

QUEEN - CITY - LAW

Barristers & Solicitors

Checklist for Mortgage

(Things you should know before signing any bank loan documents)

In signing the documents you are promising to do the following things:

- 1) repay all moneys owing to the Bank (including principal and interest).
- 2) approve the priority sum (this allows the bank to consider applications for further finance without having to change the mortgage registration, but more importantly, this is the priority the bank has up to, over and above any other subsequent mortgages. This figure will especially be important if you are getting a second mortgage.
- 3) obtain bank consent for any further charges over the property (including second mortgages, charges, caveats etc).
- 4) accept that any other accounts you have with the Bank will automatically be used as security for the loan.
- 5) pay the rates for the property and maintain the property.
- 6) insure the property (household chattels insurance are discretionary, but you must insure the house for full replacement, although some banks are now accepting a quantified amount).
- 7) pay the legal costs to register the mortgage.
- 8) notify the bank if you are going to do any significant improvements to the property (often requiring building consents or significant modifications to the house, if in doubt, notify!)
- 9) consent to having the property inspected by any authorised agent of the Bank (this will especially be the case if they think you are conducting illegal acts in the property, you are not looking after the property or you are late in your mortgage repayments).
- 10) obtain business consent if you use the property as a business instead of residential use.
- 11) advise the bank if you are renting out the property (often the Bank will require the rent to be directed to an account with the Bank).
- 12) accept that "all monies secured are repayable on demand" - the Bank will retain this right to seek full payment immediately upon demand (this will be utilised if there are drastic changes to the economy, pushing the banks to seek demand on all outstanding debt).
- 13) accept that if you default in repayments, the Bank can charge you a default interest, over and above the applicable interest rate and/or sell the property on your behalf in what is commonly known as a "mortgagee sale". In doing so, they do not require your signatory as you are effectively providing a power of attorney to the Bank in such circumstances when executing the loan documents.
- 14) This all seems pretty grim, but on the flip side, the documents are prepared under the Credit Contracts and Consumer Finance Act 2003 giving you added protection and creating obligations on the Bank to keep you informed.

Buying a property will often be the single most valuable purchase a person makes and signing a mortgage document will often be the biggest debt a person takes out. It is therefore very important you understand these documents. Queen City Law have explained the mortgage documents to make clients who have confirmed they had never previously been properly advised of the implications by other lawyers. That is why it is important you have quality legal advice, so please contact Queen City Law!

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