
WHAT SHOULD PEOPLE DO BEFORE APPROACHING A BANK FOR A MORTGAGE?

When approaching the bank or lending institution with a view to looking for a mortgage, preparation is essential – it is extremely important to get advice before speaking with your bank. Many people will seek the advice of a mortgage broker, who can guide them through the application and help them to submit the application to the banks and building societies. Now more than ever, the banks need to see a solid saving record as, with the current economic climate, it is now more difficult to secure a mortgage.

WHAT IS AN AIP OR APPROVAL IN PRINCIPAL?

We would advise people to get “Approval In Principle” before they start looking for their home. An Approval In Principle (AIP) is an indication of the amount of money that a bank or lending institution is likely to lend you to purchase a home. Once you have AIP you can establish your budget for the amount you can spend on the purchase of a home.

ONCE PEOPLE HAVE AN AIP WHAT STEPS SHOULD THEY TAKE NEXT?

Shop around

Once an Approval In Principle is secured you can shop around with banks and building societies as you might get more money and/or a better rate, terms and conditions.

Once you start looking at prospective homes visit a number of auctioneers to obtain details of properties on the market. Take away

brochures and compare and contrast the properties on the market in your own time.

Make a list of essential features that you require of your new home, but remember nothing is perfect and you may have to compromise!

Negotiate

Always look for value for your money when purchasing property. For those people who can secure a mortgage at the moment it is a buyers' market so people should drive a hard bargain. A lot of sellers might be open to offering incentives to a buyer to close a deal.

For example, if you are buying a new house from a developer see what extras can be thrown in to the deal like painting of the house, appliances, cover the buyers insurance cost for a period of time.

If you are buying a second hand property the seller might be willing to leave extra contents in the house or replace some broken appliance.

It is all about closing the deal for sellers so people are willing to go the extra mile for buyers.

WHAT OVERALL COSTS SHOULD YOU BE AWARE OF WHEN BUYING PROPERTY?

When buying property there are a lot of other hidden costs involved apart from the purchase price of the house, such as:

- **Stamp Duty:** will apply to all transactions involving the purchase of property; the cost will depend on the value of the house.

- **Search Fees:** will vary depending on the title and the extent of the enquiries to be made.
- **Solicitors Fees:** vary from solicitor to solicitor and are quite competitive.
- **Surveyors Fees:** depend on the amount of work involved, but it is essential for a surveyor to assess the condition of the property
- **Registration Fees:** are the costs associated with registering the title with either the Registry of Deeds or the Land Registry.
- **Insurance:** It is essential for insurance to be put in place covering the structure of the property when the purchase is completed. It is the seller's responsibility to have the property insured up to the date of the closing and then once the deal is completed it is up to the purchaser to insure the property. The lending institution will also insist that mortgage protection insurance is taken out. This ensures that if the borrower dies that the proceeds of the mortgage protection insurance will pay off the remainder of the mortgage.

ARE THERE ANY CHANGES IN THE PAST FEW YEARS THAT FIRST TIME BUYERS SHOULD BE AWARE OF?

In January 2011 the Civil Partnership Act came in to force and it is important for couples - same sex or opposite sex - to be reminded about the important changes in the Act for cohabiting couples.

People need to remember that couples living together in an intimate and committed relationship for five years or two years if they have children together may acquire rights (e.g. maintenance and succession) if the relationship breaks down. For young couples who are taking advantage of the lower property prices and getting on the property ladder they need to give serious consideration to a cohabitation agreement which will regulate their affairs if the relationship breaks down.

IS IT NECESSARY TO HAVE THE HOUSE SURVEYED IF THE BANK HAS CARRIED OUT A VALUATION?

The bank's valuation report is not a structural survey; it is simply a report for the bank on the features of the property e.g. size, number of rooms, location, and value. The valuer will not be checking for structural defects.

The basic legal rule which applies is "caveat emptor" i.e. let the buyer beware. As a buyer you take the property as it stands and the seller is not under any duty to disclose any physical defects in the property.

It is essential that you arrange a survey of the property by a suitably qualified professional.

HOW IMPORTANT IS IT FOR PEOPLE TO HAVE THE HOUSE OR PROPERTY SURVEYED BY AN ENGINEER?

While the survey is a critical element to a transaction, I think that it is particularly so in a recession.

When an engineer or other suitably qualified person looks at the property on behalf of a buyer they will be checking for structural problems or faults and will also identify any planning problems.

If the engineer reports back to the person buying the house that there is a significant amount of expensive work to be done on the house the buyer has to weigh up whether or not this house is a good choice. They will have to consider if the problems can be rectified and at what expense. Following on from that, they need to consider whether or not they can afford deal with the issues identified by the engineer or if it represents the value for money that they thought that they were getting.

One of the other common issues that arise, when the survey is done, is the discovery of an extension or shed that does not have planning permission. The buyer needs to consider carefully the implications of this finding e.g. can retention permission be obtained, who will make the application, how long will it take and what happens if retention permission is not granted – is this still the house of your dreams!

WHAT IS A BER RATING?

One of the other innovations of the last number of years was the requirement for BER certificates for properties that are being sold or let. To remind listeners, these are the certificates informing you how energy efficient or otherwise the house is.

The house will get a rating of A to G depending on how it performs. You can imagine that the older the property generally the less well they perform. Although most people pay little attention to the BER I think that it is something that people will give more regard to as time goes on. With increasing running and maintenance costs and most likely carbon taxes on the way in the future people will need and want their homes to be more efficient. You might say that a prudent purchaser given the choice between two houses that tick all the boxes in terms of the features that they offer would go for the house with the better rating on the basis that it will cost less in the long term.

Having said all of that we also need to be realistic - very few properties will make a B rating and even less an A rating (the so called

passive house) so buyers need to get a house as high up on the scale as they can and then look at what they can do to improve efficiencies and again the advice of an engineer or energy consultant would be invaluable.

SHOULD PEOPLE HAVE A BUILDING AGREEMENT IF THEY ARE BUILDING A HOUSE?

Yes! It is vital, if you are building a house, to have a building agreement with the builder. The building agreement will fix the price of the build and the terms and conditions of the contract. One of the key clauses that need to be negotiated with the builder is the retention clause. The retention clause enables you to hold back a sum of money for a period of time to deal with potential defects or problems with the new building. e.g. six months after moving into the house.

If you are building a new house you should, where possible, avail of guarantee schemes such as HomeBond and Premier Guarantee. These schemes will not cover every eventuality, but you should ensure that the property is registered with one of the schemes as they offer a structural guarantee and protection if a builder becomes insolvent.

WHAT OTHER FACTORS SHOULD LISTENERS TAKE INTO ACCOUNT WHEN CHOOSING A HOME?

Listeners should remember that "the day you buy is the day you sell"

Many factors have to be taken into account when choosing a home such as:

- Are all services nearby such as shops, schools, transport, sports facilities?
- Are there road-widening proposals in the pipeline? You certainly

don't want a busy dual carriageway sprouting up outside your front door with huge juggernauts trundling past day and night.

- Are other developments planned for the locality?
- Has your next door neighbour a long standing ambition to set up a pig farm?
- Check with the local Gardaí on the crime rate. Is it increasing? Drive through the area at night. Is that idyllic laneway at the rear of your house transformed into a den of iniquity once darkness falls?
- Have you plans to extend your family? If so, is the house large enough? Is there scope for an extension?

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