



A Resource for People Looking to Buy a House
(Prepared November 2002)



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Our purpose is to seize opportunities, transform ideas and current problems into successful new solutions and services that increase choices for people experiencing mental illness.

We work in a way that empowers, builds relationships and independence. Our specific contribution is to work collaboratively at the creative edge between organisations and between groups with different positions and perspectives.

We don't run services, but we may develop and test services until we know they are viable.

We do this based on the strong philosophy that different and new services are best developed when people who access these services work along side people with policy and service experience.

KITES would like to acknowledge the efforts of the many people who contributed to the production of this booklet.

Disclaimer Statement

While every care has been taken in the preparation of this information, users are reminded that KITES cannot accept any legal liability for any errors, omissions or damages resulting from reliance on the information contained in this document.

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1. Introduction

Owning one's own home is something many New Zealanders aspire to. Common motivators for home ownership are investment opportunities, as well as a way to gain control and choice over where and how we might live.

This book has been prepared by KITES to assist people who want to know the processes involved in home buying. It has been written in response to requests from people who experience mental illness or who have used mental health services. Mental health consumers/tangata whaiora may experience barriers to owning their own homes. This book suggests ways of overcoming barriers once the decision to purchase a house has been made.



Barriers to home ownership can take a number of forms:

Discrimination and Stigma

Unfortunately discrimination and stigma continue to create barriers for people who experience mental illness. Attitudes are often behind discriminatory practices. The belief that people who experience mental illness are incapable of owning their own home limits the opportunities people may otherwise consider. Access to employment, loans and insurance can all become potential barriers based on attitudes that are untrue.

Historical reasons

For some people, mental illness has meant they have spent long periods of time in institutions and supported accommodation settings. There are now different and better ways that people can be supported by mental health services in their communities, and consequently more opportunities for people to choose how they want to live and the type of housing that suits them.

Housing Insecurity

Lengthy periods of illness have contributed to people losing their homes. Home ownership can provide a sense of security, no longer having to worry if

a landlord might evict you or increase your rents. Control and choice can be gained through owning your own home and can build a sense of financial security.

Affordability

Income barriers can mean that buying a home is not always achievable for many mental health consumers. More and more consumers are now achieving employment and the benefits associated with a secure income such as homeownership. Schemes such as those identified by Housing New Zealand for Low Deposit Rural lending, may also make home ownership more accessible.

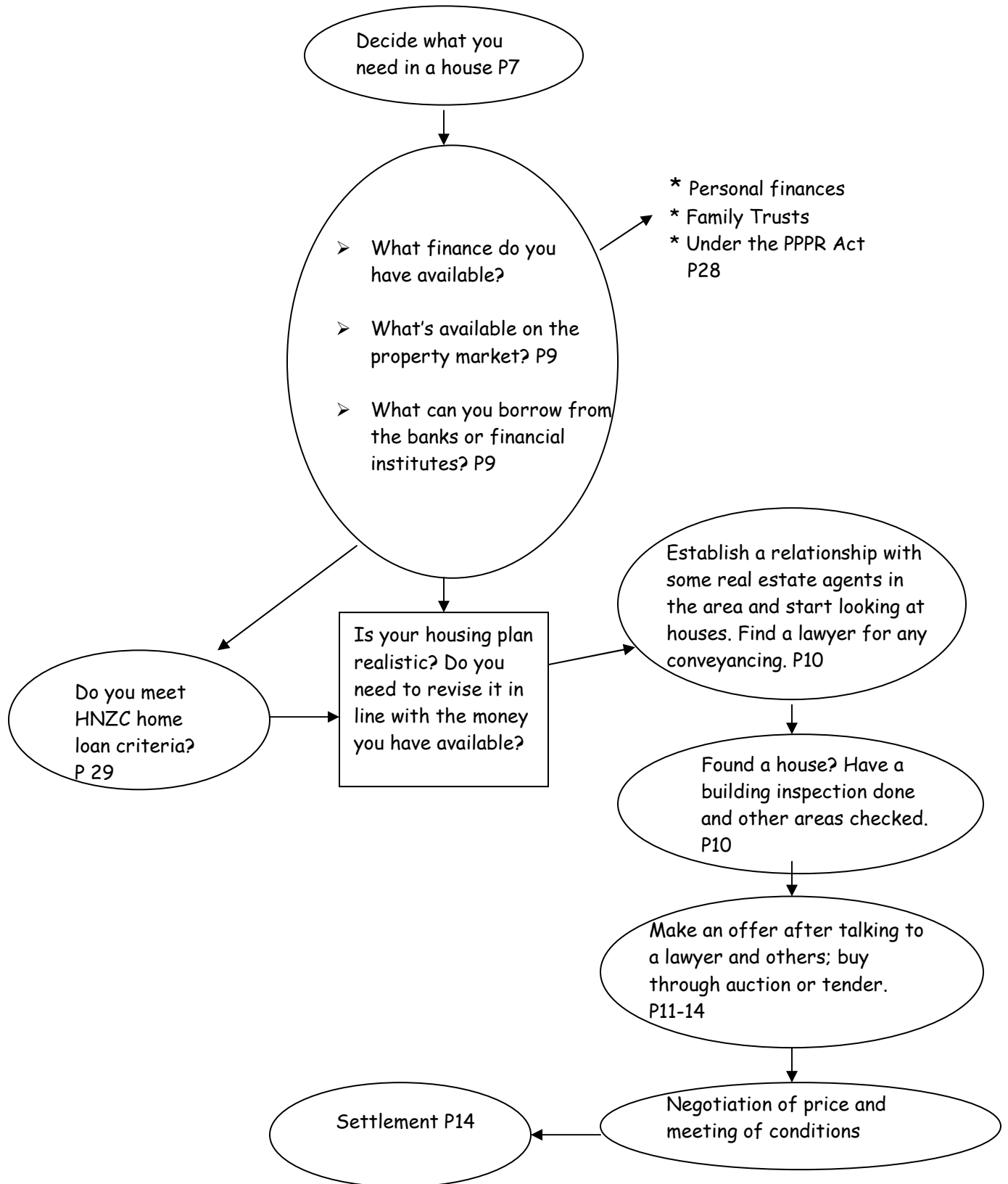
Making the decision to buy a home

People who experience mental illness have identified that they want and need affordable, appropriate and long-term housing options. For many, home ownership is a realistic and achievable means of to meet those needs. It is an option that can be considered along with many others such as collective ownership, housing associations (such as LOCUS Housing), renting, and social housing options such as City Council or Housing New Zealand housing.

However it is important to consider if owning is the best option for you as there is considerable responsibility involved in owning a home and there are other secure housing options available (as listed above). Talking to people who have recently been through the process of buying or who own their own home, will give you a good idea of the pro's and con's of home ownership.



2. Flow chart identifying the steps to buying a house



3. A step by step process

About the Process

Buying a house is not always a quick process. It takes time to find the right house but the negotiation process can be fast, tense and time consuming. Much stress is involved due to the significant amount of money at stake. It's a good idea to have someone who can support you through the process or make the process easier for you such as looking after the children while you meet with lawyers and others. Someone to run thoughts and ideas past, and get a second opinion is also a good idea.

It's important to consider if owning is the best option for you in the long run. Your rent may be going into paying someone else's mortgage but it does not entail the sort of responsibilities that home ownership does.

If you want to pull out during any part of the process then always check with your lawyer, especially before you sign anything. Don't pay a deposit until your lawyer confirms all conditions in the sales and purchase agreement have been met. Rely on the advice of your lawyer, friends and family who are there for you rather than real estate agents who are there for the vendor.

For definitions of the terminology used in this guide please go to Page 19.

Step 1

What You Need in a House

Decide what you are looking for in a home: e.g. the location, type of house, what it needs in it, and access to other things such as transport, schools, and community services.

- You can use the checklist (on page 32) in the appendices to help with this process.

Step 2

Finances

Establish what finance you have available to meet the costs of a mortgage.

- Most deposits (unless you have a high income) are 10% of the value of the house. In some cases these will be 20%.
- Banks are the main source of finance to obtain a loan towards buying a house.
- Do you have access to finances through a family trust or under the Protection of Personal and Property Rights Act? See the section on page 27 for information on these areas.
- As a general rule banks will only lend a maximum equivalent of 30 % of your income for a period of up to 25 years. They will base this on your fortnightly or monthly gross income levels.

An Example of what you might be able to borrow and repayments from the National Bank on a fixed rate of 7.1% interest and with \$20,000 deposit:

Gross income	\$520 per week
Maximum loan	\$80,000
Monthly repayments	\$570.53 (over 25 years)

- Determine what you may be able to borrow by using one of the loan tables on a bank website (see the Additional Information section (page 25) for website addresses).
- You will need to do an income and expenditure budget for discussions with banks (see page 31).
- If you are on a benefit or low income then you are entitled to receive an accommodation supplement towards your mortgage.



Step 3

The Property Market



Check out what's available on the market in the area you would like to buy to decide if your goals are realistic and determine what you may be able to buy with the finances at your disposal. There are many websites available to view homes for sale. Get a copy of the Property Press (usually available outside real estate agents). Local real-estate agents also have information on what is available. Look through these and visit a few open homes to get an idea of what you may be able to buy.

Step 4

Mortgage Finance

Talk with a mortgage broker or bank to determine what the maximum loan value is that you could borrow:

- Mortgage brokers are useful to go through as they are free¹ and can find the best deal for you amongst all the banks. You are also then only dealing with one person instead of many different banks. See the attached list (page 25) of financial institutions for possibilities.
- Try HNZC Home Loans to see if you meet their criteria (see page 29).
- Lenders will only lend to the value of the building and land. If the valuation is \$105,000 including chattels and chattels are worth

▪ ¹ Mortgage brokers are paid on commission by the banks. Be aware that some brokers only use a few lenders (the ones with the highest commission) and may not get you the best deal. If you do use one ask them to better the best deal you have already found.

\$5,000 the amount of the loan and the deposit will be to \$100,000. This means the purchaser would need to pay a deposit plus pay for the chattels from their own resources.

At this stage you may need to revise your housing requirements or wait until you have more money before buying.

Step 5

Real Estate Agents

Once you have determined what your maximum purchase price may be, ring or visit three or four real estate agents in the area you want to buy and let them know what you are looking for. They will negotiate between yourself and the vendor.

- If you view a number of properties, note down the addresses and the name of the agent who introduced you to each property. Be careful not to visit the same property with two different agents. This is because if you proceed to purchase that particular property, there would be difficulties regarding which real estate agent is entitled to the commission payable by the vendor.
- Remember the agent works on behalf of the vendor and is paid a percentage of the sale price.

Step 6

Checking out a house

Have you found a house you like and can afford?

- Use the Housing Checklist (page 33) to decide if the house is sound.
- Find out as much as you can about the property from the agent.
- If you are serious about the house have it checked over more thoroughly by a builder. Some of these, the following things can be included as conditions in an offer:

- Commission a building inspection report to make sure the building is structurally sound (look under builders in the Yellow Pages).
- Get an engineer's report if the home is on a hilly site or if you have concerns about the stability of the land (look under Engineers-Consulting in the yellow pages).
- Get an independent valuation, as banks will require this and so you have your own advice on what the house is worth on the property market (under valuers in the yellow pages).
- Check with the local authority (e.g. City Council) to see if there are any developments planned in the area.
- Discuss finance limits with the bank.

It's a good idea to shop around for these services because of cost (see page 15 for more details of costs).

Step 7

Buying the House

Always talk to a Lawyer before you sign anything.

Making an Offer

The real estate agent prepares a **Sale and Purchase Agreement**, which outlines your offer, the date of settlement, and any conditions that must be met before the sale goes ahead. Discuss the Sale and Purchase Agreement with your Lawyer before you sign it. They will inspect the agreement and recommend any changes. There are two kinds of offers: conditional and unconditional.

1. **Unconditional Offers:** this is an outright offer to buy the property. You need to be 100% sure that it is the property you want, and that you have access to money to buy the property so you will need to have had approval

from the bank. Once the offer is accepted you are legally obliged to go through with the sale.

2. *Conditional Offers:* A conditional offer is also a binding contract, provided that all your conditions are satisfied. You can only back out now if one or more of your conditions are not met. Conditions may include:

- Subject to valuation: This means the sale will go ahead if your bank is confident that they can recoup the dollars they are committing, should the property need to be resold over the period of the mortgage.
- Subject to finance: This means the sale will only go ahead if your bank approves your finance.
- Subject to title search: Your lawyer will do this for you. This means the sale will only go ahead if there are no ownership, access or other claims recorded on the property title.
- Subject to a Land Information Memorandum (LIM) report: Your lawyer can do this as well. This means the sale will only go ahead if the property (including any alterations) complies with all building regulations (see page 20 for definition).
- Subject to a builder's or engineer's report: This means the sale will only go ahead if you are satisfied that the house or land it is on are sound.

You may wish to set other conditions. For example, subject to certain repairs being carried out. Talk to your lawyer about anything you are unhappy or unsure about. Do not sign your Sale and Purchase Agreement until you are happy with the conditions.

Negotiation, Acceptance and Deposit

The vendor may accept your offer straight away, or may negotiate on the price or other aspects of the sale. The real estate agent will act as the "go-between" until you and the vendor reach a happy medium. If you cannot agree on a price, you can withdraw your offer. Remember that if there are any changes to the Sale and Purchase Agreement, you should let your lawyer know before you sign. Once both you and the vendor have signed the agreement it is legally binding.

You will normally be expected to pay all or part (10%) of your deposit directly to the real estate agent on signing the agreement. It will be placed in a trust account until all conditions have been met.

Settling your conditions

The Sale and Purchase Agreement will state the amount of time you have to settle the conditions. Once your offer has been accepted it is time for you to formally apply for a loan. You will also need to follow through on any other conditions that need to be met such as getting a valuation. When all conditions are met, the offer becomes unconditional, the sale will go ahead and the property will be yours.

Alternative ways of buying a property:

Going to Auction

It is wise to attend a few auctions before you consider bidding yourself, to learn how they are run and how the bidding works. If you decide to buy at auction you need to be clear before you attend: what the government valuation is, what your maximum price is, and what is included in the sale (e.g. chattels). You also need to be 100% sure that you have sufficient finance available, as you cannot make an offer at auction "subject to finance" so you need to have applied to the bank for a loan.

If your bid is successful, you are committed to signing a contract and paying a deposit at the end of the auction. Some auctioneers will accept personal cheques but most will only take bank cheques - find out before you go.

If the reserve price is met or bettered at auction, the vendor is obliged to sell. If the reserve price is not met, the highest bidder then has the opportunity to negotiate with the vendor.

Buying by Tender

Tendering for a property involves making an offer without knowing how much anyone else has offered. If you decide to put in a tender, you first need to obtain a copy of the tender document from the vendor. It is a good idea to go through this with your lawyer before you submit an offer. You may need to obtain further information such as a valuation or a LIM report (see page 20).

If you want to buy the property, submit your tender to the vendor or agent. You may also need to pay a deposit (refundable if your tender is unsuccessful). Once the vendor has received all tenders, they decide whether or not to accept any of the offers. They may decide to negotiate with the highest tenderer.

If your tender is accepted your offer becomes unconditional and you are committed to going through with the purchase. If your tender is not accepted, you will still need to pay any costs such as lawyer's and valuer's fees.

Step 8

Settlement

On settlement day, all funds are transferred to the vendor or their lawyer. Your lawyer will hand over the keys, and you will be free to move into your new home.

On settlement day, your lawyer will:

- get the title of the property from the vendor's lawyer
- deal with any legal papers relating to the sale
- arrange for you to get the keys
- pay the balance of the purchase price to the vendor's lawyer



Within a week or so of settlement, your lawyer will:

- give you a new settlement statement with all the purchase details
- register the new mortgage and the transfer of the title with the Land Information Office
- give you a copy of the title showing you registered as the new owner
- send the title, mortgage and certificate of insurance to your lender to be held as security for your loan.

4. Other costs and considerations

Remember you will have other costs to cover when buying a house, these include: Lawyer, bank fees, costs of valuation, building report, LIM report (see page 20) costs, insurance and moving costs. An estimation of these costs:

Estimated costs (November 2,002)	
Legal fees	\$600 - \$1000
Registered valuation	\$250-\$350)
Building consultant's inspection and report	\$300 - \$800
Insurance costs (for average home) per frequency	\$250-\$500
Land information memorandum (LIM) report	\$250 - \$350
Bank's home loan establishment fee	\$250 - \$500
Lender's mortgage insurance (if borrowing more than 80% of home's value)	up to \$1800
Share of rates pre-paid by previous owner	\$100 - \$1000
Phone connection fee	\$30 - \$100
Electricity connection fee	free - \$75
Gas connection fee	free - \$75

Other costs such as the move itself will depend on if you're moving across town or across country, how much you do yourself, and whether you want insurance to cover the move. **Shop around and get quotes** from moving companies to help find out what the work is 'worth'.

Insurance: is a requirement before your mortgage is finalised by a bank. Some banks also require you to have mortgage protection insurance where loans are over 80% of the value of the property, and in some cases 60% of the value (Westpac Trust).

You do not have to take the insurance deals that the bank may offer you and it is best to shop around as there are different discounts that can be negotiated e.g. through multiple policy discounts, age discounts and no-claim bonuses. *See section 7 for more information on this area.*

Credit checks: most lending institutions will do a credit check to see if you are a good risk for lending money to. Each organisation you have an

account with has records of your business: banks, insurance companies, retailers offering hire purchase, power and telephone suppliers and others.

Records can go back a long way and hold a surprising amount of information. Your file isn't open to everyone. Companies need your permission to see it. But you've probably signed that right over countless times without being aware of it in the fine print of application forms. *See section 7 for further information on this area.*

Buying with someone else?

There are 2 main ways of owning a home together. You can have:

- **Joint Tenancy** - where you all own the home together, and if one person dies the other(s) take over the ownership. This is common with couples under the Property Relations Act which also covers defacto couples.
- **Tenancy in Common** - where you each own a share of the home, and can leave your share to anyone you wish in your Will. This is common where there are several owners.

Ask your lawyer for advice on the best way to set up ownership depending on your situation.

Choosing a Lawyer

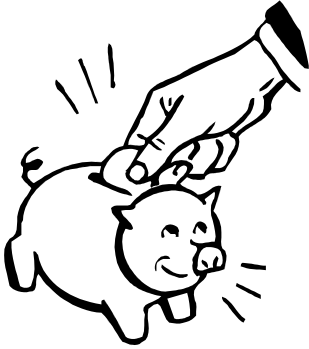
It's a good idea to **choose a lawyer early on**, so you have someone to help you as soon you find a home you want to make an offer on. It is worth shopping around for a lawyer as the costs vary greatly. Consumer's Institute (June 2002) survey of conveyancing fees on the Wellington area found a range of \$701 to \$1,196.

If you've never had a lawyer before, ask friends or family if they can recommend someone, or contact your local District Law Society. You can also find a conveyancing lawyer online at www.propertylawyers.org.nz.

Your **lawyer's job is to protect you** by: checking contracts, explaining your rights, doing the legal paperwork, and making sure everything to do with your **ownership** of the home is in order, including checking things out with your local authority.

5. Now You Are In Your House

Costs once you are in your home



Remember that there are additional costs to being a homeowner besides the mortgage. These include rates, usually paid quarterly, and maintenance costs. It's best to put aside an amount each week to cover these costs, as maintenance can be expensive.

Dealing with Tradespeople

Always get several written quotes before choosing a tradesperson. You are more protected if you hire someone who belongs to a professional body such as Master Builders or Painters Associations (they can be found in the yellow pages).

If you are getting house repairs done on your house you are protected under the Consumers Guarantees Act. Under the act you are guaranteed that services will be:

- Performed with reasonable care and skill
- Fit for the particular purpose they were supplied for
- Completed within a reasonable time
- A reasonable price (in no price or pricing formula has been previously agreed)

If something goes wrong you have the right to ask the tradesperson to fix things. If it can not be fixed, or cannot be fixed within a reasonable time, or is substantial, you can:

- Ask for a full refund
- Cancel the service contract, pay for any satisfactory work done, and get someone else to finish the repairs
- Have it repaired elsewhere and recover the costs from the tradesperson.

If the trader refuses to accept this you have a number of options:

- Go to the Disputes Tribunal for cases up to \$7,500, or \$12,000 if both parties agree.
- Go to court
- Go to the trade association or professional body that may cover the tradesperson's work.

Sourced from www.consumer.org.nz. For further information contact the Consumer's Institute or Citizen's Advice Bureau

Mortgage repayments

- It's worth shopping around as some of the non-traditional lenders e.g. Bankdirect, often have lower interest rates. Avoid mortgage-reduction agencies, they usually charge high fees.
- You will need to choose between a fixed and a floating rate of interest. A fixed rate will give you the same interest rate for a period between six months and five years. Floating rates are changeable and may often go up but they also give you flexibility e.g. when repaying a portion of the principal (see page 20). Overall a fixed rate tends to leave you better off.
- The quicker you pay off your loan the lower your interest bill will be.
- Repaying your mortgage fortnightly spreads payments more easily over the year and allows you to make two extra payments. Over time this will save you in the amount of interest you are paying.

What can you do if you can't make a mortgage repayment?

Banks are not keen on mortgagee sales and are more interested in working with you or your lawyer to look at a way your mortgage payments can be restructured if you run into problems.

Contact your lawyer or bank directly, as soon as you have problems so that a solution can be sorted out.

6. Commonly used terms

(sourced from www-nz-lawsociety.org.nz)

Agreement (also called the Agreement for Sale and Purchase)

This is the written contract for the sale and purchase of the property between the vendor (seller) and the purchaser (buyer). Never sign this without discussing it with your lawyer.

Chattels

These are the movable objects found in a house or elsewhere on the property included in the sale. Most often they include the stove, television aerial, carpets, blinds, curtains, drapes and light fittings. However, they may also include dishwashers, refrigerators, heaters and so on. These should be specifically listed in the Agreement for Sale and Purchase.

Conditional Agreement

This is a legally binding agreement, but it is subject to certain conditions being satisfied. These might relate to: the purchaser arranging suitable finance to complete the purchase; receipt of a satisfactory builder's report or valuer's report; and receipt of a satisfactory LIM or the purchaser's solicitor approving the title to the property. They may also require the seller to do something by a certain date. Once the conditions are satisfied the contract is confirmed. Whether you are a buyer or seller, it is important to get legal advice to ensure that the conditions are expressed clearly in the agreement.

Deposit

Part of the purchase price (usually 10%) paid by the purchaser when the agreement is signed or conditions are met.

Equity

This is the amount of the property that the purchaser actually owns - rather than owes! Initially, it will be the amount of "cash" the purchaser contributes towards the purchase price for the property - not counting any amount borrowed against the property (mortgage). Over time the amount of equity increases if the value of the property increases, provided the mortgage isn't increased. In shared property arrangements, where co-

owners contribute in unequal shares to the property, the amount of equity each has provided should be recorded. Co-owners (or people who live with a partner) should seek legal advice on these issues, in the light of the potential impacts of the new Property (Relationships) Act.

Interest

This is the sum charged by the lender (i.e. the bank) to you, the borrower, over the term of the loan. It will be expressed as a percentage of the loan and collected at intervals such as fortnightly, monthly, quarterly or sometimes six monthly from the borrower.

LIM report

This is a Land Information Memorandum from the local council which highlights building consents issues on the property and any potential instability of the section.

Mortgage

This is the amount you, the borrower, owe to the lender. It is registered against the title to the property being purchased. Except in rare cases, the property cannot be sold without the loan being repaid and the mortgage removed from the title (discharged). If the borrower fails to meet obligations under the loan, the lender can, after giving notice to the borrower and following legal procedures, take steps to sell the mortgaged property to recover the loan. The obligations of parties under a mortgage - especially an all obligations mortgage - and their on-going liabilities need to be fully understood before you sign any mortgage agreements.

Possession

This is the date on which the buyer takes physical possession of the property.

Principal

This is the total amount of the money borrowed not including interest.

Purchaser

This is the person buying the property.

Settlement date

This is the date on which you pay for the property. Usually it is the same as the date you take possession, but that is not always the case.

Term

This is the period of time over which the loan is to be repaid and may vary up to 25 years. The longer the term, the more interest the borrower will pay overall, however for many people on a low income it is necessary for them to have a long-term loan.

Title

The Certificate of Title is the document that describes the property and gives legal right of ownership to the property. In New Zealand it can be a freehold, leasehold, cross-lease or unit title.

Freehold (title)

This form of title means that you own the land and the buildings on the property, with few restrictions (although the buildings are not shown on the title documents). It is the most common form of title in New Zealand.

Cross-lease (title)

This type of ownership is common where there is more than one property (often called flats) on a single title. The owners of each property co-own the land and each leases their own property, which together form the cross-lease title.

Leasehold (title)

Under this form of title, someone other than the occupier of the property owns the land and charges rent for a specific term to the leasee. Sometimes buildings on the land belong to the lessee, subject to the terms of the lease. Your lawyer will advise whether you are buying freehold, leasehold or other form of property ownership as this will determine what you can do with the property and will affect the amount you pay.

Unit title

A form of ownership of apartments and units where each owner has freehold title to his/her individual unit and any garage/parking space or similar area attached to it, as set out on a unit plan. Owners of units have common legal areas and share duties for any common property, such as driveways. It is

common for most apartments or blocks of flats to have a body corporate. This means additional charges to the homeowner for common ground maintenance or improvements.

Unconditional agreement

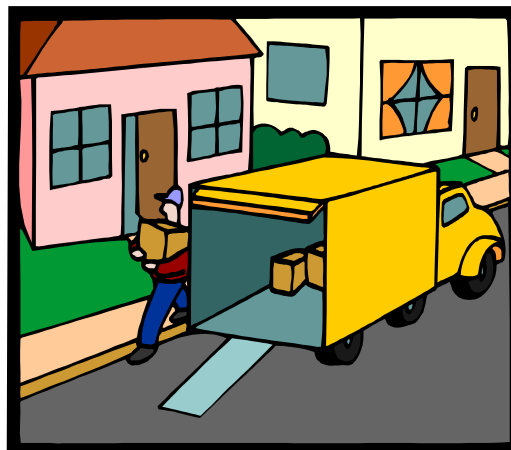
This form of agreement is not dependent on any conditions. You need to ensure that you have the full purchase price arranged, and have carried out your checks on the property, before signing such an agreement. You should never sign an agreement, conditional or unconditional, without taking advice from your lawyer.

Valuation

Your local authority uses a valuation for rating purposes (previously the Government Valuation). This provides a guide only to the market value of the property. A private valuation, carried out by a professional valuer or Quotable Value New Zealand, will reflect the market conditions at the date of valuation.

Vendor

This is the person selling the property. The vendor pays the commission to the real estate agent who arranges the sale of the property.



7. Barriers to Home Ownership for Mental Health Consumers

Discrimination

Discrimination on the basis of disability is illegal under the Human Rights Act. For example if an application you have made for a bank loan has been turned down, despite meeting all the banks criteria, you may have been discriminated against on the basis of your disability status.

If you feel you have been discriminated against you can make a complaint to the Human Rights Commission: Phone 473 9981 in Wellington or contact their freephone: 0800 496 877

Insurance Issues

Be aware mental health consumers sometimes find themselves having to pay higher premiums for mortgage protection insurance based on their medical status. This is an extra cost to you as a homeowner and it is therefore important that you shop around for the best deal you can find.

If you think your insurer has unreasonably declined a claim, or you have a problem with their assessment of your insurance, ask to go through their formal complaints procedure. If you are still unhappy after this process, contact the *Insurance and Savings Ombudsman*, an independent complaints body. There is no charge to take a case. You can contact the ombudsman by phoning 0800 888 202 or 04 499 7612 or online at www.iombudsman.org.nz

Your Credit History

Debt carrying will be a barrier to home ownership and if you are serious about home buying you should try to reduce the number of hire purchase or personal loans you have and/or seek to have your credit history corrected.

You are entitled under the Privacy Act to see what information credit companies (such as Baycorp) hold on you, and to correct it. There is often a small fee for this and you will need to give proof of identity. If you think your rights under the Privacy Act have been breached, contact the [Privacy Commissioner](#)'s hotline 0800 803 909.

The main law to protect consumers in credit deals is the Credit Contracts Act 1981. If you are in doubt about your rights under this Act, seek advice

from a lawyer or your local Citizen's Advice Bureau.

sourced from www.consumer.org.nz



Considering Other Options

Historically many people experiencing mental illness have lived in environments that have combined their support and housing services (e.g. supported accommodation). There are now other options for people to be supported by mental health services in their own homes, such as through home-based support. Not considering all possible housing and support options can be a barrier to achieving the home you want.

What can you do if you can't make a mortgage repayment?

Banks are not keen on mortgagee sales and are more interested in working with you or your lawyer to look at a way your mortgage payments can be restructured if you run into problems. Contact your lawyer or bank directly, as soon as you have problems so that a solution can be sorted out.

To maintain mortgage payments during a period of illness you may like to plan ahead. Have a friend or family member who is aware of your plan to meet payments e.g. through income support or mortgage insurance, and who can follow this through for you.

8. Additional Information

Mortgage Brokers

Under M in the yellow pages

Up-to-date interest rates for mortgages offered by the retail banks and a range of non-bank lenders

Sourced from Consumer Online at www.consumer.org.nz

Lenders are listed alphabetically. Last updated 14 October 2002.

Lender	Lending limits	Floating	Fixed					Establishment Fees (often negotiable)
			6 month	1 year	2 year	3 year	5 year	
<u>AMP Banking</u>	90%	7.70	7.00	6.95	7.30	7.55	7.70	\$400
<u>ANZ</u>	95%	7.85	6.95	6.95	7.20	7.30	7.50	max \$600
<u>ASB Bank</u>	90%	7.85	6.95	6.95	7.15	7.30	7.50	up to \$500
<u>AXA NZ</u>	90%	7.69	6.95	6.94	7.25	7.45	7.65	\$500
<u>BankDirect</u>	90%	7.55	6.80	6.85	7.05	7.20	7.45	min \$375
<u>Bank of New Zealand</u>	90%	7.85	6.95	6.95	7.15	7.25	7.49	max \$500
<u>Cairns Lockie (emortgage)</u>	90%	7.50	-	7.06	7.27	7.44	7.66	up to 0.5% (\$400 min)
<u>HSBC</u>	95%	7.55	6.75	6.85	7.10	7.40	7.45	\$250 (min loan \$125,000)
<u>Kiwibank</u>	95%	6.95	6.75	6.85	7.10	7.20	7.40	No fee
<u>The National Bank</u>	90%	7.80	6.95	6.95	7.15	7.25	6.99	\$400
<u>PSIS</u>	95%	7.75	-	6.85	7.30	7.45	-	\$350
<u>SBS</u>	90%	7.65	6.75	6.95	7.20	7.35	-	up to 1%
<u>Sovereign</u>	95%	7.70	6.95	6.95	7.20	7.30	7.50	up to 1%
<u>TSB Bank</u>	80%	7.70	6.85	6.85	7.15	7.35	-	\$400
<u>WestpacTrust</u>	90%	7.85	6.95	6.95	7.20	7.30	7.50	max \$400
<u>Wizard</u>	95%	7.45	-	7.15	7.35	7.50	7.75	No fee

*WestpacTrust also offers a capped rate: 1-year 7.45%, 2-year 7.80%, 3-year 7.95%

Lawyers:

www.propertylawyers.org.nz. or under L in the yellow pages

Valuers:

Under V in the yellow pages

Quotable NZ (QV) previously Government Valuation:

sourced from www.quotable.co.nz

This is the old Government Valuation Service and they can be located online at www.quotable.co.nz or can be contacted at one of their local offices. The Wellington office is based at 163 Thorndon Quay and their rating line is Telephone: 460 4400.

Every three years (an exception is Wellington City which is done every year) they do a rating valuation on a property (previously called the Government Valuation) which gives land value and improvements (buildings and alterations) based on the property values in the area and relative value of the house. It may not be reflective of the true market value for the house. This information is publicly available for any property either on line (cost \$2.95) or by going into the office. In some areas this rating may be carried out by another organization.

QV are also able to provide a range of other valuations that range in the level of detail they provide and costs.

Useful websites and resources:

- *How To Get The House You Want;(book) New Zealand Consumers Institute*

▪ www.newhomes.co.nz	▪ www.nationalbank.co.nz
▪ www.anzbank.co.nz	▪ www.harcourts.co.nz
▪ www.westpactrust.co.nz	▪ www.open2view.co.nz
▪ www.realenz.co.nz	▪ www.propertybrokers.co.nz
▪ www.nzhouseinspection.co.nz	▪ www.firstnational.co.nz
▪ www.bnz.co.nz	▪ www.professionals.co.nz
▪ www.bankdirect.co.nz	▪ www.leaders.co.nz
▪ www.asb.co.nz	▪ www.ljhooker.co.nz

9. How can your family help you achieve home ownership?

Sometimes people can achieve home ownership is through financial support from their families/whanau if their families are in the financial position to do so. This may be by way of a straight loan of money towards the deposit or through a more formal system such as family trusts.

A family loan

The family member will need to ensure that their loan is adequately recorded to protect their interests and get their own legal advice on this. The Property (Relationships) Act could have implications for them, should you, the homebuyer, be in a relationship that breaks down after 3 or more years. They will want to ensure that the loan is formally recorded so that it is protected in any property division.

Family Trusts

(Sourced from www.HowToLaw.co.nz)

A trust is a legal relationship and is a way that families often ensure the use of their assets for the welfare of other family members. Legal advice is required and it may cost between \$2,000 and \$6,000 to set up a trust. There may also be ongoing administration costs for the trust.

The establishing of a family trust might typically work like this:

- A parent with \$100,000 starts up a trust for their child by appointing two trustees (they could be family members, solicitor or accountant) and writing up a trust deed.
- The trust owns the asset of \$100,000 but a named beneficiary, the child, benefits from the trust.
- The trust may invest in some property.
- The trust then owes the parent (called the settlor) \$100,000 which can be forgiven at any stage by the parent at \$27,000 maximum per year or gifted back in one amount to the trust (which incurs gift duty).
- This means the trust never actually pays back the \$100,000

For more information on this area go to www.consumer.org.nz or www.HowToLaw.co.nz

Access to finances under the Protection of Personal and Property Rights Act

The Protection of Personal and Property Rights Act 1988 (PPPR Act) assists adults who, because of incapacity, are no longer able to make or communicate decisions or manage their own affairs. It sets out conditions for what can happen legally when a person is unable to make all or some of their own decisions about their personal and property matters. It is decided by the Family Court which may appoint a welfare guardian and in some cases a property manager (a property manager can be a Trustee Corporation such as Public Trust, Guardian Trust AMP Perpetual Trustee Company).

The welfare guardian is able to make a wide range of decisions for that person such as where they may live and how they should be cared for.

The property manager is required to make the least restrictive intervention possible in the management of the person's assets and property. They are expected to enable and encourage the person to exercise and develop the competence to manage their own affairs to the greatest extent possible. They have a statutory duty to consult with you and other people who are important to you. These may include the welfare guardian, immediate family or close personal friends, service providers or any other professional adviser who may be working with you or in your interests.

The property manager is unable to buy or sell property on behalf of the individual without the consent of the court if the property is over the value of \$120,000. If the property manager is not supportive of any assets being used to buy property then they should give a reason for this. If you are unhappy with this reason then you should discuss it with your welfare guardian and raise it with the court.

(Sourced from dept courts website: www.courts.govt.nz/family)



10. Housing New Zealand Corporation Home Loan Criteria

Housing New Zealand Corporation (HNZC), offers targeted Home Ownership products in areas of greatest need. It also offers general lending nationwide. The Home Ownership products are available to low-income and moderate income earners living in New Zealand who want to buy, build or repair their own home and have been unable to get finance. It is also available for people who want to build on papakainga (multiply owned) Maori land.

To be eligible for loans, applicants must be a New Zealand Citizen or permanent resident. You must be able to afford the repayments and meet other standard HNZC lending criteria

General Lending

HNZC can lend to people who can't get a loan from any other lender but meet the HNZC lending criteria and can afford the costs of home ownership.

- 20% deposit is required
- How much is loaned is dependent on income levels
- To assist low and moderate income earners
- A credit history free of any adverse data checked by Baycorp
- Interest rates vary dependent on the market (the current lowest rate is 7.3%)

Low Deposit Rural Lending (LDRL):

- Covers rural areas in the North Island
- Must attend a Home Ownership Skills course
- The courses are provided largely by Iwi Trust Boards or Runanga in Kaitaia, Kaikohe, Whangarei, Torere, Wairoa, Gisborne, Ruatoria, Pukekohe, Rotorua, Tokoroa, Taurange, Te Kuiti, Taumaranui and Hastings regions.
- Only 3% deposit is needed
- Other lending criteria is involved specific to each individual situation.
- Applicants must be eligible for the accommodation supplement towards their mortgage payment, have a good credit history, and be able to meet mortgage payments.

- There are maximum levels. As a guide, a couple on the invalids benefit and no debts would be considered for up to \$66,000, and \$77,000 if they had two children.

Papakainga:

- Covers the whole of the country for people eligible to live in Papakainga on Maori land held in multiple ownership
- Similar criteria as General Lending except for deposit levels. Only the house is required to have standard mortgage security.
- 15% deposit
- House must meet local authority building requirements and be easily relocatable (e.g. single story, pile foundation home)

Kapa Hanga Kainga- Group Self Build

This programme is for people wanting to build their homes as part of a whanau group. Sometimes a trust is formed to oversee and organise the work. Participants must attend a LDRL course (as above), and deposits are at the 3% level. Other funding may be available for costs of architects and project related costs.

Home Improvement

Home Improvement finance enables homeowners to repair and enhance their property. Common uses include: replacing old cladding, re-roofing and re-piling. Finance can also be used to improve the usefulness of the property, for example by adding another bedroom or a veranda, for safety reasons.

Borrowers with a loan from a private lender should seek finance from that lender before applying to the HNZC.

Finance is only approved to people who can afford the repayments and meet HNZC lending criteria.

For further information go to www.hnzc.co.nz or contact HNZC on 0800 739 717

II. Income and Expenditure Statement for help with completing loan applications

1. Income (use all monthly or all weekly figures)	
Wages/Salary	
Wages/Salary (spouse or other)	
Benefits	
Other	
A. Total Income	
2. Living Costs	
Mortgage	
Rent	
Rates	
Home Insurance	
Life Insurance	
Electricity	
Gas	
Fines and debt repayments	
Maintenance	
Travelling /vehicle Expenses	
Clothing	
School & childcare Costs	
Telephone	
Housekeeping	
Other	
B. Total Living Costs	

12. Wish List

House Hunting Wish List				
	Very Important	Nice to have	Not important	Definitely Not
Rooms and Features				
No of bedrooms				
No of bathrooms				
A separate dining room				
A family/rumpus room				
A separate bathroom & toilet				
Location				
Quiet neighbourhood				
Inner City				
Close to public transport				
Close to schools				
Close to hospital				
House style and features				
Character home				
Modern home				
Single level/no stairs				
Open fire/central heating				
A bath				
Gas cooking				
Gas water heating				
Section				
View				
Good sun				
Sheltered from prevailing wind				
Drive on access				
Lock up garage				
Large section				
Flat section				
Patio or deck				
A fenced section/privacy				
Low maintenance				
Garden or native bush				
Mature trees				
Potential				
Potential to extend				

13.

House checklist

If you are buying a house, use this checklist for your inspection

Property address

.....

.....

Date

GENERAL

New and second-hand houses

- Ask the developer, seller, or agent:
 - Whether there are any protection orders over trees or buildings on the property.
 - For the government valuation (a new house may not have one).
 - Whether they have obtained all required building consents and permits and had proper approval for all work done; ask to see the documents.
 - Whether the house has a sewer or septic tank.
 - What fittings and chattels (such as floor coverings and TV aerials) are included in the price.
 - Does the property have storm water drains?
- Maintenance. Will the condition of the house and its construction mean that it will need a lot of work?
- Could the house be renovated?
- Speak to the neighbours. Do they have any disputes regarding the property you intend buying, or major plans for their property, which may affect you (such as extensions to their house which will obscure your view)?
- New house only: What landscaping work will be required? Who will pay for it?
- Ask the seller or agent:
 - Why they are selling.
 - How much the rates are.
 - When the place was last rewired.
- What repairs and renovations are needed now?

OUTSIDE

New and second-hand houses

- Can you afford the immediate work?
- Location – how close is it to the school, bus stops, shops, work, neighbours, etc?
- Adequate street lighting?
- Road noise?
- Is the section big enough to be subdivided if you wanted to do so?
- Check the survey pegs. If you cannot find them, pace the boundaries and check the measurements against those given in the title.
- Sun.
- There should be no gaps in the weatherboards or cladding to let in rain.
- Surface drainage. Is the ground landscaped and/or are there proper drains?
- Is the property likely to flood in heavy rain? Is it near a river?
- Are retaining walls sound? Are there any bare banks that should have retaining walls?
- Reasonable soil for gardening?
- Is there a carport, garage, parking? What is the access to the house?
- Are there lots of steps to the house?
- Is the clothesline near the laundry?
- Are there enough vents? An average 130 square metre house with a concrete perimeter needs around 28 vents, evenly spaced.

- Is the entranceway protected from weather by a porch or canopy.

In addition, for second-hand houses

- Signs of excessive borer
- Signs of damp
- Weatherboards and outside walls. Could any problems be hidden behind fresh cement, paint or cladding? Tap suspect wood. If it sounds spongy and dead, beware!
- Get on the roof. Any signs of rust or cracking, or fresh paint hiding this?
- Are the fences in good condition?
- Are any big pot plants hiding something?
- Make sure none of the events are blocked.
- Check that metal flashings over windows and doors are not rusted.

INSIDE THE HOUSE

New and second-hand houses

- Does the front door open into the living room? If so, this can allow heat to escape.
- Is there sufficient natural light?
- Are there enough rooms of the right size?
- Room layout and sun, efficient use of space, privacy and noise?
- Is the kitchen suitable? Is there a pantry?
- Check the quality of the TV reception.
- Adequate storage?
- Is the house insulated?
- If there is a header tank, check that it is securely fastened.
- All fans, vents and rangehoods should vent to the outside.
- Check the water pressure and plumbing by turning on several taps at once.
- Check that window and doorframes are in good condition.
- Make sure the windows do not stick.
- Do the doors close properly?
- Are there enough power outlets?
- Turn on the shower. Make sure it has good pressure and is hot.

- Ensure that gas pipes are working properly by turning on several outlets at once and making sure that the flame is strong and high.
- Check that all the chattels included in the sale are in good condition.

In addition, for second-hand houses

- Go into the roof space:
 - Any sagging, missing or dislodged tiles?
 - Birds nests?
 - Any insulation? If so, is it in good condition?
 - Any cracks in the chimney?
- Any leaks, water stains, or suspicious new paint on the ceilings?
- Any cracks or bulges on the walls? This could be due to subsidence, moisture or condensation.
- Check wardrobes and cupboards for mould.
- Are toilets and cisterns in good condition?
- Go under the house:
 - Check the piles. Are any of them missing or no longer supporting the house? Are they wooden or concrete? Wooden ones could be rotten under the soil line. Push a screwdriver into a few piles below ground level. Are they solid, or does the screwdriver penetrate the pile? If it does, the pile is rotten.
 - Look around: any floor problems hidden from above should be evident.
 - Signs of excessive borer.
 - Signs of dampness, gaps in flooring, other problems

