

Buying your first home



Property
Brokers





Think you can't afford to buy your first home yet? Are you sure?

Before we talk about the financial assistance that is available out there, lets summarise the steps to get you on the property ladder and importantly the order of those steps.

Buying your first home is an exciting milestone, but it can also be a daunting process. The journey to home ownership involves several steps and it's important that you take those steps in the right order.

Let's get started!



Step 1 Talk to an experienced financial adviser

One of the first steps in buying a home is assessing your finances. Lenders will assess your financial situation, including your income, expenses, and any debts.

You'll need a deposit, ideally 10 or 20% of the purchase price but as set out below you can obtain finance with as little as a 5% deposit.

To secure a mortgage, you'll also need to have a good credit history, some issues can be mitigated - a good financial adviser will assist you with navigating any

credit issues and also assist with a plan to put you in the best position to apply for a mortgage.

It's a good idea to complete this step first, before you start looking at properties so that you are clear about the budget you have to work with.

Step 2 Calculate any additional costs

It's easy to focus only on the purchase price, but there are other costs associated with buying property that you should account for:

Legal Fees: You will need a lawyer to handle the legal aspects of buying the property, which can cost anywhere between \$2,000 and \$3,000 (plus GST and disbursements) depending on the firm you engage, where the property and lawyer are located and the complexity of the transaction.

Lender's Fees: Some lenders may charge fees for setting up the mortgage, including application or valuation fees. If you have less than 20% deposit then a LEF (low equity fee) will be charged. This is sometimes a lump sum added to the mortgage or a premium on your interest rate.

Building Report: This is often required and is advised for first home buyers.

Toxicology Test (Meth Test): Also sometimes required by lenders.

Insurance: You'll need home insurance as a condition of your mortgage, and it's wise to consider contents insurance as well. Be aware that for any properties built before 1940 insurers may require further documentation and evidence about the condition of the property and materials used in the property before they will insure, eg the standard of wiring, cladding, piles.



Step 3 Understand the market – Engage a real estate agent!

Before jumping into the buying process, it's important to get a clear understanding of the current housing market in your area.

You can check property listings and follow market trends but your best bet is to talk to a local real estate agent to understand what kind of properties are available within your budget. As a prospective purchaser you should work with an agent, to help you find the right property.

A good agent knows what is happening in the area you are looking in, what is available and what is about to come to market. The agent can do all of the initial “property searching legwork” for you, at no cost to you!

Step 4 Letting the search begin!

Once your finances are sorted, you can begin the exciting search for your new home. When looking for a property, consider your long-term needs and lifestyle. Think about things like:

Location: Proximity to work, public transport, schools (if you have or plan to have children), and amenities like parks and shops.

Size: Consider how much space you need both now and in the future.

Condition: Older homes may need repairs or renovations, which can impact your budget and time. This can sometimes also impact your finance approval. A good agent will be able to spot potential issues that a lender might not be happy with, and a good lawyer

will be able to work with lender and other parties to get these resolved, if required.

Be sure to check out multiple properties and take your time. It can be tempting to make a decision quickly, but it's important to choose a place that suits both your lifestyle and your budget.

Remember this is your first house, your first step onto the property ladder - don't expect to find a house of the standard that your parents or other family or friends might be living in.

Step 5 Make an offer

Once you've found your ideal home, you can make an offer. Your offer should be subject to you obtaining the appropriate reports on the property, such as a builder's report or LIM report and should also be subject to finance, even if you have pre-approval from your lender.

The reason for this is that the lender still has to assess the property as suitable security. A pre-approval does not mean that you definitely have finance or that you are an unconditional buyer.

Consider a 15 working day finance clause, especially if you require approval to withdrawal your Kiwisaver. You should make contact with your Kiwisaver provider and get pre-approval from them to withdrawal your

Kiwisaver funds before you make an offer. Remember though you will still have to complete an application to withdrawal your Kiwisaver funds once you have had your offer accepted. The pre approval from Kiwisaver really just confirms you have been contributing for a minimum of three years and gives you written advice of the amount available to withdrawal, but its worth taking that step before making any offer on the property.

Step 6 Legal and contractual aspects

It's a good idea to your get your lawyer to check the offer prepared by the agent before you sign it, the lawyer can discuss the conditions included and whether any further conditions might be required as well as ensuring the time frames for satisfaction of those conditions are appropriate.

Once your offer is accepted by the vendor you will need a lawyer to review and finalise the sale and purchase agreement. Your lawyer will also check the title to the property. The agreement will outline all of the details of the transaction, including the purchase price, the settlement date, and any conditions attached to the sale. It's essential to read and understand this agreement before signing it.

If you are withdrawing your Kiwisaver funds to complete the purchase talk to your lawyer about when

the application to withdrawal those funds should be made. Your lawyer will help you with this application. The timing of the application will depend on whether you are using the funds to pay the deposit due to the vendor (usually payable on the agreement becoming unconditional) or whether you are using your Kiwisaver funds to complete settlement, on the settlement day. Seek advice from your lawyer on this, sooner rather than later. Your lender or financial adviser does not complete this application for you as part of the finance application.

Step 7 Close the deal and settle in

Once all of your conditions are satisfied the agreement will be, what is called unconditional. This means the property has been sold to you and you are legally obligated to proceed to settlement.

Before settlement is completed you will need to liaise with your financial adviser or lender to set the terms of the lending (interest rates, term of the lending etc). The loan documents will then be sent to your lawyer who will arrange a meeting with you to sign both the loan documents and other necessary documents to get the title to the property transferred into your name on settlement.

The final step is settlement, which is usually 3 or 4 weeks from the agreement becoming unconditional. At settlement, the remaining balance of the purchase price is paid to the seller, and the property is transferred to you. Your lawyer will manage the settlement process and ensure all the paperwork is completed.

Prior to settlement you will have the opportunity to complete a final inspection. This is to make sure the property is in the same condition as you originally viewed it and most importantly to check that all of the chattels in the property that have an operating component (eg, oven, heat pump, lights etc) are working. While not the purpose of the pre settlement inspection – it is also a good opportunity to refresh your memory on where your furniture and things might go - so take a tape measure.

Once settlement is done, you can take possession of the property and begin moving in! Be sure to arrange utility services, such as power, water, and internet, in advance to ensure a smooth transition.



So... Financial assistance – What's out there?

The days of needing a 20% deposit to get home lending are long gone. There is a lot of assistance out there if you meet the criteria. Lenders regularly have funds available to provide to purchasers who may only have a 10% deposit.

But even if you don't have a 10% deposit don't give up! I spoke with Dave Reay at New Zealand Home Loans who has provided all of the facts and figures around low deposit lending – so read on, there are options available!

First Home Loan

The First Home Loan is a program that allows eligible first-time home buyers to borrow more with a smaller deposit.

Unlike traditional loans, the First Home Loan allows buyers to borrow up to 95% of the property's purchase price, meaning that the deposit requirement could be as low as 5%. This is a significant reduction compared to the standard 20% deposit usually required by banks and other lenders.

To qualify for the First Home Loan, applicants must meet the following conditions:

- **Income limits:** There are income limits that apply. Maximum of \$95,000pa before tax for an individual without dependents, \$150,000 for an individual buyer with one or more dependents and \$150,000 combined for 2 or more buyers regardless of the number of dependents. This income figure is based solely on your previous 12 months income from IRD records. It is not based on current salary.

This means that you can be assessed on a higher salary due to a recent pay increase but still qualify as the previous 12 months income has been lower.

- You also need to have been in your current occupation for the last 12 months, if not then the same industry for 24 months.
- **Property price caps:** Property caps have been removed for the First Home Loan.
- **Credit history:** As with any mortgage application, your credit history and financial situation will be assessed to ensure you can afford the loan repayments.
- **The First Home Loan** is a helpful option for buyers who struggle to save for a larger deposit and need assistance getting their foot on the property ladder.



KiwiSaver first home withdrawal

Although not directly a Kāinga Ora program, KiwiSaver is a key part of the financial assistance package for many first home buyers.

If you have been contributing to a KiwiSaver account for at least three years, you may be eligible to withdraw your KiwiSaver savings (including the Government contributions) to help with your first home deposit.

As an example if you were looking to purchase a property for \$550,000.00 and you wanted to apply for First Home Loan you would require a 5% deposit (\$27,500.00). If you have that amount in your KiwiSaver (you or you and your partner together), then you have your 5% deposit and may be eligible for a First Home Loan.

Kāinga Ora plays a vital role in helping first home buyers across New Zealand overcome the financial barriers to homeownership. Whether it's through low-deposit loans, or shared equity schemes, there are multiple pathways available to make owning a home more achievable.

If you're a first-time home buyer in New Zealand, it's worth exploring all the options Kāinga Ora offers. These programs can provide significant financial assistance, allowing you to get closer to achieving your dream of homeownership.

Other options

There may also be other ways to help you get finance for your first home, such as assistance from family members, either by way of gifting a sum of money, guaranteeing a portion of your lending, being added as a borrower on the lending or using some existing equity in their own home.

Kiwibank also offer Co-Own loans (purchasing property jointly with friends or family). It is worth sitting down with a financial adviser to discuss all of the options outlined above.

Buying your first home in New Zealand can be an overwhelming process, but with careful planning,

research, and the right support, it can also be a rewarding experience. Be sure to get your finances in order, understand the costs involved, and seek professional advice first from a financial adviser (formerly referred to as mortgage brokers) then from a real estate agent and lawyer, throughout the process.

With the right preparation, you'll be well on your way to homeownership and setting the foundation for your future.

Happy house hunting!



For all your property needs,
talk to **Shelly Rakatau** today



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