

FIRST HOME BUYERS GUIDE

Tanta
FINANCIAL ADVISERS





FIRST HOME BUYERS GUIDE

Beginning the journey to buying your first home can be an overwhelming process. Our goal with this guide is to break the process down into manageable steps, so you understand "what's next?" at every step along the way.



DON'T
go it alone!

First things first, get in touch with us at Tanta Financial Advisers. We deal with people at all stages of the home buying journey. Not just people who want to buy right now but also people who want to buy at some point in the next 5 years' time!

No matter where you are at we can give you valuable advice you can act on today.



THE JOURNEY

to buying your first home.

1

KNOW WHERE YOU STAND

- Have a chat with us and we will help you understand if you are able to buy right now or if it is better to continue saving.
- Need to continue saving?
We will work out the exact amount you need to save and put together a strategy to get you into the position to buy as soon as possible.
- Ready to buy right now?
Awesome! We are here to help you with:
 - Talk about your different deposit options 10% vs 20% etc
 - Help you organise your KiwiSaver withdrawals and/ or Homestart grant eligibility.
 - Understand all the associated costs with property ownership.
 - Work with you to put together your home loan application.
- End goal here is a Home Loan Pre -approval.

2

HOUSE HUNTING 101

- Now it's time to find your first home.
- Help you understand what to look for in a property and what resources you can use to help you find the one.
- Education on when to use a solicitor and help you find one if you would like an introduction.
- Understand the different types properties, ways of buying and the jargon that is used in the home buying process.
- What steps and conditions need to be satisfied before you enter a finalised offer on a property.
- End goal here is a fully approved loan. Ready to go.

3

LAST STEPS BEFORE YOU MOVE IN

- Work with us to choose the most appropriate loan structure for you.
- Complete tasks that the bank requires before they will release the loan
 - Submit your KiwiSaver Withdrawal and/or grant applications
 - Provide evidence that you have insurance in place for the property.
 - Setup accounts with the bank and sign loan documents with your solicitor.
- End goal here is picking up your keys and moving in!!





TALK

with Tanta Financial Advisers

We'll take you through an estimate of what you can afford currently and help you with a plan of getting to where you want to be if you are not quite there yet.

If you are working with a low deposit, we can help you with solutions to make this work in your favour. We may suggest options of how family and friends can help. Such as, loans from family members, going guarantor, gifting, etc.



TIP: Jump on our website www.tanta.co.nz to work out the monthly mortgage costs so you can understand the cost of owning a home

EXAMPLES OF THE COSTS OF BUYING.

ONE OFF COSTS

- Solicitors fees
- Valuations
- Building inspections
- Moving costs
- Setting up Power and other utilities

OWNING COSTS - Ongoing

- Home Loan Repayments
- Council Rates
- Insurances
- Maintenance on the property



WHO WILL YOU NEED

to help you with buying property?

• AMORTGAGE ADVISER of course!

Our job is to help you get the best rates and give you independent advice regardless of which bank you go with. Our aim is to help you find the best loan structure to work with your situation and teach you how to pay off your mortgage as fast as possible.

• ASOLICITOR

There are a number of legal matters associated with purchasing a home. It's important to involve a solicitor before you make a bid or offer at auction. You can find a list of solicitors at this website propertylawyers.co.nz Legal fees vary, some solicitors charge hourly while other charge a fixed service fee so it's always good to understand the fee structure up front. Alternatively talk to us and we may be able to recommend one that suits you best.

• AN ACCOUNTANT

Typically accountants are utilised when buying an investment property and not in the first home buying process. They are useful in understanding the best tax structures for investment properties.

• REAL ESTATE AGENT

Real estate agents can be extremely useful in finding a property that meets your budget and criteria. Let them know what you are looking for, they can show you properties that meet what you want as soon as they become available.



TIP: Real estate agents work for the people selling the house not you. Be sure to remember this!



DEPOSIT

options

We are often asked “What is the minimum deposit that I'll need?”

Ideally you want to always be buying property with a 20% deposit. However, if this isn't possible, depending on your specific situation you may be able to buy for as little as a 10% deposit.

When you have less than a 20% deposit the bank will have extra requirements such as:

- Registered Valuation - Because the bank is lending a high percentage of the total purchase price, the bank needs to make sure you are not overpaying for the property.
- Low Equity Margins and / or Low Equity Premiums - This means slightly higher interest rates or a one off fee because you are a higher lending risk to the bank.

Getting your deposit together is normally the hardest part of the journey for first home buyers.

There are many options available through KiwiSaver, or family and friends to help you get to a 20% deposit.

Such as:

- The Kiwisaver Homestart Grant
- First home Kiwisaver Withdrawal
- Gifts, Guarantees or loans from families or friends.



HELP

from family or friends

GIFTING

Gifting, as the name suggests is someone giving you money to help with the deposit. This is often a lot easier to get than people think and can even come from equity (value) in an existing home such as a parents house. If someone has had a mortgage for an extended period of time they will have built up equity in their property which can be used to borrow against.

Types of gifts.

- Cash
- Equity (Westpac Springboard Loans for example)

LOAN FROM FAMILY

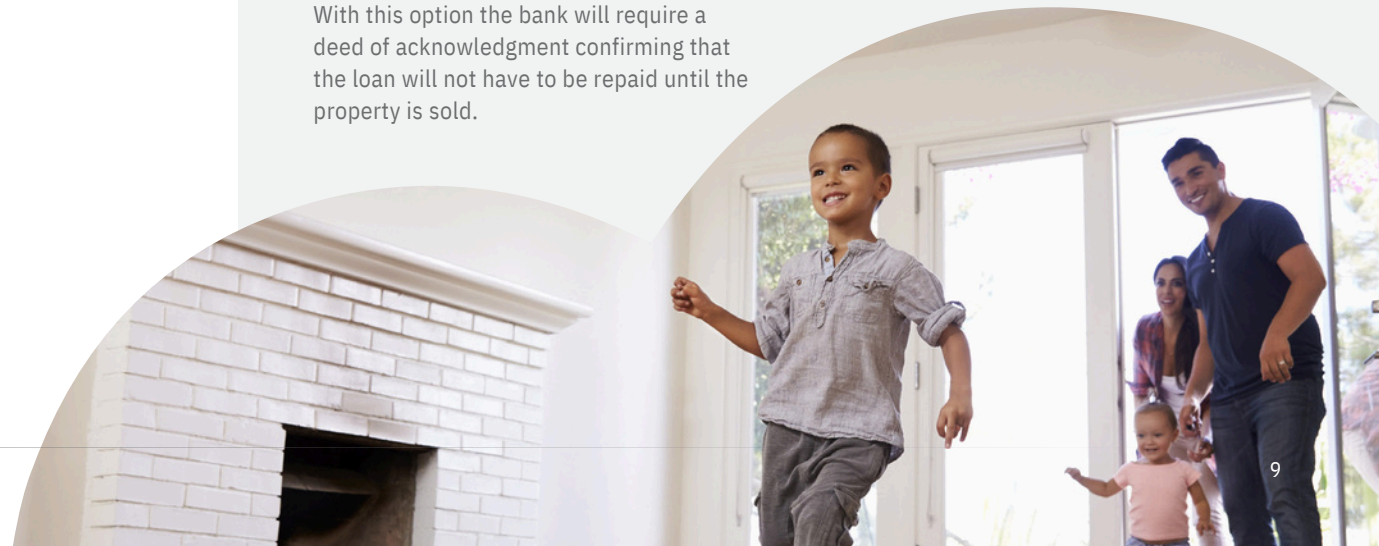
With this option the bank will require a deed of acknowledgment confirming that the loan will not have to be repaid until the property is sold.

GUARANTEES

A bank might be able to take a mortgage over a home owned by someone else, for example your parents. This gives extra security for your loan. When this happens the guarantor agrees they will pay some or the entire home loan if the you are not capable of doing so.



TIP: With family and friends providing financial help there may be some legal considerations. So we recommend talking to your solicitor if this is the case for you.





USING KIWISAVER

You can withdraw all of your KiwiSaver funds except for \$1,000. (You need to leave something in there so you're not starting from scratch when saving towards retirement.) How much you earn or what you buy does not effect how much you can withdraw.

To withdraw your funds you need to have been contributing continuously for at least three years. The bank will require proof of your eligibility to withdraw your KiwiSaver funds. This is a basic letter you can request from your KiwiSaver provider, alternatively ask your KiwiSaver adviser to organise it for you.



TIP: Banks don't differentiate between cash savings and KiwiSaver funds when looking at your deposit.



PRO TIP: Increase your KiwiSaver contribution when you're saving for a house this will help you get to your deposit faster. KiwiSaver will grow twice as fast as a savings account.



What is the difference between Kiwisaver first home withdrawal and the HomeStart grant?



5% First Home Loan

After three years of continuous contributions to Kiwisaver, you may be eligible for some additional help from the government towards a house deposit this is called the HomeStart Grant.

If you are purchasing an existing/older home, the HomeStart grant is \$1000 for each year you have contributed with a minimum of 3 years of contribution to qualify.

3 years of contributing = \$3,000 (the minimum you can get)
4 years of contributing = \$4,000
5 years of contributing = \$5,000 (the maximum you can get).

If you are purchasing a new home, a property bought off the plans or land to build a new home on, the HomeStart grant is \$2,000 for each year of contribution to the scheme.

3 years of contributing = \$6,000 (the minimum you can get)
4 years of contributing = \$8,000
5 years of contributing = \$10,000 (the maximum you can get).

Grants are subject to:

- Individuals earning \$85k or less and two or more borrowers earning \$130k or less.
- Regional house price caps. See the Housing NZ website for your area.

The difference is a Kiwisaver first home withdrawal is made up of your personal Kiwisaver funds. Whereas the HomeStart Grant is free money from Housing New Zealand to help you reach the deposit requirements of lending institutions.



GET PRE APPROVED for a Home Loan

A pre approved home loan allows you to start looking for a house with confidence that you are looking in the right price range.

A generic pre approval for a home loan validates your ability to get a loan.

The next step is to get the property you wish to purchase approved by the bank.

It is important to get the property you intend to buy checked off, as some properties have problems with unconsented works, leaky homes or leasehold land etc that the bank needs to be comfortable with you owning before confirming your loan.

However, if you do have a property in mind from the get go you can most likley skip the preapproval stage and go straight to being fully approved.

Your preapproval is typically valid for up to 3 months.

To begin the process get in touch with us and we can get you preapproved.



HOUSE HUNTING

Finding the right one!

EXISTING HOUSES

Existing houses tend to be the most straightforward properties to buy as they are already complete. You are simply changing ownership from one person to another.

THINGS TO CONSIDER.

- The condition of the property and any potential major maintenance costs.
- Consider a building inspection prior to buying.
- Council Rates

APARTMENTS

Often a cheaper option for first home buyers in great locations making home ownership more accessible.

THINGS TO CONSIDER.

- Leasehold vs Freehold vs Unit title. (Do you own the land or not?)
- Your responsibilities as a part owner of the apartment building (fees, meetings, maintenance etc)
- Financial position of the body corporate? (does it owe money?)
- Are there any large expenses due? eg repainting the apartment complex.

HOUSE CONSTRUCTION PACKAGES

Building your own home usually requires you to take out two separate loans. One for the land and one for the construction of the property.

THINGS TO CONSIDER.

- More work is required to get a loan eg build contract, plans, council consents, insurance etc.
- If you are considering this type of build we would strongly suggest talking to us first as there is lots to consider.

OFF THE PLANS

This type of property purchase refers to buying a property off the plans before it is built.

Off the plans can mean you often put a small deposit down while they build you a brand new home.

THINGS TO CONSIDER.

- You won't get a loan until the house is finished.
- If your build is delayed your preapproval on the property may expire.
- Your situation could change (eg change of job or having children) which may affect your ability to get a homeloan.
- Lending criteria may change.
- You should plan to continue to improve your savings and income, in case you need to reapply for approval.





INSURANCE NEEDS

HOUSE INSURANCE

It's a good idea to start thinking about house insurance once you have an offer accepted. You will need it in place before you can draw down your loan.

House Insurance is the only compulsory insurance a bank will make you take out. It is a way to guarantee the loan they are giving you will always be repaid regardless of whether your house burns down, is damaged by an earthquake etc, We can help point you in direction that you after for House Insurance. Some policies cover the bare minimum while others are more comprehensive.

LIFE INSURANCE

It is important if you are buying your new home with a partner, to not leave them with all your brand new debt. Life Cover can ensure your dependants are not left with a level of debt they cannot afford on their own.

MORTGAGE PROTECTION

If you're no longer able to work due to sickness or injury, Mortgage Protection Insurance will continue to pay an agreed monthly amount to cover your mortgage, so you can concentrate on getting better, without losing your family home.

TRAUMA

Major medical events like cancer, heart attack and strokes can have a huge impact on your life. Trauma cover will provide a lump sum of cash that may allow a partner to stay at home through your recovery, pay off a portion of the mortgage, or allow you to focus on getting back to health without worrying about the mortgage.

CONTENTS INSURANCE

Contents insurance pays for an individual's personal possessions. This will cover your household items and is highly recommended.





WHAT DOES A SOLICITOR DO

and when should I get them involved?

A solicitor will help you through all of the legal documents and contracts you will need to sign to purchase a property and get a mortgage. The different ways of selling a property have different contracts. You should find a good solicitor once you are ready to put an offer on a property.

Standard things to check on every property will be the LIM and Title. Some of these are straight forward and easy to understand but you should always check with your solicitor if there are conditions that you need to be aware of.

PURCHASING BY AUCTION

Talk to your solicitor before bidding at auction to make sure they have read over the Sale and Purchase Agreement. They will advise you of any due diligence you should complete before auction day. If you win at auction you are buying unconditionally.

PURCHASING BY WAY OF AN OFFER OR BY NEGOTIATION.

A solicitor will advise you on any conditions the seller has or how to word any conditions you may want to add to your offer. Common conditions include

- Finance clauses
- Due diligence
- Builders report.
- Registered Valuations

KIWISAVER FIRST HOME WITHDRAWAL

If you're using your KiwiSaver for your first home, your solicitor will need to fill out a section on the withdrawal form and send it off to your provider.

If Tanta are helping with your KiwiSaver already, ask us at this stage and we will assist with the forms

BUILDING A NEW HOME AND HOUSE LAND PACKAGES

These types of contracts are typically more complex. They often involve a lot more clauses and considerations. It is a good idea to get your solicitor involved early on and to always have them read over contracts before you sign them.

PROCESSING THE SALE

If you are successful with buying a property your solicitor will be responsible for transferring the property from the vendor, to you the purchaser.

There are also loan documents which will be processed at the bank. You will need to sign these with your solicitor before taking ownership of your new home.





UNDERSTANDING

different types of offers

There is essentially two different types of offers you can make on a property. A conditional offer and an unconditional offer. You should always have your solicitor check the Sale and Purchase Agreement before you make an offer on a property.

CONDITIONAL OFFER

A conditional offer means that you as the buyer agree to proceed with the purchase of the property subject to certain conditions you have laid out being satisfied. Conditions will usually have a time-frame on them to be satisfied.

For example you could offer to buy a property conditional on finance being approved within 10 working days.

UNCONDITIONAL OFFER

As the name suggests, an unconditional offer is one where there are no conditions attached to your offer. Before making this type of offer you want to double check that you have satisfied all the requirements laid out in the banks preapproval, the bank has checked off the property, and your solicitor has checked over the Sale and Purchase Agreement. If your offer is accepted you are legally bound to complete the purchase under an unconditional offer.

Note all auction bids are unconditional offers.



AUCTION

An auction is where you bid against other people until only one bidder is successful. All interested buyers turn up on auction day and bid. All bidders must bid unconditionally. The vendor (seller) will have a reserve price, and once this price is reached, the property is on the market and will be sold to the highest bidder.

If it doesn't reach the reserve price, the vendor may choose to negotiate with the highest unsuccessful bidder. Remember if you buy a home at auction, the sale is unconditional – so you need to obtain legal advice, do your due diligence (i.e. inspections, valuations), have finance approved ahead of the auction and be ready with your deposit (generally 10% of the purchase price) before you bid.



TIP: If the reserve price is not met, the vendor may choose to negotiate with the highest unsuccessful bidder, so bare in mind if your not successful on the day there still might be an opportunity to come away with the property.



THE WINNERS AUCTION PROCESS

①

Get your Pre-Approval organised with Tanta

②

Conduct your due diligence on the property such as checking for weather tightness issues. Get your solicitor to check over the Sale and Purchase Agreement, and then share it with us at Tanta so we can get the bank to approve the specific property you want to go to auction for.

③

Once you are fully signed off for the property check your bank transfer limit and make sure you have the required deposit available (typically 10% of the purchase price) to transfer if you are successful at auction.

④

Start bidding and make sure you know your limit!



TIP: Go see an auction before showing up to your own, as they can be quite scary and overwhelming if you haven't been to an auction before!



OFFER

and negotiation

If you want to make an offer, the real estate agent or your solicitor will help you fill in a Sale and Purchase Agreement, which contains your offer and any conditions. Make sure you discuss the property with your Solicitor or us first to understand some of the conditions you might want to consider. The vendor (seller) can accept your offer, reject it or make a counter-offer. The real estate agent acts as a go-between until both you and the vendor reach an agreed price.



TENDER

Potential buyers who are interested in the property submit written offers before a defined date.

Typically, all the tendered offers are presented at the same time and the vendor decides if they are willing to accept any of the offers. They may also choose to negotiate with any of the offers, however you might not always get this chance so consider this when making your offer. In a tender situation, the more compelling you can make the offer to the seller the better. Examples would include things like an unconditional offer, a short settlement period or other favourable conditions to make the deal better for the seller.

THE OFFER & TENDER PROCESS

①

Get your Pre-Approval organised with Tanta

②

Do your research such as looking at comparable house sales in the area, ordering an evaluation (an online valuation) etc. to understand what price you would like to offer.

Conduct your due diligence on the property, such as checking for weather tightness issues.

③

Get your solicitor to check over the Sale and Purchase Agreement and then share it with us at Tanta so we can get the bank to approve the specific property you want to go to place an offer on.

④

Present your offer to the real estate agent.

If the sale is proceeding by way of tender, bare in mind you may not get a chance to negotiate with the buyer so you potentially only have one shot at the offer. Offer and negotiations are much more likely to involve back and forward offers.



CONGRATULATIONS!

You've successfully bought a house!
What now?

Once you have been successful in bidding on a property there are a few more steps to complete before you collect the keys to your new home. These include; choosing the mortgage structure that's right for you, signing the loan documents with your solicitor and popping into the bank to set up any necessary accounts.

Which mortgage structure is right for you?

The first question we will run through with you is how do you want to organise your newly acquired mortgage? Do you fix the mortgage interest rate or do you float the mortgage and what even is the difference?

At the end of the day, this is the main part to our job. Helping you set up your mortgage based on your situation and goals, and to continuously manage this going forward. Whether you are wanting to pay off your mortgage as fast as possible, or, you have some big expenses this year and want to keep repayments low for now - There are options for all scenarios.



PRO TIP: You may be able to mix and match with different combinations of floating and fixed rates. Tanta Financial Advisers can help you make sense of all your options





FIXED, FLOATING OR REVOLVING?

FIXED:

With a fixed home loan, your interest rate stays the same for the duration of the period you have chosen. Typical options are 1 year, 2 years, 5 years etc.



- You can budget with confidence.
- If the floating rate rises you are protected from any increases in rate until your fixed period expires.



- If the interest rate drops you can't take advantage of the lower rate until your term finishes.
- Less flexibility around additional repayments above and beyond you set amounts.

FLOATING:

The interest rate you get charged on your mortgage is typically higher than what you are charged on a fixed term mortgage, and goes up and down in relation to changes in the market.



- You can make extra repayments on your home loan any time you like without incurring any fees which will help you repay your loan faster.



- You typically going to be paying a much higher interest rate for the advantage of being able to make additional repayments at will.

OFFSET SAVINGS & REVOLVING CREDITS:

These mortgage options allow you to have a revolving facility. What this means is any money you have in your account can offset the interest on your mortgage. If you need to draw it out again you can do so unlike a floating or fixed structure which doesn't allow you to redraw money.



- You have access to money for any purpose.
- You can use savings that you have to reduce your home loan balance and save on interest costs.



- Because you are charged on a floating rate if you don't have any savings this will cost more than a fixed option.
- You may be tempted to spend up to your credit limit because it's available. This means this debt portion doesn't decrease.





TASKS TO COMPLETE

after completing the loan structure.

Most of the work is all done now and the last steps will take place behind the scenes with your solicitor, but there is a few important things to check off before you get the keys.

House Insurance:

You will need to have House Insurance arranged prior to the day you are scheduled to settle on your new home.

Transferring any deposit funds that you are using to purchase the property to your solicitor.

Double check your KiwiSaver First Home Buyers Withdrawal has been processed by your solicitor and your Homestart Grant has been withdrawn, if applicable.



SETTLEMENT DAY!

Settlement day is the big day. It's when the purchase is fully completed with the seller and the property is put in your name.

Your solicitor will arrange for your loan to be drawn down and the money transferred to the seller of the property. There is nothing you need to do.

Once confirmation is received that the seller has received the funds, your solicitor will change the property ownership into your name and you can pick up the keys and move in!!



Congratulations you now
own your First Home!

