



Q Home Loan

An introductory
guide to buying
your first
house.

FIRST HOME BUYERS GUIDE

WELCOME TO THE LENDING ROOM

Helping hardworking Kiwis is what we do.

Buying your first home? This is an exciting time for you! Your Lending Room Mortgage Adviser, will guide you every step of the way, whether it be understanding your goals, managing documentation or helping you to decide on the best loan structure. Are you ready to start your journey? Then you have come to the right place.

We're your one stop shop for getting ahead. Seeing you and your family in a home of your own is one of our many financial specialties. We think just because the market isn't what it used to be, it doesn't mean you should resign yourself to being a lifelong renter.

Read our guide and let's make your home a reality!



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THE ULTIMATE FIRST HOME BUYER'S GUIDE

A sense of security, a sense of place, financial progress: a house is more than just a place to live. Owning your own home is possible even in today's market, and between that and rising living costs and a global pandemic, the key is to get informed and put your strategies in place early.

And it's not all about the home. You should think beyond that before you start your house hunting journey. What are your long term goals? What's the best mortgage to support them? How do you set yourself up, now, to get it?

It can be done. Read on and let's make your home and future a reality.





DO YOUR RESEARCH

Information is power. Now's the time to get immersed in property and get the lay of the land, and there's a wealth of resources at your fingertips, online and free of charge.



START RESEARCHING now and make it a habit. It'll help you narrow your focus and avoid wasting time on properties that are unsuitable or overpriced.

WWW.HOMES.CO.NZ



Check properties in your desired area with valuations and sales history. The website lists most properties whether they're for sale or not. Valuations fluctuate constantly, so you need to be checking regularly to stay up-to-date.

WWW.REALESTATE.CO.NZ



You can search properties for sale with updated images, information provided by the seller (vendor), capital value and a list of recent sales nearby.

WWW.SETTLED.GOV.TZ



Get the lay of the land on home ownership with tips, mortgage calculators, checklists and videos.

WWW.TRADEME.CO.NZ



A popular spot for vendor's listings as well as a list of the zoned schools and their decile ratings.



GET A GOOD TRACK RECORD

When you think of finances, you're probably thinking about your deposit. However, that's not all that matters to a potential bank or lender. Even if you don't plan on applying for another 6 months or more, now is the perfect time to get yourself 'bank-ready', to ensure a smooth application process when the time comes.

YOUR INCOME:

Lenders want to see more than your last payslip. They normally expect to see at least three months of your regular income and in some cases, if you are applying for a First Home Loan they will require confirmation of your last 12 months earnings – this can be verified by an IRD summary.

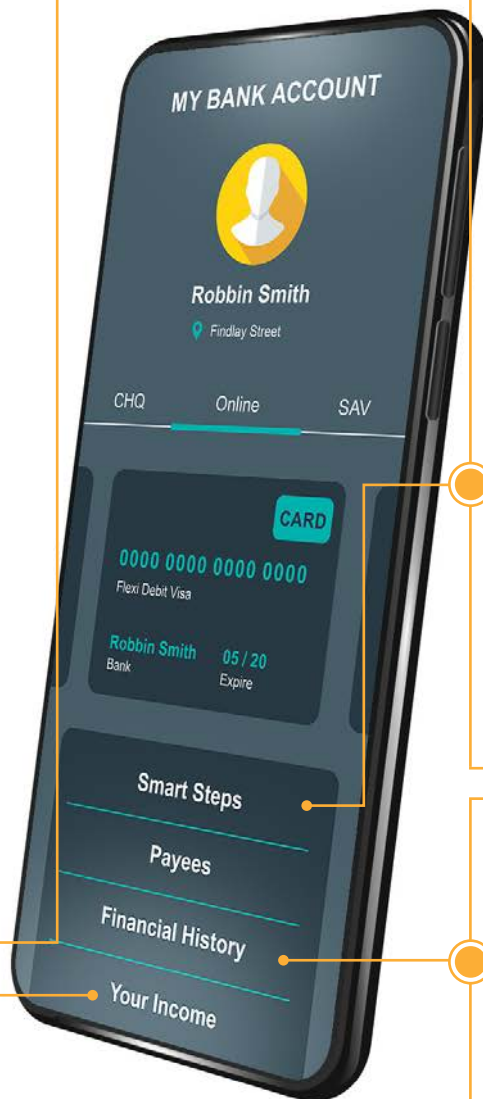
In the lead-up to applying for your home loan, this isn't the best time to experiment with cutting back your hours or changing jobs. Start laying your track record now. You can also consider picking up some extra hours or other opportunities to bump up your average pay. Consistency is key however.

SMART STEPS:

We recommend you maintain good account conduct in the lead up to applying for your home loan. Avoid going into unarranged overdraft by ensuring automatic payments are aligned with your pay day and the frequency you get paid. Cut out any unnecessary spending and expenses, review your monthly subscriptions and cancel any that you are not using. Keep cash withdrawals to a minimum and clearly reference transfers to third parties, so the bank can clearly identify where the money is going.

FINANCIAL HISTORY:

If the pandemic or any other unexpected life events have put a dent in your financial history, you're not alone, and you may still be eligible to apply for a home loan. Your Lending Room Mortgage Adviser will work with you to understand your situation and can prepare an explanation for the bank to ensure they understand what happened and present your application in the most favourable way.



That's a big part of what we do at The Lending Room.

We know how to plug gaps in your application, but we also know how to present anything you might be worried about. We're all about getting you 'bank ready,' coaching you through whatever strategies you need and creating a loan application that has you putting your best foot forward.



BOOST YOUR DEPOSIT

Gone are the days when every home buyer could save up a 10% deposit and be confident in a tick of approval from the bank. Low deposit loans are still available, but they're limited.






House prices skyrocketed in the 2010s and the government restricted the way banks can lend, hoping to stop prices rising any further by stifling demand. As a first home buyer, you're hit the hardest, because you don't have a house to sell to make up your deposit.

The government backed off during the early days of the pandemic but restrictions are back in place at the time of writing and they're likely to stick around. It's worth checking the most up-to-date status of

these rules by checking the Reserve Bank website at www.rbnz.govt.nz.

At the time of writing, you'll need to pay a 20% deposit and investors have to pay much more. Banks are still allowed to offer a limited number of loans with the traditional 10% deposit, but you're competing against everyone else who wants them, and you'll also pay a higher interest rate for the privilege.

Anything that increases your deposit is a good thing. If you've never used a budget, now might be a good time to start. But it's got to be sustainable; if you don't keep your daily flat white or keep your hobbies going, you're unlikely to stick to it. So do some adding up, find the unexpected overspends and trim what's not giving you good bang-for-buck so your money can go where it really matters.

<p>You can use most of your Kiwisaver toward your deposit provided:</p>	 <p>You haven't bought property before (but there are exceptions)</p>
 <p>You're going to live in it</p>	 <p>The place you want to buy is in New Zealand</p>
 <p>You've been a member of a Kiwisaver scheme for at least three years</p>	 <p>You're not just using it to build a house on land you already own</p>

More New Zealanders than ever are using their Kiwisaver to form the bulk of their deposit. Lenders see eligible Kiwisaver funds just as favourably as cash in the bank.

With a Kiwisaver First Home Withdrawal, you can normally take out all but \$1,000. The money is paid directly to the conveyancing lawyer and they forward it to the vendor on your behalf when the time comes.

If you meet the criteria, it's largely a case of paperwork (a lot of paperwork!) but at the Lending Room we can take care of it all for you.

If you have owned property before, you might be able to use your Kiwisaver money anyway. Essentially, you need to be in the same position as a first home buyer, without any current property under your name.



GET THE GRANTS

In addition to a First Home Withdrawal from Kiwisaver, you might be surprised what help applies to you.

The great news is there is no limit on the combinations: you could use the Tenant Home Ownership Grant along with a First Home Grant, a First Home Withdrawal from Kiwisaver plus a First Home Loan.



FIRST HOME LOANS

This is a special loan programme available from selected lenders. You'll only need a 5% deposit, and the great news is you can use both your First Home Withdrawal from Kiwisaver and your First Home Grant to make it up.

The place you want to buy has to come under the regional price cap, it has to be your first home and you have to live in it.



TENANT HOME OWNERSHIP GRANT

If you're renting a Kāinga Ora home, and you want to buy it, you might be eligible to get your 10% deposit through a grant. You can only do this with certain Kāinga Ora homes, as the government wants to hold onto the ones in major centres including Hamilton and Tauranga.

To find out if your home is eligible, call Kāinga Ora on

 0508 935 266



KĀINGA WHENUA LOANS

This Kiwibank scheme might apply to you if you hold a license to occupy multiple-owned Māori land. It'll help you build, buy or relocate a house onto the land, or fix up a house that's already there. The key advantages are firstly, no deposit is needed for loans under \$200,000, and secondly, only the house itself is used as security, not the land. Under certain conditions the \$200,000 no-deposit cap can be increased.

Because it's run by Kiwibank, all of their usual lending criteria apply, including proof of income and credit history. The land also can't be eligible for a normal mortgage and you must otherwise be unable to access traditional lending for the house.

At least one borrower has to live in the house.



KIWIBUILD

In this programme, the government limits the price of new homes in specific KiwiBuild projects, and also limits who can buy them. All of the lending initiatives and grants described above are separate to the programme, so you could use any that apply to you to buy a KiwiBuild home.

If a project has a lot of buyers, the successful ones are drawn from a ballot so the price doesn't go up.

You're eligible as long as your household income is under \$180,000 for couples or \$120,000 for individual buyers. It doesn't matter if you've owned property before, as long as you don't own property when you actually buy the KiwiBuild home. You'll also have to live in it.



FIRST HOME GRANT

You can get a cash grant of up to \$5,000 for individuals or up to \$10,000 for a couple to pump up your deposit, and double that if it's a new build. Preapprovals for First Home Grants last six months. You have to come up with a 5% deposit, and yes, that can come from your First Home Withdrawal from Kiwisaver.

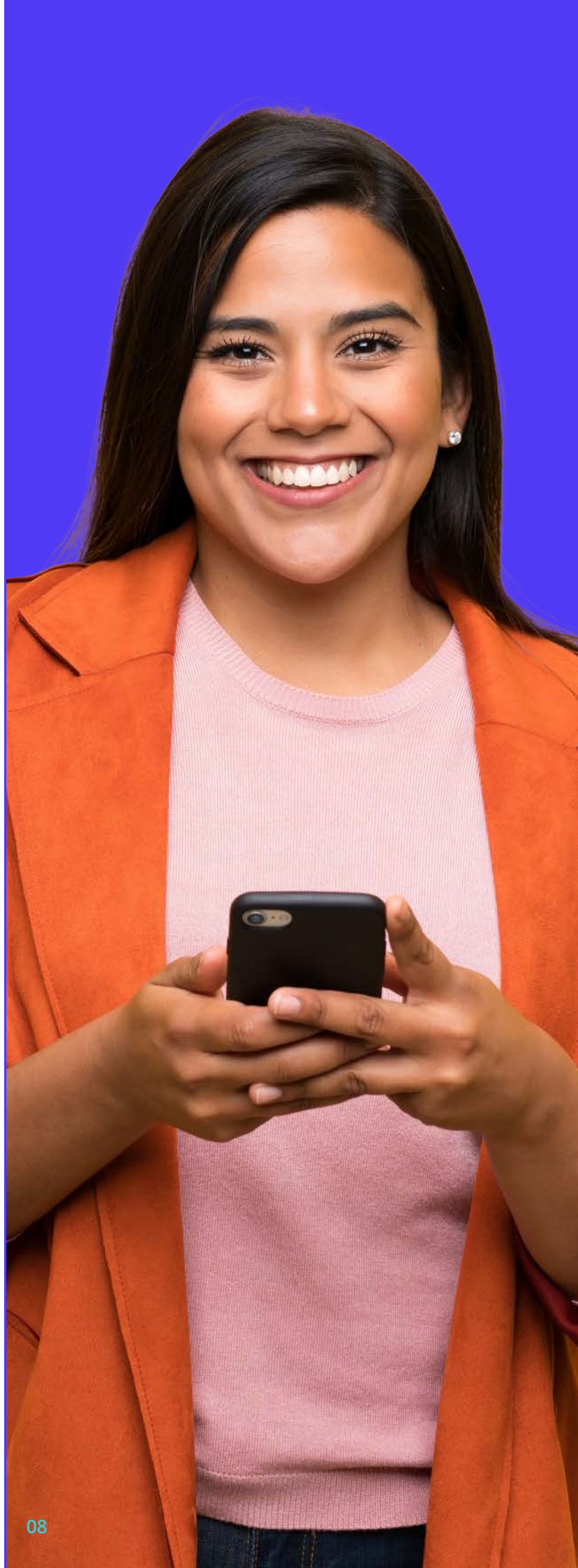
Your household income has to be \$95,000 or less for individual buyers or \$150,000 or less for an individual buyer with one or more dependants. For two or more buyers your income needs to be \$150,000 or less (combined), regardless of the number of dependants. That's based on your last 12 months of payslips, so if you've had a recent pay rise you may still be eligible, for a short while at least.

The house you want to buy also has to come under the regional price cap. That varies depending on where you are, so check your desired area at:

WWW.KAINGAORA.GOV.NZ



As the name suggests, you must be buying your first home (although, as usual, certain exemptions apply) and you'll have to live in it. You also need to have been contributing to your Kiwisaver for three years (or another retirement savings scheme approved by Kāinga Ora).





GET YOUR TEAM

Find the right people now so everyone's in place when the time comes to buy.

You can't buy property in New Zealand without either a property lawyer or conveyancer to deal with the paperwork, and the money. They help you interpret the sale and purchase agreement and ask for any conditions you might not have thought of, and make sure all the new Anti-Money Laundering rules are satisfied. All the money for the property goes to them – including Kiwisaver withdrawals and grants – and once the paperwork is satisfied, they forward (convey) it to the vendor on your behalf.

Whoever you choose, ask for all the fees and charges up front, including what it might cost to ask questions and get paperwork bugbears sorted out.

You'll also want a Mortgage Advisor to guide you through the preapproval and loan application process, which we'll discuss more in the next section.

You might also have overlooked the help of real estate agents, who can take out a lot of the hassle of the house hunt. When they're working for you, they're acting as a buying agent and they're legally obliged to get you the best deal. They usually get paid on commission when the purchase goes through, just like a normal selling agent. Real estate agents have the lay of the land, especially when it comes to house prices, which can be handy if your desired home is simply listed as 'by negotiation' or for auction.



GET YOUR FINANCE

A common mistake first home buyers make is to dive in with an offer before they have a lender lined up. Now's the time to get preapproved!

A preapproval is when you get accepted by a lender with an agreed amount to borrow. It normally lasts three months, after which you'll need to apply again if you haven't bought the house yet. When the time comes to buy, there's still a lot of paperwork, but it won't take nearly as long as trying to do this from scratch. Allow at least a month to get your preapproval through.



You could enquire with a bank directly, but don't forget, they're only looking out for themselves. It's far better to get a Mortgage Advisor on board: someone on your side to help structure your loan around your future goals.





METHODS OF SALE

Before you dive in, you should know what you're in for whether it's selling by negotiation, auction or tender.

AUCTION

If you've ever bought something on Trademe, you know how auctions work, but with property there are some things to be aware of.

Normally, the winner must have their deposit ready to go to pay to the auctioneer right there and then. If you're relying on a Kiwisaver First Home Withdrawal or other grants for your deposit, that might be tricky, since they might take weeks to process. Before the auction starts you'll have to first negotiate a variation to allow you to bid.

However, there's nothing stopping you making a competitive offer as if the property were by negotiation. You should also know that others can do this too, so with any property you like, it's wise to register your interest with the agent. If someone else tries to take it off the market, they'll be only too happy to contact you for an opportunity to make a better offer.

If you can't bid, and you can't tempt the vendor with an early offer, it's still worth going along to the auction anyway. If the property doesn't reach reserve, it'll be passed in, and you can approach the seller to negotiate.

It's impossible to predict how likely the property is to sell because the bidders don't know the reserve price.

However, if you do win the auction, a downside for you as a buyer is that you're instantly unconditional. So, whatever due diligence you intend to do, such as a builder's report or a valuation, it needs to happen before the auction date.

And make sure you check the address carefully – the auction might take place at the property for sale, like you see on TV, but instead it might take place at the agent's office!

If you intend on buying at auction, it can be pretty daunting. Why not look for one in your area and go along? You can watch and get a better feel for how they work. When the time comes it's also great to have an experienced friend come along to bid on your behalf.



BY NEGOTIATION

Just make an offer! Most often the seller will come back to you with a counteroffer. When you're both happy with the price, you're underway.

Buyer Enquiry Over (BEO) is normally used where the seller specifies a minimum price, but the sale price is expected to be higher.



TENDER

Sometimes called deadline sale, sale by tender works a bit like a silent auction in that buyers make their best offer by a certain date and then the real estate agent presents them to the buyer all at once.



TIME TO BUY!

READY TO MAKE AN OFFER?

WELL DONE FOR MAKING IT THIS FAR!



We're sorry to tell you, paperwork features strongly here. Your offer comes in the form of a sale and purchase agreement with a price. Once the seller signs on the dotted line, you're considered conditional if the agreement contains conditions - like, subject to finance, or subject to a builder's report - but if there are no conditions, it's a done deal.

You can withdraw the offer right up until it's accepted. If it's not accepted yet and you remember something, contact the selling agent immediately to withdraw and replace it with some updated paperwork, or walk away from the property.

Offer accepted? Now you're conditional! You've got until the deadline in the agreement to check things out such as the LIM and do any inspections you've specified. If you find something you don't like, you can back out, but only if it's in your conditions. That's why it's so important to have your support team lined up before your offer lands in front of the vendor.

? How do you get your offer the signature? Vendors are generally swayed by price, but there are other ways to stand out.

For a start, take a hard look at your conditions. Are you just adding things in because you assume you should? A clean offer with few conditions looks better to vendors. However, you don't want to throw out something important. It's a balancing act.

If you're in a position to make an unconditional cash offer, go for it! The speed and certainty will often trump anything else on the table.

Otherwise, it might seem obvious, but make sure you have your finances ready before you reach this stage. It's a common mistake for first home buyers to dive in before they're ready, and lose the purchase because they couldn't get their loan approved in time. You don't want to put in all that work only to watch your perfect home go to someone else.





FIRST HOME BUYER'S CHECKLIST



Make it a habit to research property.
Use these websites for tips:

WWW.HOMES.CO.NZ



WWW.TRADEME.CO.NZ



WWW.REALESTATE.CO.NZ



WWW.SETTLED.GOV.T.NZ



Give your finances a tidy-up



Boost your deposit by looking into grants and save on a budget



Get your team together



Get preapproved



If you intend on using a First Home Grant or First Home Loan, check your area's regional price cap at

WWW.KAINGAORA.GOV.T.NZ



Let us help you get into your first home!



GLOSSARY

ASSET

Anything you own that's big and valuable, like a house, car or boat.

AUCTION

At an auction, all buyers come together and openly make bids (offers) until the highest bid is accepted.

BRIDGING LOANS

A temporary loan to bridge the gap between buying your next home and selling your current one.

CAPITAL VALUE

The government valuation of a property as it appears on the Rating Valuation (RV). It includes the land and buildings, but not chattels.

CERTIFICATE OF INSURANCE

A certificate from your insurance company to confirm that your house is insured – your bank will probably ask to see this.

CHATELS

Things fitted to the property and sold along with it, such as lights, carpets and curtains.

CODE OF COMPLIANCE CERTIFICATE (CCC)

A certificate from your local authority to say the building complies with building consent requirements. Check all buildings and alterations have a CCC before you go unconditional.

CONDITIONAL

A conditional offer is the norm in sales by negotiation or tender. You and the vendor sign paperwork agreeing to a price and acceptable reasons to pull out of the sale, for example, if you discover a problem with the LIM. If the deadline arrives and you haven't cancelled the agreement, and the vendor's conditions are met, you're unconditional!

CONVEYANCER

You'll need either a property lawyer or conveyancer to buy property. They handle the transfer of the money and also register the paperwork.

CREDIT HISTORY

A list of your past and present debts, including hire purchases, personal loans and credit cards.

DEPOSIT

The mortgage deposit is the amount you pay toward the property in cash. The mortgage covers the balance of the purchase price.

The real estate deposit is the payment you give the real estate agent (or vendor, if they are not using an agent) once you agree to buy a home. The money is transferred to the vendor when the property becomes unconditional, and if it falls through, it's returned to you.

DUE DILIGENCE

The conditions in your sale and purchase agreement that need to be met before the sale is unconditional (final), for example, a builder's report or valuation.

FIXED RATE

'Fixing' your mortgage means agreeing to a set interest rate for a period, usually between six months and five years. The rate offered to you by the bank depends on the floating rates available at the time.

FLOATING RATE

A type of home loan where the interest rate fluctuates, along with repayments. The interest rate is set by the Reserve Bank (the government) to control inflation.

INTEREST

The interest on your home loan is how much the bank charges for you to borrow their money. It's quoted as an annual percentage of the principal. It looks like a small number, but it magnifies over time, which is why it's so important to get your mortgage right.

INTEREST-ONLY LOAN

For an agreed period of time, you only pay interest while the principal (the loan itself) isn't paid down. It reduces the regular payments during that period, but you'll end up paying more in interest in the long run.

LIM

The Land Information Memorandum can be ordered from the council for a fee and tells you any issues with the land the house is built on, including flood risk and drainage issues.

LO DOC LOANS

If your income is sporadic, the bank may offer a Lo Doc loan which simply requires you to sign an agreement stating your minimum expected income. The interest rates are usually less favourable than traditional loans.

PASSED IN

This is an auctioneering term. This is when a property doesn't reach the minimum acceptable price (reserve) and the property doesn't sell.

PRINCIPAL

This applies to mortgages and refers to the amount of money the bank gave you. The grand total you pay the bank will be a combination of principal and interest.

REGIONAL PRICE CAP

The government's First Home Grant and First Home Loan schemes apply to homes under this price limit. The cap varies from area to area. Check yours at kaingaora.govt.nz.

REVOLVING CREDIT

This type of home loan operates like a big overdraft, with no regular repayments. You can even access the money from your EFTPOS card. You can spend and repay as you like.

SECURITY

When you get a home loan, your home is the security for the loan, meaning the lender can sell it if you can't repay the money. 'Security' also applies to bonds, shares and other investments.

SPLIT LOAN

A mortgage where part of it is on a fixed interest rate and the rest is floating.

TERM

The term of a mortgage is how long the repayments are spread over, usually 20 or 30 years. A longer term will reduce the payments but you'll pay much more in interest overall.

UNCONDITIONAL

Whether you make an unconditional offer, or you make an offer that later goes unconditional, this means any due diligence and financing has been done and the sale is now going ahead. It's an exciting moment!

TABLE LOAN

With a table loan you have a set payment each fortnight or month. Your money goes largely toward interest at first, but as time goes on it starts repaying the loan itself.

TERM

The term of a home loan is the time over which you agree to pay it back. Many home loans have a term of 20 or 30 years.

VENDOR

The seller.



Book your First Home Loan Consultation Today!

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