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Don't lose it

Rowena Orejana | 11th March 2010

Many South Aucklanders are facing financial strife, but there is hope. Free budget advice helps families sort themselves out - and could save their homes. **Rowena Orejana reports.**

Lily* is a 35-year-old mother of two. The health assistant and her husband managed their finances pretty well until a couple of months ago when her work hours were cut.

"We got into a lot of financial difficulties," she says. "We got behind on our mortgage."

It's been a stressful battle to save their Mangere home. With a lot of help from a budgeting service, she says they are now managing but are hardly out of the woods.

As the recession goes full swing, more than a thousand Aucklanders from all walks of life have lost their homes in mortgagee sales.

Vai Harris, service manager of the Vaiola PI Budgeting Service, says her group has taken on 46 mortgagee sale cases in the past eight months. This is 11 cases more than they handled in the year ending June 30, 2009.

"If the GST [rise] comes in, it will not be helping people with low income," says Mrs Harris.

As it is, she says the service has 300 clients this year. A satellite office is planned for Mangere Town Centre to cope with the increased workload.

The budgeting service deals mainly with the Mangere area and the Pacific Island community in particular but Maori, European and Asian clients are also turning up, she says.



Vai Harris says budgeting services help people to prioritise their spending, thereby increasing the odds that they will be able to hang onto their homes.
MICHELLE HYSLOP

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Most clients have been laid off recently or their work hours have been reduced, like Lily's. Weekly payments of \$1000 suddenly become too much of a burden.

"They start falling behind on their payments. This is how they fall into this situation," explains Mrs Harris.

The budgeting service helps by sorting out finances and negotiating with lenders, which are often banks.

"In some cases, it could be just failure to correctly prioritise their spending," she says.

"There are a lot of expenses they don't require, like too many insurance policies."

Other people have too many loans. "They guarantee a relative or a friend's loan and when the friend or relative cannot pay, they have to pay for the loan," she adds. Many have been lured into borrowing up to 100 per cent of the cost of a house, with very high premiums.

"I look into their spending and, after an hour or two with them, I can see where they have gone wrong," she says.

Mrs Harris often negotiates with banks to lower premiums to a level the clients can reasonably pay. The service will also monitor clients from six months to a year, depending on their level of

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Every family who we can save from losing their homes brings a variety of benefits to themselves and the community: better health, less stress, less chance of family violence and crime. And, if they learn from their experience, a greater sense of well-being for the future."

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After her experience, Lily suggests homeowners in financial difficulties should consult a budgeting service immediately.

"It'll make a big difference."

** Lily did not want her real name used.*

House keeping

The number of Aucklanders forced to sell their homes reached a record high last year, up by 145 per cent from 519 in 2008 to 1274 in 2009, according to Terralink International, a land and property information provider.

Raewyn Fox, chief executive officer of the New Zealand Federation of Family Budgeting Service, says the best way to avoid strife is to "do your sums. If you have any change in circumstances, take action right away. Go to your bank and see if you can alter the arrangements or seek the help of a budgeting service," she says, making the point that banks do not really want to take houses from owners. They would rather have the money back.

"Once people understand that, they might be more ready to talk to their banks," she says.

Mrs Fox stresses it is easier to find a solution before the house goes into a mortgagee sale.

For more info, visit: www.familybudgeting.org.nz

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Assembled by: akl_n3 at Fri, 19 Mar 2010 08:07:06 +1300