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Thinking about your finances when buying

Saving a bank deposit and taking out a home loan (mortgage) are the first steps towards purchasing a home for most of us.

Summary of important things to know

- ✓ A home loan is likely to be the biggest financial commitment you will ever make. It's important to investigate and understand your loan options before you take out a home loan.
- ✓ Most lenders ask first home buyers for a 20% bank deposit before they will lend the money to pay for a property.
- ✓ You may be eligible for government help if you're buying your first home. It's important to look at options early in your home buying process because the application processes take time.
- ✓ There are other options to think about if you have help from family or friends.
- ✓ There are additional costs to budget for when buying a home.

Your bank deposit

The initial money you'll need to have saved if you borrow money from a bank or other lender to purchase a property is called a deposit. Most lenders require first home buyers to have a deposit of at least 20% of the amount you are borrowing, with the bank loaning you the other 80%. That means if you are looking at homes at around \$600,000, you'll need to save at least \$120,000 before you can borrow the remaining \$480,000 to purchase a property in that price range.

If you are buying your first home, there is government help that may make a big difference. For example, if you are eligible for the Welcome Home Loan scheme, you would need a 10% bank deposit - that's \$60,000 for a \$600,000 home.

The bank deposit is not the same as the sales deposit. The sales deposit is paid to the real estate agent when you sign a sale and purchase agreement for a property and is usually around 10% of the price agreed for the property.

The [sorted.org.nz](https://sorted.org.nz/guides/home-buying/) (<https://sorted.org.nz/guides/home-buying/>) website has helpful guides about managing finances for buying a home.

Your mortgage

A mortgage is money borrowed from a bank or other lender to buy a property. The home loan is secured by that property. Having a mortgage helps most of us buy a home years before we would be able to save the full price. In return, we pay the bank or lender interest on the amount of money we have borrowed over the period of the mortgage. A mortgage agreement is usually for many years, even decades.

(The terms "mortgage" and "home loan" can be used to mean the same thing).

The total amount of money borrowed plus interest that you pay back to the bank or lender over the period of the home loan will be significantly more than the price you pay for the property. This is why it is best to save as much bank deposit as you can and pay back your mortgage as quickly as you can to reduce the overall cost of your home.

A mortgage is likely to be the biggest financial commitment most of us make. We recommend you spend time investigating and understanding mortgages and your options before you take one out.

The [sorted.org.nz](https://sorted.org.nz/guides/questions-to-ask-a-lender/) (<https://sorted.org.nz/guides/questions-to-ask-a-lender/>) website has a useful guide about questions to ask a lender when getting a mortgage.

Mortgage calculator

Mortgage calculator



OPEN

(<https://www.settled.govt.nz/buying-a-home/thinking-of-buying/thinking-about-your-finances-when-buying/mortgage-calculator/>)

Conditional pre-approval

It's a good idea to have conditional pre-approved finance arranged with your chosen lender before you start looking at property to buy:

- Conditional pre-approval lets you know the price range you can buy in.
- When you find a property you'd like to make an offer on, having conditional pre-approval will help you move quickly.
- You will need conditional pre-approval if you are taking out a home loan to purchase a property at auction.
- Having conditional pre-approval shows agents and sellers that you are a serious buyer.

Government help to buy your first home

You may be able to get government help to buy your first home if you're a KiwiSaver member, purchasing in certain areas, want to buy a house owned by Housing New Zealand or are Māori and want to live on your ancestral land.

KiwiSaver

If you have contributed to KiwiSaver for at least 3 years, you may be eligible for a KiwiSaver First Home Grant and/or KiwiSaver first-home withdrawal. These are designed for first-home buyers but some people who have previously owned a home may be eligible.

KiwiSaver First Home Grant: We recommend looking into this early in the home purchase process. Applications must be made to Kāinga Ora (previously Housing New Zealand) at least 20-working days before settlement or when required. Payment cannot be made after settlement.

Read more about KiwiSaver First Home Grants (<https://kaingaora.govt.nz/home-ownership/first-home-grant/>)

KiwiSaver first-home withdrawal: You can apply to your KiwiSaver provider to withdraw some of your KiwiSaver savings to put towards buying your first home if you've belonged to your KiwiSaver scheme for at least 3 years. Check with your KiwiSaver provider early regarding timeframes to make sure your application is processed before settlement.

Read more about KiwiSaver first-home withdrawals (<https://kaingaora.govt.nz/home-ownership/kiwisaver-first-home-withdrawal/>)

KiwiBuild

The KiwiBuild programme has been established to help provide affordable housing for first time home buyers or those in a similar financial position who have previously owned a home.

It aims to deliver 100,000 new homes through a planned redevelopment of public housing land, accelerating private developments, and building on vacant or underutilised Crown-owned land.

Eligibility to purchase a KiwiBuild home depends on several factors including your household income.

Read more about KiwiBuild (<http://www.mbie.govt.nz/info-services/kiwibuild>)

First Home Loan

First Home Loans are issued by selected banks and other lenders and underwritten by Kāinga Ora (previously Housing New Zealand). With a First Home Loan, you might be able to get a home loan with only a 5% finance deposit. How much you can borrow depends on your lender, where you live in New Zealand and what you can afford.

Read more about First Home Loans (<https://kaingaora.govt.nz/home-ownership/first-home-loan/>)

Kāinga Whenua loan

If you're Māori, you may be eligible for a Kāinga Whenua loan to build, buy or relocate a home onto your ancestral land.

Read more about Kāinga Whenua loans (<https://kaingaora.govt.nz/home-ownership/kainga-whenua/kainga-whenua-loans-for-individuals/>)

Help to buy a house owned by Kāinga Ora

If you're a tenant in a statehouse, you can buy your home if it's available for purchase.

Read more about tenant home ownership (<https://kaingaora.govt.nz/home-ownership/tenant-home-ownership/>)

Getting help from family or friends

If you have family who would like to help you buy your first home, this can be helpful if you're able to meet the repayments on a home loan, but don't have the bank deposit.

Gifting

Gifting is when someone you know gives or lends you some or all of the money you need for your bank deposit. It's a good idea for both parties to get independent legal advice, even if it's a family member, and especially if the gift is a loan to be paid back in future.

Guarantees

A home loan is usually secured by the property purchased with the loan. Some lenders will accept another property, for example, your parents' property, as security on the loan. In this case, the lender will need a guarantee from the owners of the property being used as security. We recommend both parties get legal advice before agreeing to this option.

Combining resources

Sometimes friends or family will get together to combine their savings to get enough money for a bank deposit so they can purchase a house together. This means you can share the cost of home loan repayments, bills and maintenance.

This should be thought of as a business deal, and we recommend that both parties get legal advice. You should think about what will happen if your circumstances change, for example, if one of you loses their job. Your lawyer may recommend a contract that will set out things like your share of the property, how much you have contributed, how maintenance costs will be shared and what happens if one of you wants to sell.

Using existing equity

Equity is the difference between the property's value and the amount you owe on the home loan. If you sell your property and repay the home loan, your equity is the amount left over. Equity can be used to help purchase a second property.

Tax obligations

() Residential property purchases do not usually include goods and services tax (GST), but there are exceptions if you or the seller is GST registered. Before committing to any property deal involving GST, we recommend you talk to a tax professional because you'll need to understand if the price is inclusive or exclusive of GST.

If you're buying and selling a property, you may need to pay tax on any profit you make. The bright-line property rule means you may have to pay tax when you buy and sell a residential property within two, five or 10 years, depending on when the property was acquired unless an exception applies (for example, if it is your main home). You can find out if this rule applies in your situation by reading about the brightline property rule at IRD (<https://www.ird.govt.nz/property/buying-and-selling/when-you-need-to-pay/the-brightline-property-rule>)

Visit the IRD website (<http://www.ird.govt.nz/property/>) for more information about property and tax.

Budget for the additional costs of buying

Buying and moving to a new home comes with additional costs you need to budget for:

- Lawyer or conveyancer fees.
- Building inspection reports including a council LIM report and a building inspection report.
- Any bridging finance costs.
- Moving costs including reconnecting services.
- On-going costs like maintenance, rates, insurance and body corporate fees if your home is in a complex.

You'll need to pay any legal fees and inspection costs even if you're not successful in buying a property you're considering.

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