

# First home buyers guide

Helpful information when buying your first home



**WILLIAMS**   
**CORPORATION**

BUILDING THE MOST LIVEABLE COUNTRY

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# Buying your first home

At Williams Corporation we love making the buying process as simple as possible. We have a huge team of knowledgeable property experts that are ready to help you on your property journey.

Part of that journey is helping you understand some of the key parts of the process so you can make informed decisions along the way – so the purpose of this guide is to do just that!

Buying your first home is a big step, and can be daunting or feel out of reach at times. But with the right support and knowledge you can unlock long term wealth and future investments.



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# Saving up your deposit

Depending on your circumstances, saving up your deposit requires setting out a clear plan and savings goal. Most banks will require you to have at least 10% deposit of the purchase price available to secure the finance. That means for example, if you were looking at a \$550,000 property, you'd need \$55,000 as a deposit. In some cases there may be exceptions to this based on your situation, but use that as a starting point.

Generally banks are restricted by the reserve bank as to how many high 'loan to value' (LVR) ratio mortgages they can lend. Some banks charge for lenders mortgage insurance while others increase the interest rate to cover the risk.

Remember – if you are able to put forward more than 10% deposit, you'll pay less to the bank in interest over the period of the loan.

The first step to buying a property is working out what money you currently have to put towards a deposit. This can be made up of:

- › Savings
- › First Home Grant
- › KiwiSaver contributions
- › Gifts or assistance from family

In New Zealand we have a number of great schemes that can assist first home buyers to obtain their deposit faster. Make sure you thoroughly review each to see which ones you might qualify for.

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## WHAT IS A DEPOSIT?

A deposit is the cash savings you provide and pay on settlement, ensuring you own part of the home upfront. The remainder is usually covered by a mortgage and repaid to the lender over a number of years at an agreed interest rate.



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# Saving up your deposit

## KiwiSaver

### Use your KiwiSaver to withdraw savings for your first home deposit.

How much can I get? You can apply to withdraw all your KiwiSaver savings to put towards a home or land, except for:

- › \$1,000 'Kickstart' if you received it.
- › Any amount you may have transferred from an Australian complying superannuation scheme (if applicable), and
- › Any Government contributions received during any period you lived overseas and didn't have permanent residence in New Zealand.

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### HOW DO YOU APPLY?

The process is administered by your KiwiSaver fund manager, and you need to apply for approval first. If successful, the withdrawal will be paid to your solicitor/lawyer on the unconditional date or before settlement day.

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## First Home Grant

### How much can I get?

- › If you buy an existing home, you can get \$1,000 for each of the 3 (or more) years you've paid into KiwiSaver or equivalent scheme. The most you can get is \$5,000 for 5 or more years.
- › If you buy a new home or land to build on, you can get \$2,000 for each of the 3 (or more) years you've paid into the KiwiSaver or equivalent scheme. The most you can get is \$10,000 for 5 or more years.

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### HOW DO YOU APPLY?

Find out more and apply on the Kāinga Ora website: [kaingaora.govt.nz/home-ownership/first-home-grant](https://kaingaora.govt.nz/home-ownership/first-home-grant)

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# I have my deposit, what is next?

## Mortgage pre-approval

Pre-approval is provided by a bank and is acknowledgment that your circumstances mean you can borrow up to an approved amount, on the condition the property meets a number of criteria and conditions. You will need to satisfy these conditions in order to finalise your home loan, for example, obtain building reports or registered valuations.

With a pre-approval, it gives you the confidence to search for a property you know you can buy, and move quickly on if required.

## How to sort out pre-approval

You need to contact your bank, a lender or mortgage broker to apply for pre-approval. They will take you through a process of assessing your current financial position, including income and any current debt, and give you an amount they will allow you to borrow.

If you are still working towards your 10% deposit, by having a property under conditional contract can help in some situations, as the bank has an actual property to assess your situation against.

It is not absolutely necessary to have pre-approval in place before finding a property, but it makes things a lot easier!

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## WHAT IS A MORTGAGE?

A mortgage is a loan in which property or real estate is used as collateral. The borrower enters into an agreement with the lender (usually a bank) wherein the borrower receives cash upfront then makes payments over a set time span until the borrower pays back the lender in full.

## Using a bank vs. mortgage broker

You can go directly to a bank and manage the process yourself directly. You can also develop a relationship with a mortgage broker who can help you negotiate with multiple lenders.

Mortgage brokers are free! Mortgage brokers are paid by the banks after securing your mortgage which means they don't cost you anything. A mortgage broker also has a wide network of banks, contacts & expertise to assist you in finding the best solution for your current situation. You may find this isn't with your current bank – which can save you some time. They will always act in your best interests and may mean you have a better chance of success with your application the first time around.

## Other benefits of using a mortgage broker

- › Mortgage brokers have long standing relationships with the banks. This means they speak the same language and can negotiate the best deal for you. Think of them as your personal negotiator!
- › You will only need to complete one application form with your broker. If you go direct you'll need to go through the same process multiple times.
- › Your broker will handle negotiating the terms and conditions of your pre-approval on your behalf.
- › Your broker will negotiate the best interest rate deal they can for you. As they are registered or authorised financial advisers, they can provide you with specific financial advice for your situation and the best way to structure the mortgage to help pay it off faster!

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## A few tips on mortgage pre-approval

- › Your mortgage pre-approved limit is the maximum you will be allowed to borrow, but you shouldn't treat it as a target! This is because the limit is the maximum you are likely to be able to repay each month, but it might mean you need to make adjustments to your lifestyle in order to achieve it!
- › Choosing a property that is inside your pre-approved limit will mean lower repayments, and you will have more money available to spend on weekly living and a few of life's luxuries!
- › Interest rates will change over time, so if you have a smaller total loan you will be at less risk to the impacts of these changes.



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# First Home Grant

If you are in the process of purchasing your first home and have been contributing to your KiwiSaver scheme, you might be eligible for money to help you make the deposit.

Buying a new home can grant you more money and you can be assured that the quality of a new build is likely to be higher than an existing home. Here's how much you can receive based on the path you choose to take.

## Shared Ownership

Purchasing a home by yourself can be challenging when saving for the necessary amount. In order to make things easier, some people choose to purchase with someone else which results in shared ownership. As first home buyers, you can each receive up to \$10,000 from your First Home Grant which would equate to a maximum grant value of \$20,000 being available to help you purchase your first home. When entering a shared ownership agreement you and the co-owner will have equal rights in the property.

## What if you can't afford 10%

So what happens if you don't have enough money to reach the necessary 10% deposit? There are solutions, and the lowest amount you need to make the down payment is with 5% if you use a First Home Loan in conjunction. A First Home Loan is issued by a bank or lender and signed off by Kāinga Ora.

## Eligibility Criteria:

- › If purchasing by yourself your income must not exceed \$95,000 before tax.

## Must not have an income in excess of \$150,000 before tax if:

- › You are purchasing by yourself and have at least one dependant
- › You are purchasing with at least one other person, regardless of dependants.
- › Be a first home buyer
- › Be able to afford at least 5% of the home's value.





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# First Home Grant

## House Price Caps

In order to receive various grants and loans for first home buyers, a property that you are looking to purchase must be within your city's price caps. Here are the caps for NZ.

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City	New Home	Existing Home
Auckland	\$875,000	\$875,000
Tauranga	\$875,000	\$800,000
Wellington	\$925,000	\$750,000
Christchurch	\$750,000	\$550,000

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# Finding your first home

In reality, your first home is probably not going to be the idyllic house and location you have dreamt about. But it will be an important step onto the property ladder!

## Define your 'Wants' and your 'Needs'

A **need** is something the home absolutely must have for you to buy it. A **want** is something you would like to have, but not completely necessary for you to consider it.

## Here are a few questions you might ask yourself:

- › How many bedrooms do you **need**?
- › How many bathrooms do you **need**?
- › What locations do you **need** to be in?
- › Can you compromise a longer commute for a better house or location?
- › Do you **need** a garage or just **want** one?
- › Do you **need** 1000m<sup>2</sup> section or is living centrally more attractive?
- › Last of all what you can afford in the different areas?

By clearly defining your wants and needs, you will be much clearer on what you will be looking at, and will also mean you should be pretty clear on the locations you can afford to buy in. For example, \$600,000 on Queen Street in Auckland will hardly get close to a studio apartment. But 12km from the CBD and you will be looking at a brand new two bedroom townhouse.

At the end of the day, you want to be able to purchase a property that suits your current lifestyle and allows you to comfortably afford the repayments. So be clear on your needs which will allow you to be flexible on some other elements of the property and may mean you can get a property that you didn't think possible!

There are lots of great websites out there to help you get a handle on current prices for different styles of properties and locations.

A good first home will give you options for the future. Make sure you think about the long term with regards future gains, resale or rental prospects.



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# Finding your first home

## You should consider

- › Is it close to public transport links?
- › Is it close to where people might work?
- › Are there local shopping options or close to a city centre?
- › Is it in desirable school zones?
- › Is there strong rental demand in the area?
- › Is it a low maintenance property?
- › Can you add value through renovating?

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## What to do when you find a property

Once you find a property you like, and have ideally been to look at it, you will be in a position to place an offer on it. You should speak with a solicitor before doing this as they are best placed to advise you on the sale and purchase agreement.

With a sale & purchase agreement, you have the opportunity to place conditions on the agreement which protect you and allow you the opportunity to check things off. You might want to include 'finance approval', 'solicitors approval' or 'due diligence' clauses that will protect you and ensure that you can get adequate legal advice and sort finance before the contract goes unconditional.

Your agreement will then go to the vendor (or property owner) and if your offer is accepted & signed you can pass the agreement to your mortgage broker to get your finance approved for that property. You should also supply a copy to your solicitor who will then complete their checks and approvals.

For your finance approval, your bank may require a registered valuation be completed on the property. This can be arranged during your conditional period and your broker can help organise this for you, but might be at an additional cost.

If you will be using KiwiSaver or First Home Grants, your solicitor can assist you with these and ensure these get transferred to their trust accounts in a timely manner.

### **Existing Home**

The highest grant you can receive if you purchase an existing home is \$5,000.

### **New Home**

The highest grant you can receive if you purchase a new build is \$10,000.

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# Finding your first home

## Other costs to think about

- › Building inspection reports
- › Solicitor/lawyer's fees
- › Land Information Memorandums/Titles
- › Council rates
- › Insurance

As you work through the process of finding a property, be aware some of these costs you will need to incur as part of the due diligence process, and you may not end up purchasing the property. So be mindful of these mounting up, but don't let some small costs stop you doing thorough research into a property as it could save you a lot more in the long run!

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### WHAT IS A DUE DILIGENCE?

Due diligence is the investigation or exercise of care that a reasonable person looking to purchase property is normally expected to take (property inspection, valuation, legal title review) before entering into an agreement or contract with another party.



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# What happens next?

## Going unconditional

- › Is it close to public transport links?
- › Is it close to where people might work?
- › Are there local shopping options or close to a city centre?
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- › Is it a low maintenance property?
- › Can you add value through renovating?

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### UNCONDITIONAL

When you satisfy all conditions that were on the sale and purchase agreement and give final acceptance that you wish to go ahead with the purchase of the property!

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## What happens prior to getting the keys?

Before you can get the keys to your new home, your solicitor will receive the loan document from your lender/bank that will need to be signed with them. Your solicitors will advise you if there are any other additional funds required to complete the settlement.

You will also have the chance to complete a 'pre-settlement inspection'. If it is an existing house, you need to check everything is in the same condition as you saw it when you went through it and all the fixtures, fittings and chattels are still there, and any agreed work has been completed.

If it is a brand new property, check for defects, scuffs or damage from the final tradespeople, sheds, lights working, appliances working etc. If you pick up any issues during the inspection, raise them immediately with your solicitor so they can be solved before final settlement.

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### SETTLEMENT DAY

Settlement day is the date the buyer pays the remaining money for the property sale and they receive the keys to the property.

Settlement is managed by your solicitor, and there isn't anything for you to do if all documents have been signed a few days earlier. Your solicitor will pay the purchase price to the vendor's solicitor. Your solicitor will also ensure ownership of the property transfers to you and register the change of ownership and any mortgage on the record of title.

When the documentation and payment has been completed, your solicitor will let you know. You can then collect the keys from the agent.

Getting the keys to your first home is pretty exciting and a day you will remember for the rest of your life!

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## Where to go for help

Kāinga Ora

Home ownership

[kaingaora.govt.nz](https://kaingaora.govt.nz)

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First Home Loan

Low-deposit home loans  
for first home buyers

[kaingaora.govt.nz/home-ownership/first-home-loan](https://kaingaora.govt.nz/home-ownership/first-home-loan)

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Settled

Guiding Kiwis through  
home buying and selling

[settled.govt.nz](https://settled.govt.nz)

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Sorted

For budgeting, mortgage calculators  
and other helpful guides

[sorted.org.nz](https://sorted.org.nz)

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KiwiSaver

Contact your KiwiSaver provider  
to discuss the KiwiSaver first home  
savings withdrawal



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# About Williams Corporation

Williams Corporation is a property developer that produces high-quality homes in existing suburbs. Close to environments where people can live, work and play, perfect for homeowners and investors alike. Their high quality, affordable product has extremely high demand and is delivered in industry-leading timeframes. Williams Corporation is one of the largest residential developers in New Zealand.

We believe that owning a home that you can be proud of, an investment that increases your wealth, or a space where you can grow your business shouldn't be so difficult. That's why we carry the same unwavering commitment to quality and affordability through every NZ property we build.

We will develop our cities with beautiful homes that are affordable to buy, affordable to live in and affordable to maintain.



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# Legal Information

Williams Corporation Limited or any of its related companies are not financial advisers. The material published in this document is of general nature only, and has been provided as a general information service by Williams Corporation Limited solely for information purposes for use by prospective property purchasers and/or investors. This document is not intended, nor capable of being construed as, financial, legal or investment advice or advice on any specific problem or situation. Because the information is general in nature, it has been prepared without taking into account any person's individual objectives, financial situation or particular needs and may not be relevant to individual circumstances.

Before purchasing a property or making any investment, borrowing, insurance or financial planning decisions, you should consult a professional adviser and seek your own investment, accounting, financial, legal, tax and other professional advice. Professional advisers can help you decide whether your decision is appropriate for you.

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