MY MONEY
MORTGAGE & FINANCIAL ADVISERS

First Home Buyers Guide



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Hey First Home Buyer!

Is this the year you buy your own home?

Buying your first home is an exciting journey! However, when you're at the beginning of the journey, you may be asking a lot of questions...

- How much can I borrow?
- How long does it take and what does the process involve?
- How do I get started?

I can help you work through these challenges and lead you through what should be an exciting time for you.

My name is Stephen Robertson, and I am a Mortgage Adviser who has years of experience working with first home buyers.

Nothing gives me greater satisfaction than seeing one of my clients placing the sold sticker on their first home.

Get advice from a Financial Adviser who will let you know where you stand. Get support from someone who will advocate for you and help you choose the best home loan options for your situation.

I hope you find this First Home Buyers Guide useful.
Remember this an informative guide to get you started and is a first step only.

For personalised financial advice I'm just a phone call or email away.

Don't hesitate to reach out, I'm here to help.

Ngā mihi

Stephen



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Disclaimer:

This First Home Buyers guide is intended to provide you with general information. It does not constitute financial advice.

The information included in the guide was accurate when it was published. The author does not give any warranties or accepts any liability for any errors or omissions in the guide, or for any loss or damages incurred using any information provided.

For personalised financial advice for your situation please contact Stephen Robertson, My Money.

Step 1: Getting clarity on what you need and what you can afford



No matter what age you are when you purchase your first home, you've likely been dreaming about it for a while. Now is the time to think about what you need.

Style

What type of home do you need? A stand-alone house has a very different price tag to a unit in a block, a terrace home, or an apartment.

Age

Do you want a new build that comes with a lot of benefits in reduced maintenance or an older home that needs some TLC?

Size

How many bedrooms and how big do you need? Is it crucial to have an office as you work from home or is there somewhere in the home you can use for your desk? Are you looking to expand your family soon? How important is a guest bedroom – is it just for occasional use or are the in-laws going to be visiting all the time?

Location

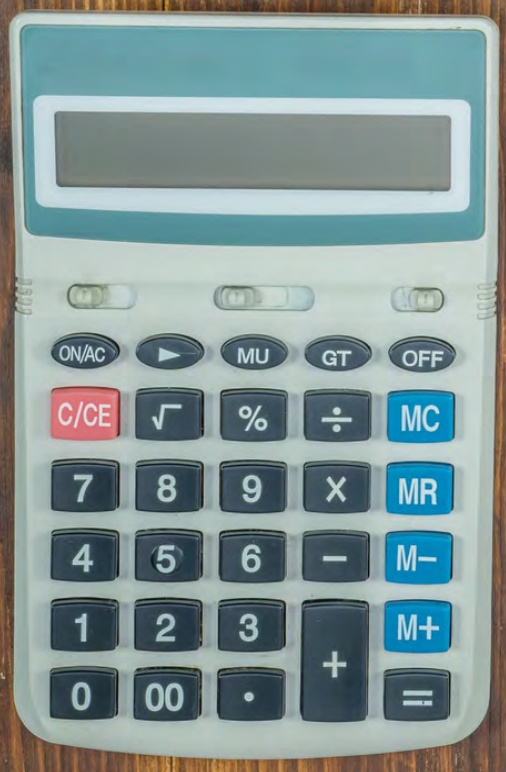
Do you need to be in the heart of the action or close to work, or can you be a bit further out? How close to you need to be to public transport? Do school zones or access to recreational facilities need to be considered?

Step 1: Getting clarity on what you need and what you can afford

What can you afford?

A useful tool to see what you're likely to be able to afford is our What will my rent by me calculator
www.mymoney.net.nz/whatwillmyrentbuyme

You can calculate what you can afford factoring in the monthly payment, interest rate, loan duration and start date.





Step 1: Getting clarity on what you need and what you can afford



Know the market

It's important to know what is selling for what in the area/s you are looking at.

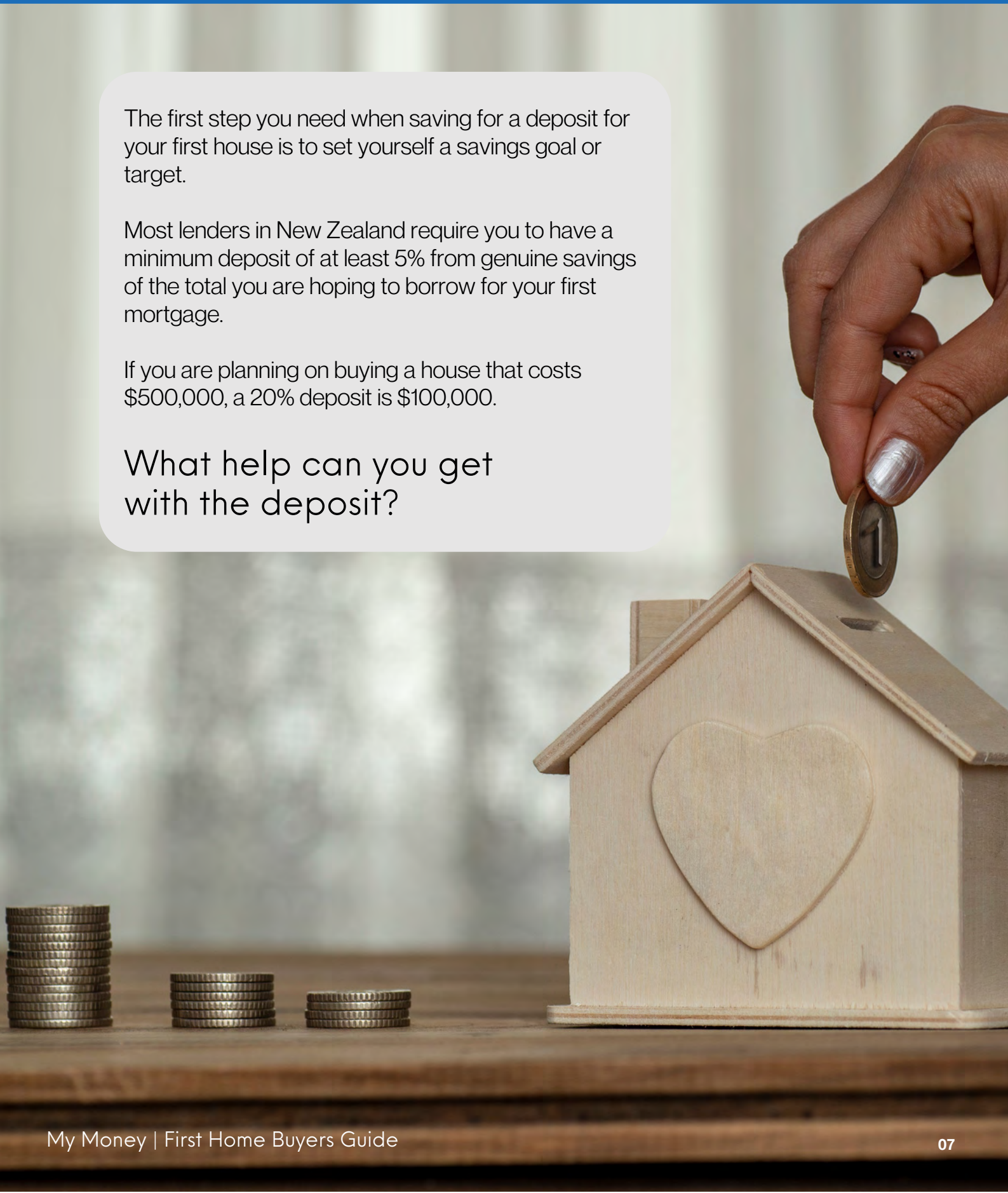
My Money has access to property information and can run a free report that will cover the location, the type of home that you are looking for, or even the exact home you have your eyes on.

This is very useful when considering a purchase or negotiating on price.

There are a number of websites that have free estimates and property data. For some you can Favourite a property and get notifications on when it's sold and then later the price. This is a great way to see what homes that you like are actually selling for.

- Homes.co.nz
- QV.co.nz
- oneroof.co.nz

Step 2: What size of deposit is needed and ways to get it



The first step you need when saving for a deposit for your first house is to set yourself a savings goal or target.

Most lenders in New Zealand require you to have a minimum deposit of at least 5% from genuine savings of the total you are hoping to borrow for your first mortgage.

If you are planning on buying a house that costs $500,000, a 20% deposit is $100,000.

What help can you get with the deposit?

Step 2: What size of deposit is needed and ways to get it



KiwiSaver

If you have been a member of KiwiSaver for at least 3 years, you may be able to make a withdrawal from your savings to put towards buying your first home.

Eligible members can withdraw their KiwiSaver savings (including tax credits). However at least $1,000 must remain in their KiwiSaver account.

You must intend to live in the property. It cannot be used to buy an investment property.

Find out all the details at www.kaingaora.govt.nz/kiwisaver

It's important to note that KiwiSaver balances fluctuate and those in Growth funds over the last few years have seen considerable changes in their balances over this time. It pays not to assume how much you have. It is usually recommended to move funds to Conservative funds or Cash close to the time your are purchasing property to give stability in the amount.

Step 2: What size of deposit is needed and ways to get it



Gifting

Your parents or another family member may be willing to gift a sum of money to contribute towards your deposit.

There are specific terms and conditions required by the lender that need to be documented and we have a template for this.

Family guarantee:
In the past Family guarantees have been popular and were often used by parents to help their children with a deposit. It is still an option, but since the Brightline Tax implementation there are tax implications and other unintended consequences. We recommend getting independent egal and tax advice for your specific situation if this is something you'd like to consider.

Step 2: What size of deposit is needed and ways to get it

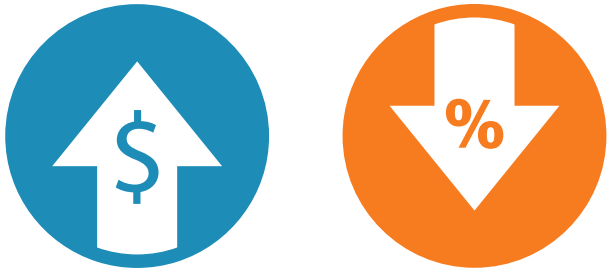


Size of deposit affects interest rates

The bigger the deposit you contribute, the less you will have to pay in interest charges.

Similarly, loans that are in excess of 80% of the total value of a property tend to come with higher charges due to the increased risk to the lender.

These charges can vary greatly, some will be charged through a low equity fee, while others will find they have to pay higher interest rates to cover the potential risks involved.



Step 3: Getting your team together



Have the Right Team in your corner

Lenders need confidence you have a good team of professionals helping you with the different aspects of purchasing a home. They want to know that risks have been managed and that you have purchased a solid asset that you can afford.

So who makes up this team?



Mortgage Adviser

This is the role I play in the team.

The best way to describe mortgage lending now is “best fit”. Lenders have tightened their criteria and you want to avoid disappointment. They will look at account conduct, staying within limits, making payments on time and even unpaid parking fines.

In simple terms, as a Mortgage Adviser I pre-screen your scenario to see which lender is the best fit for your personal situation and I give you advice on your best options. The stress of the approval process is taken off you.

Usually my advice and services cost you nothing, I just need to be formally engaged to be able to support you.

Step 3: Getting your team together



Real Estate Agent

The Real Estate Agent is engaged by the vendor to sell the property. They must be honest with buyers about any defects or risks with the property. They must not mislead you on the vendors price expectations.

At auction or offer time they liaise between the parties to facilitate a signed Sale and Purchase Agreement. They will also be your point of contact for the pre-settlement inspection.



Building Inspector

Lenders also require builders' reports, as while you might think it's only cosmetic changes required, a lender will want to know about the 'bones' of the house and any wiring, plumbing, foundations, lack of insulation or roofing issues, to name just a few.

We have a trusted building inspector who can provide timely reports.



Lawyer

It is important the lawyer helps you draft the offer and ensure the correct clauses are included before you sign. They also check the Title and Lim and key documents as well as review any disclosures around unconsented works.

At settlement the lawyer will also arrange for the transfer of the title and transfer the funds for the balance on the purchase.



Insurance Adviser

Ensures full replacement house insurance is available with no exclusions.



Valuer

Registered property valuers assess how much a building (and its land) is worth. A report will be required on any brand new property.

If you're a first home buyer with a deposit of between 10 and 20%, you are likely to require a professional valuation on the home before the lender will approve a loan.

Step 4: Getting pre-approved



Get a pre-approval. And this can be quite easy!

A pre-approved loan is not a formally approved loan. Essentially, a pre-approved loan means that the lender is happy to lend you the money, provided the property you would like to purchase suits them, as well.

Having a pre-approved loan in place will give you confidence about how much you can borrow, the lending limitations, and how much you can spend on a purchase.

The lender can be one of the main banks but the best fit for you may be a non-bank lender. That's the benefit of engaging a Mortgage Adviser. We know who is likely to lend to who. One of our clients wasted five days with a bank only to be told 'NO' – I could have avoided this delay within 5 minutes, as I know which lender would have approved them.

If you are unsuccessful with your pre-approval check out Set yourself up for success when buying your First Home www.mymoney.net.nz/blog/post/108325/set-yourself-up-for-success-when-buying-your-first-home to see how you can improve your finances and your ability to get a mortgage.

Step 4: Getting pre-approved



When you apply for a pre-approval, the lender will look at your income and your expenses and decide whether you can afford the loan amount and its repayments. They will also consider the amount you have saved and can contribute to the purchase versus the amount you're requesting from the lender.

This is where I get involved. My role as a Mortgage Adviser is to help you look your financial best in the lender's eyes.

I will act as your strongest advocate. I will present your story to the lender, demonstrating your income, savings history, finances, along with your goals and dreams, and explain to the lender why they should lend you the money.

When you apply for a pre-approval, it's important to discuss the type of property you're thinking of purchasing with the lender. There are some lenders who won't lend on a unit in a 10-storey block of apartments so it's important to know up front what you are looking at so that I can match you to the most suitable lender.

Step 5: The search begins...



Now you know how much you can borrow you can confidently begin to search for your home.

The easiest place to start is to define your parameters and set up favourite searches with notifications on property websites:

- TradeMe
- Realestate.co.nz

Don't forget to look at the properties you're considering on the Property data websites to see what they estimate the property's value at.

- Homes.co.nz
- QV.co.nz
- oneroof.co.nz

We can also provide reports on properties so let us know what you're looking to purchase and we can help with valuable data.

Step 6:

Allowing for purchasing and ongoing costs



Purchasing Costs



Conveyancing and legal fees

Allow between $1,000 to $2,500.
If you set up a trust at the same time that usually costs around $2,000.



Valuation fees

If you decide to get the property valued before making an offer, you can expect to pay around $500 to $1,000 depending on the home size and specs.



Building Inspection

This depends on the property, but standard house inspection (3-4 bedrooms) will be around $500 to $750. This won't cover tests like weather tightness assessments, methamphetamine activity and building defects, which will be charged extra.

Step 6:

Allowing for purchasing and ongoing costs



New Ongoing Costs

Rates

Renters don't have to pay Rates, so this is a new cost (usually quarterly) that you must budget for.

You can find out the rates for a property from the Council's website. For Auckland go to www.aucklandcouncil.govt.nz/rates

House insurance

While renting you only require Contents insurance. Get an idea on the likely cost of House insurance and add that to your budget. Many insurers have online quote tools you can use for this.

Body Corporate

If you are buying an apartment or in a block of homes you may have a Body Corporate levy to pay. Check if this applies to you and budget accordingly if it does.

Step 7: Offer & agreement



Once you've found a property that you like and can afford, let the agent know. Properties are sold through a range of methods but the most common are Auction or by Negotiation

Before you put pen to paper and make a formal offer or bid at auction you need to talk to your Mortgage Adviser and Lawyer.

As your Mortgage Adviser I need to validate the price you're offering. This amount needs to be proportionate to the value of the property.

Step 7: Offer & agreement



Your lawyer will make sure you have all the necessary conditions included in your offer and that you've done any required homework on the property.

They'll also make sure you allow enough days to satisfy all the conditions before going unconditional. This time needs to factor in how long it will take us to confirm finance with the lender.

They will also work with you to ensure you have other documents like a Will or any Agreements (ie Contracting out or Property Sharing) in place.

Typical timelines in working days are:

5
Lawyer

5
Mortgage Adviser
(once all documents are provided to us)

6
Valuer

2
Building inspector

2
Insurance

15
KiwiSaver drawdown

Step 7: Offer & agreement



By Negotiation

When a property is being sold by negotiation, this can include a set amount being advertised or it can be left open to offers. As a Buyer you can negotiate the amount you want to offer plus other conditions such as an expiry date for the offer, making the offer subject to a builders report, a valuation or approved finance, or on condition of selling another property. Your lawyer will confirm what conditions you should include here.

Once your offer has been accepted, let us and your lawyer know.

Your lawyer checks any legal issues and raises any issues with you, as well as receiving the mortgage funds from your lender to settle the purchase later on.

The deposit is also paid on acceptance, not when you go unconditional and is held in the real estate agent's Trust Account.

Find out more at:
www.settled.govt.nz/buying-a-home/making-an-offer/buying-by-negotiation

Step 7: Offer & agreement



Auction

Prior to the Auction you need to have completed all of your checks and due diligence including Lawyers approval, builders report and have finance approved.

If you are successful with the winning bid at an Auction you'll be asked to sign the sale and purchase agreement and pay the purchase deposit as soon as the auction is over. This deposit usually can't include any KiwiSaver portion as this can only be accessed with a signed Sales and Purchase agreement and will be used towards the balance of payment.

Find out more at:
www.settled.govt.nz/buying-a-home/making-an-offer/buying-by-auction negotiation

Step 8:

Making it official and getting the keys



Prior to settlement your Lawyer will work with your Mortgage Adviser or lender to make sure all the paperwork and payments happen on settlement day.

Also prior to settlement you need to complete a pre-settlement inspection and if you are happy with this you instruct your Lawyer to settle.

Insurance also needs to be in place with the policy starting on settlement date with the lender noted as an interested party. The certificate of insurance will need to be provided.

On settlement day your Lawyer will:

- Arrange for the transfer of the title
- Pay the balance on the purchase

Once the title is transferred and the Vendors lawyer receives the full payment the Vendors Lawyer will confirm settlement is complete and advise the real estate agent to release the keys.

You are now the proud owner of your first home!



Keep in touch

We do not just arrange the loan and walk away. We are here to help our clients manage loan renewals and look at whether the loan still meets your needs on an annual basis.

Your insurances should also be reviewed on a regular basis with one of our recommended experts.

We also have a preferred money coach who can assist you to build a plan to manage your money and pay down the debt faster than required to save years off the mortgage and thousands in interest costs.

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