

# Mortgages 101

## What to understand before signing bank documents

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Tudhope

LAWYERS

When it comes to borrowing money, understanding what you are signing is essential. Mortgages give banks or other lenders rights over your property that you need to be aware of. This includes the right to sell your property to get their money back if you are in default. Below is a summary of the key points you need to know.

By taking out a mortgage, you are promising to the bank that you will:

**1. Repay all the funds you borrow, plus interest and other fees owing.** Be careful with early repayments – these will often incur a fee!

**2. Approve the priority sum.** This is the figure registered on your title and is usually much higher than what you are borrowing. The priority sum records how much the bank has priority over if your property is sold before any other creditors can be repaid. Agreeing to the priority sum also allows the bank to consider applications for further finance without having to change the mortgage registration.

**3. Agree to obtain bank consent for any further interests on the title.** This includes second mortgages, caveats, or changes to the land including easements or boundary adjustments.

**4. Accept that any further borrowing or other outstanding amounts will also be secured by the bank's mortgage over your property.**

**5. Maintain the property and pay all rates.** You must look after the property and maintain it in a good state of repair. You also need to promptly pay all outgoings on the property e.g. council rates or taxes.

**6. Advise the bank if you are renting out the property.** Often the bank will require the rent to be directed to a specific account.

**7. Insure the property for the full replacement value for the duration of your mortgage.** The property will need to be insured for the full duration of your mortgage. Whether you get contents insurance is up to you.

**8. Pay the legal costs to register the mortgage.**

**9. Notify the bank if you are intending to undertake any significant improvements on the property.** This includes removing, dismantling or materially altering the property. You must also make sure that all building work and alterations are completed properly.

**10. Ensure any business activity is carried out in best practice.**

**11. Consent to inspection by an authorised agent of the bank if you are late in your mortgage repayments**

**12. Authorise the bank to charge default interest, over and above your normal interest rate and/or sell the property on your behalf in what is commonly known as a "mortgagee sale"**

If you are in financial difficulty you need to contact the Bank as soon as possible. You can apply to alter your loan or repayments for a fixed period in order to ease the financial burden.

**Mortgages involve a lot of paperwork and can be difficult to understand. If you have questions about any of the points above or require more explanation, get in touch with our property team.**

**Get in touch**

**(07) 928 2000**

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