

YOUR FIRST HOME SOONER

A guide for homebuyers.



TOGETHER
GREATER



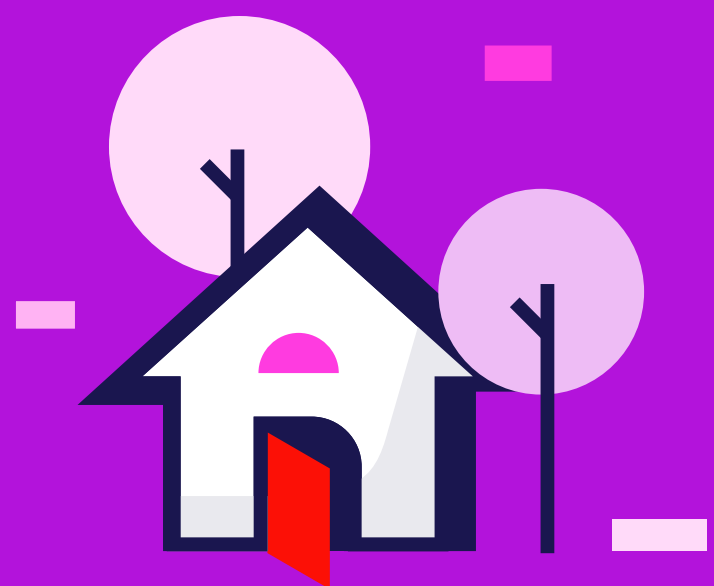
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BUYING YOUR FIRST HOME

BUYING YOUR FIRST HOME

Buying your first home is a big milestone and we're here to make the journey simpler. This guide offers practical tips and tools to get into your first home sooner.

Let's get you into your first home! The first step is to think about a plan for pulling together the money you need to pay for it.

The total price you pay for a house is made up of two parts:

- Your deposit
- A home loan.

How much you can afford is determined by the size of your deposit and your income. Together, they make up the total purchase price of the house.

Your deposit is the lump sum that makes up a portion of the purchase price. It might be a combination of money from several sources, including KiwiSaver and your own savings.

The home loan makes up the remainder of the price. The loan is money borrowed over time, with a maximum term of 30 years. You pay it off with regular repayments – we call this 'servicing' the loan.

If you have a larger deposit, you can have a smaller loan, which will save you money in the long run. With a smaller deposit, you may still be able to buy with one of our low-deposit options.

At Westpac, we run First Home Buyers seminars and webinars which offer practical information to help you navigate the home-buying process and explain how you can prepare to buy your first home.

Find a First Home Buyer seminar.

Building your deposit.

Your deposit is usually a combination of funds. It might include:

Savings.

You can learn more about how to grow your savings on our website – free tools like our Split can help make it easier to grow your deposit.

Use our savings goal calculator.

Find out more about Split.

KiwiSaver.

If you qualify, you can withdraw most of your savings. This is likely to lead to a lower KiwiSaver balance when you reach retirement, so make sure you understand the pros and cons of using your KiwiSaver or another superannuation scheme fund for a deposit.

Learn more about using KiwiSaver for your first home.

Money from family.

Some first home buyers are lucky enough to have money gifted to them by family members, which can boost their deposit.

Tips for growing your deposit.

Read our top tips for growing your savings as quickly as possible, so you can get started with looking for your first home. Plus, use the online calculators to work out what you can afford.

More tips for growing your deposit.





How much can you borrow?

Calculators.

Our handy online calculators can help you work out an estimate of what you can afford and what your repayments might be.

How much would my repayments be?

How much can I afford?

Your borrowing power.

Your borrowing power depends on being able to make your loan repayments comfortably. We assess this using several factors and the main ones are your income and your expenses. The more money you have left over after covering all your outgoings, the better your ‘servicing ability’ and the more you can borrow.

We always want to make sure you can afford the loan and we have an obligation to lend responsibly. That’s why we take the time to carefully check your situation before approving your loan.

These are some of the factors we consider:

- Your income
- Your outgoings
- Your ability to repay the loan
- Your current level of debt
- Your credit history

We also make sure you can still service the loan if the interest rates go up, so we build in a buffer when we do our calculations.

Ways to buy.

There are lots of ways to get into your first home, including:

- Buying as an individual, on your own or with flatmates
- Buying as a couple – with or without flatmates
- Being a co-owner with friends or other family members
- With a Shared Equity Scheme (see page 8 for more information).

Additional family support.

Some people have family members who want to help their kids buy a first home. There are several ways family members can provide support, including:

- Using the value in their home to be a co-borrower and/or a co-owner or support a portion of the loan
- Guaranteeing the loan
- Providing a cash gift
- A deed of acknowledgement of debt (a written promise, signed as a deed, confirming that a debt exists and the borrower agrees to repay it).
- Each option has its pros and cons and all parties need to understand the risks involved and independent legal advice is recommended.

You can learn more about low deposit options on page 9 or visit our website.

Low deposit options.



UNDERSTANDING HOME LOANS

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Buying a home is one of the biggest purchases you’re likely to make. A home loan lets you buy a house now and pay it back over time.

You pay back a home loan in regular payments which are automatically deducted from your chosen bank account. Loan repayments have two parts:

- 1. A repayment on the original amount you borrowed (the principal), and
- 2. interest, which is the cost of the loan.

Typically, in the early years of your loan, the largest chunk of each repayment is interest, so your owing balance reduces slowly.

This changes over time, so by the end of your home loan, the repayments are mainly paying off the principal.

The size of your repayments is mainly influenced by:

 THE PRINCIPAL The original amount of the loan.	 THE TERM How many years you take to pay it off.	 THE INTEREST RATE The cost of the loan, which will vary over time.
• Smaller loan size • Larger loan size.	• A longer term will make your repayments lower, but you will pay more in total interest over the life of the loan.	• Lower interest rate • Higher interest rate.

[Compare home loan options.](#)

What is LVR?

LVR stands for loan-to-value ratio. It turns the size of the loan into a percentage of the value of the property. For example, a house worth \$1 million with a loan of \$800,000 has an LVR of 80%.



When you’re buying a home, there are some limits on what lenders can offer. These are designed to prevent people from taking out loans that are too large for them to manage. One important restriction is the LVR limit, set by the Reserve Bank of New Zealand.

‘Low LVR’ loans have a deposit of 20% or more, so the loan makes up no more than 80% of the home’s value. If you have a 20% deposit, you are eligible for any of our standard loan options.

‘High LVR’ loans are those where the deposit is less than 20%. You can still buy with a deposit of 10% or even 5%.

Low deposit options.

We have several options available for first home buyers who have at least a 5% deposit.

First Home Loan.

Supported by Kāinga Ora, the First Home Loan requires only a 5% deposit. You will need to meet Kāinga Ora's income and other eligibility criteria.

[Learn more.](#)



Buying with family and friends.

Jointly buy a home with family or friends. Combine your resources to build a deposit and meet the costs of ownership.

[Learn more.](#)



Building your first home.

A construction loan allows you to borrow up to 90% to build a new home. Available for turn-key builds, prefabs and traditional builds.

[Learn more.](#)



Family Springboard.

Buy with support from your family, by securing some of your loan against a family property.

[Learn more.](#)



Shared equity.

An equity provider, such as the NZ Housing Foundation, owns a portion of your home in partnership with you. You buy the partner out over time.

[Learn more.](#)



Extra costs may apply.

High LVR lending may have some additional costs. Some low deposit loan options will attract a low equity margin, which is a small additional percentage added to the interest rate on the loan.

First Home Loan borrowers need to pay a one-off lenders mortgage insurance premium. This is a single payment charged at the start of certain home loans, designed to protect the lender against financial loss if the borrower defaults on the loan.

[Learn more about low equity margin home loans.](#)

Types of home loans.

Different types of home loans have different types of repayments. There are pros and cons for each option and you can use one loan type or a combination.

Fixed term.

- Fixed interest rate for a set period of time
- Fix for between six months and five years
- Higher repayment options available.

Advantages: Predictable repayments so you can budget with confidence and provides protection against rising interest rates.

[Learn more.](#)

Floating.

- Variable interest rate
- Repayments that may go up or down with interest rate changes
- Lump sums or higher repayments can be made without costs.

Advantages: Allows you to make additional lump sum repayments to help you pay off your home loan faster.

[Learn more.](#)

Revolving credit.

- Variable interest rate.
- Similar to an overdraft, money is drawn down and repaid as often as needed.
- Combines loan and everyday spending in one account.

Advantages: Can reduce overall interest payments and the length of the loan if used effectively. Often useful for people whose incomes and spending are irregular.

[Learn more.](#)

Offset.

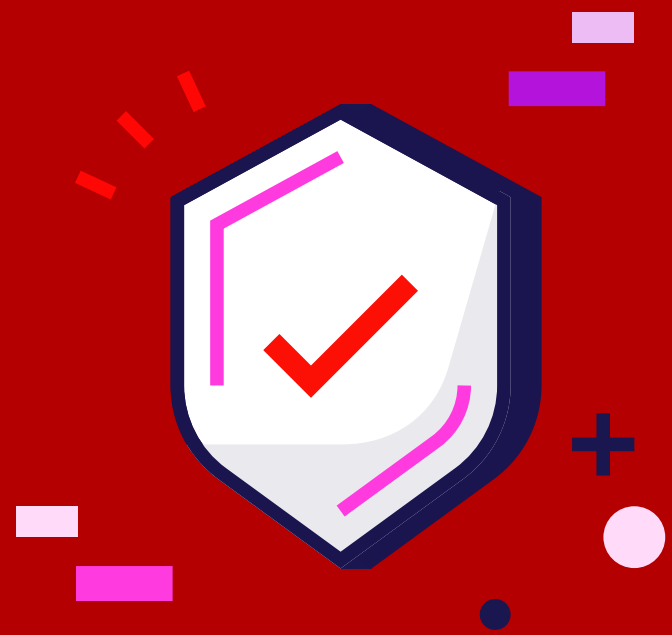
- Variable interest rate
- Interest is paid on the difference between the loan balance and the linked savings account
- Accounts remain separate.

Advantages: A savings balance can help pay off the loan faster and pay less total interest.

[Learn more.](#)

Now that you understand how home loans work a bit better, including growing your deposit and low deposit options, you're ready to learn how to apply for your first home loan.





APPLYING FOR A HOME LOAN

APPLYING FOR A HOME LOAN

The application process.

Now that you have some understanding of what purchasing your first home involves, the following provides a step by step guide as to what to do/ consider leading up to the purchase of your first home.



Applying for a home loan:

- What you’ll need to apply
- How to get a ‘yes’
- Costs to consider
- Preapproval: Conditional versus final approval.

Ready to buy:

- Due diligence
- Ways to buy
- Making an offer
- Negotiating and adding conditions
- Finalising your finances.

Settlement day:

- Ensuring your settlement day goes smoothly
- What’s next?



Applying for a home loan.

The first step in applying is to get in touch with one of our Home Loan Experts. They provide free help and guidance through each stage of buying a property. Located across Aotearoa, our Home Loan Experts have extensive local knowledge and can meet you at a time and place that suits you.

Find a Home Loan Expert.

What you'll need to provide when applying for a home loan:

- Payslips or statements to show your income or financial statements if you are self-employed
- Proof of funds available for deposit
- Proof of expenses
- Bank statements
- Details on the property you plan to buy if you've already found one.

If you're new to Westpac, we'll need to **verify your identification and address.**

How to apply for a home loan.

How to get a 'yes'.

The biggest factor in how much you can borrow is your servicing ability (see page 7). The following offers some actions you can take to improve your 'lendability':

- Getting into a habit of saving regularly
- Paying off consumer debt like 'buy now pay later' and credit cards
- Reducing the number of credit cards you have and/or reducing their limits.
- Checking your credit rating so you can sort out any issues before you apply
- Clearing any outstanding money owed to Inland Revenue.

Learn more about **managing your money.**





Costs to consider.

When you're budgeting to buy a home, remember to factor in all expenses so you get a true picture of the cost. Your lender might ask for a valuation, building or engineer's report as part of your loan agreement and some homes come with extra costs that might not be obvious.

Legal fees.

- Legal fees will include your conveyancer's time. They will vary depending on the complexity of your purchase. There are also disbursement costs, which include land transfer fees and the Land Information Memorandum (LIM) report.

Registered valuation report.

- You could be required to provide a full registered valuation report or a QV E-Valuer report.

Building and engineer's reports.

- You might be asked to pay for either a building surveyor's report or an engineer's report as part of your home loan approval process.

Home loan repayments.

- This is one of your biggest long term financial commitments. So it's important to be informed. Compare different home loans and repayment options.

Home insurance.

- Your home is likely to be the most valuable asset you own and home insurance is almost always a requirement of your home loan.

Hidden costs.

- Older homes can be expensive to heat and insulate and costly to renovate.
- New homes often need finishing touches like carpets, curtains and landscaping and the costs can add up quickly.
- Apartments are often part of a body corporate that all owners belong to and you pay a levy to cover building running costs and maintenance

Home loan preapproval – conditional versus final approval.

Applying for a home loan is typically done after you've found a house you're interested in. However, getting "preapproval" before you start house hunting is something to consider as having this conditional approval or 'preapproval' helps you understand how much you may be able to borrow.

A conditional approval says: 'Yes, we'll lend you this amount, once we've checked that you're buying a suitable house and all our conditions are met'.

It confirms the amount you can borrow up to a certain sum but we can't give you a definite 'yes' until we have all the details about the property you're planning to buy.

A final approval is a definite 'yes' on the house you're planning to buy. Once we've reviewed the documents on that house to make sure it meets all our conditions, you can be given a full approval.

When you have a full approval, you can bid at an auction or make offers within your approval limit on that specific house with confidence.

Ready to buy.

Once you know how much you can spend, you can start looking for your first home. To save time and effort, it’s a good idea to begin your house-hunting journey by deciding what you’re looking for.

To buy well, it’s extremely helpful to understand your ‘market’:

- The types of properties in the area you’re looking
- What they’ve been selling for
- How much competition there is from other buyers.

Knowing all this will help you understand what a house is worth in the current market, so you can pitch your offer appropriately. You can find more house-hunting tips on our website.

Finding a home that’s right for you.

Deciding on a good location.

Due diligence.

Doing your ‘due diligence’ means gathering all the important information about a specific property you’re hoping to buy. If you’re buying at auction, you’ll need to do this before the auction date. If you’re putting in an offer, your offer will include a period of time to allow you to complete your due diligence, typically two weeks.

Due diligence usually includes:

LIM report.

A Land Information Memorandum is a report from the local council.

A building inspection.

A building inspection will give you more details about the structural condition of a house.

A valuation.

A report from a registered valuer may be needed for your loan application.

Title, easement and covenants.

The title gives a legal description of the property, its current owners and shows any loans registered against it.

Natural hazards.

The Natural Hazards Commission (NHC) has useful, including useful information on settled NHC claims, to help you understand any natural hazard to the property.

Your lawyer should review all these documents and explain all the implications of the purchase to you – they may make recommendations.

For additional information on the importance of due diligence, read about **the essential checks that you must do.**





Ways to buy.

There are three main ways to buy a home: by negotiation, at auction and by tender/deadline sale (these are very similar).

With negotiation or tender/deadline sales, you have more time to finalise your paperwork and finance. You can also add conditions to your offer. When an offer is accepted, the deposit is due.

Buying at auction requires you to have everything organised before you bid and you don’t usually have the opportunity to add conditions or negotiate. Talk to us before you raise that bidding paddle. Learn more about each method on our website. **Three ways to buy.**

Making an offer.

When you buy a house in New Zealand, you will sign a sale and purchase agreement. This sets out all the details, conditions, timeline and price for the property.

Negotiating and adding conditions.

Sometimes, there’s the opportunity to negotiate terms with the seller. This could be on price, settlement date or the chattels (what items stay in the house).

You can put conditions on your offer. For example, the sale might be conditional on ‘obtaining finance’ (getting your loan approved). If the conditions are met by the settlement date, the sale goes unconditional.

Finalising your finances.

- Once your offer goes unconditional, you need to plan for settlement day:**
1. Organise to do a final inspection of the property, also known as the pre-settlement inspection. This is almost always a condition in a home loan agreement.
 2. Choose the home loan type and structure that suits you and our settlement team will work with you to get your loan documents signed. At this stage, you’ll have the option of locking in an interest rate early if you wanted to.
 3. Arrange home insurance as this is almost always a condition of your home loan.
 4. Set up your utilities like power, water and internet so it’s ready to go when you move in.
 5. Stay in touch with your lawyers. Property transactions are managed by your lawyer or conveyancer. They work with the seller’s lawyers and our Westpac team to ensure the purchase of the property goes smoothly.



Settlement day.

Congratulations, you’ve made it through the process and you’re now a homeowner. You’re about to move into your dream home and to ensure that it runs smoothly.

Here are a few handy tips:

- Create a moving day checklist – this will help you stay organised and ensure you don’t forget any essential tasks or items as you move
- Organise childcare or pet care – settlement day can be busy, so having child or pet care can help you focus on the important tasks like signing documents and picking up the keys to your new home
- Prepare your first day essentials – things like your phone charger, toiletries, some cleaning products and a change of clothes will be most helpful. You’ll appreciate having them easily accessible after a long day or organising a big move. After a long day, you’ll appreciate having these items easily accessible.

What next?

Once you’ve settled in, it’s a good time to think about what’s next. From managing your accounts to planning for future goals like renovations or even your next home, we can help.

Accounts.

You might like to set up a separate account for home maintenance.

Accounts and cards.

KiwiSaver.

Review your KiwiSaver to see if you’re still in the right fund to grow your retirement savings.

KiwiSaver.

Renovate.

We can help with loans for renovations, extensions or subdivisions.

Building and renovating.

Upsizing.

Family expanding? Talk to us about buying your next house.

Buying your next home.

Investing.

Considering using your equity to buy an investment property? We can help.

Property investment.



Get in touch.

Our Home Loan Experts are here to help you into your first home. Located across New Zealand, they'll meet you at a time and place that suits you.

[Find a Home Loan Expert.](#)





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