New year, new home?

Joey Sheahan

suggests some of the key first steps new buyers in 2020 should consider

THE start of a New Year is a time for looking ahead, and for planning.

For home-hunting and aspiring First Time Buyers (FTBs), there are a myriad of factors that will impact on their ability to buy. Are you considering a move in 2020? Here, we outline some of the key considerations as you plan this journey:

■ Deposit: Can you save a 10% deposit, plus the associated costs such as 1% stamp duty and say another 1% towards fees? Or will you get help to achieve this goal?

■ Monthly costs: How much rent are you 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).

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 (ie before tax is deducted), though in some instances stronger applicants can be entitled to more than 3.5 times. Let's look at an example:

James and Amy go to buy a house. Each of them has an annual gross basic salary of €40,000. They want to purchase a house for €400,000 and they're looking to borrow 90% of this, which is a €360,000 loan amount.

Multiplying their combined income by 3.5 we get a total of €280,000, so the €360,000 loan required is outside the Central Bank limits, however they qualify for the exception.

Their monthly repayments over 35 years would be €1,416 based on an 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 Blackrock. So, based on these calculations, it makes financial sense for James and Amy to give a house purchase serious consideration as soon as they can get a deposit together and decide on their preferred location.

So, what are the first steps you need to take?

Budget for the additional costs, including site survey expenses, stamp duty, moving costs and legal fees. Mortgage protection and Home Insurance will also be necessary upon purchase.

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. 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 we can provide, stating your approval of a mortgage for 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 the following questions:

■ 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 the Property section of newspapers such as the *Irish Examiner*'s Property & Interiors. Check out sites such as my-home.ie or daft.ie to get an idea of what's out there and current market prices. Line up some viewings and start bidding!

■ Joey Sheahan is principal of My-Mortgages.ie, founded in 2005. It has grown organically to become a well-regarded mortgage brokerage , with offices in Cork and Dublin. Its specialties include advising Irish citizens living overseas, investors, switching mortgage provider, and getting a first mortgage.

€360k Mortgage Term – 35 years Variable Interest Rate – 3.15% Monthly Payment - €1,416 Total Interest - €234,625

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