

FIRST HOME BUYERS

Buying your first home can be a daunting and stressful process but the friendly team at Nicholsons do their best to make this journey as smooth as possible for you.

Please contact our team on 06 757 5609 to discuss the process further.

We look forward to helping you into your first home!

1. **What is Anti-Money Laundering (AML)?**
2. **Finance**
3. **Bank deposit vs Real Estate deposit**
4. **KiwiSaver withdrawal**
5. **Other Common Conditions**
6. **Ownership Options**
7. **Meeting with Us**
8. **Insurance**
9. **Pre-settlement Inspection**
10. **Utilities**
11. **Settlement**

AML or Anti-Money Laundering:

We, and your bank, are required to collect evidence of your identity (including photo identification and proof of address) in order to comply with anti-money laundering legislation, so please don't be offended when we ask for this!

Finance:

You can work directly with your bank, or with a mortgage broker, to obtain finance approval for your first home purchase. Some banks will give you a pre-approval so that you know how much you are able to borrow. We recommend that you contact your bank or mortgage broker to discuss lending prior to viewing properties to avoid disappointment around how much you can borrow or how long the finance approval will take to process. Even if you have pre-approval from a bank, you may still need to include a finance condition in your offer to ensure you can meet the lender's conditions.

Bank deposit vs Real Estate deposit:

The deposit that your bank will need to see evidence of is what funds you have available to you for the purchase (such as KiwiSaver funds, savings or gifts and loans from family). You don't need to pay this to the bank, just show them that the funds are available to complete the purchase on settlement. Commonly lenders will expect a deposit of 20% of the purchase price although in some cases they can approve a lower deposit.

The deposit in terms of your offer/agreement is what is paid to the real estate agent (or the vendor's solicitor's trust account if there is no agent involved or if there is a short turnaround for settlement). A standard deposit amount for the real estate agent is 10% of the purchase price. These funds need to be readily available to you, as this deposit is usually payable once you have confirmed all of your conditions, so if you are needing your KiwiSaver funds to pay the deposit, then please let us know. It is important that we know this so we can get your withdrawal process underway!

The funds you use to pay the deposit to the real estate agent can also form part of your finance deposit to your lender.

KiwiSaver Withdrawal:

If you are intending to use your KiwiSaver funds for the purchase, you should contact your KiwiSaver provider to find out how much of your KiwiSaver funds you are able to use. It is important that you let us know whether you are using your KiwiSaver funds (especially for the deposit as above), so that we can make sure you are ready for payment of the deposit or settlement. KiwiSaver withdrawal applications can take up to 15 working days to process, so we may need to check the conditional dates in your offer before you sign. Once your offer is accepted, we will need to meet with you to complete your withdrawal application as soon as possible.

Other Common Conditions:

Other common conditions that we recommend include:

- Building Report – we recommend that you obtain a building report from a licensed building inspector. A building report will contain information relating to the condition of the dwelling so that you are aware of any issues that the dwelling may have or future maintenance issues that could arise. If you wish to obtain a building report, you will need to engage a licensed building inspector to do this (please note that the report must be in writing, not verbal).
- LIM Report – we recommend that you obtain a LIM report from the Council (for New Plymouth, the New Plymouth District Council). LIM stands for Land Information Memorandum, and a LIM report contains all records that the Council holds for a property. This includes building consents/records and Code of Compliance Certificates (where applicable), and also any information that the Council has relating to historical events (such as flooding or ponding). A LIM report includes reference to the Council's District Plan, which identifies areas

that may be in flight paths, near busy roads, protected trees or sites of significance to Māori. If you wish to obtain a LIM report, you will need to order one from the Council.

- Solicitor's Approval – this is relevant where you want to make an offer without incurring too many costs before submitting or if there are interests registered on the title to the property that may affect your ownership of the property. Some properties have easements or covenants registered on their title, and it is important that you are aware of any rights or obligations you may have if you purchase such a property. We are happy to review the title before you make your offer so that you can include less conditions, however reviewing a title will incur additional costs (Land Information New Zealand search fees and our time to review) before you have a signed agreement. To save yourself from incurring those fees until you have a signed offer, you could include a condition to allow us to provide our approval of the title. There are different types of solicitor's approval conditions so please make sure your solicitor reviews the wording of the clause before you sign your offer.

Sometimes there may be other conditions required depending on the property you are purchasing so please make sure your offer is reviewed by your solicitor before you sign it.

Once your offer is accepted, we will liaise with you and the vendor's solicitor to work through satisfying your conditions. If a problem arises during the conditional process such as an unsatisfactory report etc. we will discuss legal options available to you including negotiating rectification of issues, price reductions, or cancelling the contract.

Once under contract and unconditional, there are some things you need to think about.

Ownership Options:

If you are purchasing with someone else (such as a partner, friend or family

member), there are two options for ownership of the property. These are:

- Joint tenants – this is where multiple people own the property jointly and if one owner passes away, their interest in the property automatically passes to the surviving owner(s).
- Tenants in common – this is where multiple people own a specified share in the property (such as 50/50 or 60/40), and if one owner passes away, their interest in the property is dealt with via their Will.

We recommend that you update your Will as part of your property purchase and we can help you choose which option is best for you.

We can also assist you with a co-ownership agreement if required. This agreement will set out your intentions regarding the co-ownership, including how you intend to share the property costs and what happens if one party wants to sell.

Meeting with Us:

We will need to meet with you to sign your bank loan documents, property transfer documents and any other required documents prior to settlement. At this meeting, we will provide you with information relating to payment of your additional funds required for settlement. We will go through the settlement statement with you at this meeting.

Insurance:

It is important that you organise insurance for the property. Your bank will require that the property be insured under all owners' names, with the bank listed as your mortgagee/interested party on the policy, and for the policy commencement date to be on the settlement date.

We need to provide a copy of the Certificate of Currency/Insurance to your bank, along with your signed loan documents, prior to settlement, otherwise your bank will not advance any loan funds to us.

Pre-Settlement Inspection:

You are entitled to inspect the property once after your contract is signed and prior to settlement (we recommend at least two business days prior to settlement, but in any event no later than 3pm on the day prior to settlement). This should be organised with the real estate agent.

This inspection is your opportunity to check that the property is in the same condition as when you signed the agreement, and also to check that all chattels included in the purchase are in reasonable working condition.

Utilities:

Where settlement occurs partway through a rating period, rates will need to be apportioned and you may need some additional funds available to cover this. We organise your future rates notices to be sent in your name, but you will need to organise the transfer/set up of your own utilities.

Settlement:

Settlement date is the day you will take over ownership of the property and can move in! We can't guarantee the time of the day that settlement will be completed by but will do our best to settle as early as possible and will keep in touch with you if there are any issues.

The vendor's solicitor will notify the real estate agent when settlement has occurred, and the real estate agent will contact you to arrange hand over of keys and any security codes or garage door openers.

We understand that this is a lot of information to take in, so please contact our team if you have any queries!

The contents of this Guide are for information only and should not be acted upon without specific legal advice.

Nicholsons Lawyers does not accept any liability other than to its clients in relation to specific requests for advice.