



Mortgage lenders remain cautious

Demand is on the rise, but the lack of three and four-bed family homes is a problem, writes **Emma Kennedy**, Personal Finance Correspondent

The mortgage market is gradually picking up, but lending remains cautious and new business mortgage rates are about 16 times or more the European Central Bank interest rate of 0.25 per cent.

Trevor Grant, chairman of the **Association of Expert Mortgage Advisers (AEMA)**, said that demand for mortgages had increased significantly since mid-2013, with the trend set to continue this year.

Rachel Doyle, chief operations officer of broker group PIBA, said demand was likely to grow as "those who've been renting for extended periods want more permanency in their lives". "Added to this is likely to be better consumer sentiment arising from a slew of positive economic and employment data," she said.

However, Grant said there were two big issues affecting the market. "There is a severe lack of three and four-bed family homes available in the required locations," he said. "This is driving prices upwards and, in some instances, is putting desired properties outside the reach of first-time buyers."

Grant said that another issue was that borrowers were often not prepared – from a documentation perspective – to apply for a mortgage. "In most instances you need to prepare at

least three months in advance of applying for a mortgage so that you can ensure your paperwork is in order," he said.

What's on offer

First-time buyers and movers continue to dominate the market, with the mortgage products on offer from lenders reflecting this trend. Most of the mortgage products geared at such borrowers range between an annual percentage rate (APR) of about 4 per cent and 5 per cent, with the majority in the upper half of this range.

With Bank of Ireland, a first-time buyer can borrow up to 90 per cent of the property value. "This means the applicant will need to have saved at least 10 per cent of the purchase price, plus costs and outlay. But, in fact, we are finding that many applicants are putting down higher deposits than this," the bank's spokeswoman said.

For those who approach Bank of Ireland with a 10 per cent deposit, a variable rate of 4.6 per cent will apply. A bigger deposit, of 25 per cent of the purchase price or more, will reduce the rate to 4.4 per cent. Fixed-rates range upwards from 4.6 per cent.

AIB will lend up to 92 per cent of the purchase price to both

first-time buyers and movers. The bank's current variable rate for customers borrowing at this level is 4.57 per cent. As with Bank of Ireland, lower rates will apply for those with a bigger deposit, and fixed rates range upwards from 4.44 per cent.

The two important numbers to keep in mind for Permanent TSB is that the bank will lend you up to 90 per cent of the cost of your home at an annual percentage rate of 4.5 per cent. As is common in the market, lower rates apply for a bigger deposit.

Ulster Bank will lend up to 90 per cent of the purchase price, at a rate of 4.8 per cent. For those with a deposit of more than 40 per cent, the rate falls to 4.1 per cent.

KBC will also lend up to 90 per cent, subject to a maximum borrowing of €750,000 for first-time buyers. A spokeswoman for the bank said that APRs for variable-rate mortgages ranged from 3.92 per cent to 4.56 per cent, while fixed rates range from 4 per cent to 5.01 per cent.

EBS and Haven, which are part of the AIB group, also lend up to 92 per cent, with rates in line with those offered by AIB.

Things to consider

Banks are lending again, but cautiously and selectively. You must perfectly fit a lender's specific lending criteria in order to secure finance, with the ability to demonstrate repayment capacity crucial.

Getting a mortgage requires the potential borrower to do their homework in advance. Grant's advice is simple: Prepare, prepare, prepare. "Meet a qualified and specialised mortgage advisor at least three months in advance of planning to apply for your mortgage," he said. "Appropriate current account activity and management and demonstrated repayment capacity are key," he said.

For example, Bank of Ireland's spokeswoman said the bank was "keen to see that applicants can afford to take on a mortgage". "We will consider a track record such as regular savings and rent paid," she said.

Trapped?

For those in negative equity or those who are reluctant to move and lose a valuable tracker rate, there are some limited options. Some banks restrict these products to existing customers.

"Many people believe that if their mortgage is in negative equity it automatically means that they will not be able to move home," said Bank of Ireland's spokeswoman. "This is not true. Subject to certain criteria, we can provide a mortgage for a new home where the negative equity portion of the current mortgage is brought across to the new mortgage. This can apply whether the customer wants to trade up or trade down."

AIB offers a negative equity mortgage for existing cus-

tomers. "The negative equity mortgage has no limit on the amount of negative equity that can be carried, and the customer can avail of a loan-to-value of up to 175 per cent on the new property," the bank's spokeswoman said.

Ulster Bank's home mover mortgage is geared towards the bank's existing mortgage customers who are either on a tracker or have an LTV above 90 per cent. Negative equity can be "ported" to a new home with the product, with a new LTV of up to 200 per cent allowed.

KBC's spokeswoman said that the bank has a negative equity trade up product "available to facilitate customers who are in negative equity".

When asked about what the bank offers for those in negative equity who want to trade up or down, Permanent TSB's spokeswoman said the bank was "building out our offering on this at the moment" with new products "to be released this year".

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Before you can open the door on a new property, it's important to get your documents in order

Picture: Thinkstock