



## Lots Happening in the Lending Industry

Mortgage rates are likely to gradually lift over the next year or so. This, according to Rod Templeton, CEO of Mortgage Link. "Though this is more likely for the floating and short-term fixed rates as we have seen in the recent predicted OCR announcement".

This prediction comes on the back of announcements in the Budget and the increase in the Official Cash Rate. The indications are that over the next two years there will be little difference between floating or fixing rates, for terms of one - two years, although floating or 6-month terms could work out slightly cheaper. Particularly if the RBNZ ever pauses along the way; this is why it is

important we are all regularly reviewing our home loan and other debts.

**The property market has been touched by a series of issues, including:**

- The 2010 Budget that reduced some of the tax incentives to invest in property, with the loss of the ability to make building depreciation claims and some tightening of LAQCs

- Personal and company tax cuts announcements

- The Reserve Bank starting to lift the Official Cash Rate.

While indications are that house prices will remain static this year, (compounded by gradual increases in interest rates) it was encouraging in May to see talk of looming changes had no discernible impact on the number of fresh home listings coming onto the market.

We are also seeing some real activity returning to the building market and the First Home Buyers market remains active with strong enquiry which is encouraging as this starts the home owner cycle again.

ASB Chief Economist, Nick Tuffley, describes this period as "New Zealand climbing out of the hole" with the "average" family deleveraging at a gradual cautious speed; which is paying back debt, saving more and spending less.

As Mortgage Link Advisers we see this as an important period to review and restructure our client's household debts to capitalize on the current lower short term interest rates. Our advice will see clients informed of options available to them in both mortgage and banking requirements.

## Borrowers wait and see

While most borrowers do not like the uncertainty of floating rates, especially when rates are rising, there hasn't been a rush from clients wanting to fix their loans.

Craig Seton, a director of Mortgage Link Manawatu, said that many clients seem happy with their floating loans.

"I think there will be an eventual panic from these clients when rates move higher. This could cause a 'spike' in fixed rates as a large portion of the 30% of lending that's floating moves to fixed.

"At the moment clients want to know how high interest rates will go and the best strategy for fixing their loans. Should they stay on floating and will this work out cheaper than fixing? With fixed rates for two years at 6.99% - and longer terms even higher - there is a temptation to remain on floating."

However, Craig says that given the strong expectation among economists that the OCR rate might increase by approximately 1.5% over the year, then a fixed term of 12 or 24 months could be a better option than floating.

Most investors he's spoken with seem happy with the Budget but the lack of expected capital growth in house prices has seen a slowing in clients investing in new rental property. The primary concern clients have are how the changes in depreciation and LAQC treatment will effect them.

It's important we all review our home loan regularly, please talk to your local mortgage adviser or call 0800 466 784 to be put in touch you're your local adviser.

Unite  
and  
conquer

Consolidating your debts can help you save on interest and get out of debt faster.

Phone 0800 466 784  
www.mortgagelink.co.nz

mortgagelink



## Good news for leaky homeowners

Erica Wills, of Mortgage Link West in Auckland is welcoming the Government's leaky homes package and its crucial support from the eight most directly affected councils.

Under the proposed leaky homes financial assistance package, repairs would be funded by a 25 per cent contribution from central government, 25 per cent from local authorities, and 50 per cent by homeowners, backed by a government loan guarantee. The package will apply to leaky homes notified to the Department of Building and Housing within 10 years of being finished.

Erica says that there have been few enquiries to date about the package because the detail

has yet to be announced but she expects more questions from clients once the deal is finalised.

She has huge sympathy for those dealing with leaky homes. She cites the example of one client who is a business owner and wanted to borrow money against his home to invest in the business. But as the client owns a leaky home he was unable to obtain as much finance as he wanted because the home's value was diminished.

Erica has personal experience of leaky homes. She and her husband bought a new home in late 2000, which they subsequently found to be leaky.

"The difficulty is that the problems often aren't evident at first. We moved into a new property after a couple of years but kept the house as an investment. It wasn't until further down the track that it began to experience problems with the likes of the deck and cladding.

The eight councils, which have lent their support to the Government package, are Auckland, Christchurch, Manukau, Waitakere, North Shore, Tauranga, Wellington and Rodney District. Franklin District Council has also agreed to support the package.

Collectively, these councils represent around 90 per cent of current leaky home claims. A further 12 councils have indicated their support in principle for the package, bringing the total number of councils on board to 21. They are: Ashburton District, Carterton District, Kaikoura District, Manawatu District, Masterton District, Palmerston North City, South Taranaki District, South Waikato District, Southland District, Waipa District, Waitomo District and Whakatane District.

The Government is now working out the operational detail of the scheme.

If you are planning to take advantage of this government package, please call your local Mortgage Link Adviser to discuss loans for your half of the contribution.

For more information, contact the Department of Building and Housing, phone 0800 116 926 or by email [info@dbh.govt.nz](mailto:info@dbh.govt.nz) [www.dbh.govt.nz](http://www.dbh.govt.nz)

## Smart idea for home insulation

Lindy Neilson can well understand how eager people are to take advantage of the Warm Up New Zealand: Heat Smart insulation and clean heating programme.

The Mortgage Link Eastland broker and her husband live in an elderly house (Lindy estimates it's about 80 years old), 15 minutes north west of Gisborne city.

"It's great in the summer but in the winter the wind whistles up through the floor boards. We're definitely going to put our names down for under floor insulation - I'm sure it will make a big difference."

Lindy started thinking seriously about the Government funding programme after her mother used the programme and following enquiries from many clients when filling out their loan applications.

Previous government funding for insulation was targeted towards low and middle income households only, whereas the current fund -

which has been operating since last July - is available to New Zealanders on any income.

"My Mum was able to have her home fully insulated which has made it so much warmer this winter. It's great to see the Government do something that makes a real difference for people."

The funding allocated to Heat Smart is much greater than the previous schemes, which will allow many more homes to be retrofitted. This programme plans to complete more than 188,500 homes over four years, or around a fifth of the 900,000 homes estimated to have substandard insulation requirements.

Call your local Mortgage Link office to find out which loan which could best help you to get your insulation problems sorted.

More information on Warm Up New Zealand: Heat Smart, visit: <http://www.energywise.govt.nz/funding-available/insulation-and-clean-heating>

## Educational Seminars

Interested to find out how you can save money on your mortgage?

Feeling like you're paying several different loans? What are the different types of loans?

At Mortgage Link we regularly hold seminars at convenient locations throughout New Zealand to help you achieve your financial goals. We like to keep it simple, so we'll use language you can understand but show you how we can make life easier. We all want the goal of saving money on mortgages and banking fees!

To find out more about these seminars, contact your local Mortgage Link office directly, or call 0800 466 784 and we will put you in touch with your local team of advisers.

---

### Mortgage Link (NZ) Limited

To contact your local Mortgage Link office  
Go to [www.mortgagelink.co.nz](http://www.mortgagelink.co.nz)  
Or call 0800 466 784

---

**mortgagelink**