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THE RISK OF NOT REPAYING YOUR RATES AND OTHER PROPERTY EXPENSES

Everywhere you look or everything you watch, listen to, or read appears to mention the economic recession or global financial crisis.

A lot of people are financially hurting and there seems to be no end in sight.

When the funds are tight people often prioritise expenses. Rent and mortgage payments are necessities for shelter, power bills are vital for heat and groceries are essential to feed the family.

A home owner may often face more expenses than others and it can be risky to under prioritise certain expenses.

When signing a mortgage in favour of your bank you are signing an agreement pursuant to that bank's standard mortgage terms and conditions. Each bank has its own version of the document but you can be assured that all of them contain a lot of fine print.

The standard terms and conditions, once read, may make you re-prioritise some of those home owner expenses.

For example ANZ National Bank Limited standard terms and conditions creates the following obligations for the home owner:

"2. What the customer must do: The customer must:

2.8 Have and maintain insurance cover to the extend required by the bank with insurers approved by the bank.

2.9 Pay all the taxes, rates and other charges payable in relation to the land, or use of the land, by each due date".

Some people may ask "Well how will the bank know whether or not I do this?"

Simple answer is the council may inform the bank of lack of payment of rates or the insurance company may inform the bank of a policy lapse.

Some will say "Surely its not that big a deal?"

Lets look at that fine print some more. Staying with ANZ National Bank Limited standard terms and conditions, the bank has the right to "perform, at the customers cost any of the customer's obligations not performed". Essentially the bank may attend payment of premiums or rates and then charge you for it, probably with interest and probably with administration costs added on.

Not such a scary thought some people think. Keep on reading the fine print. ANZ National Bank Limited's standard terms and conditions defines a default pursuant to the mortgage as a time where "the customer does not perform or comply with any obligation in this mortgage" and a default results in the loan being immediately due and payable and the bank can do anything with the property that you can do.

Perhaps it is time to check your insurance and rates and give them the same priority as the mortgage payments?

Next Issue: Inheritance—Intermingling Under the Property (Relationships) Act 1976