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*in Schools*



US 28103

# Analyse and select personal financing options for purchasing a property



## Student Assessment

Student name:

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NSN number:

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Date (DD/MM/YYYY):

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LEVEL

3

CREDITS

4

THEMES

Saving  
Investing  
KiwiSaver

NZQA QAAM  
# 3202

## Analyse and select personal financing options for purchasing a property

Version: 3 | Level 3 | Credits: 4

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### Assessment activity



This assessment requires you to analyse and select personal financing options for purchasing a property. The assessment activity has **two tasks**. Task One will be completed first, followed by Task Two.

#### Task One

Research and review

- Complete a table that shows and explains the aspects of different financing options for purchasing a property.

#### Task Two

Analyse, explain and justify the decisions about:

- the property you are wanting to purchase
- researching finances and possible ways to purchase a property
- the scenario given and clearly explain the choices made in relation to the scenario and the financial circumstances.

## Award of grades

| Evidence/Judgements for Achievement   | Evidence/Judgements for Achievement with Merit   | Evidence/Judgements for Achievement with Excellence  |
|---|--|--|
| <p>You need to:</p> <ul style="list-style-type: none"> <li>analyse and select options for financing and purchasing a property in relation to personal financial circumstances.</li> </ul> | <p>As well as meeting the requirements for Achievement, you need to:</p> <ul style="list-style-type: none"> <li>explain the selection of property financing and purchasing options in relation to personal financial circumstances.</li> </ul> | <p>As well as meeting the requirements for Merit, in your comparison of the two study funding options, you must:</p> <ul style="list-style-type: none"> <li>include justification for the selection of property financing and purchasing options in relation to personal financial circumstances.</li> </ul> |

## Conditions of assessment

This is an **open book assessment**. Your teacher will let you know what learning materials, work, and resources you can access to help you complete the assessment task. Answers must be in your own words.

Your teacher will provide you with information regarding timeframes for this assessment and options for presenting your responses.

## Resources

- Te whai hua – kia ora: [Māui Rautaki](#); [Māui Auaha](#); [Māui Haututū](#)
- Te whai hua – kia ora: [Ngā Rauemi Pouako](#)
- <https://kaingaora.govt.nz/home-ownership/kainga-whenua/kainga-whenua-loans-for-individuals/>
- Sorted Your Independent Money Guide <http://www.sorted.org.nz>
- Sorted How KiwiSaver works <https://sorted.org.nz/guides/kiwisaver/kiwisaver-how-it-works/>
- Examples of steps in developing and monitoring a budget can be found in Budgeting: Money planning to meet your financial goals. This guide and related online budgeting calculators can be accessed through <http://www.sorted.org.nz>.
- Te Ara Ahunga Ora Retirement Commission <https://retirement.govt.nz/>
- Bamzonia Personal Financial Education <http://www.bamzonia.co.nz>.
- Buying a first home <https://sorted.org.nz/guides/home-buying/buying-a-first-home/>
- How much can I borrow? <https://sorted.org.nz/guides/home-buying/how-much-can-we-borrow/>
- Types of mortgages <https://sorted.org.nz/guides/home-buying/mortgage-types/>
- Shopping for a mortgage <https://sorted.org.nz/guides/home-buying/shopping-for-a-mortgage/>
- Building your own home <https://www.govt.nz/>
- Stages of the building process <https://www.building.govt.nz/>
- Asset protection / Insurance <https://sorted.org.nz/guides/protecting-wealth/asset-protection/>
- Relevant legislation may include but is not limited to:
  - Credit Contracts and Consumer Finance Act 2003

- o Credit (Repossession) Act 1997
- o Financial Advisers Act 2008
- o Financial Service Providers (Registration and Dispute Resolution) Act 2008
- o Privacy Act 1993.

## Scenario: Hei tūrangawaewae mō tōku whānau!

Kiri has returned to the place where her ancestors lived in the Rangitīkei region to purchase a house for her and her whānau. They plan to return to take care of the marae, the people of the hapū and all that comes with living in the community.

Kiri grew up in Rangitīkei, on her tupuna land, near the marae. She was raised by her grandparents who also take care of the marae and uphold the kawa and mana of the marae and its people.

## Task One: Do your research!

For this first task, you will need to find information that would be useful for Kiri as she prepares to purchase a home for her whānau. Work your way through each of the following sections which explore some of the different factors that Kiri will need to consider in order to make the best decisions for herself and her whānau.

As you research each section, be sure to record your responses as fully as you can.

### 1. Types of home loans or mortgages

Complete the table below for two financing options for Kiri to purchase her home.

| Type | Definition | Advantages | Disadvantages |
|------|------------|------------|---------------|
|      |            |            |               |
|      |            |            |               |

### 2. Different mortgage providers

Complete the table below for **two** different mortgage providers that Kiri could use to purchase her home.

| Mortgage provider | Advantages | Disadvantages |
|-------------------|------------|---------------|
|                   |            |               |

|  |  |  |
|--|--|--|
|  |  |  |
|--|--|--|

### 3. Term of a mortgage

For each different terms of a mortgage list the advantages and disadvantages that Kiri could choose. Write your responses in the table below.

| Term | Advantages | Disadvantages |
|------|------------|---------------|
|      |            |               |
|      |            |               |

### 4. Preparing a home loan deposit

Identify a source of deposit, and describe some of the main advantages and disadvantages that will help Kiri to plan for a deposit. Write your responses into the table below.

| Type                                | Definition | Advantages | Disadvantages |
|-------------------------------------|------------|------------|---------------|
| Savings                             |            |            |               |
| Monetary gift from family or whanau |            |            |               |
| KiwiSaver                           |            |            |               |

## 5. Understanding home loan interest rates

Investigate the differences between these types of interest rates including the advantages and disadvantages:

| Type                   | Definition | Advantages | Disadvantages |
|------------------------|------------|------------|---------------|
| Fixed interest rate    |            |            |               |
| Floating interest rate |            |            |               |

6. Look at **two** different banks or lenders who offer home loans and record in the table below what the fixed and floating interest rates are for different terms (or periods of time) from 1 year to 5 years.

| Bank | Type     | 1 year | 2 years | 3 years | 4 years | 5 years |
|------|----------|--------|---------|---------|---------|---------|
| 1.   | Fixed    |        |         |         |         |         |
|      | Floating |        |         |         |         |         |
| 2.   | Fixed    |        |         |         |         |         |
|      | Floating |        |         |         |         |         |

## 7. Repayment amounts and frequency of repayments

Complete the following table for a principal mortgage of \$700,000 over 20 years at 6% pa and analyse the results.

| Repayments          | Total cost of mortgage | Increased repayments by \$200 | Increased term by 5 years |
|---------------------|------------------------|-------------------------------|---------------------------|
| Fortnightly \$2,313 | \$1,202,768            |                               |                           |
| Monthly \$5,015     | \$1,203,604            |                               |                           |

## 8. Other related costs

Complete the table below by explaining at least three other related costs to consider and their impact when buying a house. These costs can include a Land information Memorandum (LIM) report, building reports, property insurance, lawyer fees, property rates, repairs and maintenance, property management fees, and body corporate fees.

| Type | Definition | Advantages |
|------|------------|------------|
|      |            |            |
|      |            |            |
|      |            |            |

## Task Two: Tūrangawaewae

Kiri and her husband, Kora, are both employed and have three children. They are looking to buy a two- or three-bedroom home beside their local marae. In the longer term, Kiri and Kora would like this to be a papa kāinga for their children and future mokopuna. Between them, Kiri and Kora earn \$100,000 a year and have been with the KiwiSaver scheme for some time. Kiri has saved \$20,000 in KiwiSaver and Kora \$15,000.

### Purchasing a property

To achieve their dream of purchasing a two- or three-bedroom home, Kiri and Kora will need to do some research into how they will be able to make this a reality. They have found a house for \$665,000 in Rangitikei.

### Financing options

With the information that you have gathered in the first part of this assessment activity about the different factors to consider when looking to purchase a property, you now have an opportunity to explore these in more depth to apply that learning and determine which financing options would best suit Kiri and Kora's financial circumstances.

You will need to carefully investigate a range of financing options that Kiri and Kora could consider. To complete this task, you will need to prepare a presentation that outlines the best two options for what you know Kiri and Kora are looking for. You should prepare your presentation as though you will be sharing this with both Kiri and Kora.

Therefore, your presentation should include:

- Research and analysis of two financing options.
- Selection of one of these financing options.

- Explanation and justification of the selected financing options.

Consider each of the following questions and provide a strong rationale for your responses.

**What type of mortgage would best suit Kiri and Kora in their current circumstances?**

Consider the different ways that home loans can be structured, term of the mortgage, interest rates, the amount needed as a deposit, the affordability of the house and potential repayments including the frequency of their repayments.

**With what you know about Kiri and Kora's financial position at this time, what approaches would you recommend for them to getting a deposit together for a mortgage?**

Prepare the best advice you would give to Kiri and Kora to build their deposit.

**Which banks or other home loan lending institutions would you put forward to Kiri and Kora?**

Investigate current offerings by banks and other institutions and select two options for Kiri and Kora. Include details of the type of mortgage and interest rates. You must be able explain why you have chosen these two financing options.

**What other related costs are associated with purchasing a house that Kiri and Kora need to be aware of as part of their financial planning?**

Ensure you cover Land Information Memorandum (LIM) reports, builder's reports, property insurance, lawyer fees, property rates, repairs and maintenance, property management fees, body corporate fees. Explain how Kiri and Kora might be able to cover these costs in a manageable way.



For more help, visit  
[sortedinschools.org.nz](http://sortedinschools.org.nz)

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