

# 7 HOME LOAN MISTAKES

**MOST HOME BUYERS AND  
PROPERTY INVESTORS MAKE**

**THAT THE BANKS DON'T  
WANT YOU TO KNOW ABOUT**



# INTRODUCTION

Dear Home Buyer or Property Investor,

Property has long been the investment class of choice in NZ. It's easy to see why. We're one of the few countries in the world to have no capital gains tax on property... councils (especially in the main centres) tend to set development fees too high – and that means demand always outstrips supply, pushing prices up. These fundamentals underpin the entire market.

And there aren't many asset classes that will have lenders happy to finance 95% or even more, on your investment. Try asking a bank to lend a few hundred thousand dollars because you want to invest in gold or the Dow Jones and they'll likely laugh. But, if you want to invest in residential property, they'll fall over themselves to secure the business.

Add to that, the phenomenal returns property has shown historically, it's no wonder that high-net individuals flock towards property hotspots and make killer returns.

We understand the value in property.

But NOT everyone knows the value in structuring the home loan the right way. This is what smart home buyers and property investors do that average ones don't. They take their time to secure exactly the right loan type. And this is what creates the amazing returns that let's them get ahead faster.

BUT... you need to know what you're doing... OR, have an expert team of financiers, agents and solicitors who do. Without this, you can end up leaving a lot of money on the table... or, at worst, losing your entire portfolio.

So without further ado, here are the ***7 Home Loan Mistakes Most Home Buyers and Property Investors Make that the Banks Don't Want You To Know About***

## *Mistake #1*

# ONLY COMPARING THE BANKS AND NOT OTHER LENDERS

Most of the time, when we want a loan, we go directly to our current bank. It makes sense – they know our savings history, they have our personal information, and they assure us that they're in a better position to help than one of their competitors.

We go there because they are familiar and they make us feel comfortable.

We chat to the bank manager who assures us we're getting a great rate. We tick a few boxes, sign the forms, and gleefully head off to inspect our new home or investment property.

Blissfully unaware that you've potentially made one of the biggest mistakes in your financial future.

Or, if we're feeling slightly cleverer, we might take a look at several bank rates – on the internet, from their brochures, and even have a chat to a manager at another bank.

What smarter investors understand is: there are dozens of lenders who can provide finance for your home loan.

...And many of them can offer a better rate and MUCH better conditions for your home loan than your current bank.

If you'd like to find out more about which lenders can help you with your home loan, call us on **0800 168 768** or email us at [info@lifefirst.co.nz](mailto:info@lifefirst.co.nz) .

## *Mistake #2*

# ACCEPTING THE RATE THE LENDER OFFERS

Banks are designed to be intimidating. They have corporate logos, tall ceilings, dark suits, and despite recent efforts to make them appear friendlier, most of us approach a bank with the same hesitancy and fear of rejection we might feel in a job interview.

The banks take measures that make us feel grateful that we can even be offered the terms and conditions they put to us.

And then, they tell us the rate they can provide.

Of course, they explain that this is a set rate, that they can't change it.

At this point, they are holding all the cards...

You've found a property you love, either as a home, or for its investment potential. You feel as though you need the bank more than they need you.

...And the banks know this.

...And this is where banks make serious profits. They quote a rate, and we gleefully snap it up, blissfully unaware that we may just have cost ourselves hundreds of thousands of dollars in mortgage repayments.

Smart investors know this. They know that banks are not a charity, but a business, and like every business they're hungry for customers. They want your loan – and that means you have more power in this negotiation that you realise.

And if you want to make the most of your position, you need to consult multiple lenders... and here's the key... you need to let them KNOW that you're consulting multiple lenders.

That puts the pressure back on them. Now **the bank** has to find a loan that suits **you** and not the other way around.

Blockquote: Just the simple sentences: "Well, that looks great, but I'd like to check with a few other lenders to see how they compare. Is there anything you can do to make borrowing from you more attractive?" can save you thousands.

If you don't ask, you don't get.

If you'd like to find out more about negotiating your home loan, or cut out the legwork and go straight to having a loan tailored to your specific needs and goals, call us on **0800 168 768** or email us at [info@lifefirst.co.nz](mailto:info@lifefirst.co.nz)

## *Mistake #3*

# CHOOSING YOUR LOAN PURELY ON THE INTEREST RATE

Most borrowers look purely at the interest rate as the key determiner of whether to choose one lender over another.

And then there's the decision whether to have a floating rate, a fixed rate, or split the rates.

While rate is highly important (and getting a good rate can actually save you hundreds of thousands of dollars, as we discovered in Mistake #2), getting the wrong conditions with your loan can literally wipe out all those savings.

Remember the savings you worked so hard to negotiate in Mistake #2? They can disappear quickly.

...And we're not just talking about bank fees (although, you need to keep an eye on these). There are dozens of smaller conditions that have been designed to advantage the banks. After all, they wrote the lending agreement – it's only natural that they would try to advantage themselves.

Blockquote: "The banks write the lending contract. It's only natural that it will advantage them."

You need to make sure that the terms and conditions suit you. Your situation is unique. Your financial position is unique. And your goals are unique. You need a loan that fits all of these, and not a generic solution designed to shoehorn you into a loan that could compromise your financial future.

If you'd like to find out more about the terms, conditions, and fees that will suit you, rather than your bank, give us a call on **0800 168 768** or email us at [info@lifefirst.co.nz](mailto:info@lifefirst.co.nz). One of our specialists will be more than happy to help you understand how to maximize the benefits you can get from a suitable home loan.

## *Mistake #4*

# GETTING LOCKED IN BY THE BANK

When you get a loan, it's commonplace for the bank to lock that loan in for a term. And to change your loan (for instance, if you can get a better deal with another lender) can often be expensive, if there are hefty break fees.

This can destroy any opportunity you have of improving your portfolio. It can also mean you end up stuck paying more interest than you would like, and that can hurt your cash flow.

It can literally be tens of thousands of dollars that you miss out on when interest rates move.

Banks love locking you in. It means you become a guaranteed client for the fixed term and they don't really look after you until it gets close to the roll over date for the fixed rate term.

A better strategy is to hedge your bets against interest rate movement. We do this by breaking up your loan into different terms – and as they fall due, you have the option of refixing or floating. This way, it averages out the impact of the rate changes, and leaves you better off.

If you'd like to find out more about how to structure your loan so you get maximum flexibility and avoid being locked in, give us a call on **0800 168 768** or email us at [info@lifefirst.co.nz](mailto:info@lifefirst.co.nz) . One of our specialists will be more than happy to help you understand how to maximize the benefits you can get from a suitable home loan.

## **Mistake #5**

# **EXPOSING YOURSELF TO MASSIVE RISK**

You've just signed up with a lender... you're the owner of a new property. And in most cases, that means you've taken out a loan of hundreds of thousands of dollars. That loan represents significant risk, and while you're fit and healthy, and able to work and pay off that mortgage, everything's completely fine.

But if anything happens... if there's a fire, or, worse, something happens that prevents you from being able to work and pay that mortgage, you stand to lose thousands. The reason is, a mortgagee sale is likely to be at a much lower price than market value. And that's likely to be much lower than what you paid.

But not all insurances are created equal. You need a policy that suits your specific needs. We've seen dozens of cases where we've been approached by people who simply don't have the right type of cover for their situation.

At best, it means they're wasting money on insurance that they don't need.

At worst, it means their property is a powderkeg waiting to explode and their investment or life savings disappears in the wind.

We don't want this to happen to you. We want to make sure your property is protected regardless of whether you continue to work.

And it doesn't stop with insurance. Using tax-efficient trusts can do two wonderful things:

1. Reduce your tax liability
2. Protect your assets better in the case of being sued (and lets face it, these days people can sue you for ANYTHING)

But be careful, the wording in setting up these trusts needs to be very specific and properly written. We've seen lots of people get burnt because they didn't have the right insurances that REALLY protected them, or they didn't use the right tax-efficient trust deeds (with the correct wording) protect them to the full extent they needed. Even reputable legal advisers can sometimes get this wrong.

If you'd like to find out more about which insurances would protect YOUR assets properly and what tax structures can offer more protection and better tax efficiency, give us a call on **0800 168 768** or email us at [info@lifefirst.co.nz](mailto:info@lifefirst.co.nz) . One of our specialists will be more than happy to help you understand how it all works.

## *Mistake #6*

# TICKING BOXES ON YOUR HOME LOAN

You've selected your property, you know what insurances you need, and you've had your home loan approved. Now you're signing the loan documents.

It's at this point, when you're so close to the finish line, that the bank starts offering their 'extras'.

To be clear, these extras are written into their contracts. They're check boxes for insurance (and we saw in mistake #5 how important it is to get these right), and various upsells – they might even throw in a credit card, with the usual fees.

Agreeing to everything at this point can be a big mistake and can cost you thousands as well.

Put simply... you're looking, most likely, at a generic contract. There's nothing there that will be specific to your needs. Will the insurance cover you properly? Do you need that credit card, or will the adverse effects (decreased borrowing capacity and fees) not really be worth it.

Very cleverly, the banks find ways to increase their margins here. When you're signing up for hundreds of thousands of dollars, a few hundred here and there can seem like nothing. And that's why so many people simply check the upsell boxes and rack up fees that they never need.

The language of persuasion can be very powerful here as well. You'll probably hear things like: "Since you're a customer, we can pre-approve you for x,y,z".

When you receive the contract from the bank, you should definitely take it home with you and review it all in detail. Make sure you know what you're buying.

...or, better still, have some experts review it for you...

Whatever you do, don't buy any other products without consulting a financial adviser – some are happy to do so on a non-paid basis.

If you'd like to find out, on a non-paid basis, what additional services you may need with your loan, give us a call on **0800 168 768** or email us at [info@lifefirst.co.nz](mailto:info@lifefirst.co.nz). One of our specialists will be more than happy to discuss the bank offer with you.



## ***Mistake #7***

# **NOT ALLOCATING YOUR TIME FOR MAXIMUM RETURNS**

Have you noticed how much time people spend organising a holiday. This might be a week on a tropical island, most likely less than \$10,000. Yet, they'll spend weeks and weeks booking every little detail. Trying to get the best deals on their accommodation and deciding which packages that have the best value for money.

All this for something with cost in the thousands, and lasts a week or so.

We do this in part, because it's an enjoyable experience – planning something that will be a fun, relaxing way to reward ourselves for the hard work we've put in throughout the year.

Compare that with a home loan – which is less fun to organise. When we want to get our home loan, we want to do it as quickly as possible. We don't spend nearly enough time doing it properly.

And who can blame us. Vendors are pushy and want us to sign tomorrow. The banks are pushy and want to shoehorn us into their products.

And deciding to take out a mortgage for hundreds of thousands of dollars, that will last for more than 10 years (and not less than 10 days like a holiday), is a stressful time. We want it to be over.

Unfortunately, this mental state is exactly what banks and insurance companies use to apply pressure on you to meet THEIR requirements and not YOURS.

Smart home buyers and property investors know better. They take their time. That house the vendor is selling will still be there long enough for you to get a proper offer in, conditional to finance and other clauses.

It's the vendor who is in a hurry to sell it to you, before you decide to buy something else.

Similarly with the banks. They want to sign you up as quickly as possible before you find another lender with a better loan for your situation.

It's the banks and the vendors that are in a hurry... not you.

...You can take your time

...You can decide which lender to use

...You can decide which insurances you need

...You can decide when you're ready to sign loan documents

...You can make all these decisions and you'll be a LOT wealthier for it.

If you'd like to take your first step in avoiding the 7 Mistakes we've addressed in this report... If you'd like to make sure you do a thoroughly smart job on setting up your property portfolio or even just getting into your first home loan and saving hundreds of thousands on your mortgage, you really need to give us a call on **0800 168 768** or email us at [info@lifefirst.co.nz](mailto:info@lifefirst.co.nz)

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