



# First home buyers' guide.

Helps bring your first home closer.





# 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 most Kiwis 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, whether property prices really double every 10 years, and information on different home loan options.

We've included stories about homebuyers in different situations which 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 NZ Homeownership team

This information is a guide only and does not take into account your personal financial situation or goals. It is recommended you seek professional advice from your accountant, tax, legal or other professional adviser before making any decisions or acquiring any financial products.

**Westpac New Zealand Limited.**

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# Why buy a house?

Buying your first house is one of life's major milestones – no more landlord, no more property manager, no more rent rises. 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:

- The landlord can't kick you out. That means 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 some certainty about your outgoings
- By making your home loan a priority, every time you pay it off you reduce your debt and boost your wealth – it's a way of forcing yourself to save money for your future
- 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. And 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.

Overall, though, if you can afford to buy a home it is generally a good financial move: it gives you stability and in the long term its value will usually increase. 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.

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**Saving for  
a deposit.**

# Saving for a deposit.

The price you pay for your first home is 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, although it's also 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 it back over a number of years. 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?

## Pulling a deposit together.

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



Personal savings

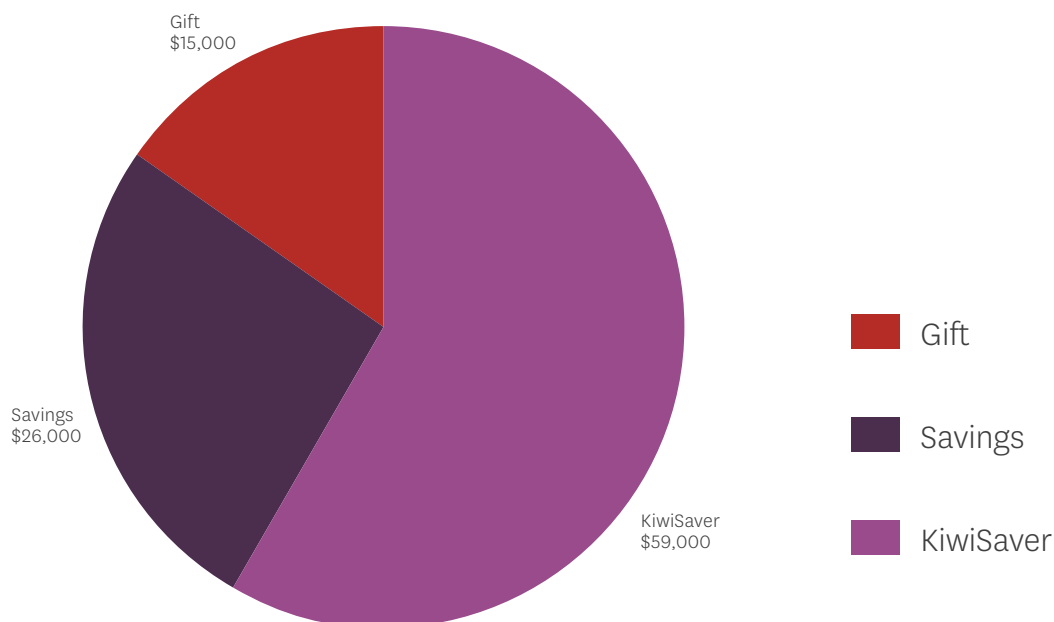


Money withdrawn from your KiwiSaver account



Gifts or loans from family members

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



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.



Go to the Westpac First Home Buyers' Hub to do your calculations: [westpac.co.nz/fhb-hub](https://westpac.co.nz/fhb-hub)

- **How much could you potentially borrow?**
- **What might your mortgage repayments be?**
- **How fast can you grow your savings?**

Go to the Housing NZ website to find out: [hnzc.co.nz](https://hnzc.co.nz)

- **Are you eligible for a KiwiSaver HomeStart grant?**

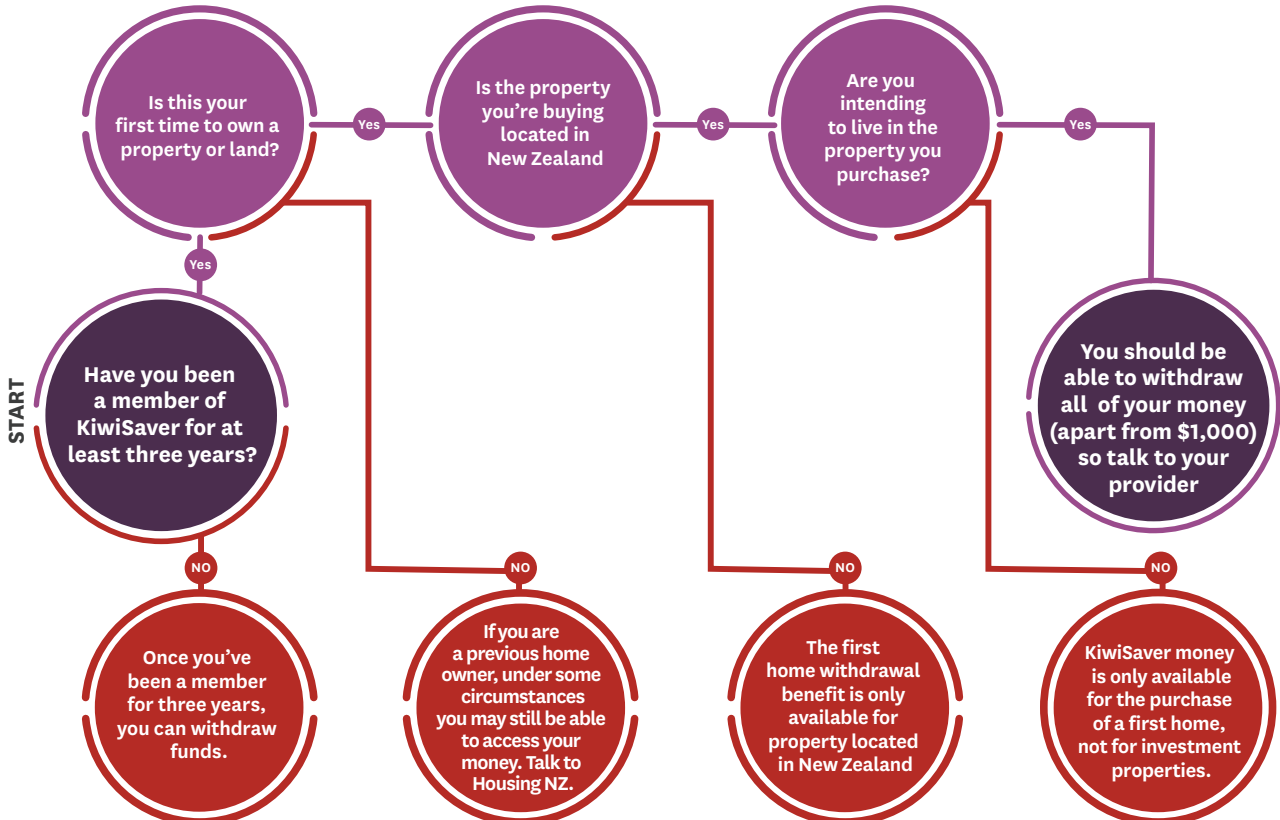
## Running your numbers

## Personal savings.

Putting away a chunk of your income regularly not only takes you closer to a 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 where you're less tempted to withdraw it. If you put it into a HomeSaver account, for instance, you earn bonus monthly returns if you regularly put money in and don't make any withdrawals.
- 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 can 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 the **KiwiSaver Retirement Calculator** - [westpac.co.nz/kiwisaver/calculators](https://westpac.co.nz/kiwisaver/calculators)

## Westpac HomeSaver.

Westpac HomeSaver is a special savings and home loan package, designed to help you fast track your savings towards your first home. You could get a first home booster, preferential treatment for low deposit home loans and a great interest rate.

### With Westpac HomeSaver you can:

- Receive dedicated coaching throughout your home savings journey
- Go on to get a \$1,000 first home booster (per property) to help set up your home when you draw down a Westpac home loan
- Get preferential treatment for low deposit home loans
- Earn bonus monthly returns when you make regular deposits

Refer to the Westpac HomeSaver website for more information - [westpac.co.nz/homesaver](https://westpac.co.nz/homesaver)

## KiwiSaver HomeStart grants.

A HomeStart grant can provide a lump sum of between \$3,000 and \$10,000 to assist you into your first home. Eligible first home buyers can get up to \$5,000 each for an existing house or up to \$10,000 each for a new build.

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 Housing NZ website [hnzc.co.nz](https://hnzc.co.nz).

### House price caps around New Zealand

Auckland  
\$600,000-\$650,000

Hamilton City, Tauranga City, Western Bay of Plenty District, Kapiti Coast District, Porirua City, Upper Hutt City, Hutt City, Wellington City, Tasman District, Nelson City, Waimakariri District, Christchurch City, Selwyn District, Queenstown Lakes District  
\$500,000-\$550,000

Rest of New Zealand  
\$400,000-\$500,000

## 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:

- **Family Springboard.** Your parents or other family members may be able to use the equity in their home to get your deposit up to 20% 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 deposit. They don’t need to give you any cash.

- **Being a guarantor.** As an alternative, your family can provide a guarantee over your loan if you have little or no deposit. This 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.



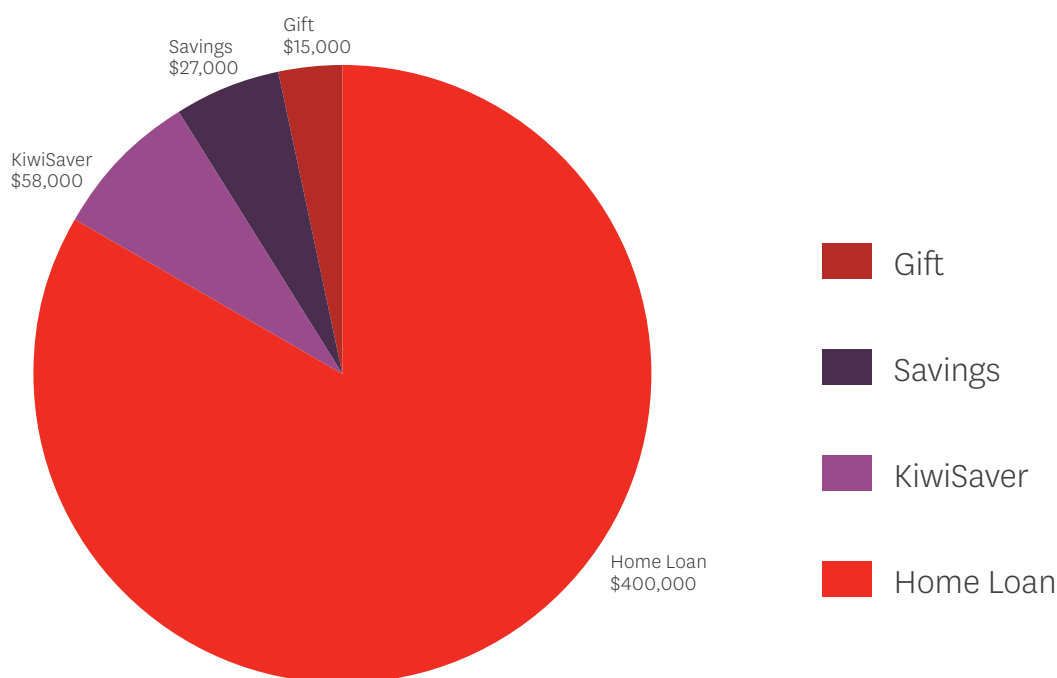
The background is a solid red color. A large, white, stylized 'X' shape is overlaid on the background, extending from the top-left to the bottom-right and from the top-right to the bottom-left. The 'X' is formed by two overlapping, rounded rectangular shapes.

**How much  
can you  
afford to  
borrow?**

## 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 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:

- What is your overall financial position?
- How much money do you have available to put towards repayments?
- Are there indications that your income is reliable and likely to continue?
- 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 it 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 include:

- Showing that you can save regularly each pay period.
- Getting rid of debt like hire purchases or rent-to-buy items. Also try to clear any other high-interest debt as it is expensive and it 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 insurance to Netflix and My Food Bag. 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 can damage your credit record. Clearing this will help smooth out your path to a home loan. Visit [creditsimple.co.nz](https://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 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. Don't stretch yourself to breaking point with your home loan repayments.

## 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 get an agreement drawn up that makes the ownership arrangement very clear – and understand that you will all be jointly liable for the mortgage.

The 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. Income from boarders won't be taken into account by our home ownership team for your home loan approval, but it can be a boost when you need it.

## 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, 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.

**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 on that specific house with confidence.

### **Online application – conditional approval.**

If you fill out our online application form you could be conditionally approved, based on the information you provide us. However this approval is conditional on you supplying us with further documents and information that we need – see **page 18** for details.



## What your repayments will look like?

The most common type of home loan is a table loan; 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.

The repayments come out in two separate chunks so you can see how much you're paying on each part of your home loan.

With this type of loan your earliest repayments will consist of a small amount of principal and a relatively large chunk of interest. It looks quite alarming to see that after one year you've made significant repayments but your loan isn't that much smaller. Bear in mind that this relationship flips around as you gradually pay off your loan – at the end of your loan period, the repayments will be mostly principal and very little interest.

## '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.

Our Home Ownership team understands the difference between these two types of debt, so while consumer debt has a significant negative impact on your ability to borrow for a home, a student loan has only a modest negative impact. You should prioritise paying off consumer debt before your student loan.



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**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 you could be conditionally approved for your home loan within a few minutes. We will then be in touch to finalise your application and discuss the supporting documents that we need.

## Further supporting documents and information we may need from you are :

- 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) 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/home-loans](https://westpac.co.nz/home-loans)**

## Paying a low equity margin.

If you borrow more than 80% of your home's value, you will need to pay a low equity margin. That's an extra cost to offset the additional risk to the lender when you borrow at a high loan-to-value ratio (LVR). The margin is scaled to be higher if you borrow a higher proportion of your home's value – if you borrow 90% of the value of the house, your low equity margin will be higher than if you borrow 83%.

The good news is that it's not too difficult to remove your low equity margin when the value of your home increases. That might be because all the houses in your area have gone up in value, or maybe you've done

some renovations and bumped up the value of your house. All you need to do is get a registered valuation showing your LVR is now at 80% or less and the low equity margin will be removed from your repayments on a floating loan; fixed loans will have the low equity margin removed when the fixed term expires.

## Insurance.

Having home insurance is a condition of your home loan. It covers you in case something happens to your house, such as a fire. It's also a good idea to have contents insurance, to protect your belongings.

You may also wish to consider life insurance, income protection or home loan repayment insurance. Each one protects you against outcomes that could put your newly-bought home ownership at risk. Check out the insurance section on the Westpac website for more information [westpac.co.nz/insurance](https://westpac.co.nz/insurance)

## 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% 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 themselves. 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.



The background is a solid red color with two large, overlapping, curved shapes that create a sense of depth and movement. One shape is a lighter shade of red and curves from the top left towards the center. The other is a darker shade of red and curves from the top right towards the center. The text is positioned on the left side of the image, overlapping the lighter red shape.

# **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 depending on the floating interest rate. You don't have any set rate and it may be different each month. 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 break 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
- Some flexibility: You can increase your payments by up to 20% of the initial set repayment amount or decrease down to the minimum repayment amount without incurring break costs

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

## The advantages of floating.

### Floating loans give you flexibility:

- No-penalty repayment: you can increase your regular repayments or pay lump sums off your loan when you have extra money. There are no break fees to pay (the price of getting out of a fixed term), so you could potentially pay off your loan more quickly.
- The ability to choose an offset account: you can offset the balances of your savings accounts against your home loan to reduce the amount of interest you pay.

- The possibility of using a revolving credit facility: this lets you actively manage your finances in one account by combining your home loan and transactions in one, helping you to reduce your interest payments. 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 know what the bulk of your repayment will be. 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 revolving credit or use an offset loan.

Don't forget, you can contact a Westpac home loan specialist on **0800 177 277** at any time to talk through your options.



## Revolving credit.

Choices Everyday Floating is a revolving credit facility with your home loan and everyday banking 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.

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.

## Offset home loan.

Choices Offset gives you the ability to use the balance of your eligible Westpac transaction and savings accounts to offset 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 could change



## 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 Offset floating 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?

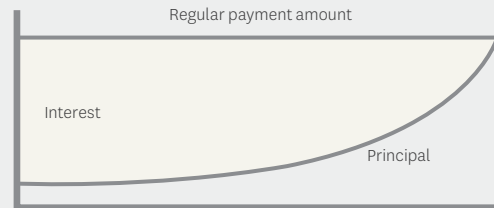
It's common to choose the maximum timeframe of 30 years for your loan, because this reduces the amount of each repayment. However, the longer you take to pay back your loan, the more you will pay in total interest. Reducing the term of your home loan could save you thousands or tens of thousands of dollars.

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

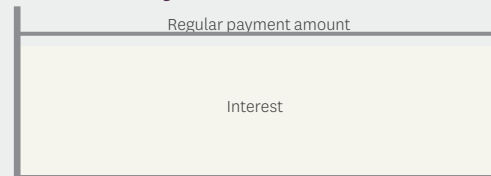
There are four types of loan repayments:

### Table loan.



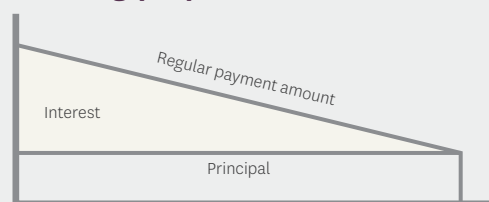
A table loan. This is the most common type of repayment. Your regular payments are reliably the same unless the interest rate changes.

### Interest Only loan.



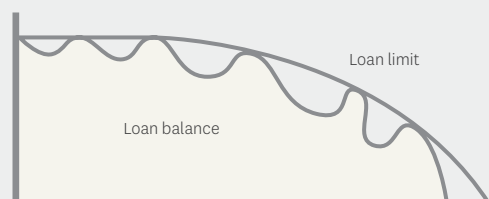
An interest only loan. The principal never reduces, and you continue to owe the same amount.

### Reducing (flat) loan.



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

### Revolving Credit loan.



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

## **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 mid-thirties, 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% 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.

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 and remove it 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 floating on a Choices 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% interest rate).

Anna and Roy's home is on a 600m<sup>2</sup> 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.



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# **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	Push prices up	Drive prices down
<b>Location</b>	<ul style="list-style-type: none"> <li>• Closer to town or transport links</li> <li>• Sought-after school zones</li> <li>• High-value suburbs</li> <li>• Low crime rate</li> <li>• Larger city with more amenities</li> <li>• Lots of employment opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Further from the city centre and public transport</li> <li>• Less sought-after school zones</li> <li>• Lower value suburbs</li> <li>• High crime rate</li> <li>• Smaller town with fewer amenities</li> <li>• Few job opportunities</li> </ul>
<b>Type of house</b>	<ul style="list-style-type: none"> <li>• Newer, more energy efficient home</li> <li>• A home that's ready to move into</li> <li>• A larger house with more bedrooms and bathrooms</li> <li>• An attractive character home</li> <li>• A home with better design and presentation</li> </ul>	<ul style="list-style-type: none"> <li>• Older, high-maintenance home</li> <li>• A home that needs renovating to bring it up to date</li> <li>• A smaller home or apartment</li> <li>• A home with less street appeal</li> <li>• Clutter, dirt and poor design</li> <li>• Weather tightness problems (leaky homes)</li> </ul>
<b>Section</b>	<ul style="list-style-type: none"> <li>• A subdividable section</li> <li>• A large garden</li> <li>• A landscaped low-maintenance garden</li> </ul>	<ul style="list-style-type: none"> <li>• An overrun, poorly maintained garden</li> <li>• No garden or outdoor living space</li> </ul>
<b>Title</b>	<ul style="list-style-type: none"> <li>• Freehold fee simple title</li> <li>• All work on the property has been consented</li> </ul>	<ul style="list-style-type: none"> <li>• Cross lease title</li> <li>• Unit title</li> <li>• Unconsented work</li> </ul>

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 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 can 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 likely 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:

- 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:

- Usually 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’ll also need contents cover, as well as potentially insuring your life, income and home loan repayments. Visit [westpac.co.nz/insurance/house/](https://westpac.co.nz/insurance/house/) 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. 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.

## **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 HomeStart 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<sup>2</sup> 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 \$75,000 and knew that servicing a large home loan would be impossible. Their combined income of \$150,000 put them above the income cap for a KiwiSaver HomeStart 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<sup>2</sup> 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.

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**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.**

Sale by tender is particularly popular in Wellington, although you also see it in other parts of New Zealand. 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 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.

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 the balance on the deposit

### **Unconditional offers.**

An 'unconditional' offer, also known as a 'clean' offer, is one where the buyer is ready to go – 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 \$50,000 she needed to make up the 20% deposit. The remainder of the loan was \$400,000 on a Choices Fixed loan.

## **A clean 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 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 Kaitaia 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. You can still have a happy and comfortable retirement without owning a home, provided you make smart decisions about money most of the time (none of us can manage it all the time).

By continuing to make sensible financial choices, you should be able to find a path to home ownership at some point. It might be that you buy a property in a more affordable area, rent it out and continue to be a tenant yourself. You might ultimately move to a more affordable area yourself. 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.



## For more information.

 [westpac.co.nz/fhb-hub](https://westpac.co.nz/fhb-hub)

 **Westpac MMM**

 [westpac.co.nz/findus](https://westpac.co.nz/findus)

 **0800 177 277**



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Westpac's current home loan lending criteria and terms and conditions apply. An establishment charge may apply. If you are applying for a mortgage with a low equity (i.e. your deposit is less than 20%), an additional interest margin may apply of between 0.25% to 1.5% per annum depending on your level of equity.

An additional fee or higher interest rate may apply to loans if the application is accepted but does not meet the standard lending criteria.

Choices Offset is only available on a Choices Floating home loan. A Westpac Welcome Home Loan can only be used for the purchase of owner-occupied properties. Income caps and regional loan caps apply. A lender's mortgage premium applies. Current Welcome Home Loan and Westpac's home loan criteria and terms and conditions apply. An establishment fee may apply.

Terms, conditions, fees and charges apply to Westpac transaction and savings accounts. You can get a copy of the current Disclosure Statement for Westpac New Zealand Limited from any Westpac branch in New Zealand free of charge. The KiwiSaver information in this brochure is subject to changes in government policy and law, and changes to the Westpac KiwiSaver Scheme, from time to time.

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