

First Ireland Financial Services

Introduce

MORTGAGES

MADE

SIMPLE

Welcome to First Ireland's Mortgage Centre

First Ireland Risk Management is one of the largest Irish owned Insurance Brokerages in the country. Originally founded in 1981, we introduced the concept of a mortgage centre in 1985. The company had traded as Rooney Gallagher Insurances up to 1999. In 1999 the company decided to aggressively embrace new technology and so a new dynamic brand, First Ireland, was created.

We are an Authorised Advisor and Mortgage Intermediary regulated by the Financial Regulator.

The company is owned and operated by its senior partners who work full time in the business.

We now employ over 80 people at First Ireland and our extensive client list includes multi-national corporations right through to individuals

Buying a house is probably one of the most important transactions you will ever make in your lifetime. In this article we explain the process involved in purchasing a property by removing the jargon and outlining each step in a logical and simplified way.

We will also advise you of the service that the Mortgage Centre will provide by assisting you with every aspect of your mortgage from application to cheque issue, and how we can save you money by offering you the most competitive mortgage package in the market

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1. THE PEOPLE INVOLVED IN BUYING A HOUSE.

<i>People</i>	<i>Are they working for you</i>	<i>Their Objective</i>
Seller	No	To get highest price possible
Estate Agent	No	As above - Working for Seller
Banks/Building Soc.	No	They sell their own products and aren't in a position to offer independent advice.
Insurance Company	No	Each Insurance Company will sell you their own Mortgage Protection & Household Insurance
Solicitor	<u>Yes</u>	To provide you with Legal Protection
First Ireland Mortgage Centre, Independent Mortgage Advisor	<u>Yes</u>	To provide you with a choice of 7 Lenders & 20 Insurance Company's

2. THREE WAYS TO PURCHASE A PROPERTY.

A) *Private Treaty*

- View properties until you see one you like.
- Pay between €3,000 - €5,000 refundable deposit, (Normally to Estate Agent) - get a receipt, advice seller of your solicitors name and address.
- Seller's solicitor sends contracts to your solicitor for signing by you. This should be returned with the balance of an 8%-10% non refundable deposit.
- Mortgage can close anytime afterwards.

B) *Auction*

- View properties until you see one you like.
- Pay a surveyor to check out the house
- Ask your solicitor to view the Purchase Contract.
- Have your mortgage approval in place.
- Have 10% of the purchase price available at Auction (non refundable).
- Contracts are signed on auction day.

C) *Sealed Bid*

- Similar to Private Treaty except that all interested parties are requested to make a bid on the property in a sealed envelope. The highest bid wins but this is not legally binding until the contracts are signed.

3. HOW MUCH CAN I BORROW?

A) *Repayment Capacity*

I. Traditional Approach

This depends mainly on how much you can comfortably afford to repay, based on current annual earnings. Any guaranteed bonuses and overtime will also be taken into account.

For joint applications most lenders will normally provide for up to 4.75 times the combined gross annual income.

For example, if one person earns €50,000 and the other earns €30,000 per year before tax, you can jointly apply for up to €380,000 (4.75 times the combined incomes). If only one person is borrowing, you can borrow up to 4.5 times your gross annual income.

II. New Approach

Most lenders are now taking a different approach in calculating repayment capacity.

- This approach is based on your income after tax. Any other outgoings such as loans etc would also be deducted
- As a general rule your overall loan repayments should not exceed 35% of your net income
- Due to the fact that each lender has different criteria you may qualify for a higher mortgage with one lender compared to another

- Contact one of our qualified mortgage advisors today at 01 882 0864 to receive a free personal quote outlining exactly how much you will qualify for.
- Alternatively you can apply online today at www.firstireland.ie and one of our mortgage advisors will contact you within 24 hours.

B) *Loan to Property Value*

Most lenders will provide finance of up to 90%-92% of the purchase price/value of your property assuming you meet the earnings criteria above.

However if you are a First Time Buyer you may qualify for a 100% mortgage. The criteria for 100% mortgages is varied and it is important to consult a qualified mortgage advisor to talk you through the options and product criteria available from each individual lender.

Contact us today for a FREE consultation at

01 8820864

or alternatively you can email us at

mortgages@firstireland.ie

4. COSTS.

Unfortunately the purchase price of your house is not the only cost involved in buying a new home. We have outlined below some of the typical costs you need to be aware of

Solicitors Fees

You will require a solicitor to review the contracts of sale and ensure that everything is legally in order for the purchase of your new home. There are 2 types of cost, the outlays and the actual fee paid to the solicitor for his/her work. The outlays are fixed costs but the solicitor's fee varies from firm to firm. I strongly recommend that you shop around if you are quoted a fee in excess of my suggested figures when choosing a solicitor.

Professional Fees-

Sales & Purchases	0.5% Sale/Purchase Price + VAT + Outlays
Re-mortgages (Specially negotiated First Ireland price)	€600 + VAT + Outlays

Outlays-Home purchase/Residential Investment

These fees vary depending on the price of the property but they include registration fees to the Land Registry and legal searches as well as other miscellaneous costs. They would generally cost from €600.

Valuation Fee

All lenders will insist on an independent valuer assessing the value of the property you wish to purchase to ensure that it is worth at least its asking price for mortgage purposes. The fee for this is generally €130

Surveyors Fee

It is recommended (particularly if you are purchasing a second hand home) that you organize your own survey to confirm the structural soundness of the property. The fee involved should be between €200 - €300

Indemnity Bond

Banks and Building Societies would prefer to limit their lending to 80%. A sharp fall in property values as seen in the London property crash resulted in most individuals having a mortgage in excess of their property value. Most lenders purchase an indemnity bond with an Insurance company, which in effect passes on the above stated risks to the insurer. However most lenders will now waive the cost of this premium.

Stamp Duty

The rate of stamp duty depends on whether the individual purchasing the property is a first time buyer, owner-occupier or investor. Generally no stamp duty is charged to owner occupiers provided the home they are buying is brand new, they are the first owners and it is below 125square metres.

Useful Info

1. No Stamp Duty applies on purchasing a new property provided the floor area does exceed 125 square metres, and the purchaser will live in the property as their main residence.
2. No Stamp Duty applies for First time buyers who purchase a 2nd hand home.

Stamp Duty Rates

Value of Property	First Time Buyer Rate from 31 March 2007	All other homes
Less than €127,000	Exempt	Exempt
€127,001 - €190,500	Exempt	3%
€190,501 - €254,000	Exempt	4%
€254,001 - €317,500	Exempt	5%
€317,501 - €381,000	Exempt	6%
€381,001 - €635,000	Exempt	7.5%
Over €635,000	Exempt	9%

5.WHAT TYPE OF MORTGAGE WOULD YOU PREFER?

1. You can choose from three different types of mortgage:

- Repayment Mortgage
- Endowment Mortgage
- Pension Mortgage

Repayment Mortgage- suitable for purchasing your home

With a repayment mortgage or as it is sometimes called, an annuity mortgage, repayments are made to cover both the interest element of the mortgage and the mortgage itself. The amount of the mortgage progressively reduces, and by the end of the term both the mortgage and the interest are completely paid off. This is the most popular type of mortgage for home owners.

Endowment Mortgage- suitable for all investment properties

With an endowment mortgage, repayments are made to the lending institution to cover the interest element of the mortgage. At the same time separate payments are made into an endowment policy. At the end of the mortgage term, the proceeds may be large enough not only to pay off the mortgage, but also to leave you with a surplus.

Specialist advice is required as endowment mortgages are not suitable for all borrowers.

Pension Mortgage- suitable for self employed persons

With a pension mortgage, repayments are made to cover the interest element of the mortgage. At the same time separate payments are made into personal pensions plan. At the end of the mortgage term the proceeds of the pension plan pay off the original amount of the mortgage. The surplus that remains provides you with an annual pension.

B) You can select from four different repayment rates: Tracker- Variable - Fixed – Split

Tracker Rate

With a tracker rate you are safe in the knowledge that your interest rate will remain within a certain percentage of the European Central Bank Rate for your full mortgage.

The rate is variable but you are safeguarded that your rate will only change when the ECB change their rate. This rate is proving very popular with people, as they tend to be more competitive than the majority of rates in the market.

Variable Rate

With a variable rate, your monthly repayments will rise or fall depending on prevailing interest rates. If the rates fall your monthly repayment reduces whereas if rates rise your repayment increases.

Fixed Rate

With a fixed rate, the interest you pay is fixed for a pre-determined term, such as 1, 2, 3, 5, 10 or 20 years. This means that you know exactly how much you will pay each month during the agreed period. The fixed rate will not be affected by interest rate fluctuations in the market. When the fixed period expires, you can either agree another fixed rate for a set term or revert to the prevailing variable rate. Beware that if you opt out of a fixed rate before the term expires you may have to pay a fee on early redemption.

Split Rate

With a split rate, you have the best of both worlds, because you can split your mortgage between fixed and variable rates. If rates fall, you can benefit from a lower rate on the variable portion. If rates increase you have the comfort and security of knowing that only the variable part of your payment is affected.

C) Flexible Options

Many lenders recognize that borrowers need a degree of flexibility some times when it comes to repaying their mortgage and accordingly have introduced flexible options such as

1. Interest-only repayment option

Available for the first 3 years, to keep your monthly repayments low when you start out.

2. Deferred Start

Have first 6 months of your mortgage repayments deferred

3. Flexible Month

You repay a slightly higher rate over 10 or 11 months so there's 1 or 2 months with no repayments at all.

4. Mortgage Break

Opportunity to defer repayments for 3 consecutive months, up to 4 times throughout the life of your mortgage.

5. Overpayment Facility

Regular or lump sum payments can be made in order to pay your mortgage off quicker

6. Redraw Facility

Allows you to take any lump sum payments out again, should the financial need arise.

6. MORTGAGE PROTECTION & HOUSEHOLD COVER.

Mortgage Protection

Mortgage Protection is a requirement of all Mortgage Lenders. It is an Insurance Policy, which can provide one of four benefits:

1. **Mortgage Protection** - Covers your mortgage repayments in the event of your death. The life cover reduces in line with the mortgage.
2. **Mortgage Protection & Serious Illness** - Covers your mortgage repayments in the event of your death or if you become seriously ill. The cover reduces in line with the mortgage.
3. **Level Term Assurance** - repaid in the event of death however, this cover does not reduce in line with the mortgage. Repayments remain the same throughout the mortgage term. Lender only takes amount owing to them upon payment, any excess is paid to next of kin.
4. **Convertible Term Assurance** – This is similar to Level Term Assurance as explained above. However this policy differs from Level Term Assurance as it provides an option to extend your cover upon reaching the end of the current term without having to under go any medical examinations. Rates will be amended in accordance with your age only.

**Example. Male & Female aged 30 next, Non Smokers,
€300,000 Mortgage over 35 years.**

<i>Company</i>	<i>Mortgage Protection</i>	<i>Mortgage Protection & Serious Illness</i>	<i>Level Term</i>	<i>Convertible Term</i>
Caledonian	€30.30 pm	N/A	€45.40 pm	€50.58 pm
Canada Life	€34.45pm	€164.05pm	N/A	<u>N/A</u>
Eagle Star	€31.33 pm	€157.71 pm	€51.15 pm	€53.58 pm
Friends First	€37.60 pm	€150.99	€53.18 pm	€58.24 pm
Hibernian	€31.82 pm	N/A	€52.37 pm	€55.36 pm
Irish Life	€31.80 pm	€147.31 pm	N/A	N/A
New Ireland	€38.51 pm	€148.80 pm	N/A	N/A
Monthly Saving	€8.21	€16.74	€7.78	€7.66
35 year Savings	€3,448.20	€7,030.80	€3,267.60	€3,217.20

Note: Most Competitive provider is in Bold- cheapest companies vary depending on age, sex and smoking status

Household Cover

Buildings & Contents Cover

Buildings Cover is also a requirement of all Mortgage lenders. The level of cover required under a Buildings Policy is determined by the cost of completely re-building your home in the event of fire or other accidental damage.

The buildings cover required for your mortgage is normally less than the value of your home as the lender is only concerned with the cost of rebuilding your home. The site value of your home is not normally an important consideration in valuing a house for buildings cover. Contents Cover is also recommended as this provides protection against loss or damage to both personal and household items.

It is also recommended to avail of the service of a broker when shopping around for Buildings & Contents cover as prices and coverage vary from company to company and most of these companies' products invariably change on a yearly basis.

e.g. House Value €220,000
Buildings Cover €180,000
Cost of Insurance €11 - €89 p.a. approx.

Note - The cost of contents cover is dependent on a number of different criteria. It is recommended that you seek independent advice when buying same,

7. OUR PROMISE TO YOU.

- We will meet with you in your home, our office or any other suitable location.
- We will assist you with every aspect of your mortgage from application to cheque issue.
- We **guarantee** that you will receive totally unbiased advice on the best mortgage product suitable to your own personal circumstances from over 9 different banks/building Societies.
- We **guarantee** that you will receive the most competitive mortgage protection and household quotes from over 20 Insurance Companies.
- We can arrange mortgages for first time buyers, investment properties, overseas properties, trade ups, re-mortgages, commercial properties and for individuals who are currently experiencing difficulty in getting mortgage finance due to previous repayment problems.

8.HOW WE GET PAID.

Our fees are paid by the lending institution for the following reasons:

- We arrange a level of mortgage business exceeding that of the average bank/building society branch.
- The introducers fee is considerably lower than the cost of setting up and running a building society/bank branch
i.e. ***cheaper distribution network for the lender.***
- Banks and building societies are aware that they face stiff competition from Independent mortgage advisors as they can only provide the consumer with one mortgage product.

They are also often tied to one insurance company's mortgage protection policy e.g. Irish Permanent, Irish life and E.B.S, Bank of Ireland and New Ireland, A.I.B. and Ark Life, First Active and Friends First.

Note: We may in some cases require a charge to the client.

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