Common home loans and deposit options

Fixed rate home loan

A home loan you lock in your interest rate — and your repayments stay the same for the term you choose.

Variable home loan

A variable rate home loan is a standard (table) loan, with a rate that rises and falls with the market. This means if interest rates fall, you can pay a lower interest rate, or if interest rates rise, a higher interest rate. This type of loan is useful if you want to be able to make extra regular or one off payments, prefer not to be locked into an interest rate or think that interest rates are likely to fall.

Interest-only mortgage

A type of loan that is taken out for a set term (usually one of five-year terms), and the borrower only pays the interest on the principal balance. The principal balance will not change during the interest only period, and at the end of the interest only term, the borrower may convert the loan to a principal and interest payment.

If you believe that you can make early payments during the interest-only period, then this may be a viable option for you, because not only are you paying less, but you don't have to make payments towards the principal right away.

Bridging loan

This loan comes in handy when you are moving from one home to another. A bridge loan enables you to take out equity on your first home so that you can post the full down payment on your new home. When you close the final transaction on your first home, you will need to take out another loan on your new home.

Additional deposit options for first-time home buyers

- Refer to KiwiSaver first-home withdrawal
- Refer to KiwiSaver HomeStart grant
- Guarantees

Your parents or other family member(s) can provide a guarantee to replace the deposit you'd normally need when applying for a mortgage.

This allows them to use their assets to help you, without having to provide any money up front. Of course, you must still be able to meet the repayments on your home loan.

There are a number of conditions that both you and the family member(s) providing the guarantee will need to meet, and you'll both need to get independent legal advice before taking up this option.

Joint borrowing

You can borrow money for your deposit (or the entire purchase price) jointly with your parents or other family members. This means your mortgage application can be assessed on a joint financial basis, rather than just yours. You and your family members must be able to meet the repayments on the mortgage. You should both get independent professional advice before taking up this option.

Gifting

Your parents or other family members can gift you the amount you need for your deposit, so you can apply for a home loan. Your family members have no on-going obligations to the bank. You should both get independent professional advice before taking up this option.