

Lenders Profits Soar with your Mortgage Payments. What can be done?

Leading NZ mortgage debt reduction specialist Dennis Stevenson, from Freehold Express, speaks out about lenders soaring profits, why it is happening, and what borrowers can do about it.

A recent KPMG Financial Institutions Performance Survey confirms that lenders profits soared to \$3.7 billion last year. Forecasts provided by Massey University, as part of the same survey, show that lenders profits will continue to rise to an estimated \$5.59 billion by the end of 2014 – a spectacular 51% increase in lenders profits in 12 months.

A bulk of these record profits, which largely stem from New Zealand homeowners dutifully paying their mortgage – on their lenders terms – are then sent across the Tasman to their Australian owners. As a result, the movement of such vast sums of money off-shore exasperates the government's ongoing challenge to balance the books. It is pretty simple really; NZ needs more money coming in than is going out, in order to have a prosperous economy. Somehow, we have to

either get those billions back into NZ or reduce the amount going out.

The question begs; how can any industry prosper so spectacularly well in this market environment? While there are a number of reasons for lenders profits skyrocketing, fundamentally, the main reasons are twofold.

Firstly, interest rates in New Zealand are typically higher than most Western countries. The Reserve Bank Governor can, to some limited degree, try to control this by fixing the Official Cash Rate (OCR) which has been holding fast at 2.5% since March 2011.

It is blatantly obvious that lenders have not responded as hoped by the Reserve Bank, and have shown no inclination to squeeze their margins. Instead, their profits have gone sky high.

The second reason, more importantly, is that mortgage holders have without question willingly allowed lenders to force the average homeowner to pay for their homes two to three times over in interest costs. It is apparent that most

mortgage holders in New Zealand just put their hands up and surrender to their lenders terms and accept the fact that they will unnecessarily pay excessively for the largest purchase of their lives.

Why are people so apparently willing to pay for homes two to three times over in interest costs? The answer to this is simple. Our parents did, and their parents did too. It is considered normal. Homeowners have been conditioned, if not brainwashed, into believing such. And, until NZ home owners think otherwise, lenders will continue to post record profits.

It does not have to be this way and specialist expert advice is available for mortgage holders.

In one example of homeowners winning over their lenders, Steve & Megan Bromley, Air Traffic Controllers from Christchurch, have saved over \$130,000 in interest and they took 19 years off their 24 year mortgage.

"I had done a lot of reading about mortgages, said Steve Bromley. "We thought that we had everything



Steve & Megan Bromley, Air Traffic Controllers from Christchurch, have saved over \$130,000 in interest and they took 19 years off their 24 year mortgage.

set up as well as we could, but we obviously didn't. We were amazed to learn that we could pay our mortgage off in 5 years and save so much money.

"We now have only one year left on our mortgage and it certainly hasn't affected our lifestyle. People need to seek professional independent advice from businesses like Freehold Express, rather than just take for granted what they're told by their bank. After all; there is a lot of money at stake and our fantastic outcome has been quite life changing for us," said Bromley.

Freehold Express does their best to

ensure that people with mortgages stand a fair chance. A mortgage calculator that will swiftly let borrowers know how much they could save can be viewed at www.fhx.co.nz

Readers can also call 0800 66 66 61 for a copy of the Mortgage Game which is a free guide that will teach you how you could up to halve the term of your mortgage.

Dennis Stevenson is the Managing Director of mortgage debt reduction specialist company Freehold Express Ltd. Dennis is also the owner of Express Accounting Solutions Ltd.

Note: Steve and Megan have paid their mortgage off in less than 5 years