

MAKING CENTS

Get your house in order before seeking a mortgage

Consumer advice with Gráinne McGuinness



THIS month we are looking at ways to fulfil financial New Year's resolutions. Buying a home of one's own is a milestone in life but there are plenty of hurdles to overcome first.

I asked Joey Sheahan, head of credit at MyMortgages.ie and author of *The Mortgage Coach*, what advice he would offer someone hoping to buy their first home in 2020?

"Prepare prepare prepare!" he said. "If you are prepared and you take advice from an expert then chances are you will sail through the process."

"A mortgage is the biggest financial undertaking most people will ever take in their lives — this might sound daunting but it really doesn't have to be — because thousands of people throughout the country are mortgage approved every month."

Mr Sheahan suggests people prioritise sorting out their finances ahead of house hunting. "I would ad-

vise you to get your finances in order first, then look for your new home," he said. "If you look for a property before you have mortgage approval in principle, there's a good chance the property could well be sold by the time you are ready to proceed with

the purchase — which would, understandably, be very disappointing.

"What's more, many 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 states 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."

Many have concerns about buying their home 'at the right time', is there an argument for waiting to buy? "Rents are high now across the country, so if the alternative is renting, I would say now is the time to buy, as in most cases the monthly

mortgage payment is less than the market rent for similar properties," he said. "The market is also competitive at the moment — banks want the business."

"There's no way of knowing what way house prices will go — but recent reports suggest they may be flatlining, which is encouraging as it offers more stability to the market."

So what should people do to make their finances mortgage ready?

"Do your homework, talk to a mortgage broker and do a trial run now."

"Even if you feel your bank statements are not in order etc, it is as well to show a mortgage broker you're documents, warts and all, so that they can then advise you on what to do to present yourself in the best possible light. We would advise anyone who thinks they might be in a position to take their first steps onto the property ladder to begin the prep work at least three, but ideally six, months out."

People should avoid “red flags” that put a lender off. These include unauthorised overdrafts, online gambling referred to on your bank/ credit card statements, cash advances on credit cards, even on holidays, non-documentation of regular payments such as rent, an irregular savings pattern, erratic spending patterns, and a poor credit rating.

Steps applicants should take to boost their chances:

- Rent — ensure this is paid through your bank account;
- Overdrafts — even if you have an approved overdraft facility, it is better for the balance to go into credit at least monthly;
- Credit cards — ensure balances are cleared each month;
- Loans — ensure all monthly repayments are fully up to date;
- Savings — transfer your savings into one account and save a regular amount each month. Do not make any withdrawals from this dedicated savings account;
- Deposit — you do not need to have all of your deposit before you apply. Once you have confirmation that a gift is available, that will suffice for approval in principle;
- Employment — being in permanent employment is often a plus. But applicants will be reviewed on a case by case basis. If you are self-employed then you must ensure all your accounts are fully up to date and all relevant returns filed with Revenue.

■ If there are any consumer issues that you'd like Gráinne to address or if you have problems that Gráinne could help with, she can be contacted at makingcents@examiner.ie

