

FIRST HOME BUYERS GUIDE

2023



BUYING YOUR FIRST HOME



Buying your first home is such an exciting experience and a huge accomplishment in one's life journey. The thing is, as you've never done it before it can often feel quite overwhelming, and you might wonder where to start and what's involved?

We've pulled together this guide on how to buy a home from start to finish. This will help you understand some of the key parts of the process so you can make informed decisions along the way. We are property experts that can help you get your ducks in a row and answer any- queries you may have on your journey to home ownership.

ARE YOU READY TO BUY?



A lot of renters out there are eligible to buy a home and service a mortgage right now, however they just aren't aware of it.

We'll show you the first steps that make you eligible to purchase a home so you are in the know and can start shopping now, or you can see how close you are and set goals for the near future. It's surprising how many people get into their first home a lot sooner than they think after getting the right knowledge and advice on how to do it.

If some of the following points sound like you, then give us a call and we can help get you into your first home.

- You are in full time employment.
- You have some savings around \$10,000 +
- You are in Kiwisaver and have been for 5 years +
- You have a partner (or sibling, friend) you can purchase with, that also has full time employment.
- You have surplus income / savings after all rent and expenses have gone out for the week.

SAVE FOR A DEPOSIT

You need a deposit to secure finance to purchase your new home. Your deposit becomes your equity in the home.

Generally, a 20% deposit is required by most banks on an existing home. However, choosing to buy your first home with Da-Silva Builders may only require a 10% deposit because LVR restrictions don't apply to new builds.

That means for example, if you were looking at a \$600,000 new property, you'd need \$60,000 as a deposit. 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.



How do you come up with \$60,000?

The first step to buying a property is working out what money you currently have to put towards a deposit. The Government is willing to help you buy your first home with a few great schemes that are certainly worth looking at to get your deposit faster.

In the above example of a \$60,000 deposit, this can be made up of:

- Savings – say \$10,000.
- First Home Grant – say \$10,000.
- KiwiSaver First Home withdrawal – Say \$10,000
- Gifts or assistance from family – say \$5,000 - \$10,000.

Now the above numbers are per individual, and its easy to see a path to \$30k-\$40k deposit. If you are purchasing with a partner that has similar savings, you can both achieve \$60,000.

Now that you can see a pathway to a \$60,000 deposit, its less daunting as you're really saving for a smaller amount and getting government assistance to top you up.

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.



APPLY FOR A LOAN



Now that you have saved for your deposit, the next step is to apply for a mortgage (home loan).

Bank or other lenders

You can go directly to your existing bank, or any other lender (eg finance company, building society, credit union etc) to submit a Home Loan application. This can usually be done in person at a branch, over the phone or online.

Some banks have Mobile Mortgage Managers who can meet with you at a place of your choosing on weekends and after hours. Using your existing bank can be less hassle if you already bank with them, however if you have to switch banks to achieve home ownership, it's a small price to pay.

Using a Mortgage Broker

Mortgage Brokers are free and can save you time and money. Having a mortgage broker working for you means that you only need to complete one application and then leave your broker to shop around the banks to get your home loan pre-approval.

Additionally, a mortgage broker also has a wide network of banks, contacts & expertise to assist you find the best solution for your financial situation. You may find this isn't with your current bank. Whether with a bank or a mortgage broker the aim is to get mortgage pre-approval.

Each bank and lender have different criteria to meet to get approvals, and each purchaser has different circumstances. A mortgage broker can understand your situation and navigate thru the different lenders to get you approved for a mortgage and get the best deal possible.

Mortgage Pre-approval?

Pre-approval from a bank or lender sets out the maximum amount of money they will lend you to purchase a home. They will be comfortable that as long as your situation remains the same you will be able to pay the loan back.

Having a pre-approval in hand when shopping is critical to understand what you can afford and what is achievable. It also gives you the confidence to move quickly once you have found the property you want to buy. Fortunately, purchasing your first home with Da-Silva Builders eliminates the burden of searching and you can buy with ease.



TIME TO GO SHOPPING FOR A HOUSE!



This is where the fun starts! After you have gathered your deposit and received your pre-approval, your next step is to start looking at property that you can purchase. Finding the right home can take a lot of time and energy, so it's a good idea to write down what is important to you before you start.

It can be tricky to find a home that ticks all the boxes, so it's a good idea to decide on your 'must have', and what would be 'nice to have'. A 'must have' are things the home absolutely needs for you to buy it. A 'nice to have' is something you want, but not completely necessary for you to consider it.

Here are a few questions you might want to consider:

- 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 800m² section and back yard, or is less maintenance more appealing?
- What can you afford in the different areas?

The reality is your first home is probably not going to be the perfect house and location you have dreamt about. It will however get you onto the property ladder, and it's a steppingstone towards that dream home in the future.

New Homes vs Existing Homes

At Da-Silva Builders we build and sell brand new homes, which have considerably more benefits than existing homes:

- You can typically secure a brand-new property with just 10% deposit.
- Banks/ Lenders may lend up to 90% of the home's value, as there are rules put in place by the government to incentivise new builds over existing homes.
- We design our buildings to have low maintenance requirements, with tried-and-true products that stand the test of time. There will be less ongoing maintenance costs compared to an existing house.
- New builds come with warranty periods, which are great for banks and peace of mind.
- A new build is finished and ready to move in on settlement day, with no further works needed. Buying a 'doer-upper' can be difficult to find to time to do the renovate, and even harder to arrange the finance. The cost of materials makes it have to get fixed prices, new regulations prevent a lot of DIY, and costs often spiral out of control.
- Our new homes meet the Healthy Home Standard, so if you choose to rent out later on or resell, the property can work as an investment as well.





Benefits of Buying off the plans

The NZ property market goes up in value overtime. Typically, a 5-7% increase each year is normal. There will be some years of price drops or no growth, but over the long term the trend is more definitely up, and general house values double every 10 years.

Purchasing a property 'off-the-plan' is that you can lock in the ownership of a property without having to settle (complete the purchase) for an extended period of time. It may be one or two years before settlement, allowing for the value of the property to increase, whilst still paying the same price. This means by the time the property is complete and you have to settle, it may be worth 5%-7% more than what you paid for it, meaning more equity in your home from day 1.

Types of properties

There are many different property types, each with their own pros and cons. Your ideal property type will depend on your lifestyle, wants and needs, as well as your future plans.

Examples of property types include:

- Apartments
- Terrace
- Duplex
- Freestanding (Stand-alone)

At Da-Silva Builders we build all 4 types of properties so there are a range of options to choose from.

MAKE AN OFFER



Buying a new home from Da-Silva Builders

In addition to a brand-new modern home, the purchasing process with Da-Silva Builders is hassle free & straight forward and can be explained in a few easy steps:

1. Contact us via email, phone, listing or txt and tell them the property you prefer.
2. We will reply and provide you with all the information you need and some handy tips.
3. Next you will sign a conditional contract either in person or electronically. Proving your offer is at asking price, it will be counter signed and that's it – offer accepted.

What is a conditional contract?

A conditional offer is one that is dependent on certain things happening. Conditions in your agreement may relate to getting finance approved or getting a valuation if required.

3 reasons why you should sign a conditional contract.

Getting to this stage of the process can start to feel very real and can be a nervous time. The thing to realise is a conditional contract has benefits to the purchaser and you only purchase once you have satisfied all your conditions and the contract then becomes – unconditional.

1. **You take the property off the market.** This is important as you want to secure the property while you do all your homework to decide if you want to buy the property. Too many first home buyers want to do all their homework before they sign a contract, and in a lot of case the property sells to someone else and they miss out.
2. **Live Contract = you're in a better position.** Once you have put pen to paper everyone takes you more seriously as you have shown commitment, and also because there is a deadline to complete. Banks/Lenders will move quicker and prioritise you over other people who have not signed. You are also in a better position to negotiate as a committed buyer.
3. **Due Diligence.** Due Diligence (referred to as DD) is a fancy term for “doing your homework”. This is a must have clause in the contract that will enable you to cancel no questions asked, if you decide not to proceed. Da-Silva Builders have standard 10 working day DD clause for the benefit of all our purchasers.

What does Unconditional mean?

Unconditional means you have completed your homework and now satisfied all conditions that were on the sale and purchase agreement, and you give final acceptance that you wish to go ahead with the purchase of the property. At this point you are legally bound to purchase the property on the agreed date at the agreed price, and you pay the deposit.



DO YOUR HOMEWORK



The industry term for 'Do your Homework' is called Due Diligence (DD). After you have signed a contract, you will need a team of professionals independent to Da-Silva Builders to help you understand all the things you are signing up for. Your team will consist of:

1. **Solicitor (lawyer).** Your solicitor will advise you of all due diligence that you need to complete before you purchase a home. They will also review the sale and purchase agreement and other reports and contracts attached to the home, such as the LIM report (Land Information Memorandum), property file, and the property title search, covenants so that they can advise you of any conditions you should consider before purchasing the home (going unconditional). If you are using your KiwiSaver savings, they can also finalise the withdrawal forms and send them to your KiwiSaver scheme provider. Once you are successful with purchasing a home, your solicitor will be responsible for transferring the property to you, signing loan documents, registering your mortgage and completing the transactions necessary for settlement.
2. **Mortgage Broker / Bank / Lender.** Depending on your lender or mortgage broker, you may be required to get a building inspection, LIM (Land Information Memorandum) report, property valuation and property file from the local council. As most of these reports and inspections come at a cost it's a good idea to be serious about the home before you request them. You will need to apply for a final loan approval from your lender, which differs to your pre-approval. If your loan application is approved you will be provided with a letter of offer, which confirms the amount your lender can commit to lending you. Once the home purchase goes ahead you will need to confirm your repayment structure with your lender and figure out how you intend to manage your mortgage.



3. **Property Valuer.** Your lender may require you to provide them with a property valuation, before you can finalise your loan. Make sure your property valuation is carried out by a registered property valuer. If borrowing from a bank they will often organise the valuer themselves.
4. **Insurance Provider.** Make sure your home insurance has been arranged prior to settlement as this will be a requirement set out by your lender for you to receive your loan. You may also want to get contents insurance at the same time. Contents insurance covers damage to, or loss of, an individual's personal possessions while they are located within your home. Talk with your insurance provider to find out more information about the different types of insurance products they have on offer.

Other than your professional team, often first home buyers will turn to friends and family who have been there and done it before. This includes your parents, an uncle that might be a builder, a friend on the industry, or other trusted people who are helping you on the journey.

Your conditional period is typically 10 working days, but if you need more time extensions can be granted in most cases. You can obviously come back to us directly and we are happy to work with your team of professionals to provide any information, clarification they may require finalising their reports.

PURCHASE YOUR FIRST HOME



Now that you are unconditional on the property, you don't have much to do until you are given a settlement date. It is good to check in with your broker or bank regularly to ensure there have been no changes in your circumstances that will affect your pre-approval. Our team will keep you updated to ensure you are aware of settlement dates so that your loan can be drawn down in time. During this time, we recommend organising your insurance, setting up power accounts etc.

PRE-SETTLEMENT CHECKS

Before you settle on your new home, you will get the opportunity to do a pre-settlement inspection. This gives you the chance to have a look at the property and ensure the final product matches the plans and that you are happy with the workmanship. As well as looking for any marks or defects, you should test all lights and appliances to make sure everything is in working order for when you move into your new home.

Our team will accompany you through the inspection and will make good of any defects found during the inspection.

SETTLEMENT – ITS MOVING DAY

Settlement day is the day you pay the balance of the purchase price, and the property becomes yours! Your bank or lender of choice will transfer the funds to the vendors solicitor to officially declare the property as settled, the ownership will then change into your name. Collect your keys and move into your brand new home – Congratulations!