is that if there is a possibility that you will change lenders, or pay off your mortgage, in lets say 5 years time, you should take a fixed rate of less than 5 years, or you'll end up paying penalty fees.

Variable & Tracker Rates

Variable and tracker rates are in most ways very similar - if general interest rates go up, both variable and tracker rates go up too, or if they go down, the variable and trackers rates will go down.

The difference is that with tracker rates, the rate is tied into the European Central Bank (ECB) rate, and you'll know the margin that the bank is charging for the whole mortgage term at the outset. This means that the bank can't increase rates on a whim - only if the ECB raises their rates. In theory, with normal variable rates, the lenders could raise their rates whenever they like.

Trackers are proving very popular in Ireland at present and generally offer better value than standard variable rates.

For more information on tracker mortgages, visit TrackerMortgages.ie

7.2 Mortgage Options for first time buyers

There are a few different options which may particularly suit first time buyers, but two which are particularly popular are:

- **Deferred Start Mortgages**
- **Interest Only mortgages**

Deferred Start Mortgages:

These mortgages allow the home buyer to put off the initial mortgage payments for a period of up to 4 months. Considering all the other costs you have to pay out when you move into a home (such as furnishings etc), this option could be a welcome relief. The four months you 'defer' are spread over the remaining term of the mortgage. Not all lenders offer this option, so talk to a broker or fill in one of our enquiry forms if you are interested in this option.

Interest Only Mortgages:

First of all, we do not recommend that you take out an interest only mortgage for the term of the mortgage (except in certain circumstances for investors).

What can be useful though, is to take an interest only option for a short period, at the start of the mortgage, until you get on your feet. Some lenders will offer options to take an interest only option for the first year to three years, after which time, the mortgage would be changed over to a standard mortgage. This option isn't suitable for everyone, but some people find it very useful. Again, not all lenders offer this option, so talk to your broker.



7.3 100% mortgages for first time buyers

100% mortgages are now available in Ireland for first time buyers.

Until recently, to qualify, you have to be qualified in one of a few specific occupations (e.g. Doctor, Dentist, Lawyer etc), but now the 100% mortgages are available for people working in all occupations.

Some terms and conditions apply, including:

The maximum term is 30 years.

For owner occupiers only.

Guarantors are **not** considered.

Rates are very competitive, with fixed, variable and tracker mortgages available.

For more information, [click here](#)

To request approval, fill in the following form [100% mortgages](#)

7.4 Mortgages for people with less than perfect credit history

Every time you take out a loan with the main banks, your details are listed on the Irish Credit Bureau. And if you miss payments, have had a credit card revoked, or have had credit problems, the banks will find out, by doing a simple credit search.

Previous problems usually affect your ability to get a mortgage (or other loan for that matter) with any of the main Banks or Building Societies.

Until very recently, if you had credit problems, you could forget about getting a mortgage. Now there are a few lenders who will consider offering you a mortgage – and they'll often offer first time buyers mortgages of up to 92%.

For more information, visit BadCreditRemortgages.com



7.5 Remortgage your exiting home

First time buyers or people trading up to a bigger home can ignore this section.

However, remortgaging can be useful for people who want to buy an investment property, but don't want to use any of their savings to pay the deposit on the new property. In these cases, what you can do is to take out a mortgage on your existing property, and borrow additional funds to cover the deposit, costs of renovations, furnishing & stamp duty etc.

For more information, visit RemortgageIreland.com

You can read lender profiles, read more about available options and get up to date rates in the Moving.ie Mortgage Centre



Section 8: Web Directory of useful home buyer sites

Popular Home Buyer links on Moving.ie

- [Property Buying Calculator](#)
- [Property Selling Calculator](#)
- [Moving.ie Mortgage Centre](#)
- [Apply for mortgage approval](#)
- [Home Buyer Guides](#)
- [Nationwide Estate Agent Website Directory](#)
- [Jargon Buster – home buyer and mortgage terms explained](#)

Finding a Property

- [MyHome.ie](#)
- [NiceMove.ie](#)
- [Daft.ie](#)
- [Moving.ie Nationwide Estate Agent Website Directory](#)

Useful Tools

- [MousePainter from Dulux](#) – see which colour schemes will suit your home
- [ItsYourMoney.ie](#) – Consumer guides to mortgages & loans from the financial regulator, IFSRA

