



EFFORTLESS MORTGAGES AND INSURANCE

First Home Buyers Checklist

At Float, we want to make the process of buying your first home a breeze. So, we've put together this 'First Home Buyers Checklist' to make sure you're heading in the right direction.

Have a question? Get in touch with us today
www.floatmortgages.co.nz

How much deposit do you need?

If you are purchasing your first home to live in, ideally the bank will want you to contribute 20% of the property value as a deposit.

This means if you're buying a house worth \$500,000, you'd need a deposit of \$100,000.

If you haven't quite saved a 20% deposit, don't stress, there are lenders who may accept a deposit of less than 20%, sometimes as low as 5%.

This often entails additional costs, such as Lender's Mortgage Insurance (LMI) or Low Equity Margin (LEM). LMI can be capitalised on to your mortgage or paid upfront.

LEM is a percentage amount, typically between 0.25% and 1.5% per annum, that is added to the interest rate on your home loan. These fees are charged to cover the lender as they are taking on additional risk when lending over 80% of the property value.



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Where can I source my deposit?

Cash Savings/Liquid Assets (Such as Shares)

Setting aside a portion of your income not only brings you nearer to a substantial deposit but it also showcases to lenders that you have the commitment you'll need to maintain a home loan.

Kiwisaver

If you've been contributing to KiwiSaver for at least three years, you may be able to withdraw some or all of the balance (excluding the \$1,000 kick-start).

You must be buying your first home with the intent to live there (Not eligible for investment properties) or be a qualifying previous home owner.

Security Guarantee

Your parents can act as guarantors on your home loan. This may require them to provide their own property as security for your loan. They will need to meet affordability requirements and show they can repay the amount they are guaranteeing.

Instead of guaranteeing the full loan amount, they can guarantee a portion (e.g. 10%). This might be more appealing to parents as it means they'll likely be free from their guarantor obligations sooner.

Gifted Funds

You can use a cash gift from your parents (or in some cases other family members) as part of your deposit. However, they'll need to provide a gifting certificate confirming where the money came from & that there is no requirement to repay it.

Do you have funds available to cover additional costs?

Aside from the deposit, there are other costs you may need to cover during the buying process, such as legal fees, building inspections, and valuation fees.

On the flip side, most lenders offer a cash contribution incentive which means you will get a percentage of the loan amount back on settlement which can be used to cover the costs you incurred during the process.

Pre-approval vs. Live deals:

Pre-Approval

This is an acknowledgement from the lender that you can borrow an agreed amount, given the property you purchase meets the lender's criteria and general terms and conditions.

Pre-approvals are not property-specific and are good to have in place when searching for properties, so you have reasonable certainty of your purchasing power to narrow down your search. A pre-approval is typically valid for 90 days unless otherwise specified by the lender. The approval can usually be extended for another 90 days without a full application needing to be submitted.

Live Deals

Some lenders may not be able to provide you with a pre-approval upfront and will require a "Live Deal" before they will accept a loan application. This depends on specific lender's policies and available funding.

Instances where a "Live Deal" may be required: if you do not have your main banking with the lender or you have less than a 20% deposit. If the lender does require a live deal, this means you will need to have a property under contract conditional on finance being approved or an auction agreement. The approval is only valid for the specific property.

Other points to consider:

- If you are contributing a minimum of a 20% deposit you will be eligible for special interest rates and a more sizable cash contribution.
- If you are contributing less than a 20% deposit, lenders will require a registered valuation to be completed on the property prior to going unconditional on the purchase. This will come at your own cost.
- Further terms of sale is a key area to review of the sale and purchase agreement. This is where any special conditions will be noted such as unconsented works, which may affect your ability to get funding from a lender.
- Property insurance is a must. The insurance company will need to provide a quote confirming the insurance premium and that the property can be insured with no exclusions.

There are a lot of variables and moving parts when getting a mortgage to secure your first home. You don't have to navigate this journey alone; contact the team at Float today for expert advice.