Loan Market™

5 steps to doing your first **home loan** right.

Everything you need to know.

Life is full of **firsts.**

First pet, bestie, car, kiss, job, mortgage
- some easier than others.

Do your first time right. Do your first **home loan** right.

You're only five steps from everything you need to know:

1. Nail your deposit and budget
2. Navigate the loan process
3. Get the right loan
4. Understand industry jargon - the loan cheat sheet
5. Find your dream home

Excited to learn how to make it happen?

1 Nail your deposit and **budget.**

Money, money, money...

Buying a home can be hard. And unless you're a rock star, Insta-famous, or about to marry into the Royal family, it means going without some things now, so that down the track you're better off.

Getting a deposit together

Despite the Reserve Bank's LVR (Loan to Value Restrictions), you don't always need 20% deposit. Most lenders want you to have some skin in the game, usually at least 10% of the total house price before they'll consider giving you a loan. For example, if you're buying a house worth $500,000, you'll need to find at least $50,000 up front. Saving and budgeting is part of buying a home but there's "old fashioned saving" and "non-genuine saving." Here's a few ways to get a deposit together that you might not have thought about.

KiwiSaver

This can totally help get you into your new home. While you can't take out the $1,000 government kick start, you may be eligible to access yours and your employers contributions along with any tax credits to help you pull together a deposit. Like anything, there is criteria to meet, including having been in KiwiSaver for a minimum of three years making at least the minimum contributions just to name a few.

Handy hint,

you're probably defaulted to just 3% of your income when contributing to your KiwiSaver fund. Did you know you can increase that to 8%? Imagine the power of that plus your employer's 3%, meaning the equivalent of 11% of your income could be going toward a potential deposit each year.

HomeStart grant

The HomeStart grant means eligible first home buyers can nab a sum of up to $5,000 for individuals and up to $10,000 for couples to put towards a deposit on an existing house and double that for a new build. There are value thresholds which differ by region, along with income limits and some other fine print to go through so check your eligibility.

Welcome Home Loan

The government sponsored Welcome Home Loan is available through approved banks and provides up to 90% finance to buy your first home. Not all banks have access to the Welcome Home Loan so check in with your Loan Market adviser to sort for you. Again there are thresholds for values, income, personal debt and conditions around employment and credit history.

Chat with your Loan Market adviser and check out what's possible where you live.

Please note there is a second chance option for KiwiSaver grant and Welcome Home Loan for buyers in a similar financial position to qualifying first home buyers.

Guarantors

A guarantor can be your parents, in-laws, step-parents, grandparents or siblings. They must own a certain amount of their own property (their equity) which effectively becomes a guarantee for your deposit.

The other viable option is for parents or family to lend or gift part of your deposit to help meet the required minimum, but acting as guarantor allows them to support you without actually having to hand over any of their "hard earned" cash up front.

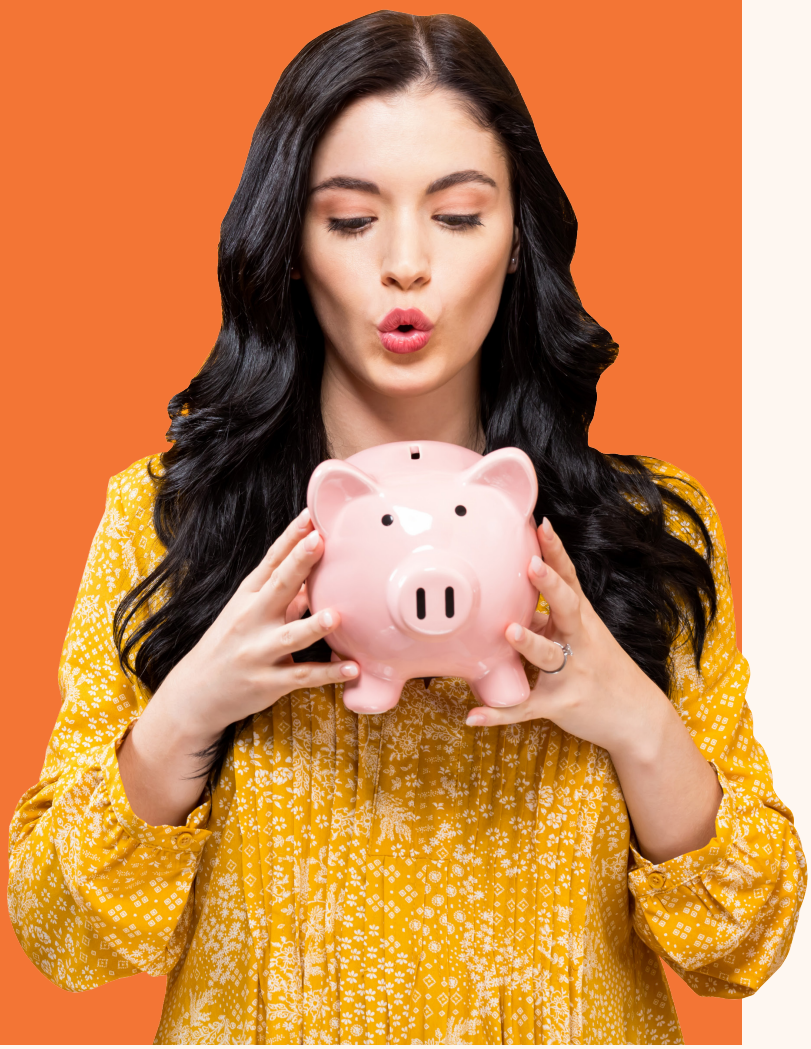
Good old fashion saving

Lenders (banks and institutions) love this stuff. If regular savings have been in your account for at least three months, it shows them you have a pattern of managing your money responsibly. People have been doing it forever and it's not hard.

Firstly, set a budget and stick to it. Work out how much money you earn and then, for a month, record your living expenses so you know your spending habits. Factor in presents, bills, general living and treats. Set up a savings account and make sure you commit to putting a certain amount in it each week and do not touch it. Spend only what is left. It will get easier as you adjust to spending less.

Tips for spending less

- **Shop from your kitchen.** Forget buying work lunches and organise lunch the night before. An average lunch costs $12, that's $60 a week. You'll potentially save around $2,880 a year.
- **DIY coffee or tea if you're game.** Drink the stuff they provide free at work. With savings of $25-$50 a week (depending on your current habit), who really needs "the perfect latte"?
- **Choose now to save the planet.** Turn lights off when you leave a room, don't leave electrical items on stand-by, and rug up or strip down so you use and pay for less heating or cooling.



Number crunch - can I make a deposit happen?

Check out this example:

You are single and live in Auckland earning $80,000 a year as a full time employee.

You have your eye on a new house and land package for around $650,000.

You'll need $65,000 if you want to have a 10% deposit.*

You've saved $20,000 and are eligible for a HomeStart grant of $10,000.

You are also eligible to withdraw money from your KiwiSaver up to $20,000.

Your parents go guarantor for the remaining $15,000.

You have your deposit of

$65,000

We have a selection of handy home loan and budget calculators available to help you on your way. Visit **www.loanmarket.co.nz/calculators.**

Interest only is not always available, especially if you have less than a 20% deposit.

2 Navigate the loan process.

Getting a deposit together is a great first step. But between then, and when you're hanging photos on walls, there are more hills to climb. We've broken down the process into eight steps.

1. Chat with your adviser
Here we'll nut out your financial and lifestyle goals and what you can reasonably borrow. We'll then hunt through our panel of lenders to find a loan best suited to your needs. You get on with life, while we do the work.

2. Create a game plan
Your adviser will get back to you in a few days with loan options to consider. Once you've chosen one, your adviser gets to work preparing and submitting a pre-approval application.

3. Get the green light (pre-approval)
If everything goes well, you'll get pre-approval in a few days. It usually lasts for three months and gives you a clear idea of what you can spend - yay!

4. Organise a solicitor
You should think about getting a solicitor on your side. They'll take care of the property transfer process; including completing checks on the property and council reports.

5. Bring on the house hunt
We know you've looked already… but this is where the fun officially starts. Now you know how much you can spend, you can search online, visit open homes and attend auctions feeling like a pro.

What is pre-approval?

Pre-approval is when a lender has looked at your finances and is satisfied you could pay off the type of loan you applied for. It basically means you:

- Know what you can spend
- Can make an offer on a property
- Know what your loan repayments will be

6. Make an offer

Once you've decided on a property, it's smart to get a building inspection. They cost around $600 but, if it means the house you buy has no major defects or other problems, it's money well spent. Contact a Loan Market adviser and we can get the property approved by the bank as acceptable to them.

With everything in order, it's time to make an offer! There are two types:

- An **unconditional offer** is an outright offer to buy the property, according to the terms set out in the purchase agreement (unconditional offers are the only choice at auctions).

- A **conditional offer** is when your offer to buy has conditions attached—you get to decide the conditions and they could be things like being satisfied with a building report, subject to Land Information Memorandum (LIM) report or having the current owner fix a broken door.

7. Let's make it official (formal approval)

You've found the place. And you got it! Now all that's left is the paperwork – and your adviser can help sort all that out. During this part of the process we will negotiate with the bank to secure you a competitive interest rate and contributions toward your professional costs incurred. We will then arrange an appointment to ensure the mortgage is structured and set up just the way you want it.

8. Settlement - one of the best days ever!

Get ready to pop the champagne – the property is almost yours. In this final stage, your adviser will organise settlement with your solicitor and the lender, as per the date on the contract of sale.

Pick up the keys.
It's celebration time!

3 Get the right loan.

You're going to want an adviser on your side when it comes to getting a loan. For more than two decades we've been helping kiwis find the right loan from New Zealand's widest range of leading banks and lenders. A Loan Market adviser will negotiate with them on your behalf to find the right loan for your situation.

Negotiate and save

There's plenty of options and product features that come with different loans; offset accounts, redraw facilities, fixed and variable rates. We've got your back. A Loan Market adviser can access home loan offers, talk you through them and negotiate a competitive deal.

We look to save you in interest payments and fees by finding the right loan and repayment structure for you.

4 Understand industry jargon - the **loan cheat sheet.**

Selecting a home loan can feel daunting. You'd think a loan was a loan, wouldn't you? But there's a surprising number of variations. It's worth running your eye over our little cheat sheet.

Variable rate loan:

The interest rate varies over the life of the loan. If interest rates rise, you pay more, and vice versa. If this sounds a bit scary don't worry you can change to a fixed rate at any time.

Fixed rate loan:

Your interest rate is fixed for a set period from six months up to five years and your repayments won't increase during the fixed term. Just remember though if interest rates go down you won't get the benefit until after your fixed term ends.

Split loan:

You're able to fix part of your loan, and leave the rest variable. It's like the best of both worlds.

Construction loan:

If you want to build a home, this could be the loan for you. You get the money you're being loaned in instalments (drawdowns), as you need it for construction. Interest is only charged on the amount you've drawn down, so you pay less at the start. Even better, these loans are often interest-only for the first year while the build is underway.

There are some tricks you can use along the way to try to pay off your loan quicker, or take the financial pressure off.

Offset account:

Uses your savings to help cut down the interest you pay. Your savings and your credit accounts are linked – and instead of earning interest, your savings are subtracted from your mortgage balance and boom you're paying interest on a lower amount.

Redraw facility:

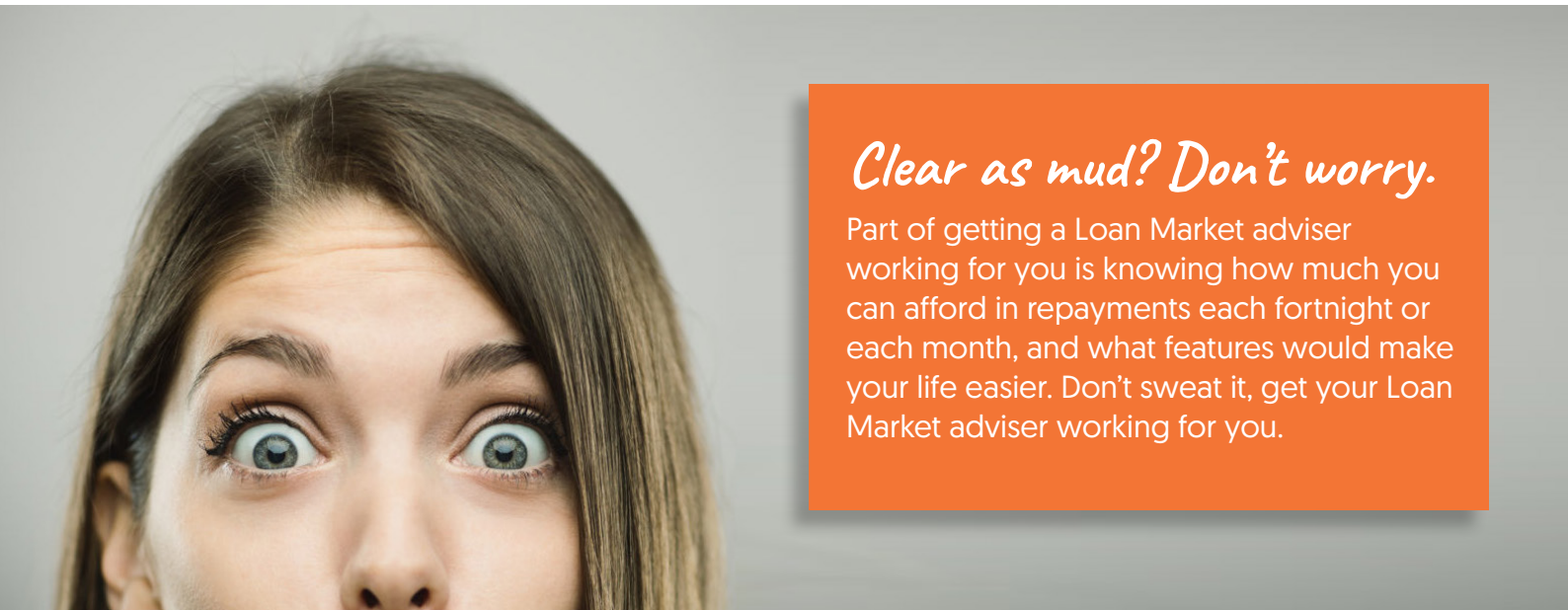
This allows you to make extra payments whenever you want, but also take the extra out if you find yourself in a pickle and need cash urgently.

Additional repayments:

Making additional repayments throughout your loan term could potentially save you thousands of dollars in interest.

Interest-only repayments:

You can reduce your monthly loan repayments by only paying the interest. This can seem like a good idea in the short term but it means you're not making progress toward paying off your home loan principal, aka everything you owe.



Clear as mud? Don't worry.

Part of getting a Loan Market adviser working for you is knowing how much you can afford in repayments each fortnight or each month, and what features would make your life easier. Don't sweat it, get your Loan Market adviser working for you.

5 Find your dream home.

Whether it's your dream home, or the dream you can afford right now, owning is a big but exciting commitment.

Once you've set a budget and know roughly where you'll buy, find out the future plans for your suburb, and then decide on the type of property you want. These three factors might affect the longer term value, so here's the lowdown on the pros and cons...

BUYING A HOUSE vs BUYING AN APARTMENT

BUYING A HOUSE

+ Often in suburban areas; have potential to grow in value
+ Scope to improve value and appeal through renovations, additions, and landscaping

- Cost more to buy and you are responsible for all repair costs
- Council rates can often be higher
- Insurance may be more due to size and security requirements

BUYING AN APARTMENT

+ Often cheaper to buy; and the smaller size means less space to maintain and furnish
+ Owners often share repair costs so it can be cheaper
+ You could get lucky and have shared facilities like a gym, pool, or garden

- Older units or buildings can incur high maintenance costs
- Body corporates may limit renovations and additions
- There may be body corporate fees

BUYING NEW OR BUILDING vs BUYING EXISTING

BUYING NEW OR BUILDING

+ Immediate repairs shouldn't be needed
+ You might qualify for a bigger HomeStart Grant
+ You are exempt from LVR's and might need less of a deposit

- If you buy off the plan you might not get exactly what you hoped for
- Newer properties can cost more than established or older ones

BUYING EXISTING

+ Maybe cheaper than new properties
+ You can renovate to create your dream home

- It could require immediate repairs or upgrades if it's very old
- May qualify for a lower level of HomeStart grant
- LVR's apply for bank lending

Property buying **checklist.**

What you should look for and consider when buying a home:

- ☐ Is this the suburb you want to live in?
- ☐ What are properties going for in the area?
- ☐ Does the house have enough rooms and parking spots to suit your needs?
- ☐ Is the neighbourhood noisy?
- ☐ Will the garden/backyard space suit your needs?
- ☐ What are the plans for properties around you? E.g. will apartments or roads be built?
- ☐ Have you inspected the property at least twice at different times of the day to check traffic, noise and sun exposure?
- ☐ Infrastructure - check out local schools, shops, transport, medical facilities, social and sports clubs

Once you have found possible properties ask yourself questions like:

- ☐ Why is the property on the market and how long has it been listed?
- ☐ Has the property had any recent alterations, are they legal and does it need any repairs?
- ☐ Does the building have structural issues; including, plumbing, wiring, dampness, or earthquake damage?
- ☐ Is the property at risk of flooding or natural disasters?
- ☐ What's the government valuation and is it still relevant to the current value of the property?
- ☐ What does the certificate of title or LIM show? Are there any restrictions or rights on the property?

Don't forget to organise your finances first.

Loan Market is not a bank, nor is it owned by a bank.

Keeping the market competitive

Loan Market has one of the largest lending panels. It's our job to keep the market competitive for you and negotiate with all the lenders on your behalf.

We're in business for you

We come highly recommended with **9 out of 10** customers saying they would recommend Loan Market's service to family and friends. Meaning we're motivated by your customer experience.

Family take care of family

Loan Market has been helping New Zealander's find the right loan for their goals and importantly, each unique situation. We're a home grown company – still proudly family owned and operated.

We work for you.

An obsession with getting you approved.

The power to negotiate a competitive deal from a large panel of banks and lenders.

No cost – we're paid by the lender, not by you.

Make the right call.
Get a Loan Market adviser working for you.

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