



THOUGHT ABOUT
OWNING A HOME?
A GENERAL GUIDE TO HOME OWNERSHIP

To help make buying your first home easier, we have developed this handy guide to help you through the process.

Buying a home can be daunting, but with the right information and the right help, you can do it.

We hope you find this guide helpful.



TAKE THE TIME TO READ THIS

The costs of owning a home	4
What can you afford?	4
Working out a budget	5
Sample budget	6
My budget	7
Annual costs of owning a home	8
Pre-approved finance	9
The costs of buying a home	10
House hunting	12
Making an offer	14
Getting a home loan	15
Moving in	16
How we can help	17
Welcome Home First Steps	18
Welcome Home Loan	19
KiwiSaver home ownership features	20
Tenant home ownership	22
Kāinga Whenua	23
Common words	24
Information and advice	26
Notes	27



THE COSTS OF OWNING A HOME

Before you decide whether you want to buy a home, you should think about what you can afford, and how much it will cost you now and in the future.

Repaying a home loan will take a long time, and you'll need to make repayments weekly, fortnightly or monthly for the duration of the loan.

WHAT CAN YOU AFFORD?

Before you start looking for a home, you'll need to work out what you can afford to pay each month.

You'll need to pay rates, keep up with any repairs and maintenance, and cover living costs like food, gas, electricity, phone, school fees, doctor's visits, and car maintenance or bus/train fares.

Working out your budget can be useful when you apply for a home loan too, as your lender needs this information as well.

WORKING OUT A BUDGET

1. Work out how much money you earn each month (including any benefits, rent from boarders etc).
2. Work out your living costs for the month (food, phone, power, car expenses, clothing, etc) and subtract it from your income. Don't include the rent you currently pay.
3. Take away other payments you need to make, like hire purchases, credit cards, student loans, insurance and medical bills. Remember, if you've got fortnightly payments, you'll need to multiply them by 26 and divide by 12 to accurately work out the monthly payments.
4. Take away any other expenses you can think of (don't forget to allow a little for unexpected costs) that arise each month.

The amount you have left is how much you have each month to go towards paying for a home and its upkeep. For independent budgeting advice visit www.sorted.org.nz



SAMPLE BUDGET

1	Monthly household income after tax	\$2,940.00
2	Take away living costs	
	Food	\$650.00
	Phone	\$110.00
	Electricity/gas	\$125.00
	Clothing allowance	\$125.00
	Transport - bus fares and car expenses	\$150.00
	Total	\$1,160.00
3	Take away other monthly payments	
	Refrigerator hire purchase	\$65.00
	Credit card repayments	\$150.00
	Insurance	\$80.00
	Total	\$295.00
4	Take away any other costs	
	Entertainment (e.g. movies)	\$100.00
	Allowance for unexpected costs	\$120.00
	Total	\$220.00
5	Total expenses (2+3+4)	\$1,675.00
6	Amount to go towards a home (1-5)	\$1,265.00

MY BUDGET

1	Monthly household income after tax	\$
2	Take away living costs	
	Food	\$
	Phone	\$
	Electricity/gas	\$
	Clothing allowance	\$
	Transport allowance	\$
	Other	\$
	Total	\$
3	Take away other monthly payments	
	Hire purchase	\$
	Credit card repayments	\$
	Insurance	\$
	Total	\$
4	Take away any other costs	
	Entertainment (e.g. movies)	\$
	Allowance for unexpected costs	\$
	Total	\$
5	Total expenses (2+3+4)	\$
6	Amount to go towards a home (1-5)	\$

ANNUAL COSTS OF OWNING A HOME

There are annual costs to owning a home as well as the initial start-up costs.

- **Rates:** Are paid to your council for services like rubbish collection. The amount varies between councils. Remember, you'll need to pay some of the rates on settlement day.
- **House and Contents Insurance:** You need to insure your new home from the day you take ownership, along with the contents. You must have full replacement home insurance cover on your new home. This means that if something happens to your home and it can be repaired, the insurance company can restore it to 'as-new' condition regardless of the age of the house. House and contents insurance automatically includes earthquake cover.

You'll need to pay some or all of the insurance on the day you move into your new home.

Look around for a good deal – you may be able to get a package deal with house, contents and car insurance.

- **Body Corporate Levy:** If you're buying a unit or an apartment in a block or complex, you may need to pay a Body Corporate Levy. This is your contribution to the costs of maintaining the common areas. Ask the real estate agent how much this will be. You'll also need to comply with Body Corporate rules and regulations.
- **Repairs and maintenance:** Keeping up to date with repairs and maintenance helps keep costs down and improves the value of your home. Make sure you put money aside for repairs and maintenance each year.

In summary, ongoing annual costs could be:

Rates	Allow about \$1,200 a year.
House insurance	For a three bedroom house with floor area of about 120 square metres and a single garage, house insurance would cost about \$600 a year.
Contents	About \$60,000 worth of insurance cover would cost about \$400 a year.
Body Corporate Levy	About \$3,600 a year.

PRE-APPROVED FINANCE

It's a good idea to get finance sorted out early, so everything else happens quickly and smoothly.

You can approach a lender before you find a home you wish to buy to get finance pre-approved. This gives you a good indication of what they will lend you and how much you can afford and ensures you look at houses within your price range. Or you can

find a home you wish to buy first and then approach a lender to apply for a home loan.

They may also be able to give you a 'pre-approval certificate'. This means they could approve a loan before you buy, so you know what you can afford.

THE COSTS OF BUYING A HOME

As well as the deposit (if you have to pay one), there are other costs you need to know about when buying a house.

- **Lenders:** most lenders have a loan application fee. Ensure you understand exactly what fees are applicable for your loan.
- **Valuation:** You may want to obtain a registered market evaluation. This could also be a condition of your loan. You can find a valuer by contacting New Zealand Property Institute. Visit www.property.org.nz or call **0800 698 258** for details.
- **Lawyer's fees:** a lawyer will advise you when buying a house – they'll check contracts, do a title search, explain your rights, and do all the legal paperwork. They can also help you to negotiate the price and other terms with the owners. Family or friends may be able to recommend a lawyer. Otherwise, ask the New Zealand Law Society Property Law Section. Visit www.propertylawyers.org.nz or call **0800 745 745** for details.

When you have purchased a property you'll also need to pay a land registration fee. This records the change in ownership of the

property. Usually, your lawyer will include this fee into their bill.

- **Land Information Memorandum (LIM):** You may wish to order a LIM. The LIM will tell you what the council knows about the property. Check with your lawyer that the LIM covers everything you need to know. Order from the local council or visit the council to check.
- **Lender's Mortgage Insurance:** When borrowing more than 80 percent of the value of the property, you may need to pay a 'one time' Lender's Mortgage Insurance premium. Lender's Mortgage Insurance protects the lender, not you, if they have to sell the property because you haven't kept your payments up to date. You can pay that fee as a lump sum, or add it to your loan. Ask your lawyer to explain this before you sign up.
- **Borrower's Loan Insurance:** You may be able to get Borrower's Loan Insurance. Loan insurance could mean your loan gets repaid if you die. Or, if you can't work because of illness or injury, your loan repayments could be paid for you for up to two years. Make sure you read the insurance policy carefully and check it with your lawyer before you sign.

- **Builder's report:** You may want to get the home checked by a suitably qualified and registered building surveyor before you go any further. Make sure you ask for an intrusive property inspection. This will tell you about the property's current condition, both inside and outside. This inspection will also reveal any repair and/or maintenance work that may be needed and how much it could cost.

You may be able to negotiate with the seller to make repairs before you move in.

- **Moving house:** These could range from hiring a van, to using a removal company to do the moving for you. You can get insurance to cover you in case anything is damaged while it is being moved from your old house to your new home.
- **Connecting services:** You may need to pay bonds and/or fees for connections to power, phone and gas.

So all of your start-up costs together could be:

Loan Application fee	This depends on each lender, talk with them about what the loan costs are.
Registered Valuer's Report	from \$400.
Lawyer's fee	About \$1,000.
LIM Report	A LIM can cost \$160-\$400.
Insurance fee	1 percent* of total home loan. For example, if you get a \$100,000 loan, the Lender's Mortgage Insurance Fee will be \$1,000. A \$145,000 loan will have a Lender's Mortgage Insurance fee of \$1,450.
Builder's Report	About \$400.
Removal cost	About \$700.
Bonds and connection fees	About \$100.
Land registration fee	About \$100.

*Starting fee will be from 1 percent.

HOUSE HUNTING

Before you start house hunting, you need to know what you want. Buying a house is a long-term commitment, so it's really important that you think of the future as well.

Make a list of things you must have and things that would be nice to have. This will make it easier to narrow down your choices.

- Is location important?
- Do you need to be near shops or a school?
- Do you want to live near family, work or public transport?
- Or maybe you want to live somewhere sunny?
- Somewhere quiet?
- Do you want a garden or a garage?

Once you know what you're looking for, you could find a real estate agent to help you look for a home. Tell them what you're looking for, where you would like to live and how much you want to spend.

Or you could check the real estate section of the newspaper. These include private sales and open homes. There are also free weekly real estate publications. There are several

internet sites dedicated to home sales, such as www.realestate.co.nz, the property section on Trademe, and all major real estate agents have websites with house listings.

Have a good look around to find out what's available. Don't rush to buy. Take your time and make the right choice.

It's a good idea to look more than once at the house you're interested in buying, just to be sure. If you are looking on your own, take a friend or family member with you so you have someone to talk it over with. Some lenders provide a first home buyer's checklist. Take one along as it helps you record what each home has to offer.

Talk with the neighbours and make sure you ask the real estate agent lots of questions.

When you find a house you like, you should check the general condition and also think about location and the potential resale value. If there are any problems, get professional advice before going any further.

Use the list below when looking at house. Add any extra conditions you may have.

- Do all the doors and windows open?
- Is there any damage?
- Is the roof in good condition?
- Are the gutters and downpipes in good condition?
- What repairs are needed?
- Are the kitchen and bathroom in good condition? These rooms are expensive to fix if work is needed.
- Do all the taps work?
- Does the shower work?
- Does the toilet flush well?
- Are there enough power points?
- Is there enough storage?
- Does the house smell damp?
- Has it got ceiling, wall or under floor insulation or heating?
- Are the plumbing and electrics in good condition? Depending on the age of the house, you may need to get an insurance certificate to confirm the wiring is OK.
- When does the house get the sun?
- What features (usually described as chattels) are included in the sale price? For example, appliances (such as a dishwasher), telephones, TV/digital dishes, carpets, curtains/ drapes, shelving.
- Is there dampness under the house?
- Is it noisy, near industrial activity or aeroplanes?



MAKING AN OFFER

When you find the house you want, you'll need to make an offer in writing. The real estate agent or your lawyer will prepare the sale and purchase agreement. If it has not been prepared by your lawyer, make sure they check it before you sign. The offer will outline what chattels go with the sale (this may include curtains, light fittings and dishwasher). You may be able to negotiate other chattels. It's helpful to make a list of any chattels you want to include in your offer to buy.

Most first offers are 'conditional'. This means you are making your offer subject to one or more conditions being met. Conditions may include:

- Finance being approved
- A satisfactory independent valuation
- A satisfactory title search
- A satisfactory building inspection
- A satisfactory Land Information Memorandum.

The seller may not accept your offer and could come back with a counter offer. This means they might want to raise the amount you've offered, or change some of the other things you've asked for. This may happen many times before you agree on the final price and terms, but make sure you stay within your budget.

Once you've agreed the sale price, settlement date and conditions, you'll have an agreed period of time to get the reports and finance you need to allow the contract to go unconditional and be finalised.

There are other types of house sales, but they are more complex, such as auction and tender.

House buying is a lengthy process, and it can take a while to find the right place for you. Don't be disappointed if it doesn't work out with the first house you find.

GETTING A HOME LOAN

Home loans are supplied by home loan lenders such as banks, building societies, co-operatives, the Public Trust, and credit unions.

The amount you can borrow depends on a number of things, including how much you can afford to repay. Your lender will let you know how much money you can borrow.

Lenders have different types of home loans and many will include extras such as lower account fees and low application fees, so it pays to shop around. You are best to approach your own bank or lender for home loan enquiries as they already have your banking history.

You can also see a mortgage broker. They act as a go between for you and lenders and will send your loan application to several lenders to see who will offer you the best deal. If you decide to use a mortgage broker, make sure they belong to the Mortgage Brokers Association (MBA). Note that their fees are paid by the lenders, not you.

Ask your bank or lender about their application process and criteria including what documents they need to see before they can assess your eligibility for a home loan.

MOVING IN

Now you'll need to start the countdown of things to do in preparation for moving into your very own home! Some things you'll need to think about are:

- Giving notice to your landlord if you're renting
- Arranging house and contents insurance for your new home
- Sending a change of address notification to friends, family, the bank, dentist etc
- Arranging disconnection and reconnection of your power, phone, gas and television
- Redirecting your mail
- Finding out when your last rent payments are due. Once payment has been made, cancel automatic rent payments
- Organising final reading of your power meter before you move out.

HOW WE CAN HELP

Now that you've read about some of the ins and outs of buying your first home, we may be able to help. Housing New Zealand offers a range of home ownership initiatives designed to assist first home buyers into their first home.

You may be eligible for a low or no deposit loan through our Welcome Home Loan scheme through participating lenders, a home ownership education course, or a KiwiSaver deposit subsidy for first-home buyers.

If you are a Housing New Zealand tenant, you may be able to buy your current house, and if you have permission to build on multiple owned Māori land, a Kāinga Whenua loan could get you there.

It is part of our role to help people make housing choices that work best for them. So if you would like to own your own home, we would like to talk to you about how we can help. Call us any time on **0508 935 266**. Or visit our website www.hnzc.co.nz.



WELCOME HOME FIRST STEPS

Welcome Home First Steps is a **free** home ownership education course designed for anyone who is thinking, or dreaming about buying their first home.

The Welcome Home First Steps course covers the following in easy to understand English:

- Is home ownership right for you?
- Goal setting and budgeting
- The home buying process

- Getting a home loan
- Financial assistance for first home-buyers
- Building a home and affordable house design
- Maintaining your home and refinancing

For more information about Welcome Home First Steps, call **0508 935 266** or visit www.welcomehomefirststeps.co.nz



WELCOME HOME LOAN

The Welcome Home Loan, supported by Housing New Zealand, makes it easier for you to get into your first home. Welcome Home Loan is offered by lenders, underwritten by us and, designed for those first home buyers who can afford to make regular repayments on a home loan, but have trouble saving for a deposit.

Housing New Zealand does not issue the loan; this is done through normal lenders such as selected banks and credit unions. Housing New Zealand insures the loan with the lender should the borrower have difficulty repaying the loan. You will still need to meet the lender's specific lending criteria.

With a Welcome Home Loan, you can borrow up to \$200,000 without a deposit. You can borrow between \$200,000 and \$280,000 where you will only need a deposit of 15 percent of the amount above \$200,000. For example, on a loan of \$280,000 you will require a deposit of 15 percent of \$80,000 which is \$12,000.

In higher priced areas you can borrow up to \$350,000. This will also require 15 percent of the amount above \$200,000. For example, on a loan of \$350,000 you will need a deposit equal to 15 percent of \$150,000 which is \$22,500. Details of higher

priced areas can be found on www.welcomehomeloan.co.nz

The deposit can be gifted so someone else such as a relative can provide it for you as a gift. Three or more borrowers can also team up to purchase a home, making it easier for extended families to own a home.

To be eligible for a Welcome Home Loan you can have a combined household yearly income up to \$85,000 (before tax) if there are one or two income earners. If there are three or more income earners you can have a combined household income up to \$120,000.

The other criteria are that you:

- are buying your first home
- will live in the home
- don't own another house, and
- can meet the lender's credit criteria.

Check our website www.welcomehomeloan.co.nz for list of lenders offering Welcome Home Loan.

For more information on Welcome Home Loan, call **0508 935 266** or visit a participating lender.

KIWISAVER HOME OWNERSHIP FEATURES

KiwiSaver is a voluntary, work-based savings initiative to help you with your long-term saving for retirement. It has a range of membership benefits including help to buy your first home.

KiwiSaver has two features to help you buy your first home. The KiwiSaver first-home deposit subsidy, and the KiwiSaver first-home withdrawal. Both of these features can also be used to help buy land to build a house on. Members of complying funds and exempt employer schemes may also be eligible.

KiwiSaver first-home deposit subsidy

The deposit subsidy is a payment of \$1,000 for each year of contributing to KiwiSaver up to a maximum of \$5,000, after you have contributed for five years.

You need to have contributed to KiwiSaver for a minimum of three years to be eligible:

- 3 years of contributing = \$3,000 (the minimum you can get)
- 4 years of contributing = \$4,000
- 5 years of contributing = \$5,000 (the maximum you can get)

If you live in the house you have bought for six months, the subsidy is yours to keep. If you move out before six months, you will be required to pay the subsidy back.

There are certain eligibility criteria to meet including household income, your minimum contributions to KiwiSaver and the price of the house you wish to buy. For more information on the deposit subsidy call **0508 935 266** or visit www.hnzc.co.nz/kiwisaver

KiwiSaver first-home withdrawal

After three years of contributing to KiwiSaver you may be able to withdraw all, or part, of your savings to put towards buying your first home.

Government contributions including the \$1,000 kick-start when you first join are not paid out in the first-home withdrawal.

If you are a first-home buyer, please contact your KiwiSaver or complying fund provider to apply.

If you have owned a home before but in a similar financial position to a first-home buyer, you may still be eligible for the first-home withdrawal. Housing New Zealand will determine this before you apply to your scheme provider.

For more information on the first-home withdrawal call **0508 935 266** or visit www.hnzc.co.nz/kiwisaver



TENANT HOME OWNERSHIP

The tenant home ownership programme gives Housing New Zealand tenants in eligible properties the option to buy their home. Please note that this is available only to current tenants of Housing New Zealand homes and if the home meets certain criteria. If you currently live in a Housing New Zealand home, you will need to check with Housing New Zealand to see if your home is available to buy.

If your home is available for sale, it will be sold to you at the current market valuation. This will be determined by a market valuation of the property from a registered valuer. You will need to secure finance from a lender and likely have a deposit of

around 20 percent of the sale price. However, you may be eligible for a Welcome Home Loan, see earlier in this booklet for more details.

It is important to note that buying your state house will affect your ability to apply for a state house for three years from the date of purchase. This is very important should you decide to reapply for state housing during that time.

If you are a Housing New Zealand tenant and are interested in buying your home, talk to your tenancy manager to see if your home may be eligible for sale and how to proceed. Or visit our website www.hnzc.co.nz

KĀINGA WHENUA

If you have a right to live on multiple-owned Māori land, a Kāinga Whenua loan allows you to build, purchase or relocate a house to that land.

The loan is provided by Kiwibank and Housing New Zealand insures the loan so that Kiwibank can lend to you.

With a Kāinga Whenua loan, Kiwibank can lend 100 percent of the house building costs or the purchase price of the house, up to \$200,000, subject to certain conditions. No deposit is required for a loan below \$200,000.

You will need to meet their lending criteria as well as Kāinga Whenua eligibility criteria.

To be eligible, you can have a combined household income of up to \$85,000 (before tax) if there are one or two income earners.

A multi-borrower option is available with Kāinga Whenua that allows three or more borrowers in a single household to apply for the loan. Multi-borrowers can earn up to \$120,000.

To find out more call free **0508 935 266** or visit www.hnzc.co.nz



COMMON WORDS

When you're a first time buyer, there are lots of words you may hear.

A Body Corporate	Relevant if you're buying a town house or apartment and the title is a 'unit title'. The Body Corporate is a management company that makes arrangements for maintenance of common areas and helps resolve any disputes. A Body Corporate Levy will normally be charged to cover things like maintenance.
Certificate of Title (CT) (also known as Computer Freehold Register)	This is held at Land Information New Zealand (LINZ) and records all the legal interests in the land. When you buy, your lawyer will register a transfer of the land to you and your name will be recorded as the owner on the Certificate of Title.
Chattels	The items in a house that will come as part of the sale.
Commission	The fee the seller pays the real estate agent when the house sale goes ahead.
Conditional agreement	An agreement that is subject to conditions. You should discuss these with your lawyer.
Cross lease title	A form of ownership that often applies to town houses and flats. All the owners have a share in the ownership of the land, but have a lease of the town house or flat they live in and (often) exclusive rights to use specific pieces of land or a garage.
Easement	An easement is a right someone else has to use your property for a particular purpose. Some easements give another person the right to use a drain on your property. Your lawyer should tell you if there are any easements on the title and what these mean.
Equity	If the value of your home is greater than the amount of your loan, the difference between the two is referred to as 'your equity' in the home.
Fixtures and fittings	Items attached to a house which are legally considered to be part of it. When the seller leaves the house, unless you have agreed, they cannot remove fixtures and fittings. Light fittings are not regarded as fixtures, but a built-in firebox may be. If an item in the house is not on the chattel list and you expect it to come with the house, make sure it is a fixture and fitting before you sign the agreement.
Freehold	Ownership of the land and the house with virtually no restrictions on your ownership rights, apart from those covered by laws or regulations.
Government Valuation (GV)	Refer to Rateable Valuation.
Home loan agreement	The agreement that outlines what money the lender will lend you, the interest rate and type applicable, what the repayments are, and how often they are made.
Instalments	Weekly, fortnightly or monthly payments of principal and/or interest off your loan.
Insurance certificate	A certificate issued by your insurer that confirms the assets you have covered and the maximum amount that can be paid out in the event of a loss.

Interest	The amount the lender charges you for lending you the money. It's a percentage of the amount you actually borrow. There are different methods of calculating the interest rate on a mortgage
Fixed interest rate	The interest rate and repayment amount are fixed for a set period. This means you know how much you need to repay at each instalment in the fixed period.
Floating interest rate (sometimes called Variable)	The interest rate goes up and down depending on market conditions. Your loan repayments may also alter as the interest rate changes.
Land registration fee	The charge payable to Land Information New Zealand to record the transfer of the land to you.
Land Information Memorandum	The document you can get from the council that tells you the information they hold about the property.
LINZ	Land Information New Zealand is the government department that holds the land registration records.
Legally binding	Can be enforced by law.
Market value	The price a home is likely to sell for.
Mortgage	The legal document that allows the lender to sell the property to recover the loan. The term can also mean a loan to buy a house.
Mortgagee	The organisation that lends you the money.
Mortgagor	You. The person who has borrowed the money.
Principal	The initial amount you borrow.
Rateable Valuation (RV)	The council's estimated value of your property. The council uses this value to work out the rates on the property.
Rates	Fees you pay to the council for services, for example rubbish collection.
Right of way	If you share a driveway with a neighbouring property, then the rights to do this are called a 'right of way'. It means that either you have the right to cross over neighbouring land to get access to your property, or another person has a right to cross over your land to access theirs.
Sale and Purchase Agreement	The legal document that records the agreement to sell and buy a house. It is legally binding when signed by the buyer and seller.
Settlement date	The day that money transfers from the buyer to the seller and the home actually becomes the buyer's.
Table loan	The repayments remain the same for the life of the loan (assuming there is no change to the interest rate). At the start, most of each repayment is interest and, near the end, you're mostly repaying principal. This is the most common option.
Unconditional agreement	A legally binding agreement that has no conditions.

To find out more about how Housing New Zealand can help you get into your first home, call **0508 935 266** or visit **www.hnzc.co.nz**.



The information in this brochure is general information only intended to help understand the home buying process and initiatives Housing New Zealand may offer and is indicative only. All reasonable steps have been taken to ensure the quality and accuracy of the information contained in this brochure. Eligibility criteria or other policies applicable to any initiatives 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.

New Zealand Government

Housing New Zealand
Housing New Zealand Corporation