



Home Ownership

A Guide to Buying
Your First Home





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www.nesthomeloans.co.nz

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Introduction

Your first home

Buying a home is one of the biggest decisions you will make in your lifetime. It is a step towards creating wealth but also establishing a home to raise your family.

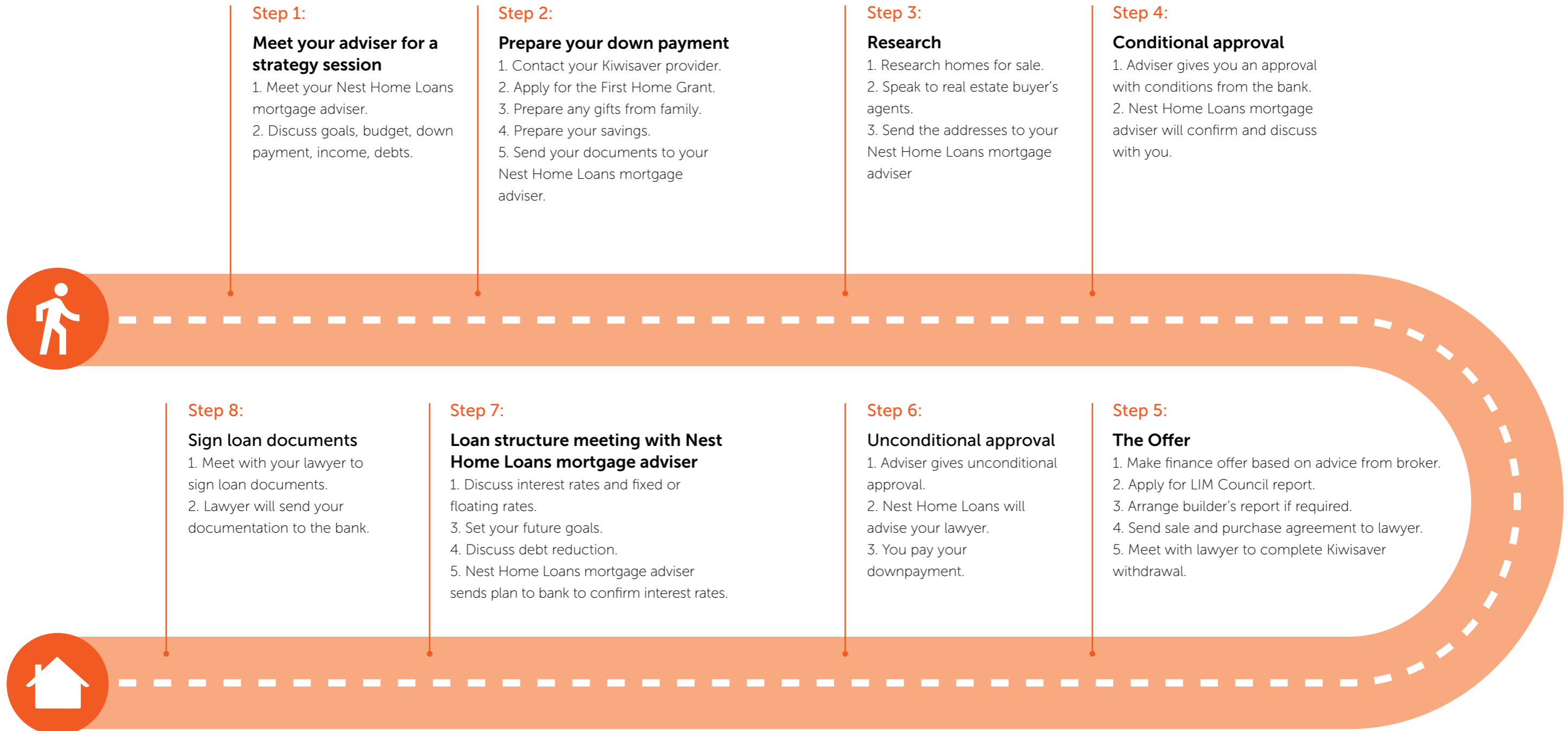
What makes Nest Home Loans different than working with a bank?

1. With over 50 options of lenders and loan products we are able to help you select the most suitable mortgage.
2. We specialise in getting difficult mortgages approved.
3. We negotiate great interest rates and cash contributions for clients to get them the best deal.
4. Our focus is on communication and providing the best customer service.
5. We can help you plan for the longer term even to retirement.

The role of an adviser

Making decisions around financial products is complex. We provide experienced direction and thoughtful planning to help make those decisions that will affect your life.

The road map to your new home



Step 1:

Meet your adviser for a strategy session

1. Meet your Nest Home Loans mortgage adviser.
2. Discuss goals, budget, down payment, income, debts.

Step 2:

Prepare your down payment

1. Contact your Kiwisaver provider.
2. Apply for the First Home Grant.
3. Prepare any gifts from family.
4. Prepare your savings.
5. Send your documents to your Nest Home Loans mortgage adviser.

Step 3:

Research

1. Research homes for sale.
2. Speak to real estate buyer's agents.
3. Send the addresses to your Nest Home Loans mortgage adviser

Step 4:

Conditional approval

1. Adviser gives you an approval with conditions from the bank.
2. Nest Home Loans mortgage adviser will confirm and discuss with you.

Step 8:

Sign loan documents

1. Meet with your lawyer to sign loan documents.
2. Lawyer will send your documentation to the bank.

Step 7:

Loan structure meeting with Nest Home Loans mortgage adviser

1. Discuss interest rates and fixed or floating rates.
3. Set your future goals.
4. Discuss debt reduction.
5. Nest Home Loans mortgage adviser sends plan to bank to confirm interest rates.

Step 6:

Unconditional approval

1. Adviser gives unconditional approval.
2. Nest Home Loans will advise your lawyer.
3. You pay your downpayment.

Step 5:

The Offer

1. Make finance offer based on advice from broker.
2. Apply for LIM Council report.
3. Arrange builder's report if required.
4. Send sale and purchase agreement to lawyer.
5. Meet with lawyer to complete Kiwisaver withdrawal.



Moving Day!

Getting ready to purchase your first home

Here are some tips on how to start preparing for a mortgage application. These are some of the things that lenders will be looking for:



Demonstrate you can afford a mortgage:

As an example, if the mortgage repayments you are applying for is \$600 per week and you currently pay \$400 per week in rent, then there is a shortfall of \$200 that you need to bridge.

Lenders are looking for evidence in your bank statements that show you can afford \$600 per week.

You can start by saving the \$200 difference.

\$600 minus \$400 = \$200. So you need to save a total of \$200 per week. It is best to transfer this into a separate savings account and not transfer any money out.



Manage your account conduct:

Lenders like to see you managing your money well.

- Cancel all unused overdraft facilities and credit cards
- Download your bank's app to your phone and make sure you keep an eye on your account balances daily so you don't go into overdraft.
- Set up automatic payments for your savings or bills the day after your paydays so you don't miss any payments.

Banks do not like to see:

- Exceeding your overdraft or credit card limits.
- Missing loan repayments
- Paying rent irregularly
- Having dishonoured payments in your account



Manage your short-term debt:

Avoid taking out any more short-term debt. Short-term debts have a major impact on your ability to get a mortgage.

Banks will want to see your repayment history for each debt so make all your repayments on time.

Reduce the limit on your credit cards to the current balance.

Affordability

There are ongoing costs for purchasing a property. Before you decide what kind of home you want to purchase, you need to think about how much you can afford.

TOTAL HOUSEHOLD INCOME AFTER TAX (A)	\$
EXPENSES PER WEEK	
Vehicles	\$
Food	\$
Clothing	\$
Healthcare	\$
Entertainment	\$
Electricity	\$
Phone/Internet	\$
Childcare	\$
School Fees	\$
Child Support	\$
Tithing	\$
Insurance (house, contents & car)	\$
Insurance (Life & Medical)	\$
Proposed Rates	\$
Property Maintenance	\$
Total Personal Loan or Credit Card Repayments	\$
Savings	\$
TOTAL OUTGOINGS (B)	\$
WEEKLY SURPLUS (A-B)	\$

The amount left over after all your expenses are paid is what would be available to pay a mortgage. Your Nest mortgage adviser will be able to discuss this with you and look at ways to create better affordability.

How to find your price range

Visit www.nesthomeloans.co.nz/loan-calculator and enter figures into the calculator that equates to the surplus you have on page 7. This will give you an affordable loan amount based on your budget.

Enter your loan amount here.

Enter your interest rate here.

Enter your term here.

Enter your payment frequency here.

Press calculate. Your monthly repayments will appear in the box in the right column.

Finding a property

Once you know what repayments you are comfortable with, we can start to look for a property within your price range. We suggest viewing as many properties as you can to get an understanding of the market and what houses might suit your needs.

Things to consider are:

- What sort of property you need now, and what are you likely to need in the next 5 to 10 years?
- Identifying your priorities helps you figure out what's non-negotiable and what you're willing to compromise on.
- Are you willing to do work on a property, or do you want all the work to have been done for you when you purchase it?
- Think about where you would like to live. Is location more important than the property itself? It is nearly impossible to find the perfect property and you may need to be willing to compromise, your first home won't be your forever home. Make a list of what is important to you and what is just 'nice to have'.
- Are you interested in buying off a plan, or do you need a property you can move into now? Would you consider building a home, moving a home onto a section, or downsizing to an apartment?
- Your real estate agent can help you with these decisions. and will also help you through the process of making an offer.

Note! Contact your Nest Home Loans adviser before you make an offer to confirm the conditions of your Sale and Purchase Agreement and check the listing of the property.

Making an offer

Your Nest Home Loans mortgage adviser will supply you with the information needed to make a offer on a property. It is important to get this correct as once an offer has been signed by you and accepted by the vendor it is difficult to alter the agreement. We recommend you seek legal advice before signing a Sale and Purchase Agreement.

Purchase Price
The price you are offering to buy the house for.
Purchase Price: \$500,000

Down Payment
This is a down-payment you pay up front. These funds are paid before the mortgage is paid out so you will need to make sure you have the ability to pay for this.
Unconditional Down Payment: 5%

Finance Condition
The number of days you have negotiated to confirm you are able to secure finance from the bank.
Finance Clause: 10 Days

Settlement Date
The date the house is transferred into your name and you can move in.
Time Until Settlement: 4 Weeks

AGREEMENT FOR SALE AND PURCHASE OF REAL ESTATE

DATE:
VENDOR:
PURCHASER: and/or nominee

The vendor is registered under the GST Act in respect of the transaction evidenced by this agreement and/or will be so registered at settlement: Yes/No

PROPERTY
Address:
Estate: FEE SIMPLE LEASEHOLD STRATUM IN FREEHOLD STRATUM IN LEASEHOLD
CROSSLEASE (FEE SIMPLE) CROSSLEASE (LEASEHOLD) (fee simple if none is deleted)
Legal Description:
Area (more or less): Lot/Flat/Unit: DP: Unique Identifier or CT:

PAYMENT OF PURCHASE PRICE
Purchase price: \$ Plus GST (if any) OR Inclusive of GST (if any)
If neither is deleted, the purchase price includes GST (if any).
GST date (refer clause 14.0):
Deposit (refer clause 2.0): \$
Balance of purchase price to be paid or satisfied as follows:
(1) By payment in cleared funds on the settlement date which is
OR
(2) In the manner described in the Further Terms of Sale. Interest rate for late settlement: % p.a.

CONDITIONS (refer clause 10.0)

Finance condition	LIM required: (refer clause 10.2)	Yes/No
Lender:	Building report required: (refer clause 10.3)	Yes/No
Amount required:	OIA Consent required: (refer clause 10.4)	Yes/No
Finance date:	Land Act/OIA date:	

TENANCIES (if any)
Name of tenant:
Bond: Rent: Term: Right of renewal:

SALE BY:
Licensed Real Estate Agent under Real Estate Agents Act 2008

It is agreed that the vendor sells and the purchaser purchases the property, and the chattels listed in Schedule 2, on the terms set out above and in the General Terms of Sale and any Further Terms of Sale.

Sale & Purchase Agreement conditions

Once your offer has been accepted by the vendor you will have a specified time to meet each of your conditions. Your mortgage adviser, lawyer and real estate agent will talk you through the conditions. It is up to you to research the property and make sure you are aware of everything.

Finance Clause

A finance clause gives you time to organise the mortgage for the property, this is where the mortgage adviser works for you. Lenders will first give you a 'conditional' approval. This means they will lend the money only once certain conditions are met such as getting a registered valuation or providing some documentation. Once all of the loan conditions have been met, your lawyer can satisfy the finance clause in your Sale and Purchase agreement. We work closely with your lawyer during this time to meet the time frames.

Registered Valuation

A registered valuation might be required by the bank if you:

- Do not have a 20% down payment
- Are building a house
- The sale is not being conducted on the open market, i.e. a private sale
- Are using a non-bank lender

As the valuation report is required by the lender, it is included as part of the finance clause and is not commonly written as a clause on its own.

You will need to budget to pay the valuer before they release the report.

We will order the valuation on your behalf at the right time so you are not paying for something you won't use.

LIM Report

A 'Land Information Memorandum' is commonly called a LIM report. You can purchase this from the council. It is a summary of information that the council holds on a property. The report may include:

- General property information
- Information about plumbing and drainage
- Rates that may be owing on the property
- Building consents and resource planning

Building Report

A building report gives you information about the condition of a property. The builder will highlight any hazards on the property. This clause is not always a requirement of the bank and is your choice. To complete there is a cost attached to getting a builders report which varies between companies. They must be a written report.

Other advisers

Lawyer

The lawyer's role is to advise you during the property purchase process, receive down payment funds from you, get loan funds from the lender, and transfer the property title to your name. They ensure that you can meet your legal obligations and that your rights are protected during the transaction. This process is called 'conveyancing'.

Your lawyer will help you to organise your Kiwisaver withdrawal and the application of any grants that you are entitled to. They will receive these funds into their trust account on your behalf before settlement.

The lender will send mortgage documents to your lawyer. They will ensure you understand the full terms and conditions of the mortgage documents before you sign them.

We suggest that you get your lawyer to view your Sale and Purchase contract before you sign it. We can help refer you to a lawyer.

Insurance Adviser (Life and Medical)

You will need to notify your insurance adviser of changes in your financial circumstances so they can amend your insurance policies.

There is insurance cover which will pay for your mortgage repayments if you fall sick and are unable to work. This could save your home if you would have missed mortgage payments during this period. Remember, ACC will only cover you for accidents, not for illness. If you do not have an insurance adviser let your Nest Home Loans Adviser know to arrange a time to go through this with you.

Insurance Adviser (Fire and General)

Insuring your house is a mandatory requirement of the loan. The bank or lender will not advance the loan if the house is not adequately insured and the lender noted on the policy. Your Nest Home Loans Adviser can refer you for a quote at the right time so this does not slow down the mortgage process.

Real Estate Agent

Real estate agents help negotiate between you and the vendor selling the house, they will help you with completing the sale and purchase agreement. They must give accurate information about the property to you, however, you should always do your own research.

Real Estate agent who are selling a house work for the vendor and get paid by commission when the house sells.

There are also 'buyers agents' who work only for someone buying a home. They will find the house based on your requirements, arrange viewings and negotiate on your behalf. They also get paid by commission.

Making an application

Banks require documentation to support your mortgage application, you will provide these documents to your broker. They are looking for:

Income – The bank wants to see that you can comfortably afford the mortgage repayments and your living expenses. They will consider whether your income is consistent and reliable and also factor in repayments for other debt.

Down Payment – Requirements for the amount of downpayment can change depending on your circumstances and the property type, location and condition. Please send through properties to your Nest adviser to check and see what criteria apply to you.

Credit – Lenders look at your bank statements to see how you manage your money. They are looking for your account conduct and if you have missed payments. If there are paid or unpaid debts that have been referred to debt collectors they may price your loan differently than for another client.

Debts – Lenders will look at your type of debt, the amount, how often you get into debt and whether you make your payments on time. We can look at all of this for you before you make an offer, the best time for us to do this is before you start looking.

Specialist lending if you don't meet main bank criteria

Nest Home Loans specialises in mortgages that do not fit the normal bank criteria. If the bank says "no" we can look at other options for you. We look at the bigger picture and whether the benefits of purchasing a property outweigh the costs. We also factor in when we may be able to refinance the mortgage back to bank lending.



Tips to help manage your mortgage

Moving into your first home is only the first step. We set up your mortgage structure after discussing your plans for the future, will also be in touch to refix your loans each time you have a change in your financial circumstances.

We may put in place a longer term plan to build your wealth but we first need to get this mortgage to work for you.

Increase your regular loan repayments

Every little bit helps. If you have any extra money to put towards your loan repayments, even a small amount can knock years off your home loan and save you thousands of dollars.

Just paying an extra \$20 a week above the minimum repayment on a \$300,000 loan at 4% p.a. with a 30-year term will mean you pay off your mortgage 5 years earlier and save a possible \$56,000 in interest.

Keep an eye out for short-term debts.

Credit cards and personal loans have a higher interest rate than your mortgage and each one has its own set of fees. These can be a very expensive way to buy things.

Instead of credit cards and personal loans it may make sense to top up your mortgage to pay for a new purchases, or save up and pay cash.

Remember to start off with a budget so you know exactly how much you have to spend each week. Set up automatic payments for your mortgage rates and insurance, even the household bills so you pay a little each week rather than big bills each month.

There will be ongoing maintenance costs for your home, and the unexpected always happens so don't leave yourself short

Common terms

Body Corporate A group that all the owners in a block of flats or apartments belongs to. It deals with the running of the building and shared areas like stairways, garages and access ways.

Bridging Finance A short term loan which allows you to purchase a new property, while waiting for your current property to be sold.

Capital Value The estimated value the council places on the property to work out your rates. This is not indicative of the actual value of the property.

Certificate of Title This is the ownership paper for your property. It shows information about the land and house as well as the legal description of the land.

Chattels The removable items that come with your house as part of the sale eg. carpets, curtains, light fitting.

Code Compliance Certificate (CCC) A certificate to say the building is compliant. Check all buildings and alterations have a certificate before you buy. The LIM (Land Information Memorandum) should contain these details.

Conditional Agreement An agreement with conditions that must be met before everything becomes final. Both the buyer and the seller can put conditions in the agreement. Buyers often ask for conditions about checking the Certificate of Title, and getting finance or a builders report for example.

Covenant If a covenant is recorded on the title for your property it means there is some legal restriction or agreement you have to keep. For instance you might have to pay for fencing, protect a native tree on your land, or can only build within certain restrictions.

Conveyancing The legal process when you buy or sell property – including the checking and registration of documents to transfer the ownership over

Cross-lease A cross lease is where a number of people own an undivided share in a piece of land and the homes that they build on the land are leased from the other land-owners. All owners of the common land must agree before improvements such as paths, fences or building alterations can be made.

Enduring Power of Attorney A legal document that gives someone of your choice the power to act for you if you need them to, i.e: if you are in a serious accident and not able to look after things yourself. There are two types – one that covers your care and welfare, and one for property matters.

Easement If an easement is recorded on the title for your property it means someone else has a right to use your property in a certain way – such as the right to run pipes or cables under your land, or to use a drive or path. Or you may have a right over someone else's property.

Equity The difference between the mortgage and the value of your house. This is the portion of the home you own after paying the mortgage.

Finance Date Date when all finance conditions on the offer must be met.

Fixed Rate With a fixed rate loan your interest rate stays the same for the length of the term you have fixed it for as interest rates rise and fall. This is helpful if you want to know exactly how much you are going to pay each week. If repayments are made outside of the agreed structure you may incur fees or penalties, these vary between lenders.

Floating Rate Your repayments can go up anytime with interest rates changes or it can go down. If the interest rate rises then so will your repayments, likewise if they fall your repayments will go down. You can make extra repayments to a floating loan anytime you like and refinance or sell your house without penalty

Freehold / Fee Simple This is the most common type of ownership. It means you own the land and house with virtually no restrictions on your ownership rights. Freehold is also commonly used to mean that you do not owe any money on the home.

Interest The amount you pay for the money you borrow. This is a percentage that is worked out each day on the amount you owe that day.

Interest Only With interest only loans you are only paying the interest cost but no principal, so the amount that you owe does not reduce.

LIM or Land Information Memorandum When you are buying a home you can get a report from your local authority which sets out everything they know about the property—things like consents, rates owing, drainage and problems with flooding or erosion.

Leasehold With this type of ownership you lease the land and pay rent to the landowner. You own the house but your use of the land may be restricted and your rent can go up. You can sell the lease when you want to move but you will need to tell the landowner first. You can get a Certificate of Title for your leasehold interest.

LVR or Loan to Valuation Ratio The ratio of the amount loaned against the value of the security, commonly called LVR.

LEM or Low Equity Margin This is an additional interest rate that lenders will add to your final rate if you have a down payment of less than 20%.

LEP or Low Equity Premium A low equity fee is a one-off up front charge which is an insurance premium thane bank charges for higher risk deals. In some circumstances it can be added to the balance of the home loan so that a borrower doesn't have to cover the cost from savings.

Market Value This is the price a home is likely to sell for. In the end it is the amount a willing buyer and willing seller agree upon.

Mortgage Protection Insurance This insurance protects you if you cannot pay your home loan. The insurance repays the loan if you die, or makes payments for you if you are redundant or cannot work due to serious illness for instance.

Principal The amount of money you borrow, before interest is added.

RV or Rateable Valuation Rates are a property tax paid to the council. The amount of rates you pay is based on the 'rateable value' of the house which is updated every three years. This is not a value that reflects the true market value of a property.

Revolving Credit A large overdraft facility which combines your daily transactions and home loan into one account. Some have reducing limits which help you repay the principal. If you have a non-reducing limit you need to be very disciplined in making principal repayments to the account to reduce the amount of the loan.

Security When you get a home loan your home will be the security. This means the lender can sell the home if you cannot make the repayments.

Settlement Date This is the final stage when the property changes hands. It is the date the purchaser pays the vendor, the new owner's name and mortgage go on the title for the property, and the Certificate of Title and the keys are handed over. The day this all happens is called Settlement Day.

Table loan/Principal and Interest Loan A loan where the repayments remain the same throughout the loan. Some of each payment goes toward paying the interest and some towards paying the principal.

Term This is the time you take your loan out for. Many home loans are for 25 or 30 years. It can also be how long your lease is for if you have a leasehold property.

Unconditional This means that the Sale and Purchase Agreement made on a home has no conditions attached to it, or the conditions have been met. An unconditional agreement is legally binding on both the buyer and the seller. It means the home must change ownership on the agreed date for the agreed price.

Vacant Possession This means that settlement of your home there will be no tenants living there, and no lease giving someone else use of the property.

Valuation An independent assessment by a registered valuer of the market value of a home. A buyer may have to get one as a condition of the loan. A seller may also decide to get one to help them decide what price they should accept for their home in a private sale.

Vendor The person selling the property.

*There's no place
like home.*

**CALL US TODAY ON
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