

MORTGAGE DIFFICULT TO PAY?
4 STRATEGIES TO GET OUT OF THE POOH!
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In the good times, we are bullet proof, and can commit ourselves to the hilt of our earnings. After all, how can you anticipate petrol doubling in price, food getting expensive and interest rates rising by a third to have the same flow on to your biggest expense, the mortgage.

The reality is that all of these things were predictable; it's just that most of us don't want to believe it. Firstly, what goes up doesn't always come down but sure as fertilized eggs turn into chickens, interest rates that rise do fall and vice-versa. In a column last year I likened interest rates to the 'random walk' of a drunk. The forecasting around interest rises and falls could be likened to weather forecasting – you can't always get the timing right because there are heaps of external factors often beyond our control.

In our role as responsible Mortgage Planners (we'd certainly want people to think of us that way) we deal with Banks, Finance Companies, Insurance Companies, Receivers and Liquidators. The stories that we hear usually have similar themes. For developers that are in trouble, it is usually a combination of greed, optimism and unwisely compliant lenders again drawn in by greed and unfounded optimism.

For us as individuals, we get sucked in by others optimism and greed driving their own agenda. So the train gets momentum and before we know where we are it is rolling along the rails out of control. Along comes the big bad Reserve Bank Governor packing more power than a six gun, who raises the interest rates like an earthquake raising the train tracks. Momentum is lost and stops, then along come the speculators to pick off the injured passengers, as they sell their houses at knock down values.

Strategy No.1 – Don't bury your head in the sand as if nothing has happened. Organised, early orderly action could eventually save you tens of thousands of dollars or worse still, bankruptcy. Once you start missing payments without first talking to the lender, you are on the back foot. They may not want to know then. One oft quoted saying "*A banker will give you an umbrella when it is sunny and take it away when it is raining*".

If a house goes to mortgagee sale you will be lucky if you get 80% of its true value. Our advice is to take the bull by the horns at the first sign of trouble before those big "nasty" lenders take matters out of your control and you too will be picked off like the helpless, injured passenger. Talk to a reliable independent Mortgage Planner or Broker. We have the contacts and the nous to help better manage the situation.

Strategy No.2 – Be prepared to take drastic action like

- a) Voluntarily sell down a property even at a loss,
- b) Voluntarily sell off items you don't really need or can do without for the time being
- c) Cut credit cards
- d) Examine and prune expenditure. Spend time on a well thought out budget.

Strategy No.3 – Come to terms of arrangement with creditors. If they get no payments or hear nothing from you, the steel toe of their boot will be into you. If they understand the position and can see you are coming to grips with it, they will be much more helpful.

Strategy No.4 – Keep your eye on the end game. Redefine your goals and rewrite them. No good if they are not written down. Sometimes we all need to take a step backward in order to go forward.

The light at the end of the tunnel is that interest rates are expected to start dropping this spring. They may, however, only drop a little way, depending on that ever present bogey of inflation. We believe the property market will remain slow for some time particularly prior to the elections. If selling, make sure you are priced right, because you have heaps of competition and there's those speculators out there picking off the sorely injured.

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