



First home buyers guide

www.beyondmortgages.co.nz

Financial Advice
NEW ZEALAND



[Contents]

• Introduction	4
• Affordability	5
• Location and property type	6
• The purchase process	7
• Purchase costs	8
• Applying for a home loan	9
• Checklist of items required	10
• Finance costs	11
• Loan types and options	12
• The role of the solicitor	14
• Specialist home loans	15
• Insurance	16
• Why use a Mortgage Adviser	17
• Interest rates	18



[Introduction]

It's not a house you are buying, it is a home. For most of us, owning our own home is a goal we strive for. In this guide we try to help you turn your dream into a reality.

There is so much to think about when you look to make the step into home ownership. How much is it going to cost to purchase the home I want? Is this a good location to buy in? Above all, will we be happy here?

Your home loan is no different. Chances are it is going to be with you for a long time, so you need to ensure you receive expert advice.

At Beyond Mortgages we are here to assist you, not only by ensuring the purchase process happens efficiently, but to help in effectively managing your debt for the term of any loan(s) you require.

We can help you with any future financial requirements such as starting an investment portfolio, topping up your home loan to renovate, or re-fixing your interest rate(s).

[Affordability]

With so much to think about it is easy to get ahead of yourself, thinking about location and property type... DON'T.

The place to start is: Can you afford it?

Generally, you are restricted by two things; the deposit amount you have to contribute and your ability to meet the repayments on an ongoing basis.

Your repayment ability is critical. Don't be concerned about whether the lender thinks you can afford it, leave that to us. You should focus on whether you feel comfortable in your ability to meet the loan repayments now and in the future.

Prepare a household budget as it would be, including mortgage repayments for the loan size you want. Remember to take into account all living expenses, including rates, insurances (both household and personal), entertainment, potential emergencies and holidays. These are

all real items that will occur and you need to ensure that when they do you can still meet the repayments on your home loan.

While every lender is different in establishing their affordability criteria, as a rough guide you can apply the one third rule. Your total monthly loan repayments, including any personal loan or credit card payments, should not exceed one third of your gross monthly income (before tax). The amount you can borrow and hence spend on a property will dictate the property style and location.

Our advice is to obtain a pre-approval for a home loan before you start house shopping. That way you know exactly how much you can borrow and therefore the limit of your purchasing power.

Our advice is to obtain a
pre-approval for a home loan
before you start house shopping
So contact us!

[Location and property type]

Once you have established how much you can borrow you can then start shopping (the fun part). Try and visit a number of properties within your price range, to compare their value for money before setting your heart on one.

Make sure a property has the infrastructure around it you want/need, such as schools, transport, shopping, social, sports clubs, etc. What is the weather like in the area? Does the house get good sun late in the day or early, is it wind blown?

Try and take the emotion out of the house. This is often hard, but believe us it isn't the only house you will find! Emotion can be your enemy when buying a home as it can cloud your judgement.

Ask questions. Why is the current owner selling? Is the Rateable Valuation relevant? Often this is not the case as the Rateable Valuation is only a snap shot at a set point in time and is the figure that drives the rates payable on the house, it does not mean it is worth that figure.

What have similar properties in the area been going for? Shop around, ask your real estate agent. How much did this house sell for previously? And how long ago? For further reports and information we can refer you to a professional valuer.

Often recent improvements to a property look great, but make sure you check to see if the improvements had council consent. You can do this by having a (LIM) Land Information Memorandum report done; generally this is done by your solicitor. A LIM report shows consents and codes of compliance, rates owing, any problems with drainage, flooding or erosion. You can also obtain a short LIM report from your local council at minimal cost.

You should also get the certificate of title checked out. You need to understand the different ownership types that exist from freehold, to cross lease, unit title, company share or leasehold. The certificate of title will also highlight any covenants (restrictions) or easements (rights) on the property. Our advice is to always consult a solicitor in the matter of title.

Pre-approval costs
nothing and can easily
be renewed!

[The purchase process]

Remember the small point we made before? Always get your finance pre-approved; it effectively makes you a cash buyer. Pre-approval generally lasts for 120-180 days, costs nothing and can easily be renewed. Once pre-approved there are a few different methods of purchase you should be aware of.

The most common is **Offer and Negotiation**. A written offer is made on a sale and purchase agreement (normally through a real estate agent). It is unlikely the seller will accept your first offer if it is lower than the asking price. In most cases, negotiation results and counter-offers are made.

At **Auction**, you are bidding on an unconditional basis. This means you must do your homework prior to the Auction and complete builders reports, valuations etc, if required, prior to the Auction. Generally, a deposit of 10% is payable immediately after the Auction. If the property does not sell at Auction, it is 'passed in' and interested purchasers will have the opportunity to negotiate with the vendor.

With a **Tender**, you place your 'best' offer in writing to the vendor who receives all offers by a set date and chooses the one they like best (a bit like a blind auction). The vendor is not obliged to choose any tender made, and may pass the property in or negotiate with the highest offer. You can place conditions on your offer but be aware the more conditions the less likely your offer will succeed. It is advisable to meet as many conditions as possible prior to Tender to make your offer attractive to the vendor - but remember unconditional is SOLD! And once unconditional you are legally bound to buy the property, if the vendor accepts your offer.



[Purchase costs]

You need to be aware of all costs associated with buying a property. Take a note of the following categories and ensure you understand what costs are associated with each one.

We have indicated some likely expenses, but you should obtain legal advice in relation to the property you are looking to buy. Of course remember our service is FREE!

• A reapportionment of rates paid on the property	\$
• Household insurance, including contents	\$
• Solicitors costs	\$
• LIM and/or Certificate of Title searches	\$
• Valuation and/or Builders Report if required	\$
Mortgage Adviser	\$ Nil

Remember:
our service is
FREE!
99.9% of the time



[Applying for a home loan]

As we keep mentioning, where possible always get your finance pre-approved before you go searching for your house. While this may not be critical it certainly is advisable.

If you make an offer on a house before you arrange your finance always make sure you put a clause in the offer 'subject to satisfactory finance approval', generally you should allow 5-10 days for this clause to be satisfied. When applying for a home loan there are a number of steps that will occur, which are shown below in a chart that will take the mystery out of the process.

Event	Timing
Application for pre-approval completed with mortgage adviser	As required
Pre-approval received from lender	72 hours
Offer made on a property	As required
Conditions of approval met	Borrower to provide to adviser ASAP
Is a valuation report required?	As required
All conditions to lender for unconditional letter of offer	As soon as possible
Letter of offer sent back to lender and documents to solicitor or bank branch for signing	Adviser to send to lender immediately
Mortgage documents produced and sent to clients solicitor for signing	Within 72 hours of letter of offer being sent back to lender
Borrower executes Mortgage documents	As booked with solicitor
Settlement occurs and you move into house	As per Sale and Purchase agreement
Ongoing mortgage review with Beyond Mortgages	Anniversary of fixed rate term

[Checklist of items required]

When applying for a home loan there are some standard items you will be required to provide to us that will assist in the quick and efficient processing of your home loan application. Please prepare for your interview by collating the information below and bringing as much as possible.

1. Mortgage Application

Completed and signed mortgage application (contact us, download PDF from our website or apply direct online at www.beyondmortgages.co.nz)

2. Confirmation of income

Three consecutive pay slips, letter from employer or copies of the last two years accounts if self employed.

3. Proof of deposit/equity

Copies of last three consecutive months bank statements, share certificates, letter of gifted deposit etc.

4. Copies of the last three months transactional bank statements

If looking for finance with an institution where you currently have no accounts. Make sure the statements have running balances and your name on them.

5. Copies of the last six months mortgage statements

If looking to refinance from another financial institution.

6. Identification - copy of passport, drivers licence etc

If looking to arrange finance with an institution where you currently have no accounts.

7. Copy of the Trust Deed (fully signed)

If borrowing or security is to be in the name of a trust
(This may come at a later date).

8. Copy of the Certificate of Incorporation and Constitution

If borrowing or security is to be in the name of a company.
(This may come at a later date).

9. A fully signed copy of the Agreement of Sale and Purchase

Signed by both parties (if purchasing a new property). This may come at a later date.

[Finance costs]

There are some costs that will/may be associated with arranging your home loan as follows:

<ul style="list-style-type: none"> • Loan application fee 	Up to \$500 may be charged by the lender, however by applying through Beyond Mortgages this can be negotiated.
<ul style="list-style-type: none"> • Registered valuation fee 	If a valuation is required this will cost approximately \$600.
<ul style="list-style-type: none"> • Lenders mortgage insurance 	Cost depends on LVR (loan to value ratio) and amount of loan, talk to your adviser.

Please be aware that if Lenders Mortgage Insurance is required it does not provide the borrower with any form of insurance protection. It is enforced by the lender to allow them to lend you a higher than preferred LVR (loan to value ratio) on a property. This one off cost is generally capitalised on top of your home loan if you do not have the funds to pay for it up front and some lenders can charge this as a component of your Interest Rate. Ask your adviser for a more in depth explanation.



Be prepared
for you interview

[Loan types and options]

When applying for a home loan there are a number of different loan types to consider. We will meet with you to determine which one best suits your individual circumstances.

Principal and Interest

As the name suggests you are repaying both the principal amount borrowed and the interest charged. This is the most common type of loan taken out for an owner occupied home loan. The term can be anywhere up to 30 years with payments able to be made weekly, fortnightly or monthly to suit. As a general rule try to pay as much as you can in the early years of your loan (over and above your standard amount) as it will save you thousands in interest and reduce the overall term of your loan substantially!

Flexi Loans

This type of loan is worth exploring. They allow you to use your loan as a bank account whereby all income is direct credited into the home loan. You use a credit card (with up to 55 days interest free) for all household expenses, then repay that at the end of each month with a direct credit from your home loan to

clear the credit card in full. Consequently no interest is charged on your credit card, and your salary has offset your loan all month. Ask your adviser for further explanation and while this may sound like a good option it tends to only work well for people with surplus monthly income and spending discipline.

Interest Only

As the name suggests you are only paying the interest being charged to you. While the repayments will be less than a Principal and Interest loan this is not advisable to owner occupied purchasers as you will still owe the original amount of the loan borrowed at the end of the term.

Fixed Interest Rates

You can choose to fix the interest rate on your home loan for six months to five years at a time. The upside is that repayments cannot go up on you during the fixed interest rate period. The downside is that if interest rates go down and you have fixed your rate for a

longer period of time you are stuck paying the higher rate, while market variable rates can fluctuate. Be aware that there are some risks associated with fixing your rate for too long.

Variable Interest Rates

This means that your interest rate can go up and down as the economy changes. The downside is that rates can go upwards increasing your repayments. The upside is the reverse, that if interest rates fall so do your repayments. If on a variable rate you can ask to change to a fixed rate at any time with little or no cost. Ask your adviser for their advice at the time of applying for your home loan.

Combo Loans

You can also ask to have some of your loan on a fixed interest rate and some on a variable or flexi rate.

Make sure you can pay extra payments over and above the standard monthly

amount required and can redraw those extra payments made if you need to, (1-2 a year should be fine).

Take into account all fees associated with the loan when considering the best option, not just the interest rate. Look at the establishment fee, valuation fee, account keeping fee, portability fee, repayment holiday fee, discharge fee and fixed rate break fees.



[The role of the Solicitor]

The solicitor performs an important and critical part of the process when purchasing a house. Too many people proceed with a house purchase before they have sought the advice of their solicitor and this can be a costly mistake.

Your solicitor can give you advice on ownership structures when purchasing with a partner or friend such as whether you should purchase as joint tenants (most common) or tenants in common. It is advisable to understand the options and establish your ownership structure before you go house shopping.

If you want to get a Land and Information Memorandum (LIM) performed on the property you are looking to purchase your solicitor can assist you with this. They can also arrange to search the certificate of title.

After you have made an offer on a property your solicitor can check the Sale and Purchase agreement to ensure it is satisfactory and advise you in relation to any conditions that may have been placed on the contract by the vendor or in fact by you, ensuring quick satisfaction of those conditions.

Your solicitor will also receive loan documents from the lender which you will execute. They will ensure you understand the full terms and conditions of the mortgage documents.

Finally, your solicitor is the one who will manage the settlement process on the purchase, arranging for full payment of purchase price, coordinating your deposit and the loan from the bank and getting payment to the vendor's solicitor. They will also lodge the change of ownership and registration of mortgage with the land transfer office and provide you with a full settlement statement, showing you what money went where.

If you do not have a solicitor who can act for you ask your Beyond Mortgages adviser for a referral as we have relationships with solicitors across New Zealand who will look after you.

[Specialist home loans]

In today's diverse and expansive mortgage market there are very few people we cannot help. We have access to many lenders who can assist people that may be outside the square credit box of a traditional bank and solutions are available at very competitive interest rates.

If you fall into one of the categories below, don't worry. We have many solutions for you.

- You're self-employed but don't have two years worth of financial statements.
- You have an irregular employment pattern – part-time, contract or seasonal.
- You have an inadequate or irregular savings history.
- You have adverse entries (black marks) on your credit file.
- You have recently arrived in New Zealand.
- You are 55 years or older.
- You have credit card or other expensive debt you want to consolidate.

[Insurance]

An area you need to be aware of, and where many people let themselves down is insurance. When you buy a family home and take a loan to fund the purchase you need to ensure your assets are going to be protected if something happens to you.

House Insurance

Insuring the house is essential. The bank or lender will not advance the loan if the house is not adequately insured.

Mortgage Protection, Life Insurance

It is strongly recommended. When you buy a property and take out a mortgage your risk profile changes dramatically. You need to ensure your life insurance is still sufficient to cover your family's needs if something happens to you.

Income Protection or Mortgage Repayment Insurance

It is strongly recommended. How are you going to make loan payments if you become sick or lose your job. You need to make sure you can still pay for the roof over your head.

We believe the question you should ask yourself is 'how are my family going to cope with keeping our home in place if I am gone or unable to earn income due to disability or for health reasons?' Buying a home is a major step and one you want to make

sure is properly protected in the event of misfortune.

At Beyond Mortgages we can refer you to the right person who will provide you with the best advice when it comes to insurance solutions. Don't ignore the insurance issue, address it!

Trauma and Disability

While not essential it is strongly recommended. Not only do you need to ensure your family is protected if you die, but what if you face serious disability or illness through an accident or health issue such as cancer or a heart attack?

Contents Insurance

While not essential it is strongly recommended that you also insure the contents of your family home. Imagine the devastation if fire burned your house and all of it's contents to the ground and you did not have your contents insured.

[Why use a Mortgage Adviser]

At Beyond Mortgages we will save you time and take the hassle out of what is a very stressful process for most people. Let us worry about the right solution and get it arranged for you.

With access to over 20 lenders and numerous different products we have the solution to every different situation.

We will negotiate with the lender to ensure you get the best overall package, including waiving application fees, discounts off your interest rate and often contributions from the lender toward your legal fees.

It is only in extremely rare cases where we are not remunerated by the lender, so accordingly our service is FREE 99.9% of the time.

We will also manage your needs well into the future, regarding fix rate roll overs and refinancing.

Our industry is young but it is protected by the Professional Advisers Association. All Beyond Mortgages Advisers are fully accredited with the industry body and are all Registered Financial Advisers. Only use a PAA adviser (this is our industry equivalent to the Master Builders Association).



We will take the hassle out of what is a very stressful process

[Interest rates]

To work out how much you may be able to borrow, and what your Mortgage repayments may be, visit our website at www.beyondmortgages.co.nz or scan the code below to go straight to our online calculator.



*Genuine Independent
Mortgage Experts*

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cover your risk

how much can I borrow?

This calculator will give you an estimate of how much you could potentially borrow.

Simply complete the following fields and click "calculate".



Household Details

Net Monthly Income 1:	<input type="text" value="0"/>
Net Monthly Income 2:	<input type="text" value="0"/>
Other Net Income:	<input type="text" value="0"/>
Credit Card Limit(s):	<input type="text" value="0"/>
Other Monthly Loan/HP Repayments:	<input type="text" value="0"/>
Number of Adults:	<input type="text" value="0"/>
No of Dependents:	<input type="text" value="0"/>
No of Motor Vehicles:	<input type="text" value="0"/>
Interest Rate %:	<input type="text" value="0"/>

Amount you may be able to borrow
based on a 30 year term

apply online

more info...

- How much can I borrow?
- What will my repayments be?
- Sign up
- Unsubscribe

Please **contact** your Beyond Mortgage advisor for more information on the best home loan options for you.

Disclaimer:
The calculations should be used as an indication only. They are neither a quote nor a pre-qualification for a home loan.





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