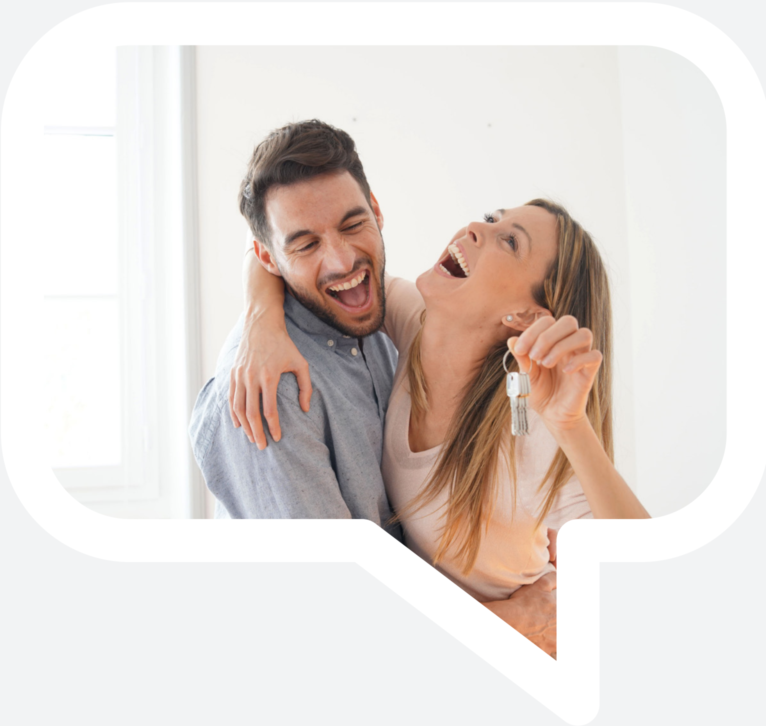
FIRST HOME BUYERS

Talk mortgage to me.

Classic Property



Buying your first home is a significant investment; for most people, it will likely be the most significant financial decision they will ever make.

The mortgage application process can be complex, and lenders' jargon can be overwhelming. We've broken down some of the key mortgage terminology used in New Zealand to help you better understand the process.

LVR: Loan-to-Value Ratio

The Loan-to-Value Ratio (LVR) is the proportion of the property's value that the lender is willing to lend to the borrower. In New Zealand, banks typically require a minimum deposit of 20% of the property's purchase price to approve a mortgage. This means the LVR is 80%, which is the maximum amount the bank will lend.

Fixed Rate vs. Floating Rate Mortgages

When you apply for a mortgage, you will be asked whether you want a fixed or floating rate.

A fixed-rate mortgage means the interest rate will remain the same for the entire loan term, usually between 1 and 5 years, although longer terms are available.

A floating-rate mortgage means the interest rate will fluctuate over the loan term, depending on the market interest rates. Fixed-rate mortgages provide certainty in your mortgage payments, while floating-rate mortgages allow you to take advantage of falling interest rates.

Mortgage Insurance

Mortgage Insurance is a type of insurance that lenders require if the LVR is greater than 80%. Mortgage insurance protects the lender if the borrower defaults on the loan. The cost of mortgage insurance varies depending on the lender and the size of the mortgage.

Interest-Only Mortgages

Interest-only mortgages are an option that is becoming more popular in New Zealand. As the name suggests, interest-only mortgages allow you to pay only the interest on the loan, without repaying any of the principal. This means the repayments are lower than a typical mortgage payment. However, you will still owe the full amount borrowed at the end of the loan term.

Mortgage Pre-Approval

Mortgage pre-approval is getting a written confirmation from a lender that you can borrow a certain amount of money to buy a property. Pre-approval is typically valid for 3-6 months and is conditional on the lender's assessment of the property and your financial circumstances.

Title

The title is the legal document that proves ownership of the property. When you purchase a property, the title is transferred from the seller to the buyer. Before purchasing the property, it is essential to ensure that the title is free from any encumbrances, such as mortgages or easements.

Notes.

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