

Questions from the Southshore residential red zone workshop

26 July 2012

Banking – answered by ASB

Why is the bank holding my EQC payout?

The Banks have an agreement with EQC whereby if a mortgage is held, that funds are held 'in trust' from EQC and 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 customer.

What happens to the interest earned on the payout?

Any interest earned on the payment will be paid to the customer, and does not need to be paid to EQC, however the EQC payment has normally had an excess deducted, so the customer needs to pay this when the funds are forwarded to the insurer. It is common for customers to use the interest payment as a contribution toward that.

What bridging finance options are available including construction/building loans? What are the rates? What is used for security?

Customers who are red zone residents are eligible for bridging finance so they can move immediately from most major banks with a discounted interest rate at two percent per annum below the standard variable rate. We would use the new property and the red zone property as security, with the CERA/Insurance proceeds repaying this facility upon settlement.

Further to this, if the customer requires further lending, ASB is currently offering a discounted rate of 0.50 percent per annum off the standard variable home loan rate for two years on new loans, and all carded fixed rates for section purchases, construction lending and new property purchases.

These offers are available until 31 December 2012 and ASB's Terms and Conditions and lending criteria apply. This offer is available to new customers, conditional on the transfer of their full banking relationship to ASB.

If I need to buy a house which costs more than my settlement how can the bank help?

Banks are happy to consider additional lending over and above your CERA/Insurance payment. Each case is assessed on an individual basis to ensure each customer's ability to repay the loan. A package can be tailored to suit your needs and we recommend you speak to your bank as soon as possible.

Will banks lend to superannuants?

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.

What pressure can the bank put on the insurance company especially when the insurance is taken through the bank?

If your house and contents insurance policy has been taken through your bank, it is important to note that the bank is not the insurer, therefore the management, assessment and settlement of your claim is the responsibility of your insurance provider. The bank is not able to make claim related decisions. However should you have concerns with your claim, please let your bank know and they can assist in escalating any concerns to the insurance provider.

The banks have low interest rates for red zone property owners at the moment. How long does that last?

Please see answer above, but 31 December 2012 for ASB.

Will banks lend against the GV or indemnity value?

All applications for finance are assessed on a case-by-case basis to make sure they meet the bank's lending criteria. ASB will lend against the most recent rating valuation as the customer is usually able to repay the loan on settlement.

Indemnity value is often hard to ascertain at time of application as this is provided by the insurer at time of claim assessment. However, if this figure has been received and agreed upon by the client and the insurer, we can lend against this figure, plus the land value to ensure that the customer is able to repay the loan.

What level of deposits are required for TC3 houses?

- 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 remediation 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.

What are the banks' insurance requirements in order to lend?

Banks are asking for full replacement insurance at the moment with no exclusions in order to lend. We are aware that the insurance landscape is changing and we are constantly reviewing our policies to ensure that our criteria remain appropriate for our customers.