

# How to get your first home

## What's inside:

- How to work out what you need in a home
- What to look for when you are viewing a property
- What to do when you find the place you want

## [left hand inside]

About to take the big step?

Getting into the property market for the first time is both exciting and a little scary. You need to make good decisions, because you'll have to live with them for a long time. Before you go any further, check out the information and tips in this guide. Then you'll be off to a great start.

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## What do you need in a home?

It's easy to get confused when you're doing the rounds of the open homes. After a while it can be hard to remember the features of all the houses you've seen. But with a little preparation, you can turn chaos into order.

Begin by writing a list of the things you *need* in a home. Think about things like location, the number of bedrooms and living areas, deck for entertaining, office space, play area for kids, garaging and other practicalities.

Then write a list of the things you *want* in a home. Things like a view, architectural character, top notch appliances, designer kitchen, swimming pool and other 'wish list' items.

Use your 'needs and wants' to evaluate each of the homes you see. It's a good idea to take notes while you're looking around. You could even create a scrapbook, with a page devoted to each house you view.

## How much can you afford to pay?

Another essential part of home buying preparation is knowing how much you can afford to pay. For most people, this means a trip to the bank to work out how much you can borrow. You can even go as far as getting a pre-approved loan, which can give you an advantage over other buyers.

For specific information about organising a home loan and the financial aspects of purchasing a property, look for our 'How to finance a home' guide.

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## **What should you check when looking at a property?**

Our checklists will help you assess each house you look at, so you can make an informed decision about what to buy. If you can't answer any of the questions on these checklists, ask the real estate agent, the owners or even the neighbours. The local council could help too.

If you're really keen on a property, it could be a good idea to have it checked over by a professional builder or house inspection company. This minor, upfront cost can help to uncover any nasty surprises.

## **How to avoid buying a leaky building**

If you're looking at homes built since 1990, you need to keep your eyes open for leaky building symptoms. Claddings associated with leak problems include stucco, EIFS (exterior insulation and finish system) and texture-coated fibre cement. You should also be wary of multi-storey houses, narrow or non-existent eaves and complex architectural designs. For detailed information about leaky building problems, visit [www.consumerbuild.org.nz](http://www.consumerbuild.org.nz).

## **House interior**

### **General**

How old is the house? Could it need rewiring? Is it insulated at all? What rooms get the most sun?

What sort of heating does it have? Is the water heating electric or gas? If gas, does it use a storage tank or is it a continuous flow system?

Has the house had any additions over time? If so, have the permits been signed off properly? What is the zoning for the house?

What chattels (curtains, carpets, appliances) are staying with the house? Is there an alarm? Can it be monitored?

Any cracks in the windowsills or walls that might indicate movement? Are the floors level? Do the windows and doors open and shut easily?

Are there any water stains or mouldy patches on the ceilings and walls that might indicate leaks?

Tip: Get a LIM (land information memorandum) report from the local council to find out if the house is fully permitted. Ask the council about any other reports you could get.

## **Kitchen**

Is there enough pantry and cupboard space? Enough bench space? Is there room for your fridge/freezer?

What's the age and quality level of the appliances? Does the extraction fan suck enough?

Is the floor easy to clean? Is there a waste disposer? Where does rubbish go?

When would you need to renovate?

Tip: Pretend you are making a meal. Are work surfaces, fridge and cooking areas close enough to make cooking easy?

## **Bathrooms/toilets**

How old are the fittings? What's the water pressure like? Enough ventilation/extraction? When would you need to renovate?

Any water damage? Cracked tiles or peeling paint? Easy-clean floor?

Separate toilet or in bathroom? Separate shower and/or bath?

Enough storage? Adequate mirrors and lighting?

## **Bedrooms**

How many? Singles or doubles? Will your furniture fit?

How's the wardrobe space? Enough electrical outlets? Phone jack? What sort of light fittings? Any reading lights?

Is the ceiling paint in good order? Do the walls need work (paint or wallpaper)?

Would road noise, proximity to neighbours or television noise from an adjacent living room prevent you from sleeping?

### **Living and dining areas**

Enough electrical outlets? Enough phone jacks? Is there a Sky dish? Where is the aerial outlet?

Will your furniture fit? Good access to outdoor living areas?

Is there a rumpus room or alternative living space for kids? Is the dining area separate or open plan?

### **Laundry**

Are there fittings to connect a washing machine? Is there a proper air venting system for the dryer? What's the tub like?

Is there adequate storage for buckets and mops, cleaning stuff, shoe cleaning gear, pet paraphernalia etc?

### **Office**

Space for your desk? Built in shelves?

Enough electrical outlets? Phone jack? Any reading lights?

### **Storage**

Is there a heated cupboard for linen and towels? Is there 'general purpose' storage for miscellaneous items?

Is there somewhere for sports equipment and footwear? Where would you keep bulky items like suitcases?

### **Attic/roof space**

Is it insulated? Any sign of leaks? What about signs of rats, mice or birds?

Suitable for storage? Easy to access?

### **House exterior**

#### **Decks**

What are the decks made of? When would they need recladding?

Are there any decks on top of rooms? If so, are there any signs of water damage in the room below? Are high decks legally fenced?

Tip: Imagine you're having friends over for a barbecue. Where would the barbecue go and is there room for outdoor dining furniture?

### **Roof cladding and spouting**

Is the roof cladding in good condition? If not, what would be required to bring it up to standard?

Are there any skylights? If there are, are they watertight?

If there is a chimney, is it usable?

Do the downpipes and spouting appear to be in good condition?

Tip: Visit the house on a rainy day and watch the guttering and roof in action. See if the section drains quickly.

### **Wall cladding**

What sort of cladding has been used? Is it in good condition? If not, what would be required to bring it up to scratch?

If wall cladding is plaster, any cracks?

What type of window joinery? Any maintenance needed to windows and doors?

### **Basement/underfloor area**

Can you see any leaky pipes? How old is the plumbing?

Is the under-house area dry? Any underfloor insulation?

Are the foundations (piles) in good order?

Tip: Bring a torch so you can see.

### **Garage**

How many cars will fit? What is the door opening system? Can the garage be locked to keep your things secure?

Is there a workbench for handyman projects? Is the lighting adequate?

Is there storage for gardening equipment, tools, paint pots and craft materials? Is there storage for sports gear and camping equipment?

Is there internal access to the house?

## **Section**

Are the boundaries of the property marked with a fence or pegs? Is the fence in good condition? Would it keep dogs and small children in, or out?

Does the garden need work? How much lawn is there to mow? Could kids play here? Any fruit trees? How much regular maintenance would be required to keep garden, lawn, hedges and trees tidy?

Is there a clothesline? If so, how close is it to the laundry?

What material has been used for the driveway? When will it need resurfacing? What are the paths like? Is there any off-street parking? Can cars turn around, or do they need to back out?

Can you see any evidence of flooding or drainage problems on the property (boggy patches)?

If there are retaining walls, are they in good order? Are there any un-retained banks that could collapse onto the house?

## **Neighbourhood**

Is the area desirable? Is the value of the property likely to increase more quickly than other similarly-priced areas?

How busy is the road? In the morning? At night? In the weekends? Would small children and pets be safe?

How noisy is the area? What about motorways, raceways, airports?

Tip: Park in the street outside the house at various times of the day to monitor traffic and noise levels.

Tip: Call the local council and ask if there are any major developments planned for the area.

Are the other houses in the street in good condition? What are the neighbours like?

What schools is the house zoned for? Primary? Intermediate? Secondary?

Are there any parks or community facilities nearby that you would use? Where is the nearest shopping centre/shopping mall? If you needed milk and bread, how far would you have to walk or drive?

What's public transport like in this area? Could you get to work without driving?

## How do you get the home you want?

The vendors (sellers) will have chosen the way they want to sell their property. It's up to you to understand the different processes, so that you can make the right calls at the right time.

### **Offers and negotiation:**

- have a set asking price or price range
- let the seller accept your offer, reject it, or make a counter offer
- mean your negotiation can include price, conditions or both
- allow the real estate agent to be the middleman until an agreement is reached.

### **By auction:**

- no price is set
- buyers turn up on auction day and bid for the home
- there's a 'reserve' price, which isn't revealed to bidders
- when the reserve is met, the auctioneer may announce that the property is "on the market"
- if the reserve isn't met, the highest bidder gets the first chance to negotiate for a sale
- a sale at auction is unconditional and legally binding, so it's important to have valuations and inspections done and finance organised, including the deposit, before you start bidding.

### **With a tender:**

- buyers bid by submitting written offers, which can include conditions
- bidders don't get to see other bids
- all bids are opened at the same time and the seller considers them; the seller doesn't have to accept any offers

- if your offer is successful, you'll need to pay a deposit immediately, so make sure your deposit is ready and the rest of your finance is organised.

**Private sales:**

- almost always use the offer and negotiation method
- buyers deal directly with the seller, rather than through an agent
- tend to advertise in newspapers, on the internet or sometimes even through mail drops around the area.

**After the sale****Finance**

For specific information about organising a home loan, look for our 'How to finance a home' guide.

**One-off costs**

- A property valuation by a registered valuer is often required by the bank.
- You'll need to pay lawyer fees for 'conveyancing', which is the legal change-of-ownership process for property.
- You should also consider moving costs. Get two or three quotes from moving companies, to make sure you pay a fair price.

**Insurance**

You will need to organise insurance for your home. Ask about PremierCare at your nearest BNZ store. It can cover house, contents and vehicles, with discounted premiums if you buy more than one type of cover. Check that your belongings are covered during the move.

If you have a mortgage, you should also have life insurance to protect you from the financial problems that can come with disability, redundancy, serious illness or death. Ask about LifeCare at your local BNZ store.

**Your 'to do' list**

It's likely that you noticed various things about your home that will require attention. Make a list of maintenance and repair jobs, putting the most urgent jobs at the top.

**Ongoing maintenance**

It's smart to do your own 'home inspection' about every two years, so you can discover maintenance issues before they become too major. The check list questions in this guide can help with this.

## Before you move house

- Have your mail redirected.
- Arrange final readings for gas and/or electricity.
- Arrange to have phone disconnected and reconnected.
- Cancel regular deliveries, such as newspaper and milk.

## Glossary

A quick guide to the language of real estate and house buying.

**Borrower:** The person who is borrowing money or receiving credit under a loan agreement.

**Certificate of Title:** The official document of title, showing ownership of the land described in it. The Certificate of Title describes the area and location of the land, the registered land owner, and all mortgages and other interest, (e.g. easements) affecting the land.

**Conveyancing:** The process of legally transferring ownership of interest in land.

**Contract:** A legally binding agreement between two or more people. Contracts relating to land must be in writing.

**Credit limit:** The maximum credit that can be extended on an account.

**Credit reference or credit report:** A report prepared by a credit reporting agency which sets out the credit history of a person. A satisfactory credit reference is usually required by a lender, before approving a loan.

**Debt servicing ratio:** A measure of the borrower's ability to repay a loan. A lender usually calculates the debt servicing ratio by taking into account a borrower's expenses as a proportion of the borrower's income.

**Default:** Failure to repay your loan by a specified date.

**Deposit:** The amount of money paid to secure the purchase of the house. On settlement the deposit is treated as part payment of the purchase price. It is important to find out what paying a deposit will commit you to, whether the deposit is refundable and, if so, in what circumstances.

**Early repayment charge:** The charge that may apply when a fixed interest rate is repaid before the end of its fixed term.

**Equity:** The difference between the market value of a property and the amount of the loan. Used as security for a loan.

**Establishment charge:** A fee paid to cover the costs of processing a loan application.

**Facility:** Another term used to describe a loan or credit availability.

**Guarantee:** An agreement by between two people. Lenders sometimes require a guarantee of the borrower's obligations under a loan agreement.

**Interest:** An amount payable by the borrower to the lender's recompense for making the loan.

**Interest-only loan agreement:** A loan agreement under which the Borrower makes no interest repayments during the term, but must repay the interest when they repay the loan. During the term of an interest-only loan agreement,

payments of the amounting interest will usually be required at regular intervals.

**Lease:** A contract under which the owner of a property (landlord) grants to another person (tenant) the right to exclusive possession of the property for an agreed period, usually in return for rent.

**Loan agreement:** The contract between the lender and the borrower that sets out the loan terms and conditions.

**Loan-to-value ratio (LVR):** The ratio obtained by dividing the amount of the loan by the value of that property which is charged as security for the loan. For example, if \$160,000 is borrowed and the security property is valued at \$200,000, the LVR would be 80%.

**Low doc:** A low doc loan is suitable for the self-employed or those who run a small business with regular income and assets, but don't have the required financial statements or tax returns available to verify their income to complete a standard home loan application. A low doc interest rate premium will apply for low doc loans.

**Low equity:** A low equity loan is where the LVR is 80% or greater. A low equity interest rate premium will apply for low equity loans.

**Mortgage:** A security over property given to the lender for the repayment of the loan and interest on the loan. A mortgage over land is registered on the Certificate of Title to that land.

**Principal:** The amount of money that has been borrowed.

**Refinancing:** The repayment of an existing loan from the proceeds of a new loan. Refinancing could involve repaying one lender and borrowing from another.

**Registration:** The process following settlement, by which legal title to property is transferred into the name of the purchaser. With a land purchase this is done through Land Information New Zealand. Where the land purchase is secured by a mortgage, the mortgage will be registered on the Certificate of Title.

**Repayment holiday:** A period during which loan repayments are suspended. During this time, interest is still charged and payments are usually adjusted afterwards. This way the loan is still repayable within the original time period.

**Revolving credit facility or line of credit:** A loan or line of credit that allows a borrower to repay and re-draw funds up to the agreed credit limit.

**Sale and purchase agreement:** A contract between a seller (vendor) and a purchaser, for the sale and purchase of property. A sale and purchase agreement for land must be in writing.

**Settlement:** The process by which a sale and purchase of property takes place. It is commonly done by lawyers and involves the payment of the settlement amount (which is usually the purchase price less any deposit already paid, plus or minus any other items set out in the settlement statement) in exchange for the Certificate of Title, a transfer document and a release of previous charges over the property. Keys to the property are usually either handed over to the purchaser or his/ her lawyer at settlement, or able to be picked up from the estate agent immediately following settlement.

**Term:** The period from the making of the loan (or drawdown) until the loan must be repaid. Sometimes 'term' can also mean a defined period that is shorter than the whole of loan term (e.g. fixed interest term).

**Vendor:** The seller of a property.

