

Questions from Brooklands residential red zone workshop

1 March 2012

Banking

Answers provided by ASB

1. When I discharge my existing mortgage, what hoops do I need to jump through for approval and pre-approval on my next mortgage? Bearing in mind the affidavit I have signed with my insurer to rebuild.

If the insurer is rebuilding, either on same site or elsewhere, then there are no extra obstacles to gaining another mortgage.

○ **What if I sign affidavit saying I will rebuild but bank doesn't approve?**

Provided the amount of the loan required is the same then it is likely that the bank will approve the lending for a re-build. However each customer may have specific individual circumstances which could apply. We suggest they talk to us about their options

○ **If I downsize, am I able to keep existing mortgage at same level and put difference in cash in the bank?**

This will depend on a customer's individual circumstances; including the amount of equity the customer has in their home and their ability to service mortgage repayments.

2. Are banks charging fees for discharging mortgages?

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

3. Will the bank lend up to the same value of my existing mortgage once the insurance take out the cap payment?

This will depend on a customer's individual circumstances; including the amount of equity the customer has in their home and their ability to service mortgage repayments.

4. If I am in a rebuild situation, at what stage does the bank pay off my mortgage?

The insurance and EQC payment will be used to reinstate a customer's property leaving their mortgage the same as it was before the damage occurred. If the insurer is rebuilding on the same site, or another site, then the loan is redrawn using the EQC funds. If the insurer is building on another site, then the customer still retains ownership of the land of the first property, and the bank takes security over the new site.

5. What does the bank require from me to have two mortgages (old and new)? E.g. income proof, security.

We require confirmation of income, details of the new security (the home to be purchased), and confirmation of option 1 or option 2 of old property. If this is a bridging loan under Option 1 or Option 2 of the red zone pay out, then we will only require evidence of income to service the remaining debt.

6. Is bridging finance an expensive or long exercise?

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

7. Are there packages for low/no interest bridging finance?

Packages vary so shop around.

8. Is insurance indemnity payment an alternative to bridging finance?

We are obligated to hold insurance indemnity payment funds until reinstatement occurs.

9. How close to building should I arrange finance with my bank?

We ask that our customers contact us as soon as possible prior to building, so we can assess their circumstances and the loan they require.

10. Are banks willing to lend on TC3 land?

ASB is lending on TC3 land but a number of requirements need to be met. We suggest that customers get in touch with us to discuss their options.

11. Which banks have the lowest interest rates?

We can't comment on other banks however, ASB offers competitive interest rates.

12. When does the lower interest rate for my new home begin?

In most cases, the concessional lending package interest rate discounts are available for 12 months, starting at either the time of the loan drawdown or the date requested.