SmarterStart
Home Ownership

Your Smarter Guide to First Home Partners Shared Home Ownership

By James Puah (financial adviser)

Introduction

Thank you for downloading your free guide.

We created this to help people like you understand how the First Home Partner shared home ownership scheme works.

Of course this is just a summary and we invite you to arrange a time so we can discuss in more detail too.

If you decide that this is a good option for you, then I'd love to work with you and make home ownership a reality.

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First Home Partner is a shared home ownership scheme to help first home buyers whose deposit and the home loan aren't quite enough to buy a home that meets their needs.

The minimum deposit needed for the First Home Partner scheme is 5% but more is always better.

You purchase a brand new home together with Kāinga Ora taking a share and the bank provide funding for the balance. Then later you buy the share back off Kāinga Ora.

This Guide

In this guide we explain more about what the First Home Partner shared home ownership scheme is, who it is designed to help and how to have the best chance of being approved so you can go ahead and buy your first home.

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We've put together the information needed to get an understanding of the First Home Partners shared home ownership scheme, and also outlined the application process in a logical order to ensure that it's easy for you to follow so that you can get into your new home.

About First Home Partners

First Home Partner is a shared home ownership scheme administered by Kāinga Ora (previously Housing New Zealand), as an alternative way to help first home buyers to get into their own homes.

This is a scheme to help first home buyers get into brand new homes – it is not available for existing or older houses.

A brand new home means that the home is a new build that has not been previously owned (other than by the developer or builder) and has received a code compliance certificate within the previous 12 months.

Essentially the home can be purchased off the plans or as a completed build.

What Is Shared Home Ownership?

Shared home ownership is where you are the majority homeowner, but you initially share ownership of a home with a third party – in this case, with Kāinga Ora. Shared ownership schemes are usually designed to help those who have an insufficient deposit or cannot service a larger mortgage on their own.

With First Home Partner, the home buyer (you) must provide a minimum deposit of 5% toward the purchase price of the home. Kāinga Ora then contributes an agreed amount in return for an equivalent share in ownership – up to 25% of the purchase price or $200,000 (whichever is lower).

The buyer then progressively purchases back the share of the home owned by Kāinga Ora at the current market value, increasing their share of ownership in the home.

The goal is to achieve full ownership within 15 years.

Who Is First Home Partner Designed For?

First Home Partner is a shared home ownership scheme to help first home buyers whose deposit is not quite enough for the banks lending criteria; hence would not typically be able to buy a home that meets their needs.

As borrowers you still need to meet the lending requirements of a participating bank to receive a home loan and be able to contribute a minimum of 5% of the purchase price of the home you are interested in buying.

You also must be buying the home for you to live in and commit to living there as your primary place of residence for at least three years from your settlement date.

To be eligible for First Home Partner, you must:

- be over 18 years old
- be a New Zealand citizen, permanent resident, or a resident visa holder who is "ordinarily resident in New Zealand"; OR be applying with someone who meets the citizenship or residency requirements, and you are married to or in a civil union or de facto partnership with that person
- have a total household income before tax of no more than $130,000 in the last 12-months
- have a good credit rating (subject to a credit report)
- be a first home buyer

If this sounds like you, First Home Partner may be able to help you get your foot on the property ladder.

You also need to understand that after you have purchased you must:

- Understand that Kāinga Ora will share ownership of the home with you as co-owner on the title which is governed by a Shared Ownership Agreement.
- you need to meet annually with a Kāinga Ora Relationship Manager to review the financial circumstances of your household and work towards the goal of achieving full home ownership
- you will need to do your best to purchase the share of the home owned by Kāinga Ora within the first 15 years of ownership and must have purchased the share in full by the 25th anniversary from the date of settlement on the home
- you will need to seek permission from Kāinga Ora before making improvements or renovations, or if you want to sell your home.

What Value Home Can I Buy?

Buying a new home is always hard, especially when the deposit that you have is under 20% of the house that you want to buy.

First Home Partner is a shared home ownership scheme and it makes your deposit go further, but also helps affordability as the portion they contribute requires no ongoing repayment to be factored in.

It generally allows you to spend more on a new home.

How Your Affordability Is Assessed

When you want to buy a home the banks will look at what you can afford, and this is based on your income and expenses.

Income - we can generally use 100% of any wages (base) and salary, but other income may be scaled or may be harder to prove. The banks also allow us to use boarder income but this is scaled to 50% and there are other conditions.

Expenses - regardless of your actual expenses, the banks have a standard minimum figure they use for base living expenses. On top of this we need to add any financial commitments such as credit cards, loans (including student loans) and other expenses like childcare, school costs etc.

Test Rates - the banks also use a test rate when calculating what you can afford and this is to ensure that you can afford the mortgage still if home loan rates increase.

As an indication we have put together this table to show what you might be able to afford.

Income	Single	Couple	Boarder ($200 pw)	Couple 2 x Children
$50,000pa	$300,000	$240,000	$280,000	$150,000
$80,000pa	$500,000	$460,000	$500,000	$360,000
$100,000pa	$615,000	$600,000	$650,000	$500,000
$130,000pa	$800,000	$785,000	$840,000	$670,000

Calculating The Purchase Price

The above table has showed what bank lending you could afford (based on some assumptions) and then you need to look at how this works when calculating your purchase price.

You will be restricted on your:

Deposit - you must have a 5% deposit and this includes your KiwiSaver, what you can get as a First Home Grant and any savings that you have.

First Home Partners - you need to apply and once approved you will be advised what they can contribute. This will be to a maximum of 25% or $200,000 whichever is the lower.

Bank Home Loan - it's recommended that you borrow no more than 80% with the bank, and if affordability allows you should take the full 80% from the bank so the share from First Home Partners is kept to a minimum.

This table is based on your deposit and the maximum that you are able to get from First Home Partners, but does not mean that this is what you would get.

Deposit	First Home Partners	Bank (Home Loan)	Max Purchase Price
$30,000	$150,000	$420,000	$600,000
$50,000	$200,000	$750,000	$1,000,000

Getting Full Ownership

The First Home Partners shared home ownership can be a great way to get into your own new home, especially if you do not have a high enough deposit and/or if you have a limited income.

But ultimately you want to own your home 100%.

Buying The Kāinga Ora Share

Kāinga Ora can help by funding up to 25% of the purchase price or $200,000 (whichever is lower) and you pay no interest or repayments on this amount. It can be tempting to try and keep this for the full 15-years as it seems like a good deal; however if (when) the value of your home increases then so does the amount that you repay to Kāinga Ora.

example:

Buying:
Purchase Price $500,000

Funded by:
KiwiSaver $30,000
First Home Grant $20,000
First Home Partner **(20%)** $100,000
Bank $350,000

Then - to buy out Kāinga Ora
Valuation $600,000
20% Share = $120,000

In the example above, the value of the house increases by $100,000 and therefore if they hold an ownership of 20% then that increased value will cost you $20,000.

Kāinga Ora are offering the First Home Partner scheme to help you get into your home, but the concept is you will buy the Kāinga Ora share as soon as you are able to.

The current property market is perfect for this type of arrangement as it's expected that house prices will not increase too quickly over the next few years. Most economists are predicting that house prices may not increase again for another 2-3 years, but this is not a guarantee.

Generally the longer you leave it, the more likely that the house value will increase and in that case the more you will need to repay to buy the share owned by Kāinga Ora.

In the example above Kāinga Ora has a 20% share which was worth $100,000 at the time of the purchase. You will be encouraged at your annual review to pay off / reduce the shared ownership, but regardless this should be a focus anyway.

We will discuss a strategy for managing this, but when we structure the mortgage we will make sure that you have the ability and a plan to buy the Kāinga Ora share.

Our Simple Four Step Process

Sometimes it's not easy to work out what to do first, so we have broken this down into a simple four step process.

Initial Loan Assessment

You need to know that the bank will lend you the money needed to buy your first home so we will always suggest that we arrange an initial assessment.

This is where we calculate the total loan that you can afford, and suggest any changes needed before we apply with the bank.

First Home Partner

Before finalising the loan application for the bank we need your "eligibility letter" which confirms that you are approved for the First Home Partner shared home ownership scheme, and what amount you are approved for.

The "eligibility letter" is valid for 6-months so best to get it now, and if needed you can apply again.

Get Lending Pre-Approved

Once you have the "eligibility letter" we can complete the application and get an approval with the bank.

This will be a pre-approval and will always be subject to finding the right property to buy.

Find Your New Home

Often people have thought that they could never own their own home, but with the First Home Partner shared home ownership scheme it is a little easier as you are not having to pay for the whole amount all at once.

Getting A Loan Assessment

The first step in any house purchase is to see what you can afford, and this is no different.

Using the First Home Partners helps with the deposit, but you still need to be able to afford the mortgage repayments with the bank and this assessment will help with that.

The make-up of shared ownership will be determined by several factors, including:

1. How much of a deposit you have
2. How much the bank is willing to lend you
3. How much contribution Kāinga Ora will make towards purchasing the home with you

Your Deposit

Your deposit can include:

- any savings that you have
- your KiwiSaver that you are able to withdraw
- the First Home Grant if you are eligible
- any money that you are gifted or loaned

KiwiSaver - assuming this is your first home, that you have been in KiwiSaver for more than 3-years and contributing regularly then you should be able to withdraw your KiwiSaver balance less the $1,000 kickstart. You will need to contact your KiwiSaver provider and ask them to email confirmation of what you can withdraw. On the email that you receive there should be the form for doing the actual withdrawal and you will need to get onto this as soon as you have an agreement to purchase your new home.

First Home Grant - this grant is for up to $10,000 each on a brand new property and is effectively "free money" for first home buyers so it is worth seeing if you are able to get it.

The First Home Grant is also managed by Kainga Ora.

CLICK HERE to see if you are eligible.

CLICK HERE to apply for a pre-approval online.

Gifting or Loaned Money - let me know if you have any money being gifted or loaned to you. There is certain criteria and we can discuss this with you. It is sometimes best not to factor any gifted money in at this stage as it may restrict the amount of the First Home Partner approval.

How Much Will The Bank Lend You?

There are a limited number of banks that work with the First Home Partners shared home ownership scheme at this stage, and we need to be mindful that we meet the banks lending criteria.

The banks ability to approve your application will be determined by several factors, including:

1. Your credit score
2. Your income
3. Your expenses and any outgoings

Your Credit Score - the banks are unlikely to approve anyone that has "bad credit" on their credit check, unless there is a good explanation given. We can source your credit check and always review it before making the application to the bank so we can make sure there is nothing adverse and not explained, and it also shows any open credit accounts including any buy now pay later accounts which we would generally have you close prior to the application.

Your Income - with the First Home Partners shared home ownership scheme your household income for the last 12-months needs to be less than $130,000, and this is determined by providing a summary of earnings for the last 12 months from Inland Revenue for everyone who is applying for First Home Partner. For the mortgage application with the bank we can use your current income and generally we can prove this with payslips for people on wages and salaries, or financials for self-employed.

Your Expenses and Outgoings - when you complete our application you will note down your expenses and any other financial commitments, and then prior to the mortgage application with the bank we check these against your bank statements (transactions) which we will source form you.

Start Your Assessment

The first thing you need to know is how much you can borrow based on your income and outgoings.

Using the link below you can complete the online application which will provide the basic information needed to start the application.

This is a simple process and should take approx 10-minutes to complete.

GET STARTED NOW

Note: there is no cost or commitment when having an assessment done.

Book A Consultation

Now that you have completed the online application we can have a look and start the assessment. Typically there will be some questions that we need answered, and you may have questions too.

It's often easiest to have a quick conversation to clarify the First Home Partners product, the process and to answer any questions.

BOOK YOUR CONSULTATION

Do You Qualify?

You need to make sure that you meet the criteria and then apply for an approval.

Once you have checked the criteria you can then get the supporting documents and do the online application to see (a) that you do qualify and are approved, and (b) get confirmation of what you are approved for.

Check The Criteria

As mentioned earlier to be eligible for First Home Partner, you must:

- be over 18 years old
- be a New Zealand citizen, permanent resident, or a resident visa holder who is "ordinarily resident in New Zealand"; OR be applying with someone who meets the citizenship or residency requirements, and you are married to or in a civil union or de facto partnership with that person
- have a total household income before tax of no more than $130,000
- have a good credit rating (subject to a credit report)
- be a first home buyer (exceptions apply for past home owners)

Assuming that you meet this criteria then you can apply online and once approved you will be provided with an "eligibility letter" which we will need for when we apply to the bank for the mortgage approval.

Submitting Your Application

We have provide the link to the First Home Partner Portal on the next section, but the process for applying is:

- create a Kāinga Ora account in the First Home Partner Portal
- complete your account profile
- upload your supporting certified eligibility documents
- submit your application

You will receive an automated email acknowledging your application.

You will then need to allow up to 5 working days for your application to be processed and if they need more information from you, then they will contact you within that time to request it.

How Much Can Kāinga Ora Contribute?

Applicants for First Home Partner will be assessed on a case-by-case basis and the approved amount will be provided in the eligibility confirmation letter.

On approval someone from Kāinga Ora will also get in touch to discuss what your responsibilities will be as a shared owner, and provide you with an Eligibility Confirmation Letter and Commitment Agreement.

Eligibility Confirmation Letter - this letter confirms that you meet the Kāinga Ora eligibility criteria for First Home Partner and provides an estimated amount that Kāinga Ora will contribute toward a home purchase.

The maximum contribution Kāinga Ora will make towards a home purchase is 25% of the purchase price or $200,000 – whichever is lower.

Commitment Agreement - this outlines your commitments and responsibilities involved in shared ownership, and governs the relationship between you and Kāinga Ora before the purchase of a home.

You will need to sign and return the Commitment Agreement to Kāinga Ora before you can make an offer on a home.

As mentioned you will also need to meet the lending requirements of a participating bank to receive a home loan.

First Home Partner

If your deposit and a home loan aren't enough to buy a brand new home, First Home Partner could help to bridge the gap.

Kāinga Ora
Homes and Communities

Get Approved By Kāinga Ora

This is quite a simple process but you have to do your application online with Kāinga Ora.

You will need electronic copies (for example, PDFs) of all of these documents to submit as part of your online application:

- Photo ID
- Proof of Income (from IRD website)
- Bank Statements & Proof of Deposit
- Statutory Declaration (download here)

Contact me and I can help you source these.

Apply for First Home Partner

Find Your New Home

This is the fun part!

Once you have your approvals in place and understand your budget it's time to find the right home that meets your needs.

What Homes Are Eligible?

Homes eligible for the First Home Partner shared home ownership scheme must be:

- a 'brand new' build - this means the home is a new build that has not been previously occupied (other than by the developer or builder), and has received a Code Compliance Certificate within the previous 12 months; or
- purchased 'off the plan' - this means that you are purchasing a new home before construction is complete. The house and land must be purchased together on a single Sale and Purchase Agreement. First Home Partner does not support scheduler payments or construction loans
- habitable from the date of settlement or from the relevant completion date once the Code Compliance Certificate/title has been issued
- assessed in accordance with the bank's own credit standards

You must also be buying the home for you to live in and commit to living there as your primary place of residence for at least three years from your settlement date.

If your personal circumstances change that require you to move or sell your home within this three-year period, then you will need to discuss this with Kāinga Ora for approval. They will be fair and reasonable with their decision, and this clause is really designed to avoid people that may abuse the scheme for financial gain.

As part of your application, Kāinga Ora will assess your circumstances and areas you are interested in buying, and provide guidance to help you find a suitable home for the needs of your household.

Once you have identified an eligible property that you can afford, you will need to contact Kāinga Ora to confirm the property satisfies the conditions outlined in your Commitment Agreement and begin the process of co-purchasing the home.

Assuming that the home you are interested in purchasing satisfies the conditions in your Commitment Agreement, Kāinga Ora will provide you with an Approval Letter for you to give to the bank, and a Shared Ownership Agreement that governs the relationship with Kāinga Ora for the period of shared ownership.

Sale and Purchase Agreement

You will need to provide copy of your unsigned Sale and Purchase Agreement with Kāinga Ora clauses included (Requirement for Sale Purchase Agreement – Checklist) as part of the Commitment Agreement.

This should include a copy of the specifications and plans for the property or Code of Compliance Certificate, if newly built.

Kāinga Ora will assess the property and sign the Sale and Purchase Agreement as co-purchaser and return these to your Solicitor.

Requirements for Sale & Purchase Agreement - you can download the requirements here and provide to the real estate agent and to your solicitor.

Valuation Requirement - Kāinga Ora will require a valuation in most cases. We will arrange that once we know that your new home has been approved by Kāinga Ora and the offer accepted by the vendor.

Confirm Your Loan Structure

We leave this until you have found a house, know the purchase price and the settlement date.

At this stage we will also get the interest rates confirmed and push the lender for a cash contribution to help with your costs too.

Generally this will be a separate conversation that we will have and we always want to ensure that the loans are structured to allow you to pay off the mortgage faster than the standard loans allow, and this is especially important to ensure that you can take full 100% ownership before the value increases too much.

Over the years we have helped a lot of first home buyers.

The key is to ensure that the loan structures suit you now and in the future.

Other Important Factors

When you become a home owner you purchasing one of the biggest assets that you may ever own, and are also entering into a large and long-term financial commitment.

In due course we will discuss with you:

Budgeting - you will want to make sure that you manage your money well

Savings - you need to have access to savings should something go wrong, and we will discuss some options with you including a revolving credit account within the mortgage structure

KiwiSaver - you quite likely will have used your KiwiSaver to help with the deposit so it may not feel like a large asset at the time of moving into your new home; however it will build up again and you should make sure that you are in the right plan.

House Insurance - the house must be insured and we can help arrange cover for you

Mortgage Protection Cover - we will discuss this too, as you will want to be protected should you be unable to work.

Wills - you should take the opportunity to update or get a will. Being a home owner and assuming that you have insurance then you have large assets to look after, and you probably want to know that should something happen then they end up with the people that you want them to go to.

Reach Out For Help

Never forget that you can contact me at any time.

I am a specialist in this type of finance and can help you with most of your questions.

You can find all my contact details here:

MY CONTACT DETAILS