

Questions from Avon Loop, Richmond and Linwood residential red zone workshop

27 June 2012

Banking – answered by ASB

What sort of banking assistance is available?

- Rates
- Fees
- Costs
- Bridging
- Conditions
- Qualifying criteria eg. Age

Approach your bank branch or other banks to seek the best available options including legal fee rebates etc.

Every bank has its own package and these vary so shop around.

Packages are available for the whole of NZ, including refinancing for rental properties. Generally, offers are for 12 months and can be drawn at any time. All banks have packages which are similar but you should go to the banks to get the information you need.

It is best to speak to your bank as most are offering red zone packages for affected residents with lower interest rates.

Will the bank lend on white zone, TC1, TC2 and TC3 land, and to what levels?

ASB will lend on all areas, but will ensure that all mortgage applications are individually assessed according to each person's specific circumstances. In all cases, understanding the borrower's needs and the ability to service the mortgage are our primary objectives. When evaluating a property being purchased or refinanced that is being used as security for the borrowing, ASB are generally applying the following principles:

- TC1 and TC2: Normal lending policies apply for these properties as long as we understand the extent of damage to the property and the insurance contract that supports the reinstatement of that damage. The customer is asked to confirm the extent of the damage and that the insurance policy being assigned has full replacement cover. If the insurance is any other than full replacement, we will work with customers to assess these cases on an individual basis.
- TC3 properties: All TC3 properties are assessed on a case by case basis. We require a builder's report or full assessment of the damage and the scope of works from the insurer/EQC on all properties. This is so we can fully understand the extent of the damage to the dwelling and the insurance contract that supports the reinstatement.
- White zone is difficult as their ultimate TC category is yet to be assessed.

Will there be banking reps at the Avondale Hub?

ASB banking reps are available by appointment. Please let the Hub know by phoning 0800 RING CERA and they will contact us to arrange someone to go out and meet with you.

How will banks respond if I want to spend more than my payout?

ASB can lend over and above your payout. Our normal lending criteria would apply to any additional borrowing requested.

Do banks have preferred insurers?

ASB has a relationship with IAG and NZI but we will accept most insurance policies. The key thing intending purchasers can do is to check their insurance policy with their insurer or solicitor to make sure the cover meets their personal requirements and their bank's requirements.

Can you substitute my security? I.e. Use "new" property for "old" property for security.

Yes. You can transfer the current mortgage obligation you have to a new security. We would apply the test described above for TC1, TC2 and TC3 properties.

What happens if the payout amount does not cover existing mortgage?

You should work with your bank to ensure you have a solution that works for both parties. Most banks are understanding of the situation and will work with you individually to help you through the process.

How can we have a 1:1 relationship with our bank e.g. after hours?

We have Mobile Lending Managers who can visit you at home or where you work. Many of our branches are open weekends, with a late night during the week.

When will banking services be available in affected areas e.g. Branches and ATMs?

ASB has put in four temporary branches and installed more ATMs since the earthquakes, and all of our facilities are operational again. We currently have temporary branches and ATMs in Ferrymead, Cashel Mall and Lincoln. In addition, we have opened new branches in Barrington and Rangiora, and relocated our Regional Centre back to the central city in Colombo Street.

How do you get a mortgage if you are on a pension?

Banks are prohibited from discriminating on grounds of age so go and talk to your bank. Don't feel pressured – shop around for the best offer.

How do banks view a review of red zoned properties, or someone who chooses to stay?

We don't yet know the number of properties that will be impacted by any review but we would treat any red zone property as outlined in Question 1.

What are the banks considering doing at the end of the current discounted rate period?

ASB's discounted rate will revert to the originally contracted or carded interest rate upon expiry. We encourage any customer enduring financial hardship to talk to us about the options available to them.

Maximum lending rates for red and green zones e.g. What percentage?

As outlined in Question 2, all lending is individually assessed. Generally for stand-alone red zone properties, we will not exceed the amount of the payout as we know this will be repaid on receipt of the Government payment. Applications that involve other properties would be reviewed as described in Question 2.

Relocation funding – moving the property to another site?

ASB would treat this situation as a construction loan. We would need to know the value of the property once it has been relocated from a Registered Valuation and also the condition of the site the property is being relocated to.

Effect of EQC reassessment on banking response?

If the property is being re-assessed by EQC then any payments already received are held 'in trust' by the bank until called upon by the customer's insurance company.

If the damage is re-assessed as under cap, or that we have received an over payment (if EQC has sent more than what the customer is entitled to or EQC has sent more than the damage is worth), then this could be recalled or deducted from the insurer's final settlement amount.

Funds held 'in trust' from EQC will be forwarded to the insurer when the rebuild starts on the insured property. In the meantime, the funds can be paid down to any loan to provide interest rate relief. Alternatively the funds can be placed on Term Deposit so the customer can earn interest. If the customer wants to access these funds they may choose to discharge their mortgage and repay all debts to the bank with any surplus going back to the client.

It is important to note that if a customer no longer has a mortgage with the bank, the insurer will seek the EQC funds from them.