



## Changes to the First Home Loan and Grant

First Home Loans and Grants settings have changed. From 1 April 2021, the income caps increased, and the house price caps increased in targeted areas.

To receive the First Home Grant, you must make regular contributions to KiwiSaver for at least three years. The size of the grant is linked to how many years of regular contributions you make:

- If you contribute regularly for three years, you can receive a \$3000 grant for an existing property, or \$6,000 for a new property.
- If you contribute regularly for four years, you can receive a \$4000 grant for an existing property, or \$8,000 for a new property.
- If you contribute regularly for five or more years, you can receive a \$5000 grant for an existing property, or \$10,000 for a new property.

For further details about the level of KiwiSaver contributions needed and other eligibility criteria, go to [www.kaingaora.govt.nz](http://www.kaingaora.govt.nz)

By increasing the income caps from \$130,000 to \$150,000 for multiple buyers and from \$85,000 to \$95,000 for single buyers, approximately 9,300 additional couples and 3,700 additional singles who currently are renting will now newly qualify for the First Home Loan and Grant.



## Changes to the First Home Loan and Grant

Changes to House Price Caps				
House Price Caps for Properties by Region	New Property House Price Caps		Existing/older Property House Price Caps	
	Caps until 31 March 2021	Caps from 1 April 2021	Caps until 31 March 2021	New Caps from 1 April 2021
<b>Auckland</b>	\$650,000	\$700,000	\$600,000	\$625,000
<b>Queenstown Lakes</b>	\$650,000	\$650,000 (no change)	\$600,000	\$600,000 (no change)
<b>Wellington City, Hutt City, Upper Hutt City, Porirua City, Kāpiti Coast District</b>	\$550,000	\$650,000	\$500,000	\$550,000
<b>Nelson City, Tasman District, Tauranga City, Western Bay of Plenty District, Hamilton City</b>	\$550,000	\$600,000	\$500,000	\$525,000
<b>Christchurch City, Selwyn District, Waimakariri District</b>	\$550,000	\$550,000 (no change)	\$500,000	\$500,000 (no change)
<b>Waipā District, Hastings District, Napier City</b>	\$500,000	\$600,000	\$400,000	\$525,000
<b>Waikato District, Dunedin City</b>	\$500,000	\$550,000	\$400,000	\$425,000
<b>Rest of New Zealand</b>	\$500,000	\$500,000 (no change)	\$400,000	\$400,000 (no change)

Changes to Income Caps		
Income caps	Cap until 31 March 2021	Cap from 1 April 2021
<b>Individual buyer</b>	\$85,000	\$95,000
<b>Multiple buyers</b>	\$130,000	\$150,000



## Examples of households benefiting from the policy changes

\*All examples assume an interest rate of 4.5% and a 30-year mortgage term

<p><b>Two teachers with five years' experience have a combined income of \$150,000. They are looking to buy an existing two-bedroom home for \$500,000 in Napier. Both have been contributing to KiwiSaver for 5 years. They plan to withdraw \$25,000 from KiwiSaver plus \$15,000 from other savings to buy their first home.</b></p>	<p>The increased existing property price cap for Napier City gives this couple more choices of properties to buy.</p>	<p>They will get two \$5,000 First Home Grants totalling \$10,000, withdraw \$25,000 from KiwiSaver, and bring savings of \$15,000. Their total deposit is \$50,000 (a 10% deposit). When accessing the First Home Loan there is a 1% insurance premium that will increase their mortgage by \$4,500. They will be able to borrow the remaining \$454,500 with a monthly payment of \$2,300, or around 18% of their pre-tax income.</p>
<p><b>A single experienced police officer earns \$95,000. They are looking to buy an existing one-bedroom unit for \$500,000 in Upper Hutt. They have been contributing to KiwiSaver for 6 years and plan to withdraw \$20,000 to help buy a first home.</b></p>	<p>The higher income caps enable this person to access the First Home Products and buy their first home more easily</p>	<p>They will get a First Home Grant of \$5,000 and withdraw \$20,000 from KiwiSaver, bringing their deposit to \$25,000. This is a 5% deposit, so to access a mortgage they use the First Home Loan. When accessing the First Home Loan there is a 1% insurance premium that will increase their mortgage by \$4,750. They will be able to borrow the remaining \$479,750 with a monthly payment of \$2,430 or around 31% of their pre-tax income</p>
<p><b>A single experienced nurse earns \$85,000. They are looking to buy a new one-bedroom home for \$550,000 in Dunedin. They have been contributing to KiwiSaver for 6 years and plan to withdraw \$45,000 to help buy a first home.</b></p>	<p>This person benefits from the increased new property price cap for Dunedin.</p>	<p>They will get a First Home Grant of \$10,000 and withdraw \$45,000 from KiwiSaver bringing the total deposit to \$55,000. Using the First Home Loan they can access a 10% deposit. When accessing the First Home Loan there is a 1% insurance premium that will increase their mortgage by \$4,950. They will be able to borrow the remaining \$499,950 with a monthly payment of around \$2,500, or around 35% of their pre-tax income</p>



## More examples of households benefiting from the policy changes

\*All examples assume an interest rate of 4.5% and a 30-year term mortgage term

<p><b>A couple in Tauranga, who are a full-time librarian and a part-time experienced early childhood teacher, have a combined income of \$100,000. They are looking to buy a new 2-bedroom home for \$600,000. Both have been contributing to KiwiSaver for 7 years and plan to withdraw \$10,000 to help buy their first home.</b></p>	<p>The increased new property price cap for Tauranga means they can access the First Home Grant and Loan for a higher priced house.</p>	<p>They will get two \$10,000 First Home Grants totalling \$20,000 and withdraw \$10,000 from KiwiSaver, bringing the total deposit to \$30,000 (a 5 % deposit). They can access a mortgage using a First Home Loan although the insurance premium of 1% will increase the mortgage by \$5,700. The remainder of their mortgage is \$575,700, and will have a monthly repayment of \$2,920, or around is 35% of their pre-tax income</p>
<p><b>Two friends in Hamilton, a mechanic and a teacher have a combined income of \$140,000. They are looking to buy a new three-bedroom home for \$600,000. Both have been contributing to KiwiSaver for 5 years and plan to withdraw \$10,000 to help buy their first home.</b></p>	<p>The increased new property price cap for Hamilton enables these people to access amore suitable new home for them to start a family.</p>	<p>They will get two \$10,000 First Home Grants totalling \$20,000 and withdraw \$10,000 from KiwiSaver, bringing the total deposit to \$30,000 (a 5% deposit). They can access a mortgage using a First Home Loan, although adding the 1% insurance premium increases their mortgage by \$5,700. They will be able to borrow the remaining \$575,700 with a monthly payment of \$2,920, or around 25% of their pre-tax income.</p>
<p><b>A multi-generation family with four incomes (two full-time and two part-time) have a combined income of \$145,000. They looking to buy a new townhouse at \$700,000. They have all been contributing to KiwiSaver for at least 5 years and plan to withdraw \$50,000 to help buy their first home.</b></p>	<p>They would not be able to purchase a first home in Auckland priced at \$700,000 previously. They now qualify for the First Home Products because of the higher income caps.</p>	<p>They will get four First Home Grants at \$40,000 and withdraw \$30,000 from KiwiSaver. Adding this brings their total deposit to \$90,000. They can access a mortgage using a First Home Loan, although the insurance premium of 1% will increase the mortgage by \$6,100. They will be able to borrow the remaining \$616,100 with a monthly payment of \$3,120, or around 26% of their pre-tax income.</p>



## Servicing costs at income and price caps overtime

The changes to the income caps and house price caps update them to be approximately equivalent in affordability terms to 2007 levels. The 2007 caps were set to ensure households could service a mortgage at the lower quartile of the housing market. Cap levels were also set to ensure that they were not so high that they would help many households that did not need assistance.

The table below shows the comparison of the serviceability of a mortgage at the house price and income caps overtime:

Percentage of (pre-tax) income to service mortgage on house at highest price cap						
	1 buyer	2 buyers	3 buyers+	House price cap	Income cap	Interest rate
2007 – caps first agreed	38%	38%	27%	\$400,000	\$100,000 1-2 buyers  \$140,000 3+ buyers	10.1% p.a.
2021 – settings until 31 March 2021	42%	27%	27%	\$650,000	\$85,000 1 buyer  \$130,000 2+buyers	4.5% p.a.
2021 – Settings from 1 April 2021	40%	26%	26%	\$700,000	\$95,000 1 buyer  \$150,000 2+buyers	4.5% p.a.