

# Draw up a battle plan for that mortgage

Getting a home loan is a lot tougher but being fully armed will boost your chances, says Mark Channing

FIRST-TIME buyers face being locked out of the housing market for life because they cannot get a mortgage under the Central Bank's new restrictions.

In January the Central Bank brought in the tough new rules forcing mortgage applicants to save bigger deposits and have higher income levels to qualify for home loans. Concessions were given to first-time buyers on the deposit rules but not the loan-to-income (LTI) ratio.

Now a new survey by Mortgage Brain Ireland, which last month launched its IrishMortgages app, has found that it is the income rules that are the real "killer blow" and not the deposit requirements as previously predicted.

The survey reveals that almost 90% of brokers have said the income limits will have a high or medium impact on people's ability to get a mortgage, and they are causing a "mortgage lockout".

Michael Dowling, a broker and chairman of Mortgage Brain Ireland, said: "The rules are likely going to put home ownership out of the reach of most young first-time buyers unless they are earning a sub-

stantial salary."

Meanwhile, another mortgage group has warned that those who can get a mortgage are at risk of choosing the wrong lender because of banks' "glitzy" offers.

The Association of Expert Mortgage Advisers (AEMA) said many of the offers dangled by banks are "too good to be true" and could end up costing more than they are worth in the long run.

With qualifying for a mortgage harder than ever, we tell you how to boost your chances of success and how to make sure you choose the right lender.

## UNDERSTAND THE NEW RULES

New rules brought in by the Central Bank in January mean mortgage applicants need bigger deposits and higher income levels to get a loan.

Homebuyers now need to have a deposit of 20% of the house price instead of the 10% previously required.

The size of the mortgage is capped at an LTI ratio of 3½ times gross annual income. Banks previously issued mortgage of up to 4¾ times borrowers' income.

A concession was given on the new deposit rules for first-

time buyers, requiring them to have a 10% deposit on the first €220,000 of the house price, and 20% on the excess.

The 3½ LTI cap, however, applies to all borrowers. It means a first-time buyer applying for a €300,000 mortgage would need an annual gross income of €86,000.

The only hope for buyers who cannot meet the new restrictions is to get an exemption. Banks have the discretion to exempt 15% of their loan book from the deposit requirements while up to 20% of their loan books can be exempt from the LTI restriction.

There is no sure way of knowing whether a lender will grant you an exemption. Experts say each bank uses its own criteria and judges borrowers on a case by case basis.

Ken Murray, director with the AEMA, said: "You might be able to get an exemption on either the deposit requirement or the income requirement, but not both."

Only those with a strong mortgage application are likely to get an exemption.

"If you have the deposit but



need an exemption for the LTI ratio, you are going to need a better savings record, a higher net disposable income and a perfect accounts history. Your application needs to be rock solid," said Murray.

### LOOK PAST DEALS

Banks have come out with a range of offers aimed at attracting first-time buyers and switchers, but experts say that you need to look past these or risk paying more in the long run.

Bank of Ireland gives first-time buyers, movers and switchers 2% cashback on mortgages – worth €7,000 on a €350,000 loan.

Ulster Bank gives switchers €1,500 cash towards legal fees while PTSB has a €1,000 cashback offer for first-timers and switchers.

KBC gives first-time buyers six months' free home insurance, while switchers get €1,000 cashback.

Yet Murray warned that an apparently "lucrative" offer might end up costing you more in the future.

"You can't just look at the offer at face value – you must see what's behind it and start asking questions," he said.

Ciaran Phelan, chief executive of the Irish Brokers Association, said: "Make sure you look before you leap, and seek advice before you sign anything. At the end of the day banks are there to make money – they give nothing for nothing."

### GET YOUR FINANCES STRAIGHT

You can increase your chances of getting a mortgage – or an exemption from the new mortgage rules – by making sure your application is watertight.

"The level of information required is vast so be prepared to put some time into the process and be as organised as

you can possibly be," said Phelan.

Research by the AEMA found that almost half of consumers were not aware that their financial transactions such as credit card or loan payments were recorded and made up their credit rating.

Banks use your credit rating as a tool when deciding to

approve a mortgage, or any other loan, so a good credit score is vital.

It costs €6 to request a copy of your credit rating from the Irish Credit Bureau, which manages credit reports in Ireland.

If you spot a mistake on your credit report, you should request an amendment.

### SAVING/SPENDING RECORD

Experts say you should keep your savings record consistent and easy to follow.

Liam Ferguson of the broker ferga.com, said: "You should ideally keep just one or two dedicated savings accounts into which your savings are deposited every month and no money is withdrawn."

Your spending habits, meanwhile, will be scrutinised by potential lenders.

"Banks have been known to go through current account statements with a fine-tooth comb," said Phelan. "Online betting accounts, late night withdrawals from bars and nightclubs or using your credit card to access cash are all red flags."

### KNOW YOUR LENDER

How your lender treats its mortgage customers should also have a bearing on which one you end up going with.

"Does the lender have a history of passing on interest rate cuts? What is its customer care like? Does it discriminate against existing customers in favour of new customers? These are all questions you should be asking," said Murray

There are also other important nuances which can make a difference in the lifetime of your mortgage. For example, Ulster Bank is the only lender that will let existing variable rate customers move to a lower interest rate as their loan-to-value (LTV) ratio falls while they build up equity in their homes over time.

First-time buyers borrowing up to 90% with Ulster Bank would pay 4.3% interest on a variable rate. They could then ask to move to 3.9% when the LTV drops below 80% and 3.8% when it goes below 60%.

### TIME IT RIGHT

More than a quarter of people aged 25–44 have moved back in

with their parents to save for a deposit on a house, according to a survey by Aviva Home Insurance.

The longer you leave it to get on the property ladder, the harder, however, you will find it to get a mortgage.

In general, owner-occupier mortgages are available for a maximum term of 35 years for first-time buyers, with banks insisting you have your loan paid off by between 65 and 70, depending on the lender.

Leaving it until you are 45 to get a mortgage means a maximum mortgage term of 20 years with some lenders, which could limit what you are able to borrow.

If and when you become a parent is another important consideration. Banks reduce the amount they will lend to first-time buyers who have children because they say it has an impact on borrowers' repayment capacity.

None of the banks would say how much it would chop off a mortgage for parents, but experts estimate that each child reduces what a bank will lend you by about €20,000.



**THE LOAN-TO-INCOME RATIO IS THE REAL 'KILLER BLOW', NOT THE DEPOSIT LEVEL**





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