



On the up: The ECB interest rate is still at one per cent, despite rises in Ireland

Rated or slated?

Bricks and mortar: There are ways round interest rate rises, such as opting for a fixed-rate rather than variable-rate mortgage

Over the past month, all the major mortgage lenders have put up their rates by about half a per cent, with AIB breaking the taboo, and then EBS, Bank of Ireland and KBC following. KBC's variable-rate rise from 3.25 per cent to 3.65 per cent will see monthly repayments increase by €45.50 to €915 a month on a 30-year loan of €200,000.

It is hard to swallow the banks' line that they need to jack up their rates to just break even, at a time

when the European Central Bank has held its rate at just one per cent and we hear of bank bosses' IMF-like pensions.

Spring has, however, seen lots of first-time buyers come out of the woodwork to take advantage of historically low house prices. Prices fell an average 19 per cent last year, to levels not seen since April 2003, so mortgage payments for new buyers now are nowhere near those for people who bought at the peak of the boom.

If you think the banks are going to continue their upward rates trend, you could opt for a fixed-rate mortgage – in which you pay a slightly higher rate than a variable one (which the bank can change at will) in order to guarantee your repayments won't go up for say two, five or even ten years. But you pay extra for that peace of mind – the longer you fix your rate for, the more expensive it is. After

the fixed period, the loan generally reverts to a standard variable rate, or you could fix it again.

For example, EBS is currently offering a three-year fixed-rate mortgage of up to €250,000 of 4.63 per cent. On a €200,000 mortgage this means a monthly repayment of €1,028.88.

And Bank of Ireland has some very good introductory rates for first-timers, with a two-year fixed rate of just 3.1 per cent (the same as its variable, with repayments of €854 a month), or for new customers five years fixed at 3.8 per cent, equalling €932 a month.

As ever, take independent advice from family, friends and experts, shop around and do your sums – all the banks publish their rates on their websites, and mortgage repayment calculators are available online to work out how much you can afford to pay each month.

›Rent-to-buy & No deposit deals

NOW that the days of 100 per cent mortgages are a distant memory, some developers are offering a variety of no-deposit or rent-to-buy schemes to attract first-time buyers into the market, writes Sheena Davitt.

The **Easisteps Purchase Plan** (www.easisteps.ie) is designed for purchasers who can meet mortgage commitments but have difficulty saving a deposit.

This scheme lets you live in a home for up to two years before buying, during which time you pay monthly contributions towards the deposit instead of rent. They are offering the scheme on a number of developments in Co Dublin.

The **Home Deposit Advance** option, offered by Castlethorn Construction (www.homedeposit.ie) for its Stratton development near Lucan, lets buyers defer paying booking and contract deposits until the sale is closed. In this case, as you have not handed over a deposit before closing, your savings are never at risk.

Rent2Buy.ie (tel: 01 254 2336) provides a scheme that lets you move immediately into your home, pay rent that will count towards the final price of the house, and, after a specified period, buy it at a pre-agreed price. Being able to live in a home before buying is an advantage – the 'try before you buy' principle.

However, the risk in these deals is in the pre-agreed price. In most cases, you are agreeing to buy the property at 2010 prices, but, of course, property prices may have fallen by the time you are due to buy. If this happens, you can simply walk away from the agreement, losing your initial booking deposit.

'These schemes are best for people who are intent on buying, for example if you are renting, and have found a development where you can absolutely see yourself living,' says Karl Deeter of Irish Mortgage Brokers.

However, he also warns that in some cases there is no guarantee you will obtain mortgage finance at the end of the two- or three-year period.

Above all, be sure to seek independent legal advice before deciding if these schemes are right for you.



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