

Street Smart Newsletter

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What you need to know about low deposit home loan options

As a first home buyer we know one of the biggest hurdles is getting together a deposit. With the banks currently restricted by the [Reserve Bank](#), the banks are becoming increasingly picky about who they will lend to.

Low Deposit Options:

Welcome Home Loan

Finding the deposit for your first home can be a struggle, with most lenders currently requiring a minimum 20% deposit. But with a Welcome Home Loan you only need a 10% deposit which means getting into your first home is that much easier.

Welcome Home Loans are issued by selected banks and other lenders, and underwritten by Housing New Zealand. This allows the lender to provide loans that would otherwise sit outside their lending standards. However there are particular requirements to be eligible.

Eligibility criteria:

- **Income**
You can have a maximum yearly income of up to \$85,000 (before tax) for 1 person. Or a combined maximum yearly income of \$130,000 (before tax) for 2 or more people.
- **Minimum Deposit**
You will need a minimum 10% of the purchase price of the house you are wishing to buy.
- **New Zealand Citizen**
You are a New Zealand citizen or permanent New Zealand resident.
- **House Price Cap**
The price of the house you are buying with a Welcome Home Loan must be less than the regional house price cap.

Non Bank Lenders

The term "Non-Bank", "NonBank" or "Bank Alternative" quite simply means those lenders who are involved in the business of providing finance, but are not the registered Banks like ANZ Bank, ASB Bank, HSBC, Kiwibank, Bank of New Zealand, Rabo Bank, TSB & Westpac. Non-Bank lenders therefore includes recognised names like Sovereign & AMP, who are both also leaders in Insurance, Resimac Home Loans and Building Societies such as Napier and Wairarapa.

- Use just 10% Deposit to Get a Home Loan

A Low Deposit Home Loan gives you the opportunity to live in your own home, being a dream of most New Zealanders, despite the new Reserve Bank rules which restrict home ownership for first home buyers.

More people are now looking to Non-Banks and private lenders for help as the traditional High Street Banks are making home loans and mortgages beyond the reach of so many hard working and ambitious home buyers.

New Build Require Less Deposit

Houses purchased before construction has started are exempt from the Reserve Bank's LVR restrictions. This means banks don't have to squeeze the loan into their 10% higher-risk lending category.

The ideal way to make use of this is with a house and land package from a reputable home building company. The added bonus of this approach means you have the time during the construction period to contribute more savings to your settlement purchase as well as take advantage of any potential capital gain.

Still not able to meet deposit requirements?

As alternatives you could also consider the following options to get the deposit:

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. You must however ensure you are able to meet the payment requirements of your home loan.

Gifting

As the name implies, gifting is when your parents or other people can gift you some of the amount you need for your deposit, so you can apply for a home loan. You'll need to show where the money came from, but your gifters won't have any ongoing obligations to the bank.

Teaming Up For Your First Home

With the difficulties New Zealand first home buyers are having getting into their first home, many are looking to less traditional ways to get on the property ladder. One such way is teaming up with friends, family or acquaintances to buy a house together.

The two most common forms of joint residential property purchases are Joint Tenancy and Tenants In Common. Understanding the differences between them is important to avoiding potential risks.

Kiwisaver Withdrawal

Using your KiwiSaver to contribute towards your deposit is now becoming a key way for first home buyers to get a deposit together. The key requirements to qualify for KiwiSaver Withdrawal are that you have contributed for at least 3 years and that you intend to live in the home.

Kiwisaver Homestart Grant

In addition to KiwiSaver Withdrawal, the HomeStart grant can provide up to \$10,000 per person towards a deposit for their first home. The key requirements for the HomeStart grant are that you have contributed for at least 3 years to KiwiSaver, your income is below \$85,000 (before tax) for a single person or \$130,000 (before tax) for two or more people and that your property is under the region house cap.

10 Questions to ask when interviewing a real estate agent 🍋

1. What have you sold recently?

This will enable you to not only see their success rate, but also the kinds of homes they're selling. For example, if you're selling your three bedroom house, you won't necessarily want an agent that has predominantly been selling units.

2. How long have you been selling real estate and do you have any references or testimonials from previous clients?

A good real estate agent will happily provide you with copies of recent client testimonials and references. If not, then you know that something might be amiss.

3. Can you provide me with evidence of your current real estate licence?

Sounds like something an American cop would say in a tacky TV show right? Only ask this if you're unable to find their licence details online at <https://portal.reaa.govt.nz/public/register-search/>. All real estate agents must hold qualifications and go through a stringent licensing process before they are legally allowed to practice.

4. How would you sell my house and why?

There are several ways to sell a home, and all have their strengths and weaknesses depending on the local market. Asking this question is a good way to gauge the agent's knowledge of the property market, with your area in particular

For example: "I would sell your home by auction, as figures from last week show that homes in your area sold with an 80 per cent success rate."

5. What advertising and marketing do you recommend?

Most of the time, the marketing of your home comes out of your pocket so you want to be clear on what you're actually paying for. Discuss the different options available, how they would like to advertise your property and how much this will cost.

6. How much do you think my home is worth?

This is probably the question you're most interested in! Be wary of agents that give you an unrealistic price - if it sounds too good to be true, it probably is. Ask what their opinion of market value is based on, as well as some examples of similar homes that have sold.

7. How long do you think it will be on the market?

This will give you an idea of the agent's expectations. You can compare it to the current average market time in your area to gain a better understanding.

8. What's your commission?

Find out how much the agent will charge you for their services, and then ask them to justify their fees - especially if they're more expensive than other agents. Remember that you're not looking for the cheapest, but the one who will offer you the most for their costs.

9. What makes you different?

With this question, you leave it to the agents to seal the deal and sell themselves. They'll be able to tell you why they're better than their competition, both as an agent and agency.

10. Do you host open for inspections?

This will show you how committed they are to selling your property – which is important.

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New Zealand's Population

Did you know New Zealand's population is estimated to increase by one person every 3 minutes and 37 seconds.

This is based on the estimated resident population at 31 December 2016 and the following forecasts:

- one birth every 8 minutes and 45 seconds
- one death every 18 minutes and 20 seconds
- a net migration gain of one New Zealand resident every 6 minutes and 10 seconds.

The forecasts are based on recent trends and do not necessarily reflect actual population change.

The population clock is based on the [estimated resident population](#) and does not correspond to the [census usually resident population count](#) or [census night population count](#).

The estimated resident population is derived from the 2013 Census usually resident population count, with adjustments for people missed or counted more than once by the census (net census undercount), residents temporarily overseas on census night, and population change since census night.

For the latest available data on population, births, deaths, and migration see:

[Estimates and projections](#) – information about the current and future New Zealand population.

[Population indicators](#) – table with summary of New Zealand's key demographic statistics (population, births, deaths, marriages, migration etc).

