

How to stay out of mortgage trouble - Sunday Star Times, 22 March 2009

Banks are working more closely with borrowers who have run into financial trouble.

Though the number of home loans in default is low - less than 1% of the big banks' home loans are in arrears by 90 days or more - it is rising, and the banks have been responding.

ANZ, The National Bank, BNZ and Westpac told the Sunday Star-Times they had all set up programmes in the past year to assist customers experiencing financial difficulties, with the aim of helping them find a way through tough times and stay in their homes.

ANZ, National Bank and Westpac have also instituted monitoring programmes to try to spot early warning signs of impending financial difficulties.

But all the banks stress the earlier home loan customers facing difficulties confront their problems, the better their chances of keeping their homes.

Here are a number of things families suffering financial stress need to understand when dealing with their bank, and strategies to adopt:

Understand that banks do not want to sell your home out from under you, and they rarely do. Kiwibank says it has done so less than 10 times since it was founded in 2002. No bank wants a reputation for making families homeless.

Do not wait until you have missed a payment before you pick up the phone or go into a branch. Under consumer credit laws, borrowers have a right to expect their lender to talk in good faith about restructuring their affairs before they default, but not after.

Many of the banks have dedicated phone numbers for those in financial distress. That can be an easier first contact than walking into a bank.

If you are too scared to talk to the bank, seek out a budget adviser. The banks even encourage it. ANZ advises struggling readers: "If you'd rather not talk to the bank in the first instance, you might prefer to speak to the NZ Federation of Family Budgeting Services on 0508 BUDGETLINE. They provide free, confidential budgeting advice aimed at helping New Zealanders get out debt as quickly as possible."

Remember, there is nothing to prevent you taking someone to meetings with the bank with you for support. A wise parent or savvy friend can be a great help.

Just because you can't think of a solution, it doesn't mean one doesn't exist. As ANZ says: "We have a number of options available to us in order to find the right solution depending on the circumstances. Some options include taking a repayment holiday, extending the term of the loan, or moving to interest-only repayments. We treat each customer on a case by case basis; no two customers are the same and what's best for one is not necessarily best for the other." And as Westpac puts it: "The earlier the

discussion starts then the larger number of options that are available to the bank and borrower."

Do not assume that the first answer is the final answer. The bank staffer you talk to first may not have all the answers, or indeed be clever or well-trained enough to help. The next might be. Keep talking.

Do not be embarrassed. The banks and budget advisers have heard it all before.

Do not keep family and friends in the dark. Bottling up problems can allow them to take on exaggerated proportions. Remember, there's plenty of help, support and advice to be had from your circle of friends and loved ones. In really troubled times, there may even be money.

Use the internet. There's a world of advice out there.