

## Questions from the Avonside residential red zone workshop

29 March 2012

### **Banking**

Answers provided by ASB

**1. What packages are available in relation to red zone packages, interest lending penalties for paying off lending, term investments, penalties, fees for new loans?**

ASB offers a two percent discount on variable lending for new bridging loans or new home loans, and there is no application fee. There is also no early repayment penalty for loan repayment using EQC or insurance funds. Term deposits can be broken with no penalty, provided they are EQC or insurance funds being called upon for a rebuild.

**2. Do I get special red zone rates from the day I'm eligible or day I ask for it?**

The special rates apply when loan is drawn down, or for existing lending it will apply from the day a customer asks for it.

**3. How long do red zone package interest rates stay offered?**

The two percent discount is available for new borrowing only, and for a maximum term of 12 months. Existing ASB loans that are restructured are not eligible for the two percent discount and nor are loans refinanced from other banks. You must use the new borrowing to pay for a replacement for your red-zone property. Upon expiry of the 12 month term, the interest rate applicable to the facility will be ASB's then current housing variable rate.

Upon receipt of your insurance and/or CERA payments, you must apply these payments to repay in full or reduce the balance outstanding under the two percent discounted facility. The two percent discounted interest rate will continue to apply to the outstanding balance (if any) after application of your insurance and/or CERA payments for the remainder of the 12 month term. Customers have up to 31 December 2012 to take up the offer, or at the bank's discretion.

**4. Are there any exceptions in regards to age and income criteria?**

No

**5. Bridging finance, can we get it?**

**a. Does it cost if I don't use it?**

No

**b. Are there packages for low or no interest bridging finance?**

There is a two percent discount on bridging loans until red zone payout, or for up to 12 months.

**c. Can I use it to build?**

No

**d. What are the fees if I don't use it?**

Nil

**e. Can we coordinate it around settlement dates?**

Yes

**6. Is there a penalty for using settlement to pay off your mortgage early?**

There is no penalty if customers pay off their mortgage early, providing the funds used are from CERA or their insurance payout, or from EQC.

**7. What are the timeframes for applying for new mortgages?**

Typically two hours if all information is provided at the time of application.

**8. If my financial circumstances have changed since I got my mortgage last time, how will the bank look at my case for my next mortgage?**

Normal lending criteria will apply, but ASB will do everything possible to assist our customers.

**9. If we have already bought a new house and want to apply eventual payout to the new mortgage, do we get charged?**

There will be no fee in this instance.

**10. If a special offer lasts one year, can I get it from one bank then switch to a new bank just before the offer expires and get it for another year?**

No. If a customer received a special discount from their existing bank for 12 months, then the offer would not apply to ASB after the 12 month period.

**11. What is involved in switching banks? Do I have to pay fees or transfer costs?**

If a customer has a mortgage with the bank they will be charged a \$200 discharge fee, and they may receive assistance to cover any legal costs.

**12. If I get my settlement and put it in term deposits, am I treated differently for breaking early?**

Yes. In these cases the usual break fee does not apply

**13. Why do banks say that EQC money has to go to mortgage when it is clear it doesn't have to? (Debt is important to some to retain)**

The agreement between the banks and EQC was that funds paid out by EQC would be used to pay off outstanding loans, until the insurance company required those funds to rebuild the dwelling. However in some cases the funds may be placed on term deposit, depending on a customer's individual circumstances.

**14. What is the normal timeframe for transferring money?**

We need a little more detail about what money is being transferred and the circumstances involved in order to answer this question.

**15. How do we coordinate settlement dates?**

The customer's solicitor will normally arrange this.

**16. How do banks look at people with few/no working years when they assess for new land (if tens of thousands short)?**

We assess customers' circumstances on a case by case basis, taking into account their ability to service the loan and the equity they have in their property.

**17. Why do EQC cheques take three to four weeks to clear?**

In our experience this normally takes up to three working days. We suggest you speak to EQC for further information.

**18. How do we manage EQC payments to banks if your bank has changed or mortgage has been cleared previously?**

We would contact the customer when the EQC cheque is received and discuss this with them on a case by case basis.

**19. How do we manage cash flow before settlement? (e.g. legal costs)**

We ask that our customers speak to us about their circumstances, and wherever possible we will assist them with short-term cash shortfalls.

**20. What are the financial implications of indemnity vs. replacement value?**

We suggest customers speak to their insurers in this case.