



**EDUC**  
**MORTGAGES**

# Mortgage Essentials

## First-Time Buyers' Guide to Mortgages



**Everything you need to know to  
get mortgage ready!**

# About EDUC Mortgages

EDUC Mortgages is an award-winning mortgage service provider that specialises in mortgages for teachers and educators. Our mission is to empower educators in Ireland to achieve their dreams around homeownership.

We are dedicated to providing a specialised, transparent, expert mortgage service that caters specifically to their unique needs and circumstances.

**We are proud to be Brokers' Ireland Mortgage Broker Expert Award-Winner 2023.**

## Why EDUC Mortgages?

- Specialised public sector expertise
- Exclusive offers for INTO and IFUT members
- Extensive lender network
- Simplified end-to-end mortgage process
- No Fee Service (Our fee is covered by each lender) (T&Cs apply)
- Nationwide coverage



BROKER EXPERT  
AWARDS

Mortgage Broker Expert 2023  
Broker Award Winner

## About this Guide

At EDUC Mortgages, we understand that purchasing a new home can be very exciting but also overwhelming. There are many factors to consider such as how much you can borrow, what interest rate you can get, what criteria lenders will assess you on, and the steps involved in the mortgage process.

We have helped thousands of educators all over Ireland achieve their home-ownership dreams.

This guide provides essential information for first-time buyers to help you understand how the mortgage process works, what you can expect along the journey, and how you can get mortgage-ready to have the best chance of success.

If you are thinking about, or are ready to embark on the home-buying journey, give our team a call and we will be happy to answer any questions you might have.



**Questions**

**Talk to us  
today**

**Call our team  
on 01 299 5020**

**[www.educmortgages.ie](http://www.educmortgages.ie)**

# Topics Covered

- **What is a mortgage?**
- **What is a mortgage broker?**
- **The mortgage and property purchase process**
- **How much can I borrow?**
- **Approval in Principle**
- **Mortgage interest rates**
- **Comparing interest rates**
- **Additional costs when buying a property**
- **Government schemes helping first-time buyers**
- **Mortgage application checklist**
- **How to get mortgage ready**
- **Pitfalls to avoid as a first-time buyer**

# What is a Mortgage?

Simply put, a mortgage is a loan used for the purposes of buying or maintaining a property that is secured by the property itself.

A mortgage is one of the cheapest forms of credit available because it is secured against your property. It is usually paid off over a longer-term than other personal or unsecured loans i.e. 15+ years.

In Ireland, there are several lenders offering mortgage loans to clients. These include:

- Bank of Ireland
- PTSB
- AIB
- Haven
- Avant Money
- Financial Ireland
- ICS/Dilosk
- Moco

information correct as of July 2024

Rates, products, and lending criteria vary from lender to lender and it can be a time consuming and somewhat confusing process gathering and comparing information from each one. It is highly recommended to seek the services of a mortgage broker, particularly if you are a first-time buyer.

# What is a Mortgage Broker?

A mortgage broker/advisor is a licensed professional with in-depth knowledge of the industry who acts as an intermediary between you and the lending institution (not all lenders are classified as banks). Your broker works on your behalf to provide guidance and support, and to facilitate the loan application process.

Brokers must apply to secure agencies with lenders in order to be able to "sell" their products. It is always advisable to ask your broker about the lenders they work with and about any fees and commission structures they have in place.

# The Mortgage and Property Purchase Process

## At a glance

### Establish Suitability

Get an indication of how mortgage-ready you are and how much you could afford to borrow by speaking to a mortgage advisor.

### Get Approval in Principle

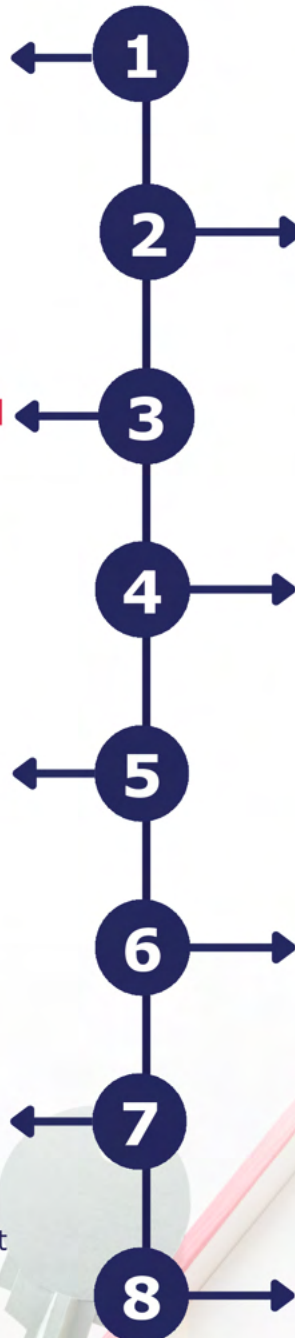
This is an indication from a lender of how much they would be willing to let you borrow based on a preliminary application (usually lasts for 6 months).

### Loan Offer

Once your Loan Offer has issued and contracts have been received, you will meet with your solicitor to sign both the contract and loan offer. You will also pay your remaining deposit.

### Put Insurance in Place

Before you can draw down your mortgage, you will need adequate home and life insurance cover. Most mortgage advisors will also have agencies with insurers for life and mortgage protection.



### Demonstrate Repayment Capacity

This is demonstrated through a combination of regular savings, rent and any existing loans. Your advisor will assess your affordability based on your personal circumstances as evidenced by the documents you will be asked to provide.

### Find the Perfect Property

Once your offer is accepted, your advisor can arrange a property valuation to be carried out. A survey may also be required. You can now appoint a solicitor to deal with the legal side of the property purchase.

### Complete Contract for Sale

This is an agreement between you and the seller laying out the agreed price and completion date. This is dependent on searches and checks that your solicitor will carry out for you.

### Complete Your Mortgage

Providing any additional information requested in your Loan Offer has been presented, your mortgage funds will be issued to your solicitor and your property purchase complete.

# How Much Can I Borrow?

Lenders calculate the amount that you are eligible to borrow in a few different ways. Some may start by looking at what percentage of your income each month will be paid towards the mortgage, while others may start with your annual salary instead.

The Central Bank regulations prevent a lender from allowing you to take out a loan that is greater than 4 times your gross yearly income relative to the mortgage on the house you are buying.

## Rule of Thumb: 4 x Your Annual Income

For example, if you are earning €65,000 each year in gross income, the maximum amount you can borrow is €260,000 which is calculated as follows:

$$€65,000 \times 4 = €260,000$$

Some lenders will allow public sector employees to borrow 4 x a salary 1-3 points up on the salary scale.

It is important to note however that this limit is also subject to other lending criteria and affordability checks, such as loan to value (LTV) requirements.

**First-time homebuyers can borrow up to a maximum 90% of the total value of the home, which means you must provide a minimum 10% deposit.**

Continuing with the example from above where you were eligible to borrow up to €260,000 based on your income of €65,000. If the value of the home you are purchasing is €250,000, you are limited to a loan of €225,000 (90% of 250,00). This means you must have a deposit of €25,000.



### MAXIMUM MORTGAGE

4 x annual gross salary



### MAXIMUM LOAN TO VALUE

90% property purchase price



### MINIMUM DEPOSIT

10% property purchase price

Many lenders have online calculators that can help you determine how much you are eligible to borrow and what you can afford per month, but a simple rule of thumb for calculating this is the debt to income ratio or the 28/36 rule.

## 28/36

This rule states you should not spend more than 28% of your gross monthly income on housing, and your total debt repayments should not exceed 36%.

Using this rule, if you make €3,000 per month you should not spend more than €840 on mortgage repayments, and your total debt should not exceed €1,080. Surpassing these numbers will not prevent you from getting a mortgage, but rather they serve a guide as to what you can comfortably afford.

## Criteria on which your mortgage application will be assessed include:

- Income
- Proven repayment ability
- Net disposable income
- Debt service ratio
- Employment status
- Residency Status
- Age
- Outgoings
- Savings
- Existing Loans
- Money management
- Credit history
- Property (state and location)



Product	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Product A	1000	1050	1100	1150	1200	1250	1300	1350	1400	1450	1500	1550
Product B	800	850	900	950	1000	1050	1100	1150	1200	1250	1300	1350
Product C	600	650	700	750	800	850	900	950	1000	1050	1100	1150
Product D	400	450	500	550	600	650	700	750	800	850	900	950
Product E	200	250	300	350	400	450	500	550	600	650	700	750
Product F	100	150	200	250	300	350	400	450	500	550	600	650






# Approval in Principle

Approval in Principle is a statement from a lender that indicates how much they are prepared to lend to you. This is important because it will help you identify the price range you can consider when looking for your new home.

Although Approval in Principle is a necessary step in the mortgage process, it does not guarantee that the lender will approve your mortgage and agree to move forward with the loan. There are several other steps lenders will take to review the mortgage and final approval is provided via a Letter of Loan Offer.

The letter of offer will not be issued until the lender is completely satisfied with all matters such as the property valuation and loan to value ratios.



Approval in Principle will help you identify the price range you can consider when looking for your new home.

# Mortgage Interest Rates

A mortgage interest rate is the percentage charged on the total loan amount by the lender. Your interest rate determines your monthly mortgage payments and the overall cost of borrowing. Even small differences in interest rates can significantly impact the total amount you pay over the life of the loan. There are also different interest rate **types** that you can choose from when applying for a mortgage.

## Variable Rate

In this instance your mortgage rate may fluctuate in line with changes in the European Central Bank (ECB) rate or indeed the individual bank may amend the rate from time to time. There is greater flexibility with monthly repayments and you can make a lump sum repayment at any stage without having to incur a penalty/fine. It also provides the option to increase monthly repayments at any stage thus reducing the capital balance outstanding on the loan.

## Fixed Rate

In this instance your mortgage rate will not fluctuate in line with changes in the European Central Bank (ECB) rate nor if your lender changes the variable rate within your specified fixed-rate term. Your monthly repayments will remain the same during the fixed term. There may not be the option however to make lump sum repayments\* and, if you clear the mortgage in full within the fixed term, you will be subject to a penalty/fine.

\*this varies from bank to bank

## Split Mortgage

Some mortgage loans may split providing an element of interest only and capital repayment on two separate loans with a view to reducing the repayment burden for a limited period.



## Comparing Interest Rates



As a homebuyer, you want to secure the best interest rate possible, as your mortgage repayment will likely be one of your largest monthly expenses.

The rates you can qualify for can depend on many factors such as your credit rating, the size of your deposit, and current debt levels. As a result, you want to make sure that you are only looking at rates that apply to your situation.

To truly compare rates, you must first decide if you would like a variable or fixed-rate mortgage.

In recent times in Ireland, some of the best rates on offer have been fixed-rates, which is unusual by international standards. In a period characterised by consecutive interest rate rises, fixed-rate mortgage holders have benefitted from peace of mind, stability, and better value.

Next, you must consider how much you can afford to put down as a deposit. If you have a deposit of 20% you will likely be able to get a better interest rate than if you only have the minimum 10% deposit. Also remember that you will

need funds for additional costs such as stamp duty and legal fees etc., so be aware that you cannot use all your savings as a deposit.

Once you have those parameters worked out, you can look at rate comparison tables from places like the Competition and Consumer Protection Commission (CCPC) [www.ccpc.ie](http://www.ccpc.ie).

Be careful to look for unbiased comparisons, as many websites will only show rates available from the lenders they have agencies with versus the entire market.

There are many online calculators available that will give you a quick overview of what your monthly payments might look like with certain inputs but, for a more specific answer, talk to a mortgage broker who can assess your unique situation and compare suitable products from all lenders across the market.

A man in a light blue shirt is sitting on the left, facing a young couple. The couple, a woman with long brown hair and a man with short brown hair, are sitting on a white sofa. The man is gesturing with his hands while talking. In the background, there is a white shelving unit with books, a plant, and a framed picture. The room is bright and modern.

Ask your mortgage broker about the lenders they have agencies with.

# Additional Costs When Purchasing a Property

## Stamp Duty

1% property purchase price < €1million

1% base price ex VAT (new builds)

## Legal Fees

Between €1000-€2000 ex VAT

## Property Valuation

Between €100 - €225

## Mortgage Protection

Circa €360 per annum

## Home Insurance

Varies depending on size, location, and age of property as well as value of contents

## Structural Survey

€400 - €800 (mid-size property)  
€800 - €1500 (large property)

## Land Registry Fee

Between €700 - €800 depending on property

## Renovations & Repairs

Less likely in newer homes. Will cover snags/repairs identified in surveys and/or cosmetic upgrades.



It is important to factor these into your home buying budget

# Mortgage Application Checklist



Whether applying direct to a bank/lender or using a mortgage broker, several documents must be provided to support your loan application.

- All Bank Account Statements x 6 months.\*
- Credit Cards Statements x 3 months\* (if applicable).
- Any Loan Statements x 6 months\* (if applicable).
- Credit Union Statement x 6 months\* (if applicable).
- Most Recent Mortgage Statement (if applicable).
- Proof of Identity -  
High quality scan or photograph of:  
a) passport (2 pages) or  
b) driving license (front and back).
- Proof of Address.
- Payslips x 3 most recent months.
- Employment Detail Summary x 3 years (Accessed via [www.revenue.ie](http://www.revenue.ie)).
- Salary Cert from your employer.

**\*Dated within 4 weeks**

- 
- Form 11 x 3 years.
  - Chapter 4 / Notice of Assessment x 3 years.
  - Financial Statements or Profit and Loss Accounts x 3 years.
  - Letter from accountant confirming all taxes are up to date (personal and/or corporate).
  - Tax Clearance Cert (personal and/or corporate).

Required documents from all mortgage applicants

Self-employed only

# Government Schemes Helping First Time Buyers

It is widely recognised that the current housing market in Ireland poses significant challenges for first-time buyers. With soaring demand and scarce supply driving property prices upwards, accessing affordable housing has become increasingly difficult. Two government-backed mortgage schemes are currently providing much-needed support by extending financial assistance to those who meet the eligibility criteria.

## The First Home Scheme

The First Home Scheme, introduced in 2022, helps both first-time buyers and those starting afresh after separation, divorce or insolvency, to bridge any gap between their mortgage and deposit, and the price of the home they are trying to purchase/build through an innovative shared equity scheme.

Through the scheme, home buyers can get help with up to 30% of the property purchase price, meaning that a property that might have been out of reach for an individual/couple, suddenly becomes a viable option.

### The scheme supports:

- First-Time Buyers
- Those undertaking a self-build
- Tenants who have been served a notice of eviction who would like to purchase the property in which they are living

<https://www.firsthomescheme.ie/>

## Help to Buy Scheme

The Help to Buy Scheme is an incentive that helps first-time buyers with the deposit needed to buy/build a new house or apartment. It does this by reimbursing the income tax and Deposit Interest Retention Tax (DIRT) paid in Ireland over the four years prior to applying to the scheme.

The amount you can claim on the scheme will be the lesser value of:

- €30,000
- 10% of the new-build market value / self-build valuation
- The amount of income tax and DIRT paid in the 4 years prior to applying to the scheme.

<https://www.revenue.ie/en/property/help-to-buy-incentive/index.aspx>

# How to Get Mortgage Ready

When reviewing your application, a lender will scrutinise your finances to be sure they are satisfied that you can afford the loan repayments and that your money management is healthy. Being "mortgage ready" essentially means having your financial house in order and being in a strong position to successfully obtain mortgage approval. These are our tips for getting prepared.



## Speak to a Qualified Mortgage Advisor

---

Talk to your mortgage broker who will assess your mortgage readiness and make recommendations on any areas that require attention or action.



## Build Up Your Savings

---

Set up a standing order to automate your savings. Lenders will want to see evidence of monthly savings for at least 6 months prior to applying for a mortgage.



## Pay Rent by Bank Transfer

---

Avoid any cash payments to your landlord. Lenders will use your rental payments plus monthly savings as evidence of your mortgage affordability. If living with relatives, formalise your rent situation.



## Reduce/Manage Short-term Debt

---

On advice from your mortgage broker, work towards reducing/clearing any short-term debts (e.g credit cards/ personal loans).

**Warning:** Never miss a credit card payment and do not take out any new credit!



## Maintain Steady Employment

---

You must be in steady employment and have passed any probationary period before drawing down a mortgage.

**Warning:** Speak to your advisor before changing job or altering your contract!



## Think About Your Deposit and Costs

---

Lenders will want to know where your deposit is coming from. You will also need to demonstrate you have sufficient funds to cover additional costs (stamp duty, legal fees etc.)



# Pitfalls to Avoid as a First Time Buyer

At EDUC Mortgages, we have helped thousands of people to purchase their first homes and we've learned a thing or two along the way. It's easy to get swept up in the excitement of buying your first property, however keeping these few tips in mind will help you stay on the right track and make the journey a little less stressful.

## Avoid unrealistic expectations

Establishing your affordability early in the home buying process and having a clear price range within which to operate helps avoid any potential disappointment down the line.

Remember, just because you love it doesn't mean you can afford it! Sometimes your first home isn't your dream home but a stepping stone to getting there.



Getting Approval in Principle (AIP) from a lender before starting your property search helps you clarify your borrowing capacity. Once you have a clear budget in mind, you can then limit your search to the neighbourhoods and properties within your price range.

Also avoid having too narrow a vision of the exact location in which you want to live. You might find a much better property and get more value for money by expanding your search area by a few miles.

## **Don't put off getting your finances in order**

As well as a minimum 10% deposit required from all first-time buyers, you will need to demonstrate your ability to repay the mortgage loan. This means having your financial affairs in order and being able to show clean financial statements for at least 6 months prior to loan application.

### **Red flags to a lender include:**

- Missed repayments on credit cards or other personal loans.
- No demonstration of monthly savings.
- Unpaid direct debits and standing orders.
- Evidence of gambling.
- Recurring transfers that can be deemed as a financial commitment (e.g. sending money home to abroad if a non-national for example).
- Any unusual or out of the norm large transactions.

If applying for a joint mortgage with a partner, spouse, relative or friend, this applies to both sets of finances.

## **Be aware of all of the costs involved**

Many first-time buyers focus on the purchase price of a property, forgetting about the other additional costs associated with buying a home. Having a clear picture of ALL the costs you are likely to incur will help you budget more effectively, preventing you from overextending yourself and ending up financially strained.

## **Think of the future as well as the now**

Purchasing a property that can adapt to a changing lifestyle is a wise move

and can save a lot of stress and upheaval should your circumstances change sooner than you think.

Also consider the resale value which can impact your longer-term financial security. Your home will probably be your biggest financial asset and purchasing a property that is likely to retain or increase its value over time is a smart financial decision.

Evaluate the location, amenities, and development potential outside of your own requirements in the here and now and you are more likely to make a very wise and profitable investment in your future.

## **Seek professional guidance**

The mortgage and home-purchase process can be challenging for first-time buyers. The language is unfamiliar, the rules and regulations strict, the options many, and the potential for a stressful experience significant.

Seeking the early advice of a professional mortgage broker used to navigating the complexities of the process is without doubt one of the smartest decisions you can make as a first-time buyer.



Your broker works on **your behalf** to provide expert guidance, present all of the options available to you, and help you navigate the entire home-buying process. They will prepare and present your mortgage loan application in the best possible light and, working alongside you and your solicitor, they will help you draw down your mortgage loan and close the deal on the house which will soon become your home.



While great care has been taken in the preparation of this booklet, it is intended solely as a general informational guide. The information provided should not be considered financial advice. We recommend consulting with a qualified financial advisor to discuss your specific circumstances and financial needs.

**Warning:** If you do not keep up your mortgage repayments, you may lose your home.

**Warning:** If you do not meet the repayments on your loan, your account will go into arrears. This may affect your ability to access credit in the future.

**Warning:** You may have to pay charges if you pay off a fixed rate loan early.

**Warning:** The cost of your monthly repayments may increase.



# Talk to us today

Ready to embark on your home-buying journey? Our advisors are ready to support you every step of the way.

**Call our team  
on 01 299 5020**

**[www.educmortgages.ie](http://www.educmortgages.ie)**





EDUC Mortgages  
First Floor Unit 38,  
Dunboyne Business Park,  
Dunboyne, Co. Meath  
A86 YP08

**Phone:** 01 299 5020

**Email:** [info@educmortgages.ie](mailto:info@educmortgages.ie)

**Web:** [www.educmortgages.ie](http://www.educmortgages.ie)

*New Horizon Mortgages Ltd trading as EDUC Mortgages is regulated by the Central Bank of Ireland.*