



# LAND FOR YOUR FIRST HOME

WITH GATEWAY HOUSING ASSISTANCE

  
**Housing** New Zealand  
Housing New Zealand Corporation



# GATEWAY – OPENING THE DOOR TO HOME OWNERSHIP

Gateway sells Crown and Housing New Zealand Corporation land to first-home buyers. The land is sold with payments deferred for up to 10 years. What this means is that initially you'll only have to take out a loan to cover the cost of the house you want to build or move into, but not the land. Gateway will take care of this.

You'll make regular repayments towards your home loan, but won't have to make

any repayments towards the land (covered by Gateway) for five years. The maximum Gateway assistance is 10 years, but the initiative is designed so that when you have to start making repayments for the land, it's much more affordable (because you will have already made a dent in your initial mortgage). In legal terms, Gateway is secured by a second mortgage on the title and the bank loan will be the first mortgage.

## What happens after the Gateway assistance ends?

After 10 years, you'll need to start making full payments for the Gateway land your house is located on.

To do this you'll need to talk to your bank about refinancing Gateway into your home loan, and your home loan term may be extended<sup>1</sup> or repayments may increase. Or in simple terms, you combine both into one mortgage, with one set of mortgage repayments.

From this point on you'll be in the same position as most people buying a house, with just one home loan for your property. But, you'll be better off because you'll have already paid off part of your initial mortgage at a lower interest rate.

<sup>1</sup>If you're unable to refinance Gateway after 10 years you will need to consider if home ownership is right for you.



# ARE YOU ELIGIBLE FOR GATEWAY?

Gateway is designed for first home buyers and previous home owners who are now in a similar financial position to a first home buyer. Applicants need to meet Housing New Zealand's credit and borrowing assessment criteria.

Run through the checklist of other criteria below to see if you're eligible for Gateway.

- I am a New Zealand citizen or a permanent New Zealand resident with an indefinite returning visa.
- I am 18 years of age or over.
- I will be purchasing my first home, or am a previous home owner in the same financial position as a first-home buyer (in terms of income and assets).
- I have a yearly household income of **\$100,000** or less (before tax, for one to two borrowers), or **\$140,000** or less (before tax, for three or more borrowers).
- I will be able to secure a home loan to build a house on the land, or to purchase a newly built house on the land.
- I agree to live in the house for the duration of the Gateway housing assistance (up to 10 years).
- I have at least 10 percent of the house construction cost as a deposit.
- I would not be able to afford the cost of the land and the house together at the time of my application.
- I will contribute any realisable assets such as savings and shares to the purchase of the house.

# I'M A PREVIOUS HOME OWNER – CAN I STILL APPLY FOR GATEWAY?

If you're a previous home owner but in a similar financial position to a first-home buyer, you may still be eligible for Gateway. Housing New Zealand will determine this.

First you'll need to meet the general criteria for Gateway (see page 3).

You'll need to have realisable assets totalling less than 20 percent of the average house price (based on Local Territorial Authorities) for the area you're buying in.

Housing New Zealand considers the following to be realisable assets:

- Money in bank accounts (including fixed and term deposits)
- Shares, stocks and bonds
- Investments in banks or financial institutions
- Building society shares
- Net equity in property or land (not being used as your home)
- Boat or caravan (if the value is over \$5,000 and not used for work)
- Other vehicles (such as classic motorbikes or cars – not being used as your usual method of transport)
- Other assets valued over \$5,000.

# HOW DOES THE HOME LOAN WORK FOR THE HOUSE?

With Gateway, the only thing you have to worry about initially is a home loan for the house you're moving into or building on the property. This will work just like a regular home loan, where you make regular repayments to your bank at the interest rate you've agreed with them.

One thing to note: because you're getting financial help from Gateway, there will be some restrictions on your home loan from the bank. You may not be able to borrow as much as you would normally, and loans work differently when you're building a home compared to moving into an existing home.

## Loans for building a house versus purchasing a house.

In most situations where you're buying land to build on, your home loan will need to be a construction loan.

A **construction loan** means you draw down the loan amount gradually as the build progresses. You'll start paying off the home loan while still living elsewhere, before you move in, so you'll need to budget for this cost.

**When purchasing a new house and Gateway land package** you won't require a construction loan. Instead you'll take out a loan when the house is ready to move into, and start your repayments then.





# HOW DOES GATEWAY WORK FOR THE COST OF THE LAND?

The original amount of the Gateway housing assistance (the cost of the land) will be the current market valuation of the land at the time of the sale as determined by an independent registered valuer. This will be known at the time you apply for Gateway.

There are two types of interest on Gateway.

- 1 Fixed rate interest, set at 3 percent per year**
- 2 Interest that applies after five years of Gateway**

## Fixed rate interest

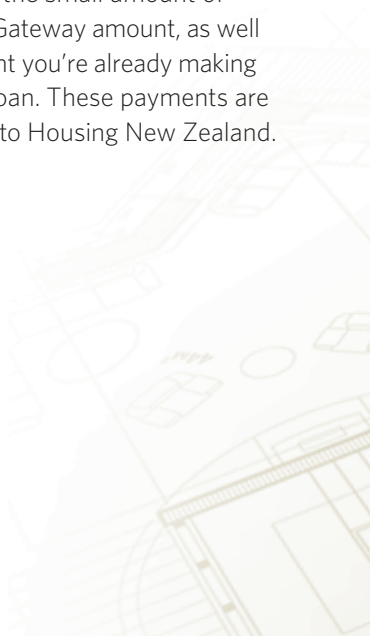
The fixed rate interest is set at 3 percent per year and is capitalised, which means you don't need to pay it back to Housing New Zealand regularly as you would with a normal home loan. The 3 percent amount is calculated annually and added to your original Gateway balance.

For example, if the original Gateway amount you needed for the land was \$120,000, 3 percent of that amount (\$3,600) will be added to that each year. After 10 years, the balance of your Gateway would be 10 years x \$3,600 + the original \$120,000 = \$156,000.

There is no interest charged on the interest added on the principle amount.

## Interest that applies after five years of Gateway

The second type of interest on Gateway is designed to progress you to full home ownership without the need for Gateway. In other words, beginning in year six you'll start paying off the small amount of interest on the Gateway amount, as well as the repayment you're already making on your home loan. These payments are made regularly to Housing New Zealand.



You can see both sets of interest displayed in the table below, and read the case study (page 8) of Tanya and Stephen for an example of how Gateway assistance works.

Year	3% Fixed rate interest amount (added to your original Gateway each year).	% Interest rate payable (on original Gateway amount).	\$ amount of interest payable (fortnightly on original Gateway amount)
Original Gateway amount = \$120,000			
1	\$3,600	0%	No repayments
2	\$3,600	0%	No repayments
3	\$3,600	0%	No repayments
4	\$3,600	0%	No repayments
5	\$3,600	0%	No repayments
6	\$3,600	1%	\$46
7	\$3,600	1%	\$46
8	\$3,600	3%	\$140
9	\$3,600	3%	\$140
10	\$3,600	5%	\$230
<b>\$156,000 (balance after year 10 to be refinanced)</b>			

# CASE STUDY

See the table below on how Tanya and Stephen use Gateway to get into their first home.



<p><b>Year One</b></p> <p>Tanya and Stephen are using Gateway to build their first home on Gateway land that's become available in the Hawkes Bay.</p> <p>Their Gateway housing assistance will be for 10 years with Housing New Zealand, and covers the cost of the land of \$120,000.</p> <p>Each year, 3% of the \$120,000 (which is \$3,600) is added to their Gateway amount. So after the first year the balance will be \$123,600 and by year 10 it will be \$156,000. The cost to build the house is \$250,000 and they've contributed the 10% deposit of \$25,000 and taken out a construction loan with a bank for the rest. They'll make regular payments each fortnight to their bank to pay this off.</p>	<p><b>Gateway</b></p> <p>\$120,000 Starting balance + \$3,600 (3% no payment required)</p> <hr/> <p>= <b>\$123,600</b> Gateway balance at end of year one</p> <p>At the end of year 5 balance will be \$138,000</p>
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<p><b>Year Six</b></p> <p>At the beginning of year six, regular interest payments on the Gateway housing assistance will start. This is additional to the yearly \$3,600 amount that gets added each year, and is set at 1% (for the year) on the original \$120,000. This works out at approximately \$46 per fortnight and is paid to Housing New Zealand.</p> <p>The amount of \$3,600 will continue to be added to their Gateway balance. They also continue to pay their fortnightly construction loan repayments to their bank.</p>	<p><b>Gateway</b></p> <p>\$138,000 Balance at start of year six + \$3,600 (3% no payment required)</p> <hr/> <p>= <b>\$141,600</b> Gateway balance at end of year six</p> <p>Interest payments (1%) of \$46 to pay fortnightly (Gateway interest of 1%)</p>
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### Year Eight

In year eight of Gateway, the Gateway interest rate payment will increase to 3% (of the original \$120,000). So Tanya and Stephen now need to increase their fortnightly payments to Housing New Zealand from \$46 to \$140. Again in the background, the original yearly amount of \$3,600 will continue to be added to their Gateway amount.

They'll also continue to pay their regular fortnightly home loan repayments to their bank as they have always done.

### Gateway

\$145,200 balance at start  
of year eight  
+ \$3,600 (3% no payment required)  
= **\$148,800** Gateway balance at  
end of year eight

Interest payments at 3% of \$140 to  
pay fortnightly

### Year 10

At the start of year 10 the Gateway interest payment increases for the last time to 5% (of the original Gateway amount of \$120,000). This works out to be \$230 per fortnight, which Tanya and Stephen will pay to Housing New Zealand.

Their fortnightly home loan payments to their bank continue as normal, and the last yearly amount of \$3,600 will be added to their Gateway amount.

### Gateway

\$152,400  
+ \$3,600 (no payment required)  
= **\$156,000** Gateway balance

Interest payments at 5% of \$230 to  
pay fortnightly

### End of Year 10 and Gateway

At the end of year 10, Gateway ends. The Gateway balance for Tanya and Stephen will be \$156,000 due to the yearly \$3,600 additions.

The bank loan for building the house has reduced to \$180,000 from their fortnightly bank repayments.

Tanya and Stephen now have to discuss refinancing their bank construction loan with their bank and adding the remaining Gateway amount to it. This would involve taking the \$156,000 Gateway amount and adding it to the \$180,000 loan with their bank. So this will form one home loan with their bank of \$336,000.

This new home loan will be with their home loan bank and will now cover both the land and building costs. Tanya and Stephen will pay this off fortnightly in the same way they paid off their original home loan with the bank.

### Gateway

\$156,000 final balance

### Refinance with bank:

\$156,000 Gateway  
\$180,000 construction loan  
with bank  
= **\$336,000** new home loan



# GATEWAY LAND

## Where will Gateway land be?

Land or sections will become available all across New Zealand, and as it does we'll display it at [www.hnzc.co.nz/gateway](http://www.hnzc.co.nz/gateway) and in local media. To make sure you're kept informed when new land becomes available in your area, register your interest at the website above or call us on **0508 935 266**.

## What type of land will it be?

Land will either be single sections, or land as part of developments.

## What can I do with the land?

**Single sections:** With single sections, the decision of what to build is up to you however you must use a registered

builder. You'll have a time limit of six months to get your building consent, and 12 months to build the house after being allocated the land.

Some building companies have standard designs that may be suitable for the section. This will speed the process up, make it easier and save on design and some building costs.

**Government developments:** Some land will be as part of government developments where the houses are already designed, but you will have a choice on some of the interiors. We'll let you know what you can change when you apply, and you can decide if you would like to apply under those terms.



## HOW DO I APPLY?

- Register your interest for Gateway land by calling **0508 935 266**; emailing [gateway@hnzc.co.nz](mailto:gateway@hnzc.co.nz) or visiting [www.hnzc.co.nz/gateway](http://www.hnzc.co.nz/gateway)
- If interested in more than one piece of land you'll need to apply for each piece of land that becomes available, if it meets the criteria you're looking for.
- If you've already applied for a piece of land within the last three months, you may only need to provide some updated information.
- When there is more than one application for a piece of land, Housing New Zealand will conduct a ballot to decide who receives the land.

## NEXT STEPS ONCE YOU'VE BEEN ALLOCATED GATEWAY LAND

- When you're allocated Gateway land we'll provide you with a list of banks you can contact about a home loan.
- You're not required to get approval from a bank until you've been allocated land.
- We'll also discuss with you the standard legal documents you'll require.

### Other products that can help.

You'll be able to withdraw your KiwiSaver savings or use the deposit subsidy, if eligible, to assist with the 10 percent deposit requirement. Call **0508 935 266** or visit [www.hnzc.co.nz/kiwisaver](http://www.hnzc.co.nz/kiwisaver) for more information.

The Welcome Home First Steps home ownership education course can also support you with information about home ownership, goal setting, budgeting, design and building. Call **0508 935 266** or visit [www.welcomehomefirststeps.co.nz](http://www.welcomehomefirststeps.co.nz) for more information.

To find out more about Gateway housing assistance,  
call **0508 935 266** or visit [www.hnzc.co.nz/gateway](http://www.hnzc.co.nz/gateway)



The information contained in this brochure is intended to help you understand the Gateway housing assistance and is indicative only. It is not intended to address the specific circumstances of any particular individual or entity. All reasonable steps have been taken to ensure the quality and accuracy of the information contained in this brochure. The eligibility criteria or other policies applicable to Gateway housing assistance may be changed, deleted, added to, or otherwise amended without notice. The information contained in this brochure should not be construed as legal or professional advice and you should take advice from qualified professional people.

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