Own it.

The comprehensive First Home Buyer Guide to help you *own* the dream.

Loan Market™

Loans *made* **simple.**

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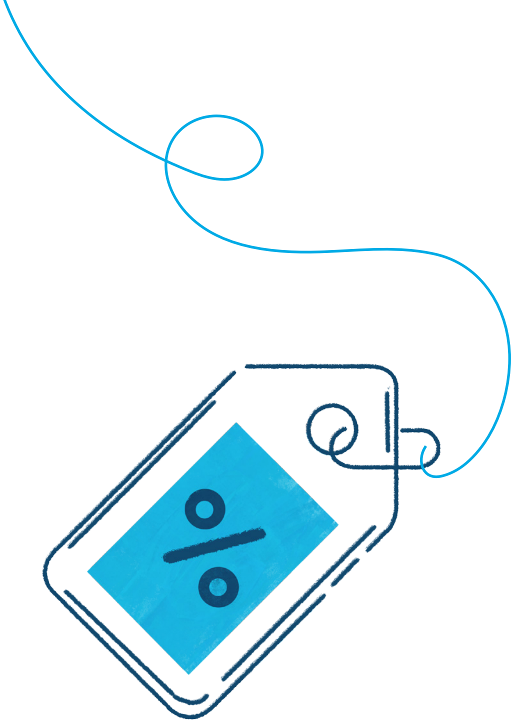
Introduction



Buying your first home can seem daunting but it doesn't have to be.

At Loan Market, we specialise in helping first-home buyers find the right loan. From making the most of your KiwiSaver to finding the right lenders who support first-home buyers, we guide you every step of the way to secure your new home.

We believe a mortgage is a relationship, not a transaction and aim to personally help you manage your finances for the life of the loan.

Finance

It's tempting to dive straight into looking at properties and short listing suburbs but the best place to start is with your finances.

There are two main commitments to consider:

1. How much can you contribute as a deposit?
2. What can you realistically and comfortably afford to repay on an ongoing basis?

We'll talk you through the many different finance options and work out which solution is best for your situation.

You don't always need a 20% deposit, it could be enough to put down 10% or even 5%. We even help arrange 100% if you have a guarantor, such as your parents.

Guarantor supported loans are not as scary as they used to be. Many Banks now offer very 'user friendly' terms, talk to us to find out more.

As your local Adviser we know the ins and outs of how to secure finance and can guide you every step of the way.

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Home *loans* **deposits**

KiwiSaver

At Loan Market we encourage first time buyers to consider increasing their borrowing potential with their KiwiSaver.

The majority of lenders can only arrange a loan for up to 90%-95%, which means you must have a deposit of at least 5%-10%.

In most cases this deposit needs to be from genuine savings (an account which has held money for the last three months and has a record of regular deposits). This is where your KiwiSaver can really help.

If you've had KiwiSaver for a minimum of three years and paying at least the minimum required contributions from your salary (currently 3%), you can withdraw funds for a deposit on your first home. This money will predominantly come from your contributions and your employers'. The government kick start of $1,000 must remain in your KiwiSaver account, however, tax credits paid into your KiwiSaver are now also eligible.

To use your KiwiSaver towards a deposit you just need an eligability statement from your provider that outlines the details of how much you can withdraw.

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First home loan

The government sponsored First Home Loan is available through approved banks* and provides up to 95% finance to buy your first home.

To qualify you must meet all of the strict criteria, including:

- Full time employment in your current job for a minimum of one year.
- As an individual, your annual income cannot exceed $95,000 (before tax).
- If you are an individual buyer with dependents, your annual income cannot exceed $150,000 (before tax).
- For two or more buyers, the combined annual income cannot exceed $150,000 (before tax), regardless of the number of dependents.
- No more than $15,000 or 10% of your income (whichever is closer) in other debt, eg. car loan.
- Spotless bank account and credit report history. The First Home Loan is for first time owner-occupied properties only and you can't own any other property when you apply. The amount you can borrow varies depending on where you want to buy. Property thresholds start at $400,000. Talk to your adviser to find out the current house price caps for new or existing builds in your region.

* Kiwibank, Westpac, SBS Bank, Co-op Bank and Unity Money.

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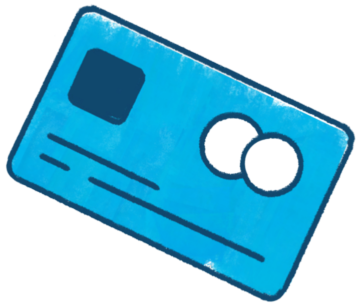
Home *loans* **mortgages**



Principal and interest

- Most common type of loan.
- Both the interest and amount borrowed is repaid.
- Term can be up to 30 years.
- Payments can be made weekly, fortnightly or monthly.

TIP Try to pay as much as you can, over and above the minimum amount, in the early years of your loan. It will save you paying extra in interest and reduce the overall term of your loan.

Interest only

- Only interest is repaid.
- Repayments are a lot less than a Principal and Interest loan.

! Not recommended for owner-occupied properties as you'll still owe the original amount of the loan at the end of the term.

Line of credit

Mortgage is used like a bank account - all your income is directly credited into the mortgage.

A credit card (up to 55 days interest free) is used for all your expenses and then repaid at the end of each month with a direct credit from your mortgage.

TIP This type of loan is worth exploring if you have surplus monthly income and a good discipline for how you spend your money.

Fixed interest

- Interest rate is fixed for a set period, from six months up to five years.
- Repayments won't increase during the fixed term.
- If interest rates go down you won't be able to take advantage of a lower rate until your fixed term ends.

! If you repay your loan in full, or pay off a large portion at once you could be penalised with an early repayment fee.

Variable interest

- Interest rate goes up or down in line with the rise and fall of official rates.
- Payments will increase or decrease depending on how often official rates change.

TIP You can change to a fixed rate at any time with no cost.

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As a general rule, it's good if you can make extra payments over and above the required monthly amount. This means you'll have the benefit of redrawing those extra payments if you have an unforeseen emergency and need money on a short term basis.

It's also important to consider all fees and costs associated with the loan, not just the interest rate. Establishment, valuation, account keeping, portability, repayment holiday, discharge and loan re-fixing fees can all add up.

Offset mortgages

Offset mortgages are popular in the UK and Australia but they're still relatively unknown here – Kiwibank, BNZ and Westpac are the only banks to offer them.

How they work

An offset mortgage uses your savings to help cut down the interest you pay and the length of time your mortgage runs for. Your savings and your credit accounts are linked – and instead of earning interest, your savings are subtracted from your mortgage.

For example, if you have a mortgage of $200,000 and $5,000 in savings, you'll only pay interest on $195,000 of your mortgage. At an offset-mortgage rate of 6.74 percent on a 30-year mortgage, this could save $674 in the first 2 years of your mortgage. This is more than the $5,000 would earn in a savings account over this period.

Kiwibank's "Offset Mortgage", BNZ's "Total Money Home Loan" and Westpac's "Choices Offset Mortgage" allow you and your family to link several accounts (up to 10 at BNZ and Westpac, 8 at Kiwibank) so you can pool your savings to cut down your home loan debt. On the downside, you may have to pay set-up fees plus a loan establishment fee and a monthly account keeping fee.

Good points

- Offset mortgages are flexible – so your savings are available if you need them. You can also make lump-sum payments without penalty, to help pay off the mortgage.
- You can offset transaction ("call" or "cheque") accounts as well as savings accounts against your mortgage.
- The more you save, the less interest you pay on your mortgage and the faster you pay it off. If your savings are equal to the balance of your mortgage, you'll pay no interest at all.
- You'll be saving at a faster rate than if you had a conventional mortgage and a conventional savings account.
- Interest is calculated daily and so every deposit into your savings and transaction accounts works to reduce your mortgage.

Not so good

- To make an offset mortgage worthwhile, you need to be able to save or maintain savings.
- You must be disciplined. If you make deposits, your home-loan balance decreases; if you make withdrawals, it increases.
- These products are only available as floating-rate mortgages. Rates are currently higher than fixed rates, which can negate the benefit but this can change. You need to be comfortable with this uncertainty.

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What you'll need

This checklist shows everything you'll need forthe home loan approval process.

- [ ] Proof of income (three payslips, letter of employment or financial statements).
- [ ] Proof of deposit or your most recent KiwiSaver statement.
- [ ] Bank statements from the last three to six months, for all bank & credit card accounts you have.
- [ ] Two types of formal identification and a recent utility bill.
- [ ] Information on assets you own.
- [ ] Details of any debts.
- [ ] Sale and Purchase Agreement (if at that stage).

Location and property

Once you know how much money you can borrow it's time to think about where you'd like to buy and what kind of property you can afford.

Shop around to narrow your search and conside some of the basics, such as:

- Infrastructure - check out local schools, shops, transport, medical facilities, social and sports clubs.
- Property type - think about what best suits your situation, a villa, bungalow, townhouse or something modern.
- Location - wide open spaces, beach, backyards or inner city chic, what's your lifestyle?

Once you've found possible properties, ask yourself questions like:

- Why is the property on the market and how long has it been listed?
- What's the government valuation and is it still relevant to the current value of the property?
- Is the sale price similar to other comparable properties in the area?
- Has the property had any recent alterations, are they legal and does it need any further or urgent repairs?
- What does the certificate of title or L.I.M (Land Information Memorandum) show?
  Are there any restrictions or rights on the property?

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Purchase **process**

For complete confidence throughout the purchase process it's vital you have your finance formally approved in writing. This is confirmation that your loan has been approved and is legally binding once the contract is signed.

There are three main ways of buying:

Negotiation, offer & acceptance

- Most common option.
- Offer is made on a sale and purchase agreement.
- Seller accepts your offer, or amends your offer and sends it back for you to agree. The negotiation process can continue before an agreement is reached.

Auction

- Open bidding process.
- There's usually a reserve price which if not reached means the house is 'passed in' (it doesn't sell).
- Bids are unconditional, so do your homework and only bid if you really want the property and know you can afford it.
- A deposit (usually 10%) is required on the spot if yours is the winning bid.

Tender

- Similar to a blind auction although offers are not required to be unconditional.
- You place your best offer in writing to the seller.
- Seller collects all offers by a set date then chooses the best one.
- The property can still pass in if the seller doesn't receive an offer they like, and a negotiation process can start.

We recommend that any offer you make is subject to at least a satisfactory Land Information Memorandum report, or your solicitor's approval of the contract.

Formalities

Legal

It can be a costly mistake if you don't have a solicitor when buying a home. Their advice and services are crucial throughout the process, including:

Advising on ownership structures, such as a family trust, joint tenant purchase or tenants in common.

Checking the purchase documents to make sure all is in order and letting you know what conditions there might be.

Accessing certificate of title searches and arranging for a Land Information Memorandum on the property. Advising on the full terms and conditions of the mortgage documents and managing the settlement process.

Talk to us if you need a referral for a solicitor to represent you.

Insurance

Once you've bought your new home it's important to not only look after the property, but also the person paying the mortgage.

Insuring your property is compulsory. Your bank or lender won't advance your loan if the property isn't adequately insured.

While property insurance is compulsory, ensuring you have suitable life and mortgage repayment insurance is essential.

How will you meet your mortgage payments if you are too sick, have an accident that prevents you from working for a period of time or worse, if you or your partner dies?

This is an area of home buying that many Kiwis ignore to their peril.

Our partner, Insurance Market specialise in making sure you are protected, ensuring your home will always be safe for you and your family.

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Using *a* mortgage adviser

Getting quality advice and securing the right finance deal takes time and effort, a process many find stressful and time consuming.

At Loan Market we do most of the legwork for you, giving you time to concentrate on finding the perfect property. As your local Adviser, we specialise in matching your situation and needs with the most appropriate finance package. With access to a panel of lenders that you know and trust, we'll negotiate on your behalf to make sure you're getting the right deal on your loan structure.

Contact us today for a no obligation appointment.

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Monthly repayments guide

This table below shows how different property prices and interest rates will impact your home loan repayments. It's a handy tool that helps you narrow down the properties you might be able to afford, and is a great tool when starting your property search.

Monthly repayments (principal and interest)*

LOAN $000S	400	450	500	550	600	650	700	750	800	850	900	950	1,000
5.00%	$2,147	$2,416	$2,684	$2,953	$3,221	$3,489	$3,758	$4,026	$4,295	$4,563	$4,831	$5,100	$5,368
5.25%	$2,209	$2,485	$2,761	$3,037	$3,313	$3,589	$3,865	$4,142	$4,418	$4,694	$4,970	$5,246	$5,522
5.50%	$2,271	$2,555	$2,839	$3,123	$3,407	$3,691	$3,975	$4,258	$4,542	$4,826	$5,110	$5,394	$5,678
5.75%	$2,334	$2,626	$2,918	$3,210	$3,501	$3,793	$4,085	$4,377	$4,669	$4,960	$5,252	$5,544	$5,836
6.00%	$2,398	$2,698	$2,998	$3,298	$3,597	$3,897	$4,197	$4,497	$4,796	$5,096	$5,396	$5,696	$5,996
6.25%	$2,463	$2,771	$3,079	$3,386	$3,694	$4,002	$4,310	$4,618	$4,926	$5,234	$5,541	$5,849	$6,157
6.50%	$2,528	$2,844	$3,160	$3,476	$3,792	$4,108	$4,424	$4,741	$5,057	$5,373	$5,689	$6,005	$6,321
6.75%	$2,594	$2,919	$3,243	$3,567	$3,892	$4,216	$4,540	$4,864	$5,189	$5,513	$5,837	$6,162	$6,486
7.00%	$2,661	$2,994	$3,327	$3,659	$3,992	$4,324	$4,657	$4,990	$5,322	$5,655	$5,988	$6,320	$6,653
7.25%	$2,729	$3,070	$3,411	$3,752	$4,093	$4,434	$4,775	$5,116	$5,457	$5,798	$6,140	$6,481	$6,822
7.50%	$2,797	$3,146	$3,496	$3,846	$4,195	$4,545	$4,895	$5,244	$5,594	$5,943	$6,293	$6,643	$6,992
7.75%	$2,866	$3,224	$3,582	$3,940	$4,298	$4,657	$5,015	$5,373	$5,731	$6,090	$6,448	$6,806	$7,164
8.00%	$2,935	$3,302	$3,669	$4,036	$4,403	$4,769	$5,136	$5,503	$5,870	$6,237	$6,604	$6,971	$7,338
8.25%	$3,005	$3,381	$3,756	$4,132	$4,508	$4,883	$5,259	$5,634	$6,010	$6,386	$6,761	$7,137	$7,513
8.50%	$3,076	$3,460	$3,845	$4,229	$4,613	$4,998	$5,382	$5,767	$6,151	$6,536	$6,920	$7,305	$7,689

*Figures quoted are indicative only, individual loan contracts may vary. Based on a 30 year loan.

Notes

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