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INSURANCE & RATES - REMINDER OF OBLIGATIONS TO BANKS

Most people know that when they have a loan from the Bank secured by a mortgage against their property that the main thing to remember is they make sure that they make all the loan repayments.

What is hidden away in the fine print of most loan and mortgage documents is that as the Borrower you have also agreed that you will always keep the buildings insured for full replacement value against loss or damage caused by fire, explosion, earthquake, flood, environmental impairment and all other risks. The Borrower also agrees with the Lender that they will always pay the premiums due in regards to that insurance policy.

Lenders also require that any insurance policy insuring the secured buildings notes them as first interested party. The reason for this is that the insurance company must, therefore, notify the Lender each time the Borrower defaults on a premium or when an insurance policy is cancelled so that the Lender is aware of when you have breached your loan agreement.

Also tucked away in the fine print is an undertaking from the Borrower that they will always pay all rates, taxes and charges payable from time to time in respect of the land by the due date. The Lender has the right to request a receipt for these payments and have access to the Borrower's accounts and other records relating to the land. Pursuant to the Local Government (Rating) Act 2002, if an owner of a property defaults in paying the rates the Council has the right to notify the

Lender of that default and request that the Lender pay the outstanding amount.

Furthermore, a breach of either of these promises is a default pursuant to the mortgage and the Lender, therefore, has the right to request that any balance of loan outstanding be repaid immediately. Failure to repay could result in the Lender taking possession of the property and effectively forcing a mortgage sale.

Other things to look out for in loan agreements include:

- (a) Conditions that your income is paid into a certain Bank account;
- (b) A condition that you must always have life insurance;
- (c) A condition that your loan is only valid if you occupy the house (i.e. you cannot rent it out);
- (d) A condition that you do not borrow any other moneys from any other institution including credit cards.

If in doubt, the best thing to do is find your paperwork, being any loan agreements you signed and also the general terms and conditions of the mortgage and have a read. You would have been provided a copy of these when you signed the loan and mortgage documents.

Next Issue: Do I need an Enduring Power of Attorney?