

Mortgagee sales on the rise – TVNZ - March 22, 2008

With interest rates going through the roof and house prices dropping, the number of mortgagee sales is on the rise with warnings things could get even worse.

Kiwis have done well in the property game this decade, selling and buying and building fuelled by money borrowed from the bank.

But the fun times are over and paying the banker has gotten a lot harder.

Five years ago, making payments on an average-sized mortgage cost less than half of the average pay packet.

A year ago paying the typical mortgage took 70% of the average wage.

Today, the average sized mortgage swallows more than 80% of the average pay packet.

"People quite wisely get the best value property they can for what they can afford at the time, so when interest rates go up and your repayments are \$100, \$200 a fortnight more it makes a very big difference," says Raewyn Fox from Federation of Family Budgeting Services.

It can even make the difference between home ownership and a mortgagee sale - that is when the bank moves in and moves the person out.

"If interest rates rise and peoples disposable income are hurt even more, then you will see more mortgagee sales," says Bernard Hickey, commentator from interest.co.nz

A wave of foreclosures in the United States has swollen the number of homeless people there.

It will not get that bad in New Zealand, but things have already worsened.

"Even though house prices have fallen slightly, interest rates are rising and the net effect is that home owner affordability hasn't actually improved," says Hickey.

"It is very very hard to sell peoples properties under mortgagee conditions, I mean you do feel for these people," says John Ross, from Professionals Real Estate.

Experts are advising people to take a comprehensive look at their whole budget as early as possible if they are having a hard time with climbing mortgage payments.

"They might be able to get a cheaper house and still have an asset and not the same cost burden they might have a couple of cars, they might be able to get rid of a car and reduce costs significantly," says Fox.

John Ross's advice to help Kiwis stay in the game until the next boom-time is to not let it get to a mortgagee sale in the first place.

"Perhaps get their home on the market before it gets to that point and when they do, get it on to the market seek a realistic price for their property".