The
Ultimate Guide
to buying your first home

Purchasing your first home can be daunting. Lets start your property adventure together.

- STEPHANIE MURRAY MORTGAGES

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1 OUTLINING YOUR REQUIREMENTS

The very first step in the home buying process is to understand what you're really looking for. This is a super crucial step especially if you're going into this with a partner.

Ensuring that you're both on the same page will avoid arguments and mis-alignments later down the track. You don't want to come away from viewing your perfect property only to find your partner doesn't feel the same!

HERE ARE A FEW QUESTIONS YOU CAN BOTH SIT DOWN AND ANSWER TO START YOUR JOURNEY OFF IN THE RIGHT DIRECTION:

What is the long-term goal with this property?

Rank the following in order of importance from 1 (highest) to 5 (lowest priority):

___ Family home
___ A project
___ Investment
___ Starter home
___ Entertainer's paradise

Write down your top 5 locations with a reason or reasons why beside them:

New Plymouth - Oakura	*Beach, schools, mountain view*

In the list below circle your ideal requirements for each.

Property Type	House / Flat
Parking	Double garage / Single garage / Off-street 1 car / Off-street 2 cars / On road
Bedrooms	1 / 2 / 3 / 4 / 5
Bathrooms	1 / 2
Master Ensuite	Yes / No
Master Walk-in Robe	Yes / No
Garden /section	Yes / No
Infinity Hot Water *Comments*	
Heat Pump *Comments*	
Shed *Comments*	
Distance from shops (max. range) *Comments*	
Distance from schools (max. range) *Comments*	

2 SAVING

Cutting expenses may seem like an obvious option but finding lots of little ways to cut the outgoings without living off beans and bread can be a challenge. Here are a couple of ideas to get you started on ways you can save for a deposit.

Plan your weekly shop
Don’t limit yourself to just planning your evening meals but include your lunches as well. The average cost of a ‘to go’ lunch is around $12, which over 5 days is $60. Compare that to making sandwiches, or a soup (even buying ready made soups can cost as little as $5 per meal) and the savings will slowly stack up. Sticking to a meal plan stops those impulse purchases when you’re wandering around the store. Resist the small counters by the checkout, these are designed to encourage that cheeky last minute inclusion in your shopping!

Reward yourself
This may sound counter-intuitive but saving can be tough. Set yourself a savings target and when you hit it treat yourself to something you’ve had to forgo. You may have stopped going out for dinner twice a week to help save, when you put away your first thousand dollars treat yourself - but don’t use the money you’ve set aside!

Switch credit cards
If you have a credit card you may be paying quite a high level of interest on it. Many banks will offer a fixed term interest free period and switching your interest accruing credit balance to another credit card could be saving you those interest payments. It’s not a lot of effort and if your card has a $2,000 balance at a fairly standard APR of 18% that equates to $360 a year savings just by switching.

Savings Account
One of the many things a potential lender will look at is how you save your money. If you’re constantly dipping in and out of a savings account it looks as though you can’t manage your money very well. Instead of having your wages go into a savings account and then transferring it into your everyday account switch the direction of the payments. Put only what you know you can afford to not touch in your savings account and you’ll be showing the lender that you’re good with money.

TO BUILD A REALLY GOOD BUDGET PLAN GO TO **WWW.SORTED.ORG.NZ**

3 WHAT YOU CAN AFFORD

Almost every major bank has some form of mortgage calculator but they should be used with a very large pinch of salt. They are designed to give you a very average assessment and everyone's circumstances are different.

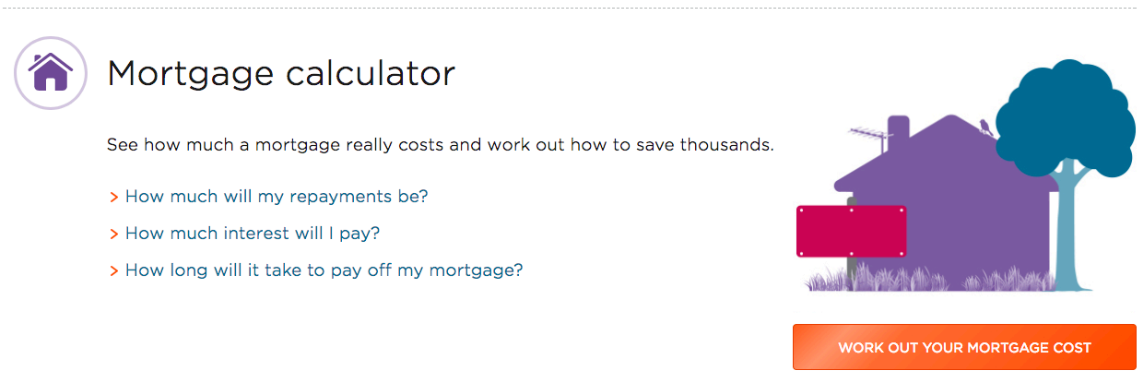
Basing your house hunting range on one of those mortgage calculators can lead to disappointment so it's always best to chat to a specialist as early as possible.

There are a massive range of factors that come into play when assessing what an applicant can afford.

Stretching your monthly payments can make your budget look great on a calculator but in reality you have to understand whether you can still live reasonably comfortably with such high payments. There's no point having your dream home if you're not able to enjoy it due to constantly worrying about mortgage repayments.

Be realistic about what you're willing to pay every week or fortnight towards your mortgage. This may mean you're having to compromise on the house you end up in but if there's a little more room in your bank balance at the end of each month you can reinvest in improvements that could see you sell for a profit.

To play around with a mortgage calculator visit one of the major banks or use Sorted's. It features a really cool slider that shows how increasing repayments reduces interest. You might be surprised to see how interest can sometimes equate to you paying off double the amount of your loan amount, depending on the term your mortgage is set for.



4 MORTGAGE & HOUSE BUYING JARGON

Here we'll do our best to explain some of the common terminology used when talking about mortgages and buying a home. You'll be a pro in no time!

Principal - This is the primary loan amount, the figure you set out to borrow

Term - How long you're paying the loan back over

Interest - This is the total amount you'll pay over the lifetime of the loan (Term) and is added to the Principal to calculate the monthly repayments

APR - Annual Percentage Rate: This is the interest rate that is applied to your loan.

Repayment - The amount you'll pay back

Frequency - How often you'll pay the Repayment

LVR (Loan Value Ratio) - The amount of the loan compared to the value of the property. Example, if your property is worth $500,000 and you have a $100,000 deposit the LVR is 80%.

Fixed - A fixed rate mortgage has the interest rate locked in for a set period of time. Regardless of what happens to the banking interest rates for that time you'll be paying the set rate. Often you are making fixed payments during that time too and can't make a bigger payment during that period.

Variable - Here the interest rates will mirror the market so can go up or down. You gain the ability to make an overpayment if you're on this type of loan.

Freehold - You'll own the land and have the rights to what it is used for (depending on council and planning restrictions).

Leasehold - Someone else owns the land and leases it to the person living on it. Sometimes leases are for a hundred years but you do not own the land.

5 MORTGAGE PROVIDERS

There are a wide range of places you can go for advice on mortgages, and several places that will offer funding. So what do you need to know to make the best decision for you?

Firstly, finding a great rate can make a massive difference. When you're looking at a loan as big as a mortgage a single percentage point can mean saving thousands of dollars over the lifetime of your loan.

As an example, let's say you're looking at a $500,000 loan over 30 years. Bank A is offering you 4.7% and bank B is offering you 4.5%.

Bank A total loan amount over 30 years: $933,100

Bank B total loan amount over 30 years: $911,599

As you can see that's a significant difference. Many people stick to the same bank they use for their current accounts and savings accounts, which can be especially true if the bank is really good at asking if you're house hunting when you go in for a catch-up.

Shopping around for the best mortgage provider can result in serious savings. However if you're not confident in being able to read the fine print, or if you don't have the time or expertise to shop around then engaging with a mortgage broker could be your best bet.

A mortgage advisor/broker, will go to a whole bunch of lending agents (not just banks) to find the best rate and mortgage for your individual needs. They don't cost you anything and could save you a whole heap of money.

This can be an especially useful path if you are self-employed or work in an industry where your income isn't fixed. Mortgage brokers have a lot of experience helping individuals find a mortgage, often these are people that would be refused if they went down more traditional means.

With over 60 years combined experience in the mortgage industry Stephanie Murray Mortgages have the expertise to help!

6 TYPES OF MORTGAGES

There are many different types of mortgage and, if you're using Stephanie Murray Mortgages each will be explained to you in plain English and your advisor will work with you to find the best option for your unique needs.

Fixed interest rate mortgages will be locked at a certain percentage interest rate (remember Bank A and Bank B's different rates?). The period of the fixed term will vary so it's important you assess which is best for your needs. Locking yourself into a 5 year term does give you certainty but the market rate could go lower and even a 0.2% drop can mean a big difference if it stays that way for a while. Likewise only choosing a 6 months term could open you up to increased interest rates if the market changes. With fixed rate you're unlikely to be able to make a lump sum payment for the term of that fixed rate, not great if you want to pay more off earlier to reduce the total amount of interest you pay over the term.

Variable (Floating) interest rate mortgages will have their interest rate rise and dip with the market. You can use the OCR (Official Cash Rate). This means repayments may go up or down. The plus side is that you can make a lump sum without a penalty usually and change the term of your loan but it is worth noting that if rates go up that your repayments will go up too.

Offset mortgages can reduce the amount of interest paid because they link the loan to any savings you might have. To work out how much of the loan has interest applied to it simply take the total amount of the loan and deduct the total amount you have in savings. The interest from your savings is offsetting the interest you're accruing on your loan, which means the savings you use in the offset mortgage does not earn its own interest during the term of the loan.

Interest only mortgages are usually only offered as a short-term part of repaying the mortgage before the loan switches to a table loan (early repayments pay off the interest, later payments pay off the Principal). With interest only you pay only the interest to start with. This results in lower payments but you get no closer to paying off the loan amount (Principal).

7 LEGAL ASPECTS

Buying a house involves a wide range of people and settling the purchase involves a decent amount of legal help.

Speak to a property lawyer about the statutory disclosures the seller is required to make to you, and work out what you're entitled to request. Your lawyer will also be able to advise on any research you should do on the property.

When you find a property you like your lawyer can sometimes help you negotiate the price, settlement date and the conditions of the sale that achieve the best outcome for you.

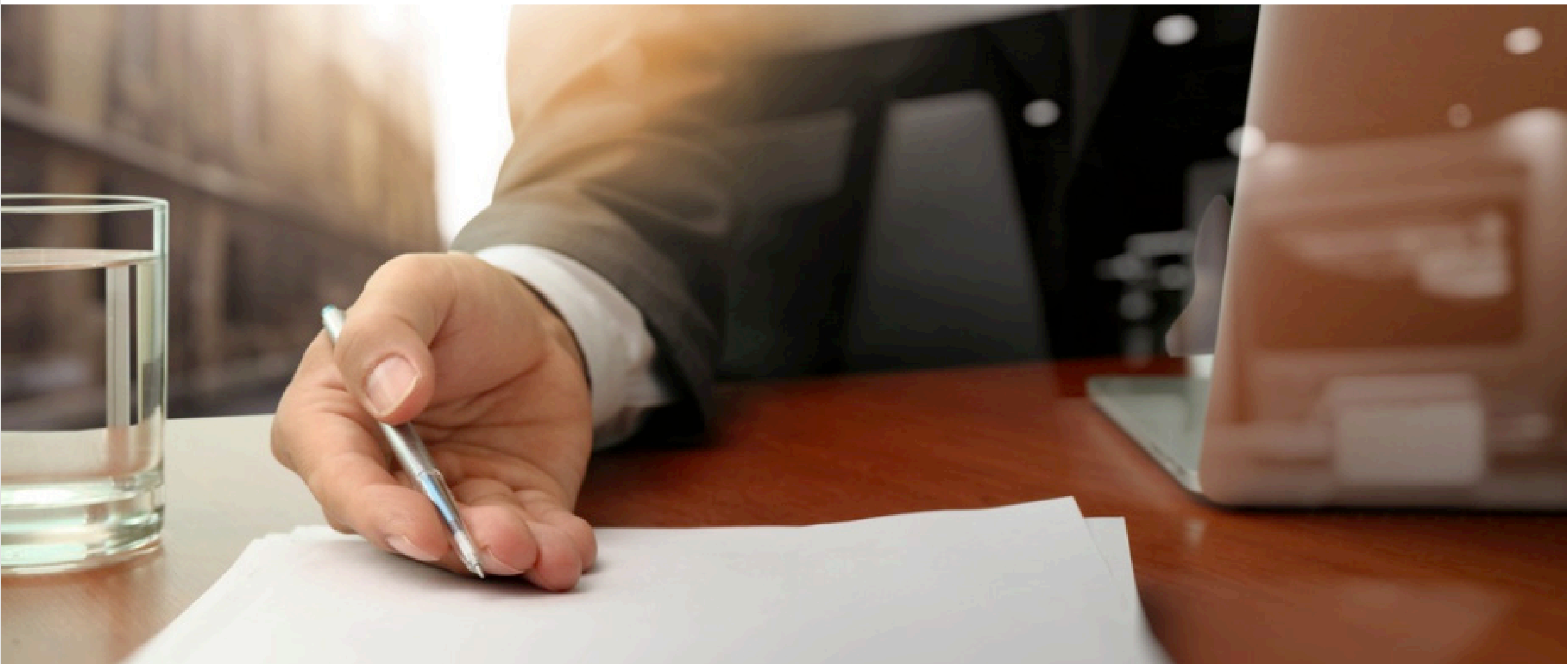
You'll need your lawyers help if the LIM report (Land Information Memorandum) comes back with any issues. The same can be true of any engineer's or builder's reports.

Your lawyer will assist with checking that all conditions of sale have been met and, once agreed, the sale can go unconditional.

Your lawyer will ensure you sign the authority that enables them to register the transfer from the seller and the mortgage charge. Conveyancing is the process of transferring legal title for real property and is made of two parts, exchange of contracts and completion. You'll also sign loan agreements for the mortgage.

It's also worth talking to your lawyer about the ownership structure of the property. Might you benefit from having the house owned by a Trust? Do you now need to update your Will to reflect the ownership of the property?

SMM Tip: *pick a solicitor that you can relate to as it is usually a long standing relationship. Don't skimp on the fee as you usually pay for what you get.*



8 BUYING OR BUILDING A HOME

Getting a mortgage for building a home is slightly different to a mortgage for buying a home. This is often due to some of the risks associated with building and often the loan amount will be released to you in stages rather than as a single transfer.

This is because building a house can be fraught with complications. Often these types of mortgages are construction loans and can have a longer conditional approval duration to give you the time to find the perfect section and plan your build.

Often construction loans are paid directly to the builders, rather than yourself and the first chunk of money used is your deposit. The good news is that during the build process you may have the option of paying interest only on the amounts already paid out, which keeps payments low while you're building.

The great news about building a home is that you might be entitled to additional government grants. Known as the KiwiSaver HomeStart Grant it's reserved for people that have been paying into their KiwiSaver for a minimum of 3 years. You might be eligible to receive $2,000 per year if you've been paying into your KiwiSaver up to a maximum amount of $10,000.

If you're applying as a couple your combined income needs to be less than $135,000 and you'll need a deposit of at least 10% and you'll need to be planning on living in the house for at least 12 months from the completion of the property.

For more information on any grants or loans you might be eligible for talk to your mortgage advisor or visit www.kiwisaver.govt.nz

9 SETTLEMENT

Once you have gone unconditional you need to sort out your home loan with your mortgage broker. You've had finance approved but now that the house is on its way to hopefully becoming yours the final documents need to be created.

Next you'll need to pay your deposit. Typically this will be paid into the real estate agent's trust account but your lawyer will have the details of where the payment needs to go.

Additional payments, outside of the house purchase may need to be sorted at this stage too. Your lawyer's bill for example and there may be additional costs such as conveyancing. You may have also decided to have a Will created or a Trust formed, these are likely to have been additional services that may, or may not be, included in the lawyer's fees for settling on the house.

House insurance is usually arranged for the new house from when you take possession and you are going to need proof that this is sorted and provide details of this to your lawyer.

Your lawyer will have a bunch of documents you need to sign but they will have kept you informed of when these need to happen during the process.

It's a good idea to arrange to inspect the property a couple of days before you finally settle on the property. This gives you peace of mind no damage has been done. If there has been damage or if there's something you agreed would be included in the sale that has gone you'll need to get in contact with your lawyer to sort.

You should have arranged a date for picking up the keys and now comes the time to get your hands on them! Make sure you have a spare set cut and maybe leave them with some close friends or family just in case you lose yours.

10 MOVING IN

Here's a basic checklist of some of the things you should consider when it comes to moving into your new house:

- Celebrate! You own your own home, congratulations!
- Have mail redirected - use NZ Post's redirect services
- Set-up or transfer telephone/internet/gas/electricity
- Tap up mates to help you shift your stuff, give them plenty of notice! Or book a moving company.
- When packing make sure you label each box with which room you'd like it to go to. This will aid your army of helpers in placing items they unload in the correct rooms.
- Clean your old place
- Get contents insurance changed to cover the new house
- Update your address with banks
- Consider changing your doctor or dentist to a closer practice
- If your drivers license has your address on it does this need changing?
- Set a date for your house warming!

11 INSURANCE

Most of us don't consider the importance of insurance until it's too late. If you can't work tomorrow due to illness or injury, have you thought about how you're going to continue payments on your new mortgage?

We understand that you have a lot of things to pay for and to consider with the new mortgage and we want to ensure that come what may, you're able to meet your ongoing commitments and not lose your new home. This is why with every mortgage application we'll offer you the opportunity to sit down with our insurance advsior/s to tailor a protection plan for you and your loved ones that can be affordable and manageable.

Mortgage Repayment Insurance or Income Protection Insurance
Perhaps the biggest danger to your ability to meet the mortgage repayments is going to be whether you are unable to work due to illness or injury. Imagine tomorrow you wake up and are unable to work due to illness or injury, how would you maintain you mortgage commitments and living expenses? This cover would provide you with a monthly benefit, paid up until age 65.

Life Insurance
Life Insurance provides a lump sum of money to be paid to the owner of the policy in the event that the life insured was to die. This could be used to pay the mortgage in full or in part to ensure that the mortgage debt remaining was either affordable, or eliminated entirely. This money could also be used to provide for any dependents after you're gone.

Trauma Cover
Provide a lump sum of money to be paid in the event that you are diagnosed with, and meet the medical definition covered for one of over 40 medical conditions. Think all your nasty, most common ones like: heart attack, cancer & stroke. You don't have to be dying to claim this cover, in-fact the insurer assumes you will make a full recovery but recognises the huge expense associated with being off work due to a major medical diagnosis. This money could be used to keep up with the current mortgage repayments or to pay a sum off the mortgage and have the repayments reduced to something more affordable whilst you are off work ill.

Private Medical Cover
This covers the cost of medical treatment and will work either separately or together with one or all of the above covers, depending on what your needs are. This insures that you get medical treatment at a time and place that's convenient to you.

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https://www.stephaniemurray.mortgage/resource-centre