

MORTGAGE 101

THINGS TO UNDERSTAND BEFORE YOU SIGN

Understanding what you are signing for is essential when it comes to purchasing property. Listed here are the things you need to know before signing any bank documentation. If you fail to meet your repayment obligations, your bank or lender can sell your property to get their money back.

When you sign a mortgage document, you are undertaking 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 is 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 if 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 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”.

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For more information [click here](#) or contact us at lawyers@st.co.nz or + 64 7 578 2149.