FIRST HOME BUYERS' GUIDE

Helping bring your first home closer.

TOGETHER GREATER

Welcome

Are you ready to buy your first home? Thinking about it? Not sure how much money you need or where to start?

Your first home can be an exciting milestone in your life. For many New Zealanders it's the biggest investment you'll ever make and it can feel like an overwhelming commitment. There's a lot to think about and you'll get a heap of advice – sometimes creating a bit of information overload - and not all of it will be helpful.

This guide gives you practical information to help you navigate the home-buying process. It explains how you can prepare to buy your first home, from pulling together the deposit to tidying up your credit score. You'll also find out about the different ways to buy a house and the different home loan options.

We've included stories about home buyers in different situations to help illustrate how the home buying basics could apply to real-life situations for all sorts of people across New Zealand.

You'll have your own story to tell – and we'd love to be part of your narrative. We can help get you into your first home, adding you to the long list of first home buyers who've worked with our home ownership team.

Good luck!

The Westpac New Zealand home ownership team.

This information guide is provided for information purposes only. It does not take into account your personal financial situation or goals and is not a recommendation or opinion in relation to property investments, home loans or any other financial product. It is recommended you seek professional advice from your accountant, tax, legal, financial or other professional adviser before making any decisions or acquiring any financial products.

Contents

Why buy a house?

Buying your first house is one of life's major milestones – no more landlords or property managers. You get to move in and stay put. You're in control of the whole kit and caboodle: paint colours, curtains, insulation, it's all up to you. It's a fantastic feeling and a major responsibility.

There are some pretty significant benefits to owning a home:

- You can feel settled in your community and if you have kids, they can stay at their locally zoned school
- Unlike a rental, nobody is going to be asking for access to inspect your home every few months
- You can alter and renovate the house to make it work for your life
- Your home loan repayments can be fixed so you have certainty about how much you will be paying
- By making your home loan a priority, every time you make a payment you reduce your debt and boost your wealth
- When you retire, ideally you will have a very small home loan or none at all, giving you a better lifestyle in your retirement
- You may benefit from rising house prices. Although they do go up and down from year to year, over a lifetime house values have traditionally increased.

Don't forget, there are also downsides to home ownership.

- The costs are higher than renting because you're paying rates, insurance and maintenance
- You can't just call your property manager if a pipe bursts in the middle of the night. It's your responsibility now
- A home is a major commitment; if you need to sell, it could take some time
- There's also a risk that your home's value may fall
- Interest rates may rise which could make your home loan repayments more expensive.

Whether it's a good time for you to buy a first home will depend on your personal situation – talk to someone at Westpac to help you make a sensible decision.

Saving for a deposit.

Saving for a deposit.

The price you pay for your first home is usually made up of a deposit and a home loan. You need both parts to be lined up before you can confidently make an offer on a house.

Here's a basic overview of how they come together:

1. Your deposit needs to be available immediately when you buy the house. This is ideally 20% or more of the value of the property although it may also be possible to buy with a lower deposit, depending on your circumstances. You pay the vendor (aka seller) some of this money when you reach an unconditional agreement for sale (via your lawyer).
2. You need to be approved for a home loan (aka mortgage) for the remaining cost of the house – remember, the bigger your deposit, the smaller the loan, and vice versa. You 'service' your loan regularly, paying the principal back over a number of years as well as interest on the amount you borrow. The bank looks carefully at what you earn and spend when we calculate how much you can borrow.

So the total amount you can spend on a house depends on the answers to these questions:

- How large is your deposit?
- How much can you afford to borrow?

For example, a $100,000 deposit might come together like this:

- Gift - $15,000
- Savings - $26,000
- KiwiSaver - $59,000

With a $100,000 deposit you could theoretically afford a $500,000 property – but remember that buying any house also depends on your ability to comfortably make the home loan repayments.

Pulling a deposit together.

Your deposit can be pulled together from several different sources, which might include:

Personal savings

Gifts or loans from family members

Money withdrawn from your KiwiSaver account

Go to the Westpac First Home Buyers' Section on the website to do your calculations: **westpac.co.nz/firsthome**.

- How much could you potentially borrow?
- What might your mortgage repayments be?
- How fast can you grow your savings?
- Are you eligible for a KiwiSaver First Home Grant? Go to the Kāinga Ora website to find out: **kaingaora.govt.nz**.

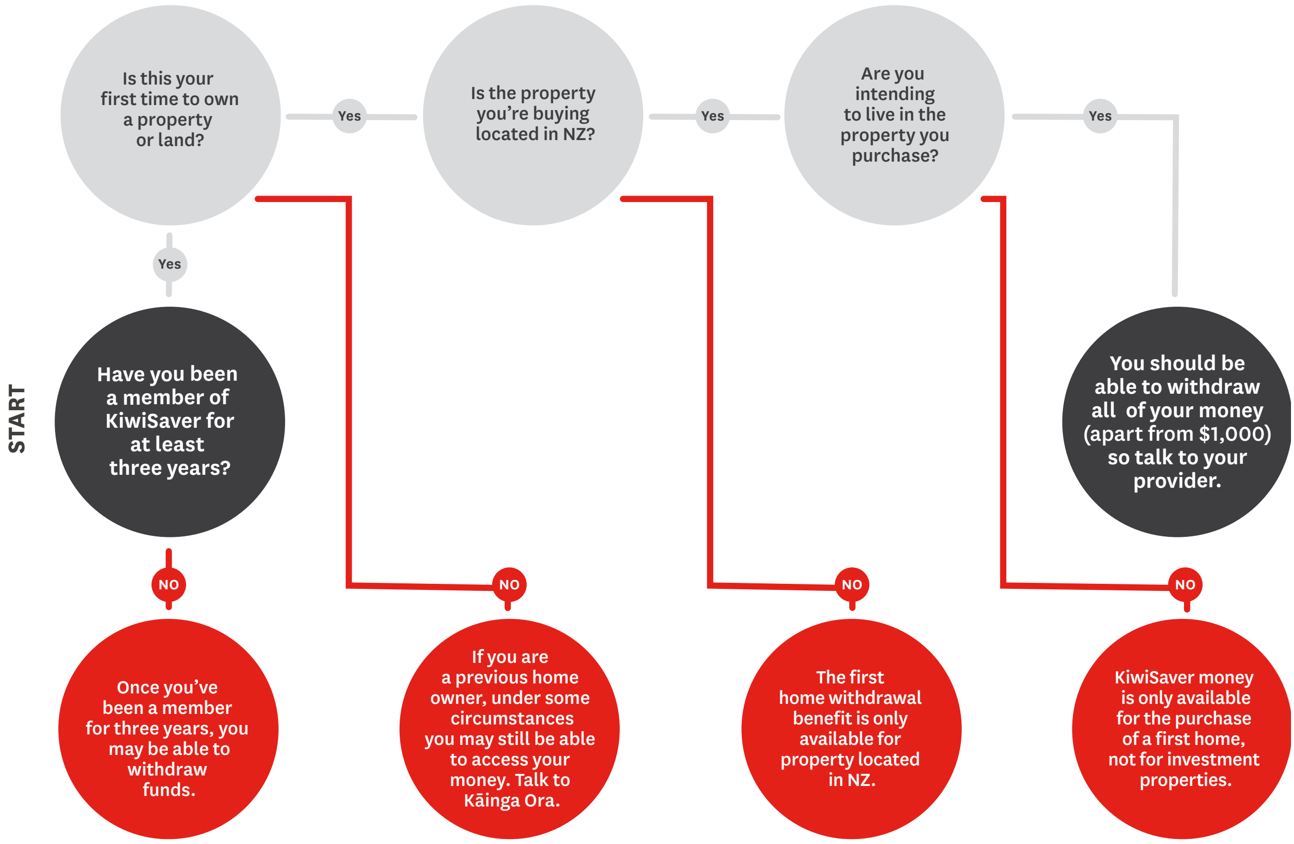
Running your numbers.

Personal savings.

Putting away a chunk of your income regularly not only takes you closer to a sufficient deposit, it also demonstrates to our home ownership team that you have the commitment you'll need for a home loan. Check out our website for savings tips; in the meantime, remember the basic tenets of saving:

- Keep track of your money – the simple act of watching where every dollar goes makes you more mindful of how you spend. A money management app like CashNav can be a great tool for trimming down your outgoings. Every little bit adds up
- Before you buy something, ask yourself: 'Do I really need this?' and 'Is it worth the price?'
- Automate your savings so your money is out of your account before you get a chance to spend it
- Consider using Salary Splitter, which splits your savings out of your salary as soon as it arrives using an automatic payment – it's a set and forget way to save
- Put your savings into an account like Notice Saver where you may be less tempted to withdraw it. Review all your regular outgoings and check you're not overpaying or missing out on savings and ask yourself whether they're still essential. Could you save money by switching electricity providers? Is there an offer that will save you money on your broadband? Are you getting your money's worth out of that gym subscription?
- Look for ways to increase your income - can you ask for a pay review or apply for a higher-paying job?

How much can you withdraw from your KiwiSaver account?



You may qualify to withdraw money from KiwiSaver to buy your first house – you'll need to fill out the paperwork with your provider and have the funds ready to go before you make an offer on a house. If you don't know what KiwiSaver provider you're with, or what fund, call Inland Revenue and they will be able to tell you.

Remember that pulling a lump sum out of your KiwiSaver account now will have an impact on your total retirement savings. You can work out what that impact might be using our **KiwiSaver Calculator - westpac.co.nz/kiwisavercalculator.**

KiwiSaver First Home Grants.

A First Home Grant can provide a lump sum of up to $10,000 to assist you into your first home.

To be eligible you'll need to have been a member of KiwiSaver for at least three years and earn less than the maximum income levels. There are other criteria and house price caps that apply for each area of New Zealand, which you can find in more detail at the Kāinga Ora website **kaingaora.govt.nz**.

Shared Equity.

If you want to buy your first home but only have a small deposit, an option could be to combine the support of a Shared Equity Programme with a Choices Home Loan. This could get you into your new home sooner.

Find out more at **westpac.co.nz/shared-equity**

Westpac's home lending criteria and terms and conditions apply. An establishment fee may apply.
Westpac New Zealand Limited.

The Bank of Mum and Dad.

The Bank of Mum and Dad' is estimated to be New Zealand's sixth-biggest home loan lender, with up to half of first-time buyers getting some financial help from their families. Though we understand not all parents are in a position to give their kids a leg-up onto the property ladder, there are several ways parents can assist, if they are in a position to do so:

- Being a co-borrower. Your parents or other family members may be able to use the equity in their home to get your deposit up to 20% of the value of your home with a Westpac Family Springboard loan. The total home loan is split into two parts and your family's risk is limited to only the smaller portion of the loan that bridges the gap to the 20% deposit. They don't need to give you any cash.
- Being a guarantor. As an alternative with a Family Springboard loan, your family can provide a guarantee for an agreed amount of your loan. This can help if you have little or no deposit. It allows them to use their assets without having to provide any money up front. However, if you fail to make a repayment, your parents are liable for all or some of the loan. This is risky for parents – our home ownership team would need to ensure your parents are well positioned to take on the risk.
- Gifts. The cleanest way to lend a hand is with a gift. Parents can gift you a sum of money that makes up the shortfall between what you've saved and a 20% deposit (or more). This is more expensive in the short-term but limits your parents' long-term risk – and it's a clean one-time transaction.

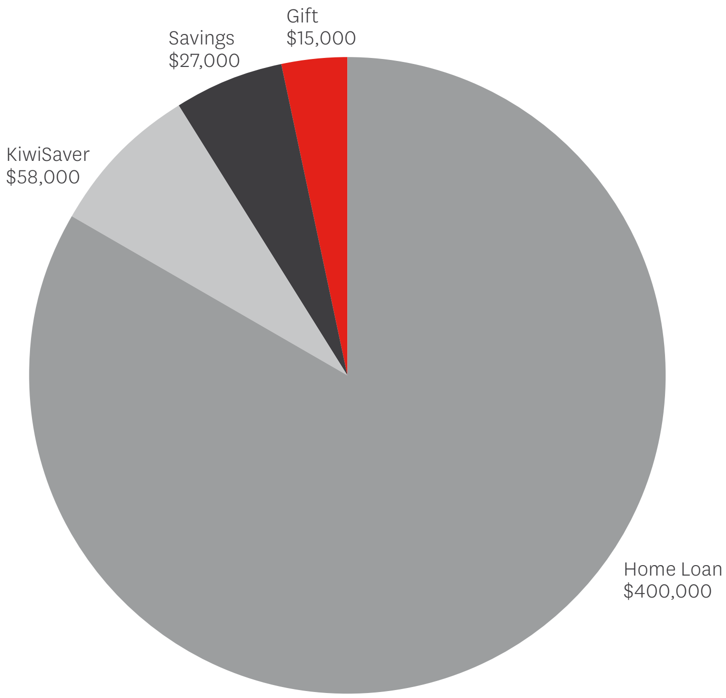
These are just three of the most common ways for parents to assist their children into a first home. If you choose to take financial help from your parents, make sure you protect them (and yourself) by seeking independent legal advice and having everything set out clearly in writing.

How much can you afford?

How much can you afford to borrow?

Having your deposit sorted out is a fantastic step on the road to home ownership. The next step is securing a home loan. Because everyone's circumstances are different, the Westpac home ownership team will want to look at how you earn and spend your money. We want to see that you have enough money to service the loan you're applying for – as well as a buffer in case interest rates rise or something else goes wrong. The last thing we want is for you to be under serious financial stress; everyone loses out if we let you borrow more than you can afford.

Typically, your loan amount will be the total price of the property minus your deposit. For example, if you have a 20% deposit of $100,000 (which could be made up of savings, gifts and KiwiSaver funds) and you buy a property worth $500,000, your home loan would be $400,000. The total price of the property could come together like this**:**



When you apply for a home loan, the Westpac home ownership team will look at lots of factors, including:

- What is your overall financial position?
- How much money do you have available to put towards repayments?
- Are there any likely changes to your income or expenses in the next 12 months?
- Are you responsible with your money? Do you have many high-interest consumer debts?
- Will you be able to cope if interest rates increase?
- Are you the kind of person who will commit to making your repayments?
- How many dependents do you have?
- What other debts and financial obligations do you need to meet?

By analysing your exact situation, our home ownership team can calculate how much you can comfortably borrow. It may be more or less than what an online calculator will tell you, as the calculator uses broad assumptions to work out your income and outgoings. Remember, our team wants you to be able to afford your repayments, even if interest rates go up. We don't want you to be stretched to your financial limits. However, you can improve your 'lendability' before you apply to give our team a clearer picture of your capacity to repay your loan.

Making yourself more 'lendable'.

The biggest factor in how much you can borrow will be your income minus your outgoings. But there are other tweaks you can make which will improve your 'lendability' or how likely your loan is to be approved.
These could include:

- Showing that you can save regularly each pay period
- Getting rid of debt like hire purchases, or rent-to-buy items. Also consider Buy Now Pay Later purchases you may have made and try to cut back on how often you use those services. Clearing any other high-interest debt is important as it is expensive and reduces the amount of money you have available to service your home loan
- Reducing the number of credit cards you have and/or their limits. Even if you pay your cards off every month, a high limit reduces how much you can borrow. For instance, having a credit card with a $10,000 limit can reduce your borrowing ability by as much as $50,000
- Regardless of the balance, consider replacing your credit cards with debit cards to strengthen your financial position
- Reviewing your subscriptions. Westpac's home ownership team looks at every regular outgoing, from kid's activities to Netflix. Pare back to the necessities if need be
- Checking your credit rating. This is so it can be sorted before you apply. For example a very old outstanding library debt could damage your credit record. Clearing this will help smooth out your path to a home loan. Visit **creditsimple.co.nz** to get your free credit report
- Clearing any outstanding money owed to Inland Revenue. If you owe money to Inland Revenue, it could prevent you from getting a home loan.

Should you borrow less?

You might find yourself facing a decision: borrow the maximum amount of money you can afford and buy the best possible house, or choose a less expensive house and have more money to spare?

Just because you can borrow a large sum, it doesn't mean you should. You'll need to find a balance between your day-to-day living expenses and your new home loan. Consider your quality of life, having a financial buffer and being able to cope with changes like a new baby or a job loss.

Conditional approval.

- A conditional approval is an agreement in which the bank has agreed to lend you up to a certain amount of money, as long as you meet the conditions Westpac has provided in the agreement
- Being conditionally approved can make it much easier to secure a house. You know exactly how much you can spend
- It shows Real Estate Agents and sellers that you're a serious buyer
- If you want to bid at auction, full approval is a must have so please talk to us first.

Renewing your conditional approval from Westpac is easy. Just contact us when the expiry date is approaching.

People power: teaming up to buy.

You can get together with friends or family members to co-own a house. This allows you to pool your deposit and your borrowing power to get a foot on the property ladder. This can work well for couples, friends or siblings. It's essential to seek independent legal advice and get an agreement drawn up that makes the ownership arrangement very clear – and understand that you will all be jointly liable for the mortgage.

A main risk to co-owning a home is falling out with your other co-owners. Ensure your agreement has some exit strategies in case this happens; and choose carefully which people in your life you trust to buy a house with you.

Alternatively, you could offset some of the cost of home ownership by having other people living with you in your house. It might be flatmates or short-stay accommodation for travellers. This is a good way to shore up your finances in the first years of home ownership but income from boarders won't be taken into account by our home ownership team for your home loan approval.

What is the difference between conditional approval and full approval?

A conditional approval**.** Once you've applied and supplied us with all the required information, we run a credit check and confirm the details in your application. Then, you could get a conditional approval, which says: 'yes, provided you pick a suitable house'.

It tells you that you can borrow up to a certain amount for your home, but we can't give you a definite 'yes' until we have all the details about the exact house you are planning to buy.
A conditional approval is an indicator of how much you can borrow. It does not guarantee that we will lend you that money on any property. Other conditions may also apply depending on the nature of your application.

A full approval is a definite 'yes' on a specific property – the house you're planning to buy. Once we have 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.

What will your repayments look like?

The most common type of home loan is a table loan because your regular repayments are the same, which can help you budget.

Repayments are made up of two parts:

1. The principal – this is the part of the repayment that reduces your loan amount.
2. The interest – this is the cost of borrowing the money.

With this type of loan, your regular payments stay the same, unless your interest rate changes. Initially, payments mostly pay off the interest you owe, but over time, as you start to pay down your loan, more of each payment goes towards paying off the principal.

‘Good’ debt versus ‘bad’ debt.

Debt can generally be classified into two categories: ‘good’ debt and ‘bad’ debt. It’s an oversimplification but a useful way to think about your loans.

Good debt is money you’ve borrowed to buy an asset: buying things that are likely to increase in value. Borrowing to buy your first home falls into this category. It can also be debt for something that is necessary for you to grow your career, because your earning power is one of your biggest assets. That would include a qualification, or possibly even an affordable car to get you to work.

Bad debt is money you’ve borrowed to consume: buying things that decrease in value. That includes almost all consumer goods like electronics, whiteware or clothes. It also includes debt you’ve incurred for holidays.

An important difference between these two types of debt is that consumer debt has a significant negative impact on your ability to borrow to buy a home, but a student loan has only a modest negative impact. This means that it will be more beneficial to repay consumer debt before repaying student loans.

Ready to apply.

Ready to apply.

Applying online.

You can begin your home loan application online on the Westpac website. Once you have filled out the application we'll get back to you within 3-5 business days to take you through the next steps towards conditional approval. This includes confirmation of the details in your application, a credit check and responsible lending inquiries. Other conditions may also apply depending on the nature of the application.

Further supporting documents and information we may need from you include:

- Current payslips or other evidence of your annual income. If you're self-employed we'll need your last two years of financial account statements
- Three months of transactional statements from your main bank account
- Confirmation of your deposit
- A copy of a registered valuation(s) for the property from a registered valuer
- If you are a tax resident of any country other than New Zealand, we will need your foreign tax number
- If you've already seen a place you're keen on, we'll need to know a few details about that too.

If you'd prefer to speak to a home loan specialist, you can find a Mobile Mortgage Manager or a branch near you on our website – **westpac.co.nz/homeloans**.

Paying a low equity margin.

When you take out a home loan and your deposit is less than 20% of the property's value, a low equity margin (LEM) applies. This is a percentage amount, typically between 0.25% and 1.5% per annum, that is added to the interest rate on your home loan. It reflects the extra risk involved to the lender. This margin stays in place for as long as you have less than 20% equity in your home. The good news is that it's not too difficult to remove your low equity margin. In time, the equity in your property will increase above 20%. This will happen when you've paid off some of the loan, your property's value has risen or a combination of the two. You will need to get a registered valuation showing your loan to value ratio (LVR) is now at 80% or less of the value of the house and the low equity margin could be removed from your repayments on a floating loan provided it has been in place at least 6 months; fixed loans will have the low equity margin removed the day after the fixed term expires.

Insurance.

Having home insurance is often a condition of your home loan. It can cover your home against sudden and accidental loss from events like fire, flooding, burglary and natural disasters. Contents insurance is another option to protect your belongings against sudden and accidental loss.

A major life change, like buying a new house, is often a good time to speak to an insurance specialist about reviewing all your insurance cover. Check out the insurance section on the Westpac website for more information **westpac.co.nz/insurance**.

The following scenarios are demonstrative examples only and do not take into account your personal situation or goals. Every loan transaction differs, so please feel free to contact us to review your specific loan situation.

Nina and Louis decide to spend less.

Nina and Louis were struggling to buy their first home. Together they had $54,000 in KiwiSaver plus $10,000 in savings. That took them to $64,000 deposit.

Using a low deposit loan option they were able to borrow more than 80% of the value of the property: this meant they could borrow 90% of the value, giving them a potential budget of $640,000. But the couple knew the repayments on a $576,000 loan would be a real stretch for their family, so they decided to spend just $450,000. They purchased a brick-and-tile four-bedroom home in Woolston at auction for $445,000. It is further from the city than they would have liked, but they like the local schools and they know that they can comfortably manage their repayments.

Daniel bumps up the value.

Daniel bought a two-bedroom unit in South Dunedin on his own, for just $200,000. He put down a 10% deposit of $20,000 from his KiwiSaver account and got a Choices Fixed loan of $180,000 – 90% of the unit's value. Because his LVR is over 80%, he's paying a low equity margin that's adding 0.75% p.a. to his interest rate, which equates to about $82 a month (over 30 years).

Once he moved in, Daniel set to work doing some DIY, which he funded with his savings and income. He repainted the whole unit and replaced the kitchen cabinet fronts and benchtop, adding a new oven. He overhauled the bathroom, tiling the floor and replacing the toilet and vanity.

When he finished, the house looked a lot better. Daniel called a registered valuer, who looked through the unit and compared it to similar sales in the area. The valuer produced a report that said the unit was now worth $240,000. That meant Daniel's $180,000 loan now represented 75% of his home's value – he gave our lending team a call, sent through the valuation, and his low equity margin was removed when his fixed home loan term expired.

What's your LVR?

LVR stands for loan-to-value ratio. It shows how much you owe on a house compared to its value. If you owned a $500,000 house with a $400,000 loan, your LVR would be 80%. If your loan was $200,000 on the same house, your LVR would be 40%.

Your LVR is important because banks have rules around what we can lend to homeowners – and some of those rules are set using LVRs. These rules are designed to protect New Zealanders from taking on too much debt, and to reduce the risks for banks. Only a small percentage of Westpac's homeowner lending can be at an LVR greater than 80%.

As time passes, two things happen to change your LVR:

1. You pay down debt and reduce your loan amount.
2. Your house value changes; over the long term it usually increases.

As a result, most homeowners see their LVRs gradually decrease over the years.

Understanding types of home loans.

Understanding types of home loans.

Home loans come in a surprising number of variations. They can feel too complicated to get your head around – but it's well worth taking the time to understand them. The simplest choice is between 'fixing' and 'floating' your loan. Fixing means agreeing to a fixed interest rate with set repayments over a set period of time, with only limited leeway beyond the agreed terms. Your fixed rate may be higher or lower than the floating rate and breaking your fixed term can be costly. A floating rate, on the other hand, goes up and down with the market. It can be higher or lower than the fixed rate on offer.

The advantages of fixing.

Fixed loans offer certainty:

- Payment certainty: you know exactly how much your repayments will be from month to month. This is important if you're trying to stick to a budget
- Potentially lower rates: although it's important to know that floating rates can drop below fixed rates. If interest rates drop and you decide to break your loan, there may be prepayment costs* to pay
- Choice of fixed periods and rates: currently, the most popular periods to fix for are one and two years, but you can fix for periods of six months up to five years.
- Limited flexibility: You can only increase your payments by up to 20% above the minimum repayment amount unless a higher regular repayment amount was agreed before the start of your fixed rate period.

When your fixed term ends, you can either choose to refix or to move onto the floating rate. The new interest rate may be higher or lower when your fixed term ends.

The advantages of floating.

Floating loans give you flexibility:

- You can increase your regular repayments or pay lump sums off your loan at any time without prepayment costs*, so you could potentially pay off your loan more quickly
- You can choose to offset the balances of your eligible transaction and savings accounts against your floating home loan to reduce the amount of interest you pay
- You can choose to combine your home loan and everyday spending into one account, reducing your home loan balance when your income is paid in. Great if you're a careful spender. This can work especially well for people who have irregular earnings
- You can decide to fix all or part of a floating home loan at any time.

As well as choosing between fixing and floating, you can choose to split your home loan. Splitting your home loan is a way to get a combination of certainty and flexibility. This allows you to pay off the floating portion as fast as you like with no prepayment costs and have peace of mind that repayments for your fixed portion won't change for the fixed period you have chosen. You can pay down the floating amount at any time, so any bonuses or windfalls can go towards reducing the floating sum as fast as possible.

Loans can be split more than once; you might leave one chunk on floating, fix some for one year and some for three years. That means you don't have all your interest rate terms expiring at once, which can prevent your repayments from becoming dramatically higher if rates go up while you're on a fixed term. If you choose to float part of your loan, you could apply for a revolving credit facility or choose to offset your eligible transaction and savings against the floating loan

Don't forget, you can contact a Westpac home loan specialist on **0800 177 277** at any time to talk through your options. Or, you can find a Mobile Mortgage Manager or a branch near you at **westpac.co.nz/homeloans**.

*Manual transaction fee may also apply.

Revolving credit.

Choices Everyday Floating is a revolving credit facility which combines your home loan and everyday spending in one account. When your salary is paid into your account it reduces what you owe on your loan – which means you pay less interest.

This leaves more money in your home loan account for longer, the loan balance is lower and less interest is charged. Plus Choices Everyday Floating gives you the freedom to repay chunks of your loan or redraw additional funds up to your credit limit at any time

Revolving home loans are best suited to people who are disciplined in their approach to money. Having access to a significant amount of money and using it for travel or shopping may ultimately put you in a worse financial situation. However, if you understand the risks and you're able to manage them, a revolving credit home loan can be a fantastic tool to help you reduce the amount of interest you pay over the life of your loan.

Choices Floating with offset home loan.

Choices Floating with offset gives you the ability to offset the balance of your eligible Westpac transaction and savings accounts against your floating home loan – and only pay interest on the difference. This could save you thousands on your interest repayments and cut years off your home loan.

It's for you if:

- you want to reduce the amount of interest you pay.
- you want to reduce the length of your loan.
- you are able to save as well as pay off your home loan.
- you'd like to keep your home loan and savings in separate accounts.
- you're comfortable with a floating rate knowing that interest rates will go up or down with the market.

It's really as easy as A + B = C Let's look at an example:

Current home loan balance: $300,000

LESS: Current savings/transaction balance ($25,000)
You pay interest on: $275,000

With a Choices Floating with Offset interest rate of 5.79% per annum and a term of 30 years, you could save more than $91,000 in interest and pay off your home loan 4 years, 2 months sooner.

Less interest or lower repayments?

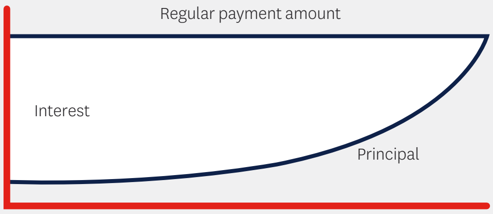
It's common to choose the maximum timeframe of 30 years for your loan, because this reduces the amount of each repayment. However, the longer you take to pay back your loan, the more you will pay in total interest. Reducing the term of your home loan could save you a lot of money in the long run.

As a first-time homeowner, you may want to go for a 30-year loan at first to keep your repayments affordable. In the future, though, it's worth remembering that a small reduction in your loan term can save you a considerable amount of interest.

Types of loan repayments.

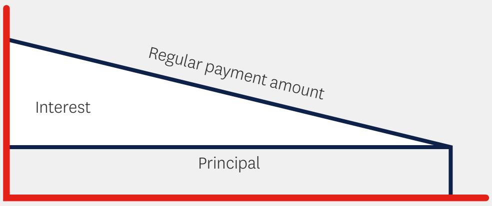
There are four types of loan repayments:

Table loan.



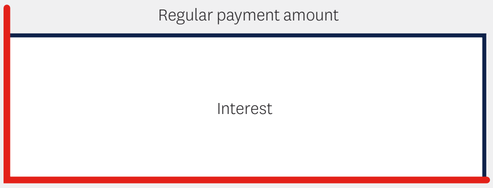
A table loan. This is the most common type of repayment. Your regular payments are reliably the same unless the interest rate changes.

Reducing (flat) loan.



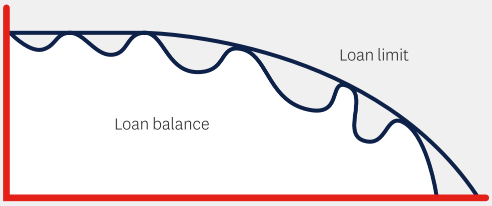
A reducing loan, or flat loan. You pay more off at first – as the balance reduces your repayments also reduce over time.

Interest Only loan.



An interest only loan. The principal never reduces, and you continue to owe the same amount.

Revolving Credit loan.



Revolving credit. Your repayments will vary depending on the balance of your account.

The following scenarios are demonstrative examples only and do not take into account your personal situation or goals. Every loan transaction differs, so please feel free to contact us to review your specific loan situation.

Nathan and Aroha split three ways.

Siblings Nathan and Aroha pooled their resources to buy a two-bedroom townhouse in Christchurch for $450,000. They decided to split their loan of $360,000 into two chunks: one of $200,000 Choices Fixed for one year, and one of $160,000 on a Choices Fixed for three years. They liked the predictability of all the repayments: they split them precisely in half, so they know exactly what they need to pay each per week.

Because Nathan and Aroha were both in their midthirties, they decided to fix the loan for 25 years instead of 30. This increases their repayments by $177 per month, which reduces the total amount of interest they'll pay over the life of the loan by $56,365 (at 4.5% p.a. interest).

Aroha and Nathan know their arrangement might quickly change if one of them enters into a relationship, but they've talked about what might happen – a new partner might move in, or one of the siblings might buy the other one out. Whether they pair up or remain single, both siblings are happy to own their own house and have a foot on the property ladder.

Cameron and Sam tackle a do-up.

In Lower Hutt, Cameron and Sam purchased a small two-bedroom standalone house for $380,000. It needed some work, though. They borrowed 80% of the value of the house, plus $50,000 for renovations – a total loan of $354,000. While the renovations were underway they paid a low equity margin.

They fixed $300,000 for one year on a Choices Fixed loan and put the $54,000 on a Choices Everyday Floating loan. That allowed them to draw down money when they needed it to pay for materials and labour on the renovation, while they only pay interest on the money they've drawn down. Their salaries also go into that account, which reduced the amount of interest they needed to pay. Over time, the Choices Everyday Floating Loan will also help them to repay that chunk of the mortgage more quickly.

Six months later, when they finished the renovation, the property was revalued at $465,000, so their total loan of $354,000 is now safely below 80% of the home's value and they no longer need to pay a low equity margin on the floating loan. It will be removed from their fixed loan once the term expires. The men are both really proud of what they've achieved, turning a run-down house into a lovely, liveable home for the couple.

Anna and Roy offset their savings.

Anna and Roy bought a three-bedroom house in Auckland's Glen Eden for $700,000. Anna is a freelance graphic designer, so she often has several thousand dollars saved to help pay her taxes. She didn't want that money to get mixed up with any other savings, though. Roy, an accountant, is on a salary.

The couple decided to split their mortgage into two chunks: $500,000 on a Choices Fixed loan for two years and $60,000 on a Choices Floating with Offset loan. Roy and Anna's personal savings account, which had $10,000 in it, was offset against the $60,000 floating loan. Anna's tax savings account, which had $5,000 in it, was also offset against the floating loan. Their current account, where Roy's salary goes, was also offset – it usually has around $3,000 in it. That's a total of $18,000 in offset savings. The result is that they paid interest on $42,000 instead of $60,000 on average each month, which saves them $106 a month on a 30-year mortgage (at a 5.8% p.a. interest rate).

Anna and Roy's home is on a 600m2 section; they plan to investigate the possibility of adding a small self-contained 'granny flat' to rent out or for a family member to live in.

House hunting.

House hunting.

Searching for your first house can be exciting and nerve-wracking. It also has the potential to be extremely frustrating. Not all of that frustration can be avoided, but you can reduce your stress levels with some research, planning and focus.

Refining your search.

You only have a limited amount of time to spend house hunting. When there are so many interesting properties listed for sale, it's easy to become distracted by all the possibilities. One minute you're eyeing up a townhouse in the suburbs, the next minute you've spotted a cheap section out of town and you're trying to price up the cost of building.

Unless you genuinely love spending your spare time at open homes (and some people do), you need to begin your house-hunting journey by deciding what you're looking for.

Your budget will limit your options, but even on a shoestring there are still decisions to be made. You'll need to weigh up your options

Feature	May push prices up	May drive prices down
Location	• Closer to town or transport links • Sought-after school zones • High-value suburbs • Low crime rate • Larger city with more amenities • Lots of employment opportunities.	• Further from the city centre and public transport • Less sought-after school zones • Lower value suburbs • High crime rate • Smaller town with fewer amenities • Fewer job opportunities.
Type of house	• Newer, more energy efficient home • A home that's ready to move into • A larger house with more bedrooms and bathrooms • An attractive character home • A home with better design and presentation.	• Older, high-maintenance home • A home that needs renovating to bring it up to date • A smaller home or apartment • A home with less street appeal • Clutter, dirt and poor design • Weather tightness problems (leaky homes).
Section	• A subdividable section • A large garden • A landscaped low-maintenance garden.	• An overrun, poorly maintained garden • No garden or outdoor living space.
Title	• Freehold fee simple title • All work on the property has been consented.	• Cross lease title • Unit title • Unconsented work.

Start refining your search by choosing a limited number of suburbs for your house-hunt and choosing a type of house. That at least lets you set up alerts on property websites so you know about new listings as soon as they come onto the open market.

Researching your market.

To buy well, it's extremely helpful to understand your "market": the types of properties and what they sell for in the area you're looking. You can do your research online, on your phone and in person.

Online research starts with the listing. Once you find a house that interests you, you can find out a lot more online:

- You can go to **homes.co.nz** or TradeMe Property Insights and find out an approximate value for the house, as well as its previous sales prices and what the houses around it are valued at
- You can visit your local council website and see how much the rates are, the size of the house and any other details held on file
- You can view the house from above and from the street with Google Maps
- You can use the Westpac online calculator to estimate how much your mortgage repayments might be.

Bear in mind that what you'll find online may not be accurate or even consistent. It's up to you and your lawyer to ensure you know exactly what you're buying.

Of course, you can't do all your research sitting down. It's well worth viewing every house for sale in your area that fits your criteria and is in, or close to, your price range. Even if you drive past and feel as though the house isn't attractive enough or it doesn't appeal to you, each time you see another house you get a better feel for your market. And you might be surprised – sometimes an ugly façade might put other people off but it means that you could buy a very liveable home at a lower-than-expected price.

The same goes for dated houses requiring extensive renovation and repair. They may put buyers off because it's hard to imagine yourself living there. If you can look past the dirt or mess, you might be able to buy a great home.

Viewing properties similar to what you want and knowing what they sell for means you have the knowledge to move quickly and make a sensible offer on a house when the right one comes along. You will know whether the vendor's expectations are too high or whether you need to make an offer close to the asking price.

Talk to real estate agents – they may be able to tell you about recent sales and let you know about potential listings before they are advertised online. Always remember though, that the real estate agent is working for the vendor, not for the buyer. The agent is legally obliged to share all the relevant information about the property with you (including issues) and a good agent will always be as helpful as they can, but their job is to get the best price for the seller.

How much is it worth?

Online estimators, like **homes.co.nz** or TradeMe Property Insights, will give you a predicted market price for the house you're looking at, plus its council valuation – sometimes known as CV, RV (rateable valuation) or occasionally GV (government valuation). Both numbers can be useful, but neither is necessarily going to be accurate. There are a few reasons why these numbers can't be completely relied on:

1. Estimates are based on what the software and the council knows about the house and as a result the information may be incorrect. Because online estimators often use the council data, if one is wrong they're often both wrong.
2. Recent sales provide a marker for predicting a house's price. If it hasn't sold in some time, the estimated price will be less accurate – the longer it's been held by the same owner, the less accurate the price may be.
3. The council and the estimators use formulae to work out their results. These formulae can't always take into account the particular features of a house. They don't know what condition the house is in or what renovations have taken place that didn't require a consent.

So while an estimator and a CV are both good information to have, neither is a good guide to what you should offer on a house. The demand for a house is another important factor – more demand will often mean a higher price. If you're the only interested party, you could start with a low offer and the vendor will probably negotiate with you. If there are many people who want the house, a low offer may result in the vendor ignoring you and refusing to negotiate.

The best way to correctly pitch a property offer is to know your area inside and out. Know how much competition you're probably facing, know what similar houses have recently sold for, and know how much you're willing to pay for the house. You can always walk away – there will always be another house.

What about an apartment?

Apartments can be less expensive than standalone homes, so they can be an affordable way to get onto the property ladder. They range in size from very tiny through to enormous – with prices ranging to match.

Advantages of an apartment may include:

- More affordable than a standalone home.
- Lower maintenance.
- You may not need to own a car.
- Often very safe and secure.
- You can potentially live in a central location at an affordable price.

Disadvantages of an apartment may include:

- Often no outdoor living space or garden.
- You need to pay body corporate levies.
- Your apartment is subject to the Unit Titles Act, specific legislation that sets out rules for managing all the apartments in your building or block.
- Small apartments may require a higher deposit
- The body corporate committee manages the maintenance – you have limited influence on long term decision-making for shared spaces.
- Price increases on apartments are usually lower than on similarly-priced standalone homes.

If you are considering an apartment, there are specific legal responsibilities for the vendor; speak to your lawyer to make sure you understand all the implications before you make a decision about whether an apartment is right for you.

The true cost of home ownership.

There are both upfront costs and ongoing costs when it comes to owning a home.

The main upfront cost is the due diligence, which includes legal fees, building reports and council files. This can quickly run into thousands of dollars; try to do due diligence only on houses that you have an excellent chance of buying.

Should you secure your first house, there will also be ongoing costs that you will need to meet:

- Council rates. You can find out what the rates will be on the local council website – they may go up or down if your home's rateable valuation (aka RV, CV or GV) changes. Bear in mind that a few properties will pay two sets of rates to two councils, such as a district council and a local council
- Insurance. Home cover is a requirement of your home loan. The premiums are calculated on each property depending on its risk level (homes at risk of flooding, for instance, cost more to insure). You should also consider contents cover, as well as potentially insuring your life, income and home loan repayments. Visit **westpac.co.nz/insurance** to get a quote
- Utilities. You may not have paid for all your utilities if you were renting. As a homeowner, you're responsible for the power, gas, TV subscription and WiFi (and in Auckland, the water)
- Maintenance. In general, the older the home is, the more expensive it will be to maintain. The cost of maintenance can fluctuate – one year you may spend only a few hundred dollars, but the next year the roof might need replacing. You should try to plan ahead to make sure you'll be able to manage these costs on an older home. Sometimes life likes to throw us a curveball; the roof might need replacing at the same time you discover the shower has been leaking for years and the whole bathroom floor needs replacing. Almost everyone who owns an older house will tell you that this may happen from time to time. A good builder's report should help you avoid it happening too soon, and you should have money available that you can access as a contingency.

Real estate advice clichés: are they true?

"Buy the worst house on the best street".

This is a way of saying that location of the house is more important than its condition. Generally, in the long run, a dated old house in a more expensive area will probably increase in value more than a smart new house in a less desirable location. Plus, you can do a lot more to add value to an old house in a good area and bring its price up to match its neighbours. However, it's far from a hard and fast rule – nobody can predict what property prices will do in any area or even whether they will continue to rise.

"Don't buy now, the market's about to crash".

You will often hear that it's a bad time to buy a house because prices are going to drop. That might be true, or it might not. It's worth remembering that if you are buying a home to live in for the long term, and you can comfortably afford the home loan repayments, a short-term drop in the value of your property is probably not going to have an impact on you. The most likely outcome is that prices might recover after a while. Timing the market is more important for investors than for home buyers. The best way to protect yourself against falls in house prices is to protect yourself from being forced out of the market during a downturn. That means making sure you can afford to pay your home loan repayments and other costs before you buy.

Top online property hunting tools.

trademe.co.nz/property for property listings including private sales.

trademe.co.nz/property/insights for an estimate of a property's value, basic facts about the house and site, sales history and council valuation.

realestate.co.nz for property listings by real estate agents.

homes.co.nz for an estimate of a property's value, basic facts about the house and site, sales history and council valuation.

Local council websites for rates, council valuations and property information; and to request property files.

Real estate advice clichés: are they true?

"House prices double every 10 years".

For the most part, this is not true. You can find 10-year periods where this is true – sometimes three or four of them in a row. You can also pick a different end point during the same time period and count back 10 years to get quite a different result. In general, house prices rise over time; the longer the time frame, the more confident you can be that prices will go up. In the short-term, they can go up or down. On any specific house, the movement can vary widely. You cannot assume your new home will double in value in a decade.

The following scenarios are demonstrative examples only and do not take into account your personal situation or goals. Every loan transaction differs, so please feel free to contact us to review your specific loan situation.

Brand new brick and tile for AJ and Parminder.

AJ and Parminder both had busy jobs and no interest in renovating and maintaining an older house. Plus, they knew they could access a $20,000 KiwiSaver First Home Grant between them by buying a new build rather than an existing house. With that money, plus their $25,000 in savings and $5,000 out of KiwiSaver, they had a $50,000 deposit.

They found a new development just out of Hastings where they could buy a brick-and-tile three-bedroom family home on a 300m^2 section for $500,000. They put down a 10% deposit to secure their purchase, planning to put down another 10% two years later when the house was built. They didn't mind waiting because it gave them more time to save and they were planning to start a family once they moved into the new house. The home loan of $400,000 was very manageable because they lived on a tight budget – they were getting prepared to live off one income for a time when their first child arrived. As a bonus, by the time they moved in, both had increased their incomes.

Jo and Jeremy head for Huntly.

Living in central Auckland and working in South Auckland meant Jo and Jeremy were faced with very high house prices. They each earned $80,000 and knew that servicing a large home loan would be impossible. Their combined income of $160,000 put them above the income cap for a KiwiSaver First Home Grant, but they had managed to save $25,000 between them and had another $35,000 available to them from their KiwiSaver accounts.

Together they spent some time researching other parts of New Zealand where they could potentially live and work. Jo is an early childhood education centre manager so she is able to work almost anywhere, but Jeremy's job at a large factory in Pukekohe was harder to replicate. They found that Huntly was only a 45-minute drive from Jeremy's work and homes there were much more affordable.

Using their $60,000 deposit, they were able to buy a three-bedroom cottage on a flat 800m^2 section for $300,000. It had recently been renovated and needed very little work. They were approved for a $240,000 home loan and Jo quickly found a new job nearby with a slightly lower income. To supplement their incomes, they rented out one of the bedrooms for two years, saving up enough money for Jo to take some time off when their first child arrived.

Jo and Jeremy were both very pleased to be able to start a family in a home of their own.

The buying process.

The buying process.

Buying a home can be both exciting and stressful. You don't want to pay too much for a house and feel like you've cost yourself money. Then again, you don't want to miss out on a house you love by $2,000 and end up spending six months searching for another one.

Predicting a fair price for a house isn't easy and some homes do sell for more than you might think they're worth, or less. Talk to the real estate agent (but remember they're working for the vendor) and compare the house to other similar homes to help you get a feel for how much it might sell for.

Due diligence.

Doing your 'due diligence' means gathering together 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, ideally two weeks.

Your due diligence may include a range of checks; the most common and important aspects to check are:

- The LIM report. This Land Information Memorandum is a report from the local council. It provides information like whether there are any requisitions (orders to fix a problem), whether building work is consented, whether the property is subject to resource consents and so on
- A building inspection. A builder's report will give you more details about the structural condition of the house. If the report shows a defect that needs repairing, you may be able to negotiate with the vendor to have it fixed or have the price reduced. Problems might show up on a builder's report for every house, even if it's quite new
- A valuation. You may need a valuation by a registered valuer to show that the house is worth close to what you are planning to pay for it. It's also a good way to check you're not overpaying for your house. In some cases an electronic valuation is sufficient
- Title, easement and covenants. The title gives a legal description of the property, its current owners and shows any loans registered against it
- Your lawyer should review all these documents and explain all the implications of the purchase to you – and they may make recommendations.

Ways to buy.

There are three main ways to buy a home: by negotiation, at auction or by tender (often listed as a deadline sale). You could also buy a house in a private sale.

Negotiation.

Negotiation is the most popular sales method across New Zealand. A home is listed with or without a price and buyers offer what they think the house is worth. It can be slower and more time-consuming than other methods – allowing both buyer and seller to think carefully every step of the way. Another advantage is that, as a buyer, you don't need to do your due diligence until your offer is accepted. Your offer has conditions on it – from both you and the vendor - that need to be met before it 'goes unconditional'.

You put in a written offer and the real estate agent presents it to the vendor. It is either accepted, or rejected, or the vendor makes a counter-offer and you enter into negotiations. Usually either the real estate agent or the vendor's lawyer will draw up a standard sale and purchase agreement. This is a legal contract and once you and the vendor both sign the agreement, you are bound to meet its conditions. Up to that point, though, you can continue to negotiate for any length of time. Occasionally property deals take months or even years in negotiation, although a few days or weeks is more typical.

The main point of negotiation will be the price, but remember that there are other negotiating points, too.These include:

- The chattels. What's included with the house? Often this is only window and floor coverings, fridge and oven, but you can always add more items to the contract if it suits both parties.
- The date of settlement. If you know the vendor would like a quick settlement, or they want plenty of time to look for a new house, by putting in a settlement date that suits them your offer may win out over other similar ones.
- The conditions. An offer with few conditions is more compelling to a vendor because there's less chance of it falling through. As a first-time buyer, you're in a great position because your offer won't be subject to the sale of another house. That can be worth a lot to a vendor – an offer with few conditions will often be accepted over a higher offer that depends on the sale of another house and finance approval, for example.

By auction.

Auctions are popular with real estate agents because they put an end date on the sale process and create a sense of urgency for buyers. They can generate good prices for vendors if two or more buyers are enthusiastic about a property. The vendor can set a reserve price, below which the house won't be sold. Vendors also set the conditions of the purchase, such as settlement date.

Auctions are tougher on buyers. You need to have everything organised before you go to an auction. This means you need full approval and this needs to be ready and checked, plus all your due diligence (LIM, builder's report, etc.) must be done. Only then can you bid at the auction – and if the hammer falls on your bid, you must complete the sale. That's why it's vital to be very well-organised before bidding and to stick to your price limit.

Not all properties sell on the auction day. You can make a pre-auction offer, and if the house is 'passed in' (doesn't meet its reserve), the highest bidder can often negotiate to buy it on the day.

By tender, deadline sale or deadline private treaty.

Under a sale by tender a house is listed with no price and all the interested buyers put in their offer to the agent. You can make a conditional or an unconditional offer.

The vendor accepts the offer they like best – usually (but not always) the highest one. Or the highest two or three buyers might enter into further negotiations with the vendor. Usually the process results in a sale.

This method is tricky for buyers because it relies on making guesses about what your competition is going to offer. You run the risk of offering far more than your nearest rival and overpaying or offering far too little, resulting in the vendor ignoring your offer.

The traditional tender process has required a 10% deposit of the property's value with the offer and lets the vendors set most of the terms. Now, though, agents are more likely to use a similar sales method known as deadline sale or deadline private treaty. Once again, agents like this because it puts a clear end date on the sales process which forces buyers to make their move and not put in a lowball offer.

The deadline sale or private treaty process is almost the same as a tender process, except there is more opportunity for negotiating conditions. The agent will typically use a tender document, which is a type of sale and purchase agreement.

By private sale.

Most private sales are conducted by negotiation. The process is generally the same as it would be with an agent. However, you will be negotiating directly with the vendor, which can be tricky. Without the help of a real estate agent, a private sale has the potential to be complicated – although it can sometimes run very smoothly. Talk to your lawyer right from the start of the process and keep them closely involved all the way through. You'll pay your deposit to your lawyer too, so it's held safely in a trust account rather than sitting with the vendor.

Your lawyer's job.

Your lawyer protects you by checking your contracts, explaining your rights and ensuring your property's title is in order. The lawyer will also transfer the property into your ownership, a process known as conveyance.

We recommend that you always get legal advice before you make an offer – your lawyer will check your documents, make sure you have the right conditions to protect yourself and help you understand any legal issues. They may also be able to advise you on completing your due diligence and negotiating the price.

Once your offer is accepted, the lawyer will make sure the conditions are met and begin the work of transferring the property into your name. That will include:

- Checking the title for any restrictions
- Checking the LIM for consents or problems
- Looking at local plans
- Making sure the conditions in your sales agreement are all met
- Preparing the documents for you to sign
- Explaining your loan agreements and checking you'll meet all the conditions, including that you have insurance
- Arrange the payment of the loan to the vendor, and possibly also the payment of thebalance on the deposit.

Unconditional offers.

An 'unconditional' offer, also known as a 'clean' offer, is one where the buyer is ready to go – there is no need to have the finance approved and no need to sell another house before settlement. To put yourself in this position, you need full approval on your finance, with all your due diligence completed. If you make an unconditional offer and it is accepted, you are committed to completing the sale.

Missed out on your dream house?

It's disappointing to miss out on a home you love – and it's even worse when it happens to you again and again. You may need to adjust what you're looking for or where you're looking. Don't lose heart, there are over 1.8 million private homes in New Zealand so there are always more opportunities on the horizon.

If you do decide to take a break from house-hunting, continue to keep your eye on prices and listings so you're well-informed when you get back to searching.

Patience pays off for Alexis.

School principal Alexis earns a good income and wanted to buy a house on her own. She spent six months looking at houses around Wellington, with no luck in finding one that suited her at a price she could afford. Early in her search she had seen a 1980s two-bedroom townhouse in Thorndon priced at $550,000. A lot of people had looked at it and a few had put in offers, including Alexis who offered $490,000. All the offers were declined by the vendor because he wanted close to the asking price, although everyone who saw the townhouse felt it was overpriced.

Eventually interest dried up. Most people who were in the market for that type of home had already looked at the townhouse and decided against it. When the agent went back to them, many had bought something else in the meantime.

Six months after she put in her original offer, the agent called Alexis and asked her if she was still looking. At that point she was the only person negotiating with the vendor, who was by this time feeling more desperate to sell. Between them they negotiated a sale price of $500,000. Alexis had a $50,000 deposit, so she and her parents used a Family Springboard Home Loan to bridge the additional $50,000 she needed to make up the 20% deposit. The remainder of the loan was $400,000 on a Choices Fixed loan.

An unconditional offer pays dividends for Rina and Michael.

Auckland couple Rina and Michael weren't really looking for a house, happy to continue renting a smart townhouse in Ellerslie. Then a house came up for sale close to Rina's parents' home in Massey. Doing their sums, it turned out the couple's home loan repayments would be only slightly higher than their current rent.

The couple needed to act quickly to get an offer together. They called the Westpac Home Loans team and got all their paperwork together as fast as they could; within a few days they had a conditional preapproval for a loan of $575,000 and then confirmed the house they wanted to buy met all the conditions. The couple had access to $80,000 in their KiwiSaver accounts between them and $12,000 in savings. Rina's parents agreed to loan them the deposit shortfall. The house was on the market for $725,000, and they put in an unconditional offer for $705,000. The real estate agent told them there had been a higher offer, but it was from a family who made the offer conditional on selling their own house first.

The vendor asked Rina and Michael to increase their offer by $10,000, which they did, and it was accepted. Then the building inspection revealed some leaks on the covered deck and the couple was able to negotiate the price back down by another $5,000. Rina's parents lent the couple $50,000 from their own home equity to bump their deposit up to 20%, allowing them to pay $710,000 for the house.

They moved in two months later and really enjoyed repainting and repairing the house.

Frustration before success for Aisha and Nikki.

With a budget of $350,000, Northland friends Aisha and Nikki were feeling frustrated with the buying process. Their $70,000 deposit had come from $18,000 in savings, a combined $40,000 from KiwiSaver, a $10,000 gift from Aisha's parents and a $2,000 gift from Nikki's mum.

The first house they liked had a CV of $300,000 and the real estate agent indicated it would be within their price range. They spent $2,500 doing their due diligence before the auction – then the bidding opened at their limit of $350,000. They spent several months looking, fell in love with another house, and then the vendor decided not to sell it at the last minute.

Fed up with the whole process, the friends knew they had to adjust either their budget or their expectations if they were ever going to actually buy. They extended their search to include cheaper areas, smaller houses and smaller sections. After another three months of watching the market intently, they found a smart two-bedroom home in Kaitaia with an asking price of $350,000. Aisha and Nikki knew the location and condition of the property meant it was very well priced – they had seen worse properties sell for almost as much. They put in an offer as soon as it went on the market for $345,000 and secured the house straight away.

They did worry that they had overpaid. However, prices in Kaitaita were rising and after a year in their new home they felt confident in their decision and loved being in a place of their own.

Can't buy yet? Keep saving.

There are lots of hurdles to overcome before you can buy your first home. If you're determined to get onto the property ladder, you can make it happen but it might just take longer than you were first expecting. When you've been house-hunting for many months or years, it can start to feel as though you're on a treadmill of disappointment.

Try not to feel so disheartened that you give up on saving all together and spend all your hard-earned cash on toys and travel. Even if you never buy a house, a pattern of saving some of your income will set you up for a more secure financial future.

By continuing to make sensible financial choices, you should be able to find a path to home ownership at some point. There are many roads to home ownership and yours might include some unexpected turns.

Wherever you are on that road, Westpac can help. We can provide you with the tools to maximise your savings, insure you and your possessions, find you a home loan that works for you, and try and step you into your second home when you outgrow your first one. Give us a call, talk to a Mobile Mortgage Manager or walk into a branch – we're here to help.

Notes

Notes

We're here to help.

westpac.co.nz/firsthome

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TOGETHER GREATER

Important things to know.

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