First home buyer's guide

Unlocking your dream home.
Your first steps towards
home ownership.

Velocity Financial

In this guide

Why use a Mortgage Adviser?

We'll design a Mortgage that fits best for YOU

We are here for the long term

Many people think a mortgage adviser is only here to secure their home loan. Au-contraire!

We can assist, give advice, and organise anything mortgage and insurance related - be it changing the structure, negotiating new fixed rates, mortgage top-ups or changing regular repayments, buying an investment property or setting you up for retirement.

We will ensure our clients and their families are financially protected for the future and provide an on-going service to them.

We know how the banks operate

We know how the banks operate and know how to find the right fit for you. Planning a baby? Travel? Renovations? We'll help you get the right loan and set the right structure in place to help see your plans realised. Let us guide you through everything from paper work to tender strategies.

No charge to you*

Best of all, our services are free* to you and often accompanied by a coffee, so it's a win-win!

*Please consult our disclosure statement to see when a fee will be charged.

First meeting checklist: What to bring

Get prepared for your first meeting with us! We'll discuss your situation, complete paperwork, and answer your questions.

We will:

- → Talk about your current situation and gather your financial information
- → Complete a questionnaire and sign off our "authority" to work on your behalf
- → Talk about the process from here
- → Answer any questions you might have

What to bring:

Before we meet, we will send you a link to our online application portal where we'll ask for:

- [ ] The completed application form
- [ ] Proof of income (your 3 latest payslips, a letter from your employer or if you are self-employed, your Financial statements from the last two years)
- [ ] Confirmation of your deposit (such as a letter or email from your KiwiSaver provider confirming what can be withdrawn, bank statements from the last 3 months showing your savings history)
- [ ] 3 months of Bank statements for all of your transactional accounts
- [ ] 6 months of statements for any secondary debt (i.e. credit cards)
- [ ] 3 months of bank statements for your savings account
- [ ] A copy of the Sale and Purchase agreement (if applicable)
- [ ] Identification (such as a passport or Drivers License)
- [ ] Proof of residency
- [ ] Confirmation of any other income sources, like Working for Families/Accommodation Supplement

*If you have any trouble uploading these documents you can bring these to our first meeting.
Do note, the bank will not accept CSV files or exported Excel bank statements

Unlocking Home Ownership

Deposit options and family assistance for first home buyers

Save the deposit

In some situations a 10% deposit is possible; however, a 20% deposit is going to be the cheapest option. Anything less than 20% will generally require a registered valuation and will incur extra costs- either a fee, or increased interest rates (or both).

The amount of loans with less than 20% deposit is currently 'rationed' at the major banks, we therefore have less certainty around this lending in the current environment.

The government backed 'First Home Loan' can be used with a 5% deposit, however income is means tested. KiwiSaver withdrawal can be used as part of the 5% deposit.

Get family members to assist

→ Gift the deposit (at most banks this needs to be 20%)

→ Allow their house to be used as security (therefore no deposit needed). Under these options, purchases still need the provable income to service the debt, and a good credit history

→ Purchase the property jointly with a family member. This can assist with income and deposit - however all banks will treat this scenario differently

→ Family member buys the house as an investment. Children live in and pay costs, and agree to purchase when equity/income/credit allows

Tips to help you get into your new home quicker

→ Watch your "bank account conduct;" make sure you don't have unarranged overdraft fees on your bank statements

→ Keep away from new debts and Hire Purchases

→ Apply now for pre-approval for KiwiSaver withdrawal (through your KiwiSaver provider)

→ Have a regular history of savings (even if it is a small amount)

Using KiwiSaver for your first home

Unlock your KiwiSaver savings for your first home.

First Home Withdrawal

This can only be used for an Owner-Occupied First Home (not for an investment property)

If you have owned a home before, in some circumstances you may still be eligible to withdraw your savings. The Kāinga Ora website has all the eligibility details.

Your scheme provider may require you to contact Kāinga Ora to determine if you're in the same financial position as a first home buyer.

You can withdraw your contributions, your Employer's contributions and any investment returns. Leave $1k in your account (as a guide, take your current balance less $1,000).

Using KiwiSaver for your pre-settlement deposit

Eligible KiwiSaver members will be able to withdraw their available savings to contribute towards the initial deposit of their first home purchase or to buy land to build their first home (as opposed to previously only being able to utilise their savings at settlement by ensuring funds pass through a solicitor's or conveyancing practitioner's trust account,) with an undertaking now required that the funds will be returned to the KiwiSaver provider if the sale does not proceed.

It can take a number of weeks, so check time-frames with your provider and allow enough time.

Getting a First Home Loan

Learn about the criteria, and deposits required.

The "First Home Loan" is a Government-backed loan underwritten by Kāinga Ora, aimed at getting middle income New Zealanders into their first home without needing a large deposit. Some participating lenders also allow you to build a new home.

Criteria

- You are a New Zealand citizen or permanent resident, or resident 'ordinarily in New Zealand';
  - Or be applying with someone who meets the citizen/residency and you are defacto/married
- If you have previously owned property, you may still be eligible
- Have been in the same job for at least a year;
  - Or have been self employed with financial statements for 2 years;
  - Or have been in the same industry for over 2 years
- Have a before tax income from the last 12 months of:
  - $95,000 or less for an individual buyer without dependents; or
  - $150,000 or less for an individual buyer with one or more dependents; or
  - $150,000 or less (combined) for two or more buyers, regardless of the number of dependents
- Must have clean credit, not previously received shared ownership support from Kiānga Ora
- Must have good "conduct on bank statements", for at least 6 months
- You must live in the home you purchase; a minimum of 3 years from the settlement date
- The house must be in good condition.

Deposits

- A 5% deposit is required. The deposit can be saved, gifted or come from KiwiSaver.

You'll need to pay a fee of 0.5% of the loan account (the lender may also apply a loan application fee). Usually, these fees can be built into the home loan. Talk to your participating lender to see what applies.

Considering building?

We match the right bank and loan for your construction needs. With multiple options, we find the best solution for you.

Terminology

Fixed Price Contract

A builder provides a single fixed price to complete a build deal. The contract is “all inclusive.”

A Turn Key Loan

The property (house and land) is purchased once completed. A contract is generally entered into before building starts and a deposit paid at this stage. The property title is transferred to the new owner once the house is completed.

Purchasing Land

In the current market, most banks will lend 80% against a piece of land, assuming it is zoned residential and has the services (power, water, sewerage) available.

Build Yourself

If you are a trades(wo)man and are building the home yourself, or you are project managing the build, banks will lend between 50% and 80% of the build costs.

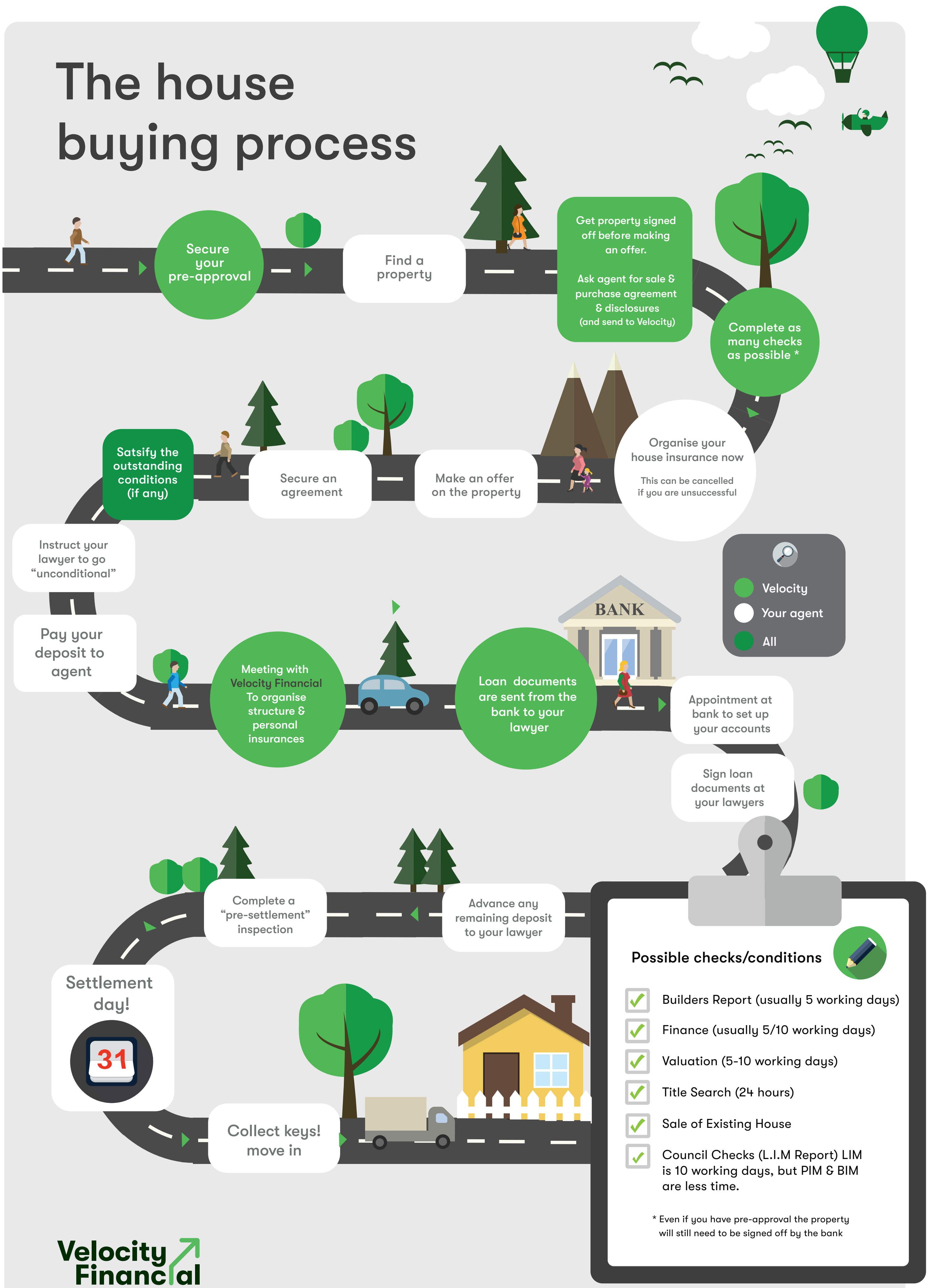
Fixed Price Contract

Banks will lend between 80% and 90% on the cost of the project. A 20% deposit is generally required to purchase the land.

Turn Key Deal

Banks will lend up to 90% of the price of a ‘turn key’ project. 90% for new Owner occupied, 80% for new Rental Properties. Note that the banks will require a strong application (income, credit history, bank account conduct) to approve a deal at 90%.

The house buying process



Velocity Financial

The house buying process

Remember to organise your pre-approval first

This gives you a specific price range to look within. Pre-approval generally lasts for 60-90 days, and will give you confidence when it comes to making an offer on a property as you'll know exactly what you'll be able to borrow. The bank will already have most of the paperwork, so it'll speed up the process once you've found a house you like.

Find a solicitor

We recommend involving a solicitor as early in the process as possible. Not only for your home purchase, but to ensure you have the correct legal structure (especially if a trust or Company is involved). This can also be a good time to organise your Will if you haven't already. Talk to us, we'll be happy to recommend one.

Get the property signed off

Before you put in an offer on a property you like, it's important to ensure the property is acceptable to the bank. We'll need the following:

→ A draft Sale and Purchase agreement from the agent (or the vendor if it's a Private Sale) and confirmation if there are any disclosures on the property (i.e. an unconsented deck, asbestos)

→ How much you are willing to pay for the property (i.e. your top dollar)

→ Body Corporate Fees (if applicable)

The bank will advise what conditions you will need to put in your offer (if any). This may be a builders report (particularly if there are disclosures on the property) or a Registered Valuation.

Arrange house insurance

It's important you confirm insurance on your property before going unconditional. The bank won't advance the loan if the house is not adequately insured. Even if you aren't successful with your offer, it pays to arrange insurance first!

Our inhouse general brokerage team Caveo specialise in home insurance. We can put you in touch to organise this piece for you.

Having a pre-approval will give you confidence when it comes to making an offer on a property

Forms of house buying/selling

Auction

A public sale of a property that is sold to the highest bidder when the owner's reserve is reached. Sellers have the ability to set a reserve price and a suitable settlement date prior to the auction. The auctioneer is not permitted to sell the property below the reserve price without authorisation.

Sales at auction are unconditional. You must complete all checks and have finance arranged, prior to auction. Once the hammer goes down, the property is sold.

Tender

A process of selling property, calling for purchasers to make their best offers in writing for that property by a given date.

Buyers' offers are collected confidentially and the seller chooses which offer is the most favorable. The predominant factor is price, however the conditions placed on the sale can also affect the decision as to which offer to accept .

A price is not advertised, allowing the "market" to decide the value. You should only put in a tender offer on one property at a time.

Negotiation/Buyer Enquiry Over

An offer is made by the purchaser and negotiation takes place between the two parties. Hopefully a price is finally agreed on.

The property can be marketed as having a set price. Negotiation generally occurs below this figure. The house may be marketed as "B.E.O". Negotiation generally starts somewhere above this figure.

Private Sale

The deposit is paid to the Lawyer, rather than the Real Estate Agent.

The banks will often require a Registered Valuation. There is no Real Estate Agent to broker the deal so the lawyer's role becomes increasingly important.

Making an offer

To help you secure your financial future, we strive to ensure that you’re prepared every step of the way. When it comes to purchasing your dream home, you’ll need to submit a written offer using the “Agreement for Sale and Purchase of Real Estate form”

Decide on your conditions

There may be some conditions that are required by the bank, such as a Builder’s Report or Registered Valuation. You may wish to include the below:

Building report	usually 5 working days
Finance	usually 5-10 working days
Valuation	5-10 working days
Title Search	24 hours
Council Checks	LIM report, (a LIM is 10 working days, but PIM & BIM are less time)
Confirm house insurance	usually 3-5 days warning
Sale of existing house	date to be mutually arranged

There is often some negotiation between the parties as to the purchase price, and perhaps deposit amounts and settlement dates.

Your offer is accepted (hopefully) and the signed agreements are sent to the respective lawyers. If you have included some conditions in your offer, the property will be sold to you conditional on these being met.

Once the conditions have been met to your satisfaction, the sale will go unconditional.

It is at this stage that the deposit is normally paid. The length of time you have to meet the conditions is negotiated between the parties. The deposit is normally 10% of the purchase price, but again can be negotiated. Be cautious of this amount if your deposit is not available until settlement day.

Once you have gone unconditional we will request pricing from the bank and arrange a meeting to discuss your structure and personal insurances.

Budgeting for homeownership

Congratulations on your new home! Learn about one-off and monthly expenses to budget for successful homeownership.

What one-off expenses could you have forgotten?

Now that you've got an approval, you can begin building. But don't forget to budget for one-off costs. The top expenses when purchasing a new house are:

Legal fees for conveyancing:	$1,200 - $2,000
Building Report:	$800 - $1,000
Registered Valuation:	$800-$1200
Moving costs:	$500+
LIM:	$370 (check council website)

What monthly expenses could you have forgotten?

There are also ongoing additional monthly expenses that you may not have had previously (especially if you were renting). These expenses can include:

Rates:	$250-400/month
Home & Contents Insurance:	$300/month
Life & Health Insurance:	2.5-4% of salary
Maintenance	1-4% of Property's value per year

Paying off your mortgage

A question we often get is: does paying mortgage fortnightly get rid of your mortgage more quickly than paying monthly? This is a fact that the "Property Gurus" of the late 2000s bandied around to get people excited about investing in property. In fact, it is half true. If you tell the bank that you want a 30-year mortgage with fortnightly repayments, then your mortgage will last... 30 years. If, however, you tell the bank that you want a 30-year mortgage with monthly repayments (let's say $2,000 per month), but instead you pay $1,000 per fortnight, then you end up paying an extra $2,000 per year off your mortgage. This is because there are 26 fortnights in a year, not 24. So, technically, you will pay off your mortgage more quickly; however, some months you are going to have 3 fortnightly payments which can be a little hard if your salary is paid monthly.

We recommend setting the payments to coincide with your salary - if you are paid fortnightly, set the payments to fortnightly. However, always pay more than is required. If you are required to pay, if possible, $1,000 per fortnight, try to pay $1,200. You will be amazed in how much you save in interest over the life of your loan.

Streamlined mortgage management for savings

Learn effective mortgage payoff methods. Discover our improved approach for automated payments to save on interest.

The Old Method

This older method is very good for paying down your mortgage quickly, but has a few flaws:

→ You are supposed to set your Credit Card at your budget limit. So if you budget to spend $2,000 per month, then you set your Credit Card limit to $2,000. The flaw? Credit Card companies often allow people to overspend on their Credit Card limits (often well over) before notifying them.

→ If you can't automate the process, or forget to pay off your Credit Card, you're up for some hefty interest fees. 1 month's forgotten Credit Card fees at 24% is the same as 4 months of mortgage savings at 6%.

We think we have a slightly improved way.

One Suggested Method

We suggest that you begin putting your salary into your Mortgage Account. All your fixed bill payments are paid on AP from this account.

There's then another AP into your EFTPOS Account. From here, all your day-to-day expenses are paid (entertainment, food, clothes).

The benefits?

→ You have no Credit Cards and no ongoing temptation to raise their Credit Limits

→ The whole process is automated

→ You can't overspend because EFTPOS accounts don't go into Overdraft easily

→ Your EFTPOS account is with a different bank, meaning you're not tempted to spend the additional payments on your mortgage every time you log into Internet Banking

If this method does not work for you, don't worry. We will be happy to help you find one that suits your needs.

Life and Health Insurance

Insurance is about protecting the things that you can't afford to replace. If you lose the ability to earn income, how will you pay for your mortgage?

If one of the income-earners of the family passes away, how will you feed your family?

If the answer to these questions is that you will be fine, then you don't need insurance. If you absolutely cannot live without your families' current income, you need to make insurance a priority for you. This section is all about deciding how much suits you.

How much cover?

Our job is to make the decisions around personal insurance as easy as possible. You should start with thinking about 3 levels of cover.

Full Cover	Life Insurance to cover all debts (including Financial Funeral Expenses)	Lump Sum
	Life Insurance to cover all living costs of surviving dependents	Lump Sum/Monthly payments
	Total and Permanent Disability to cover all debts	Lump Sum
	Trauma Insurance to cover half the debt	Lump Sum
	Income/Mortgage Protection	Monthly payments
	Health Insurance with Specialist Tests	As invoiced
Medium Cover	Life Insurance to cover all debts	Lump Sum
	Trauma Insurance	Lump Sum
	Income/Mortgage protection	Monthly payments
	Health Insurance:	As invoiced
Barebones Cover	Life Insurance to cover all debts	Lump Sum
	Mortgage protection	Monthly payments

How much should I be paying?

We realise that with a new mortgage, it can feel like you need to cut other expenses. We recommend our clients budget for between 2.5-4% of their gross salary towards Life, Health and Medical insurance. Usually 2.5% would get the barebones package, and 4% giving them full cover.

At 4% of gross salary, you should be able to sleep easy knowing that the most unforeseen events can be taken care of financially.

We recommend getting the full amount of cover that your budget can afford so that, when the time comes, you have the money you need.

KiwiSaver

Your KiwiSaver is a big deal when it comes to securing your financial future. But it is more than just enrolling, it's about setting it up correctly for your every age and stage.

Set up for Future You

Setting your KiwiSaver up right lays the groundwork for your future dreams. By understanding the investment options, considering your risk tolerance, time horizon, and retirement goals, you can make informed choices that fit your needs. A well-structured KiwiSaver plan means having a diversified investment portfolio, which helps balance the risks. This way, you increase your chances of achieving financial independence and enjoying a comfy retirement.

Harness the power of compounding

Setting up KiwiSaver the right way and starting early means you get to take full advantage of the magic of compounding interest. Regular contributions over a long-time lead to compounding returns. Your investments generate more income, which in turn generates even more income, and so on. Before you know it, your KiwiSaver account has grown into a sizable retirement nest egg.

Maximise your free money

Who doesn't want free money? When you set up KiwiSaver correctly, you open the door to benefits from your employer and the government. Many employers in New Zealand give a percentage of your salary as their contribution to your KiwiSaver account. Plus, the government offers incentives like member tax credits and first-home withdrawal options.

Adjust as needed

Whether you're starting a family, buying a house, or thinking about a career change, your KiwiSaver strategy can evolve with you. Stay cool, stay informed, and regularly review your KiwiSaver settings with your adviser. You can adjust your contribution rates, switch between investment funds, or even dip into your savings for a first-home withdrawal. It's all about making sure your KiwiSaver works for you.

About us

Whether you're a first home buyer, an investor, or a business owner, we're here to make sure the things that are most important to you aren't left to chance.

By taking the guesswork out of your personal and business finances, we'll help you achieve your goals with a clear vision of the future and confidence through life's more difficult moments.

We believe all Kiwis deserve health and financial security throughout their entire life. Our team of professionals will help you navigate the complexities of business and personal insurance, mortgages, KiwiSaver and investment.

Giving you the momentum to get you where you want to be, faster.

Your Banking Services

- [ ] New mortgages
- [ ] Review existing mortgages
- [ ] Personal accounts
- [ ] Debt structure

Your Risk and Insurance

- [ ] Fire and General Insurance for personal and business
- [ ] Personal insurance for people and business

Your Investment

- [ ] KiwiSaver
- [ ] Investment
- [ ] Investment Property
- [ ] Financial Planning

Your Paperwork

We liaise with legal and accounting professionals to help you with:

- [ ] Conveyancing
- [ ] Estate Planning
- [ ] Will/Enduring Power of Attorney
- [ ] Trusts
- [ ] Property Relationship Agreement

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