

Community workshops for red zone residents October 2011

Workshop notes – banking

Many questions were received at the workshops about:

- Interest rates
- Bridging finance rates and terms
- Affordability of new and increased mortgages
- Specific packages for red zone homeowners
- Loan terms and conditions
- People on low incomes
- People who have retired or are near to retiring
- Pre-approval of loans and the length of time they are valid
- Charges and penalties
- Levels of equity

Please refer to your banks' website for answers to these questions.

Questions were also asked at the workshop about specific situations. Please refer to your bank to discuss these in the first instance.

Questions and answers

The following answers have been provided by Westpac.

1. Is the discounted offer just for building?

No.

2. Can we use our EQC payment (we are mortgage free) as a deposit on a section?

Yes.

3. Are banks still offering the cheaper rates they were earlier?

Yes.

4. If the loan was drawn down before the offer – can it be back dated?

This is on a case by case basis. Please refer to your bank.

5. Will the bank consider my whole portfolio – not just Red Zone property?

Yes.

6. When should I start talking to my bank? As soon as possible is better.

7. Will the govt extend the lower rates over 12 months?

It is a bank offer.

8. If we need to move quickly will banks provide bridging finance?

Yes.

9. What about insurance and the banks? They are working together.

10. Is the mortgage for a new property a new mortgage?

It is new security to be registered but not necessarily a new loan.

11. Can the structure of the mortgage be changed?

Yes.

12. Are the banks and insurance companies working together?

Yes.

13. What information do the banks need regarding insurance?

There is no change from the normal requirements as part of solicitor's certificate.

14. What is the situation with progress payments and the banks?

The insurance company will most likely handle the progress payments for rebuilds otherwise standard construction progress payments apply

15. Can you split the discounted rate?

Yes.

16. Is not having a time limit on bridging finance an issue?

No.

17. What is the best interest rate?

Refer to independent advice from accountants.

18. If you pay off your mortgage and there is a gap to your new property, can you get a new mortgage?

Yes.

19. Are the banks assisting with legal fees?

Yes. Please refer to you bank.

20. If there is a caveat on your property, how does that work when you refinance?

The caveat needs to be addressed first.

21. Once a decision on what option to take has been made, how long will it take to receive the money?

Refer to your insurance company.

22. If you pay off your mortgage and there is a gap to your new property, can you get a new mortgage?

Yes.

23. If you have the cash available, can you negotiate your interest rates?

This is on a case by case basis.

24. What happens when insurance accommodation for rent runs out?

Refer to your insurance company.

25. What if I want to buy another property equal to GV before settlement?

You could consider bridging finance. Please refer to your bank.

26. Can communication with banks be done remotely or must it be in person?

Either is fine.

27. What happens if we have to take the GV as we are a repair and the GV is less than our mortgage?

This is on a case by case basis.

28. Do the Red Zone mortgage rates apply to landlords? If not – why not?

Yes. Please refer to your bank.

29. Is the money hard to come by for a mortgage?

No.

30. Is it best to use the EQC money to pay down the mortgage?

This saves you interest costs.

31. Where do find sections to rebuild?

Refer to real estate agents.

32. If you have a mortgage and you get a pay out, does that automatically go onto your mortgage?

It is still customer choice but paying down the debt saves interest costs.

33. Where does any surplus go when the mortgage has been paid off?

It can be placed on term deposit.

34. If I choose option 1 does that have any tax implications?

Refer to an accountant.

35. We've been building a second (rental) property, using equity in our existing home, will this affect us buying our own home?

This is on a case by case basis.

36. Does the bank need to consent to the Governments offer?

Yes. This is arranged through your solicitor.

37. What additional security does the bank require if my lending is not paid off by the land value?

The Bank can take a Deed of Assignment over the Insurance claim until such time as there is value in the rebuild.

38. Who has the first option on the money that comes from EQC if I have a mortgage?

The Bank but there are choices as to what happens to the money.

39. What happens when my "loss of rent" insurance runs out?

Refer to your insurance company and then get in contact with your Bank to see what they can offer in the way of assistance (such as a repayment holiday).

40. Is the \$750 towards legal advice and/or transaction fee?

Refer to your solicitor.

41. Are we going to have to pay conveyance fees?

Refer to your solicitor.

42. Given special circumstances (delayed offer) is the April 2013 data fixed?

Refer to your bank. There may be options on a case by case basis.

43. What 'subject to' clauses can be included in agreements (insurance, finance, etc.?)

This is on a case by case basis.

44. Is repairing an option for a house in the red zone?

Refer to your insurance company.

45. Will the banks allow more than 80% lending?

Yes. Refer to your bank.

46. Longer banking hours to help people in the red zone – is this possible for seven days a week or evening hours?

Yes. Westpac is open at many branches in the weekends

47. Have the banks ever considered their own house insurance?

Our insurance is underwritten through Lumley Insurance.

48. If I get bridging finance because my insurance company is delaying paying me out, should EQC/my insurance company be liable for paying my loan?

Refer to your insurance company?

49. If insurance payout exceeds the mortgage, do I keep the excess?

Refer to your insurance company.

50. Is lending:

- Subject to a building report? No, but it may be prudent for you to obtain one to check out the property.
- Is a structural engineers report required? No.

51. If I want to relocate to another centre, do the banks at other centres have access to my details?

Yes.

52. Can I use my CERA option1/opiton2 letters as security?

The letter itself is not security but the red zone property is still able to be used for security.

53. Are there any hidden barriers to purchasing once I have sorted what option I want?

Refer to your solicitor.

54. What information do I need to take to the bank? (I.e. insurance, what option you are taking option 1/2, EQC claim).

The more information you take in the easier it will be to help you move on.

55. What does pre-approval mean?

It is an indicative offer of finance.

56. Are you taking new clients?

Yes.

57. Are you lending money to 'White Zone' properties?

This is on a case by case basis.

58. What happens to my existing mortgage when EQC has made a payment?

It can be paid down which will save you interest costs

59. Can I discard my current mortgage?

If the facility is repaid we can discharge the mortgage at any time.

60. Are you loaning money to green zone land?

Yes.

61. Information re financial advice options.

Refer to the local branch or your back and independent financial advisers.

62. Will there be an extension to red zone offers if households haven't been able to move or rebuild?

This is on a case by case basis.

63. Is there going to be any assistance from banks if they have both mortgages and rent payments after the offer has been accepted?

This is on a case by case basis. Banks have many options available for assisting you.

64. Why are banks not transferring current mortgages to a new property?

Westpac is transferring loans to new security.

65. What if my mortgage is repaid but the bank holds the title? Should the mortgage be discharged?

It can be discharged at any time if the loans are repaid.

66. Are there additional requirements by banks in order to obtain a mortgage e.g. geo-tech reports and who pays?

Westpac does not require a geo-tech report.

67. Concerns regarding costs of conveyencing.

Refer to your solicitor.

Additional information provided by Westpac in October 2011. Please refer to their website for the latest information.

Westpac's Red Zone Relief Package Offer

Westpac is offering a special discount of 2.59% off its current Choices floating home loan rate for Christchurch residents in the Government's residential Red Zone, giving a current effective floating rate of 3.65% p.a.

Customers who qualify under the terms of the Red Zone Relief Package and who are approved for Bridging Finance are eligible for the discount on the Bridging Loan, but not to any existing debt in place prior to the Bridging Loan.

The discount will apply for 12 months from the date the Bridging Loan is drawn down.

After the Government settlement has been received the discount will continue to apply for the remaining loan.

The offer is for 12 months regardless of when the discount starts (as long as it starts before 31 Dec 2012). However, if that account is paid off in full before the 12 months is up, the offer will end.

Applying the discount now to bridging finance may not be the best option for yourselves if you are using bridging finance to purchase land, it may be better to wait to apply the discount when you have also financed the house build.

Bridging Finance

Westpac is able to consider Bridging Finance for the new purchase for red zone home owners, for initial terms of 9 months with 9 months interest only with a potential to review if settlement hasn't occurred.

Interest capitalisation is also available under the Bridging finance approvals.

Westpac standard interest rates apply for bridging loans (floating currently 6.24% p.a.) unless you take advantage of the special discounted offer for the bridging portion of the loan.

Other Loan terms and conditions

The administration fee has been waived for all Red Zone lending applications, as are any mortgage release fees for red zone properties when they are sold to the Crown.

If a Deed of Assignment is required over the Insurance claim then Westpac will waive the registration and discharge fee in this scenario as well.

Westpac is able to assist with professional fees for customers within the Red zone.

Standard lending terms and conditions apply, however we are able to consider applications on a case by case basis for Red Zone home owners that are outside of normal criteria. This may include when your level of income/employment has changed, when you have to take a mortgage to purchase the new property after having repaid any previous mortgages in full, age is not preventative to obtaining a mortgage.

Preapprovals are valid for 5 months initially with an opportunity to review and extend.

Term Investments

Early repayment break costs have been reduced. You will receive the rate payable for the term completed. For example, if the investment money was deposited for a 12 month term at 5 % p.a. and it is broken after 6 months have been completed, the calculation is as follows. If the 6 month investment rate was 4% p.a. at the original start date of the investment, the break rate is calculated 4% p.a.