Mortgage application requirements

The following supporting documents are required in order for McCarney Financial Services Limited to carry out a detailed assessment and to apply for mortgage 'approval in principle' on your behalf;

- Completed & signed application forms (will be provided following our initial review);
- Photo ID and address verification and your marriage certificate (if you are married);
- 6 months original current account statements for all active accounts held – please note statements must include full name, address and account number. This includes credit union accounts and Revolut Accounts also. Statements should be satisfactory to the lender i.e. in credit, no unpaid fees, referrals or overdraft where possible;
- 12 months original statements on any loans including mortgage & credit union if you have one (these statements should also be satisfactory to the lender with all monthly repayments being paid on time)
- If you pay rent we need proof of this - ideally being paid by standing order but if not a copy of your lease agreement and receipts from your landlord are required;
- 6 months up to date credit card original statements, again statements must include your full name, address and account number;
- 6 months original statements of any savings held (including credit union accounts);
- Source of balance of funds to purchase your home (this can be made up of savings/equity/gift and must be evident at application stage);
- If you are separated or divorced a copy of this agreement is required;
- ***A credit check is required upfront at the outset of your application. You can arrange this by visiting www.centralcreditregister.ie***
- Finally, please provide any other documents or information that you feel may be relevant to your application.

The following income documents are required;

For employed applicants;

1) Salary certificate completed by your Employer

2) If you are a Civil Servant please provide a Cop of your Salary Scale

3) The "Employment Details Summary" (EDS) replaces the P60 and can be obtained through Revenue's MyAccount service

4) 3 months up to date payslips

For Self Employed applicants;

1) 3 years Audited Accounts;

2) 6 months original business current account statements

3) 2 years Notice of Assessment to Revenue (including Chapter 4 & Form 11 calculations)

4) Tax clearance certificate (Business & Personal)

Central Bank Criteria

Loan to Value regulations (LTV)

At present we can obtain up to 90% funding for First time buyers and Second time buyers subject to lenders normal criteria and underwriting.

For a first time buyer, the balance of funds to purchase your home may be accumulated from various sources e.g. savings, Help to Buy Scheme, shares purchased from income or a partial gift. In most cases you must have a minimum of 5% of the purchase price saved yourself.

In the case of a 2nd time buyer the balance of funds can come from the sale of your existing home along with additional savings or a partial gift, if required. The maximum LTV available to 2nd time buyers under the new Central Bank criteria is 90% of the purchase price.

Please note that exemption to the LTV rules are available with each lender but must be limited to 15% of their total lending at any one time. Exceptions are considered on a case by case basis and will depend on the strengths of your application and availability at the time. They are also normally only available periodically throughout the year.

Loan to Income regulations (LTI)

Under the current Central Bank regulations applicant's borrowings should not exceed more than 4 times combined income for First time buyers and no more than 3.5 times combined income for Second time buyers.

For example

Single applicant earning €30,000 per annum qualifies for a loan up to €120,000 as a First time buyer and €105,000 as a second time buyer (subject to banks own lending criteria)

Joint applicants earning €30,000 & €50,000 i.e. total earnings €80,000 per annum will qualify for a loan up to €320,000 as First time buyers and €280,000 as second time buyers (subject to banks own lending criteria)

Again, there are exemptions to the LTI rules are available with each lender. Exceptions are considered on a case by case basis and will depend on the strengths of your application and availability at the time.

Balance of funds/deposit.

If savings make up part of your deposit they must be *saved regularly over time* and we must explain any large 'adhoc' or 'bullet' lodgements if they appear on your account.

Gifts.

If you are in receipt of a gift towards the rest of your deposit then a letter is required from the donor confirming their name and address, the amount of the gift, confirmation the donor has no interest in the property and that is not expected to be repaid.

It should be noted that when a gift is offered towards a property purchase then the applicant themselves must also have a good savings record. It is unlikely that a mortgage can be approved on a gift alone and a new customer must prove their own ability to save and in turn repay their new mortgage. Most lenders insist on the applicant having saved at least 5% of the property value themselves.

You should also talk to a tax advisor or your Solicitor regarding any gifts received as this may incur a tax liability.

Affordability tips

Affordability is key to your mortgage application and this is an extremely important part of the assessment carried out by the lenders at present.

Currently when a mortgage is being underwritten it is stress tested generally by +2% (depending on the lender). This is to ensure that in the event of rate increases that customers can still afford their new mortgage repayment and we must prove to a lender that you can afford to repay the mortgage at this level.

For example, someone applying for a mortgage of €250,000 loan over 30 years would expect to pay a repayment in the region of €1,193 per month (based on an interest rate of 4.00%). However, during the underwriting assessment the bank will stress this loan up to 6% resulting in a higher repayment of €1,499 per month, this is the amount you will need to save in order to prove affordability for the stressed amount.

Affordability can be proven in many ways and is different for each customer/application.

For example a *First Time Buyer* will usually prove affordability by saving the required amount over 6 months prior to applying for their loan, they may also pay rent.

In order to prove repayment capacity to the bank you need to save in excess of the stressed repayment amount every month, ideally to a separate savings or credit union account with a rising balance i.e. no withdrawals. This also compliments savings for your deposit and proves to the bank that you can comfortably put this amount away each month and still manage within your means on remainder of your salary in your current account.

A lender will get comfort that the repayments can be met and of course all other aspects of the case must be underwritten also.

A First Time Buyer may also be renting prior to purchasing a new home, this will also be taken into account. For example, you are renting for €1,100 per month and have additional regular build up of savings of €300 per month then overall you meet the affordability requirements as you have proven affordability to repay up to €1,400 per month. Rent must be visible by standing order each month and generally rent to parents is not included.

A *house mover or second time buyer* might prove their affordability as follows;

Current mortgage repayment €1,000
Additional savings by standing order to another account and built up regularly over time €300 per month

Current loan repayment that will finish before moving into the new house €250 per month.

Over all this means that this customer has historically paid a total of €1,550 per month between their existing mortgage, savings and a loan due to finish.

Once this amount is more than the new stressed mortgage repayment (as per example above) €250,000 loan mentioned above @ €1,499 per month then they have also passed the affordability assessment for the bank.

For every application affordability must be proven for a minimum of 6 months prior to application. All other aspects of the case must then be underwritten and comply with the lenders credit criteria.

This will include;
- having a clean credit report;
- Being permanent in your employment and out of any probation period;
- Generally being resident and working in Ireland;
- Satisfactory supporting documents (we comment further on this below).

Supporting paperwork - unfavourable transactions/activities that may negatively affect your application:

Irregular large cash withdrawals/lodgements with no explanation;
Unusual withdrawals/lodgements to current accounts;
Cash/ATM withdrawals from your credit card;
Missed payments or late fees on credit card statements;
Regular online lotto/gambling transactions;
Referral fees or un-paid items in current accounts;
Unsatisfactory Central Credit Register credit rating.

Fees:
Please be aware of the following fees that may be incurred during the application process. You must have funds available to meet these fees along with your deposit.

- ✓ McCarney Financial Services Limited application fee €250 and approval fee €250 (€500 in total);
- ✓ McCarney Financial Services Limited professional fee (if applicable);
- ✓ Auctioneers fees (if selling a property only);
- ✓ Solicitors'/legal fees;
- ✓ Bank valuation fee – varies depending on lender and can range from €150 - €250 (or more) depending on location also. A revaluation is required every 4 months as per Central Bank regulations;
- ✓ Structural survey fee if applicable;
- ✓ Stamp duty amounts to 1% of the value of the property.

Note – this documents if for guidance and discussion purposes only, all mortgage applications are subject to the banks credit policy and lending criteria.

****Unless stated repayments are based on current interest rates over a 30 year term which are subject to change***

**** Please note we are unable to make an application on your behalf until all relevant paperwork is received. You must provide original documents fully up to date, all of which will be returned to you as soon as possible. A lender will not review a case with any supporting documents missing ****

WARNING - YOUR HOME IS AT RISK IF YOU DO NOT KEEP UP PAYMENTS ON YOUR MORTGAGE OR ANY OTHER LOAN SECURED ON IT.