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MORTGAGE ADVISERS SURVEY

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1.5% cashback deals blow out processing times

Each month we invite mortgage advisors around the country to give insights into developments in the residential real estate market from their unique perspective. Our latest survey has attracted 51 responses.

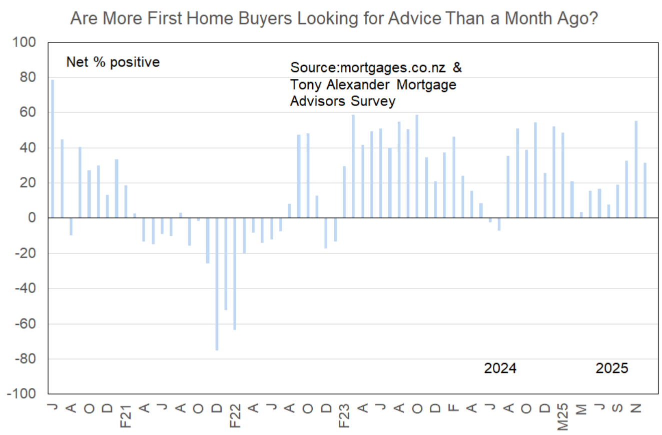
The main themes to come through from the statistical and anecdotal responses include the following.

- Brokers are frustrated with processing delays seemingly caused by the appearance of 1.5% cashback offers initiating widespread switching of borrowers between banks.
- Good demand continues from first home buyers and there is mild interest from investors.
- The preferred term for mortgage rate fixing has shifted out beyond one year as people take into account predictions of rates cyclically rising.

COMPARED WITH A MONTH AGO, ARE YOU SEEING MORE OR FEWER FIRST HOME BUYERS LOOKING FOR MORTGAGE ADVICE?

A net 31% of brokers in our survey this month have reported seeing more first time buyers in the market looking for assistance. This is down from a net 55% last month but in line with the October result.

The data tell us that young buyers retain a strong presence in the NZ residential real estate market, as they have done since the start of 2023.



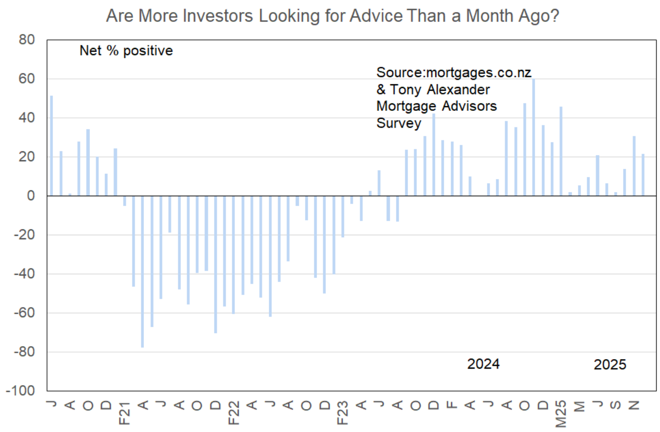
Comments on bank lending to first home buyers submitted by advisors include the following.

- Pre-approvals are harder, live deals are OK.
- More lenient with servicing test rates dropping and allowing more/higher boarder income.
- Seasonal queues appear longer due to the current cashback offers.
- Due to the Christmas rush, some banks have temporarily put a stop on pre-approvals.
- Slowly starting to be more open for new-to-bank customers
- No visible difference although more cash-backs on offer and some lenders waiving low equity margins.

COMPARED WITH A MONTH AGO, ARE YOU SEEING MORE OR FEWER INVESTORS LOOKING FOR MORTGAGE ADVICE?

A net 22% of mortgage advisors this month have indicated that they are seeing more investors in the market. This is down from a net 31% last month but up from a net 14% in October.

The graph tells us that current levels of investor demand are mild – but at least they are there as compared with the dire situation over 2021 and 2022.



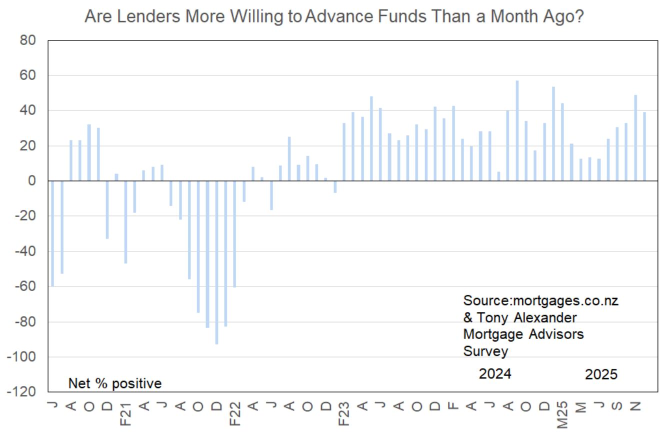
Comments made by advisors regarding bank lending to investors include the following.

- No impact of falling rental values in assessments as yet.
- Criteria are fine - but the 1.5% cashback offers have caused chaos with querying break costs with lenders & then seeking approvals with the new bank - especially with the time of year & the set timeframe for the lending needing to be documented by.
- One large bank has opened up to investors temporarily with less then 30% deposit.

- A little more flexible with deposit requirements, although not had enough interest to test it.
- One bank has limited funds open to a high LVR owner occupied/investment mix.

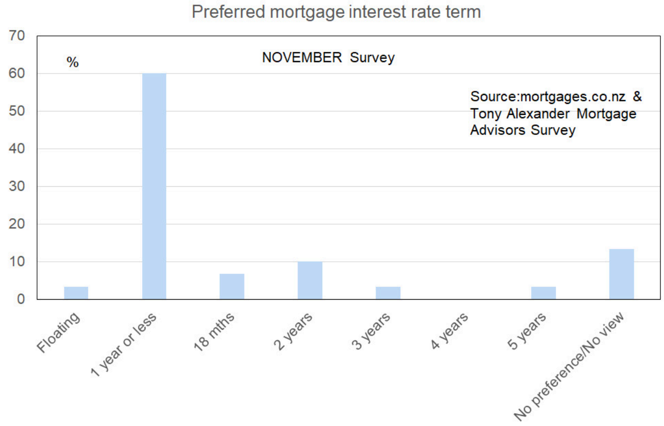
COMPARED WITH A MONTH AGO, ARE YOU FINDING LENDERS MORE OR LESS WILLING TO ADVANCE FUNDS?

A net 39% of brokers this month have reported that they feel lenders are more willing to advance funds. This is in line with the results for the previous three months ranging from 31% to 49% and tells us that lending availability to home buyers is currently good. Having said that, processing times have for the moment blown out again because of the rush of refinancing business to take advantage of 1.5% cashback offers.

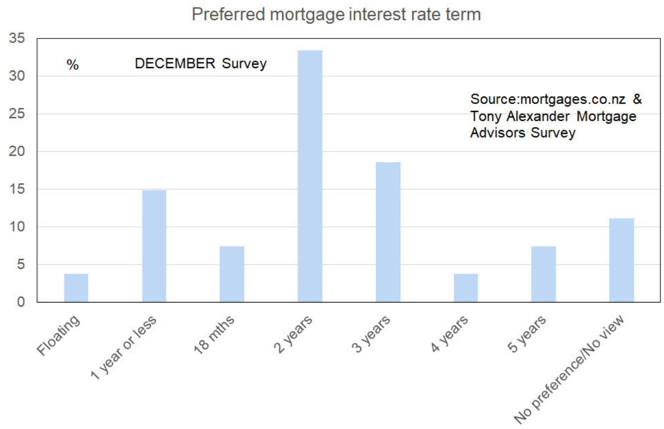


WHAT TIME PERIOD ARE MOST PEOPLE LOOKING AT FIXING THEIR INTEREST RATE?

There has been a noticeable shift in the time period which people prefer for fixing their mortgage interest rates. This first graph below shows the preferences a month ago. The one year term was most favoured.

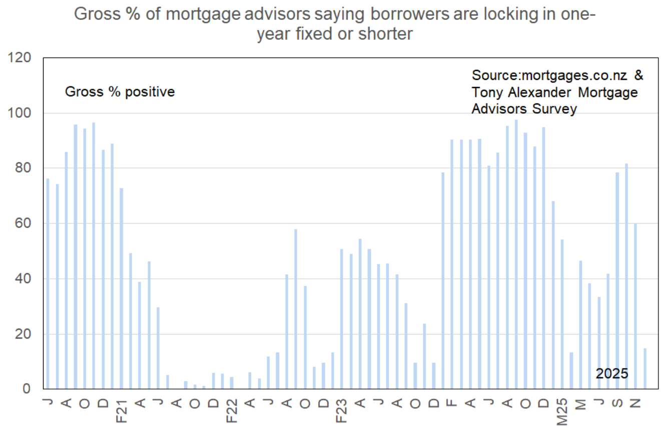


This second graph shows the distribution of preferences now. There has been a clear shift towards preferring the two and three year time periods.

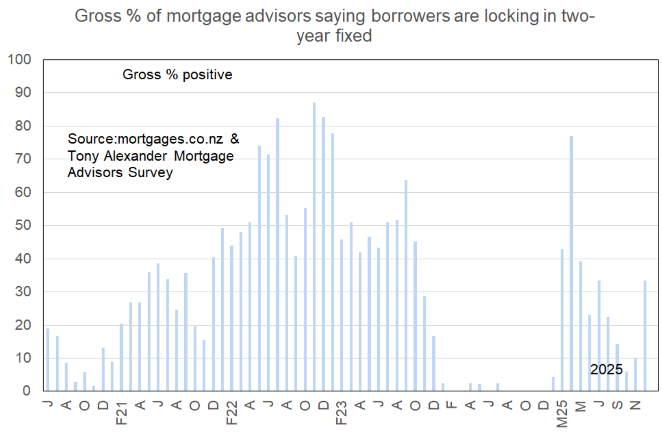


This shift will have been driven by commentary regarding no more rate cuts and instead rises coming along eventually following the more hawkish than expected Reserve Bank monetary policy decision of November 26.

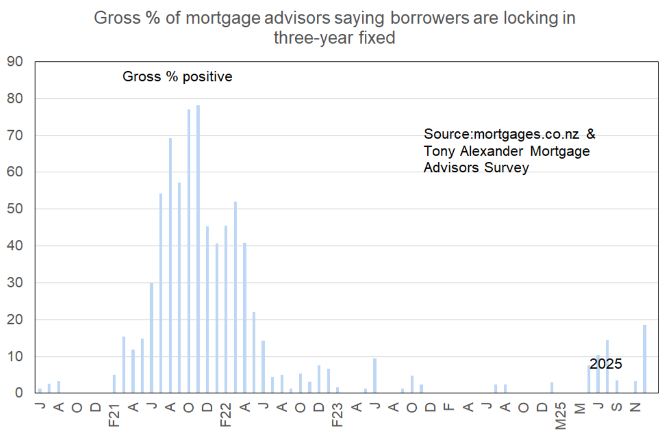
This graph shows the collapse in one year term preference for the moment from 60% of advisors to 15%.

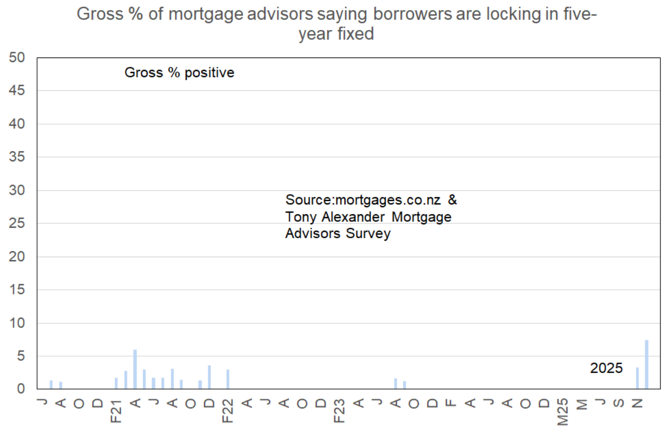


The two year preference has risen from 10% of advisors citing this to 33%.



The preference for fixing three years has risen from 3% of advisors citing it to 19% while the five year preference lifted from 3% to a still low 7%.

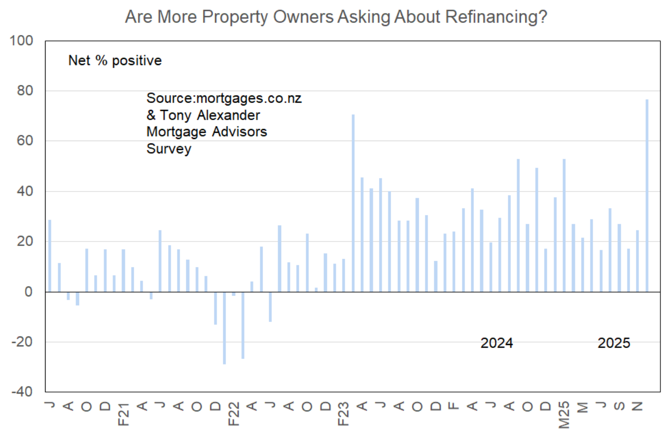




ARE MORE PROPERTY OWNERS ASKING ABOUT REFINANCING?

There has been an exceptionally strong rise this month in the net proportion of brokers indicating that more people are asking about refinancing their loan – to a record 76% from 24% last month.

This jump has been driven by the appearance of 1.5% cashback offers promoted with full page advertisements in news papers.



Mortgage Advisors' Comments

Following are some of the general comments which mortgage advisors volunteered in this month's survey. Most comments were about pressures caused by the 1.5% cashback offers and I have chosen to show just a few here to give the general flavour of frustration amongst brokers.

- 1.5% cash contribution has created a huge amount of work on top of an already busy

Christmas build up. Lots of people refinancing and getting into a better position because of it however, which is great.

- Been a manic end to 2025.
- Banks scrambling to regain market share with crazy cash offers but lack of ability to service the volume of work.
- Perspectives of what is going to happen with interest rates moving forward are fast changing from continue to lower over the next 6 months, to things may start going up soon. Clients starting to change from fixing short term to looking at long term fixing.
- Stupid 1.5% cashback offered at the wrong time of year - many first home and next home buyers trying to get finance and into new property prior to Christmas, and now bank queue times have blown out with refinancing applications. Some inexperienced assessors causing delays and generally everything is ramped up and wants to be done yesterday.
- Turnaround times have improved but still very slow. Still high reluctance from banks to lend on any security that is not gilt edged e.g., unconsented works that have little to no effect on property value, high moisture readings in dwellings even when firm plans held to remedy.

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This publication is written by Tony Alexander, independent economist.
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