



# MyMortgage

Options, Advice, Service and Price

## HOW CAN FAMILY HELP ME WITH MY FIRST HOME?

With squeezing on the availability of funds over 80% borrowing for some first home buyers, more are turning to assistance from parents or family to help them get to the 20% deposit mark on their first home.

There are a number of ways that this can be done and all have pros and cons. We've put together an easy guide to show you what some of the options are and how we go about achieving these for you.



### PARENTAL GUARANTEE

This involves parents simply guaranteeing your home loan by providing the bank you are borrowing from with a mortgage over their property and an assurance they will honour the obligations of any loan contracts should you fail to meet them.

#### PROS

- ✓ No cash changes hands between family members.

#### CONS

- ✗ Parents need to be assessed for the lending.
- ✗ Restricts parents ability for further borrowings as bank assesses your lending as belonging to them also.
- ✗ Must use the same bank as parents which may lead to not receiving the best deal.
- ✗ Complex to unwind once you have sufficient equity to standalone.
- ✗ Some banks are not accepting parental guarantees as a means of support anymore.
- ✗ Biggest risk is that you fall behind in mortgage payments and the bank choose to send both your property and your parents property to Mortgagee Sale.



### JOINT OWNERSHIP

This option is becoming much more common. In this situation your family may choose to buy the property 50/50 with you and therefore you have a joint liability for any lending.

#### PROS

- ✓ Part ownership of a property without a large deposit.
- ✓ Guidance from your family as experienced home owners.
- ✓ The opportunity to buy out your family's share once you have increased equity.

#### CONS

- ✗ Joint borrowing means a shared loan account and lack of privacy.
- ✗ A cost involved in taking full ownership of the property in the future.
- ✗ Parents need to be assessed for the entire amount of lending.
- ✗ Liability for parents if you do not honour your end of the agreement.



### LOAN FOR DEPOSIT

This is becoming the most popular way for parents to help their children in to a property. Parents could choose to lend you the money and have you pay back regular repayments or simply have you pay the money back when the house is sold or when you are in a better financial position.

If parents need to borrow the money for this they can do so using a Revolving Credit account alongside their existing home loan. You can then make payments directly to this account and the interest is charged only to that account. That way it is just like repaying your own loan but it is in your parents name.

#### PROS

- ✓ Risk to parents is limited only to the amount they are lending you.
- ✓ Easy management of repayment of loan.
- ✓ Excellent flexibility as a borrower since you have cash available.

#### CONS

- ✗ Some people feel funny about transferring money and prefer guarantees.
- ✗ Minor inconvenience for parents if they have to complete a loan application for deposit.



### GIFT FOR DEPOSIT

Last but definitely not least. This is a great option if you have access to it. The pros are obvious, you're going to get a head start on your home loan and we'll be able to secure you an excellent deal.

The only cons are when this isn't an option for you... see above!

Every person's situation is different so it's important we discuss every situation in detail with all parties involved so that we can help tailor a solution that is going to be the best fit for you. This may also involve a discussion with a Lawyer or Accountant, especially where Family Trusts or Businesses are involved.

[WWW.MYMORTGAGE.CO.NZ](http://WWW.MYMORTGAGE.CO.NZ)

Talk to us about **pre-approval** to buy your First Home using **Kiwisaver** and the First Home Grant as deposit

ADAM, CLAIRE, GREG, AMBER AND THE MY MORTGAGE TEAM

[OFFICE@MYMORTGAGE.CO.NZ](mailto:OFFICE@MYMORTGAGE.CO.NZ)

**0800 MYMORTGAGE**

[FACEBOOK /MYMORTGAGE.NET.NZ](https://www.facebook.com/MyMortgage.Net.NZ)