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MORTGAGE ADVISERS SURVEY

June 2025

ISSN: 2744-5194

Caution returns to the mortgage market

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 52 responses.

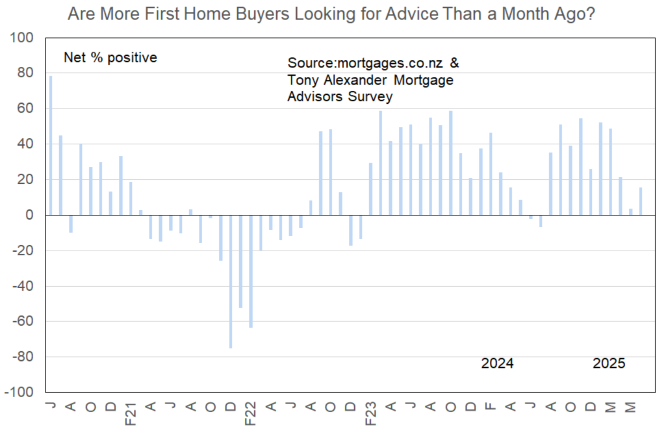
The main themes to come through from the statistical and anecdotal responses include the following.

- There is some more interest being shown by investors in property buying.
- Banks are becoming less willing to lend to young buyers with less than a 20% deposit, possibly because of concerns about their application processing times already being too long.
- Increased preference is being shown for slightly longer rate fixing terms following the latest round of interest rate reductions.

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

Our monthly survey of mortgage advisors around the country has shown that a net 15% are seeing more first home buyers looking for advice. This is a rise from just 4% in last month's survey but still well below levels earlier this year.

Looking at the graph and the data we can see that the pace of entry into the market by new buyers eased off in April despite continuing declines in interest rates. Clearly, there are factors in play other than just financing costs and credit availability weighing on buyers at the moment – such as employment concerns and possibly worries about the global economic environment.



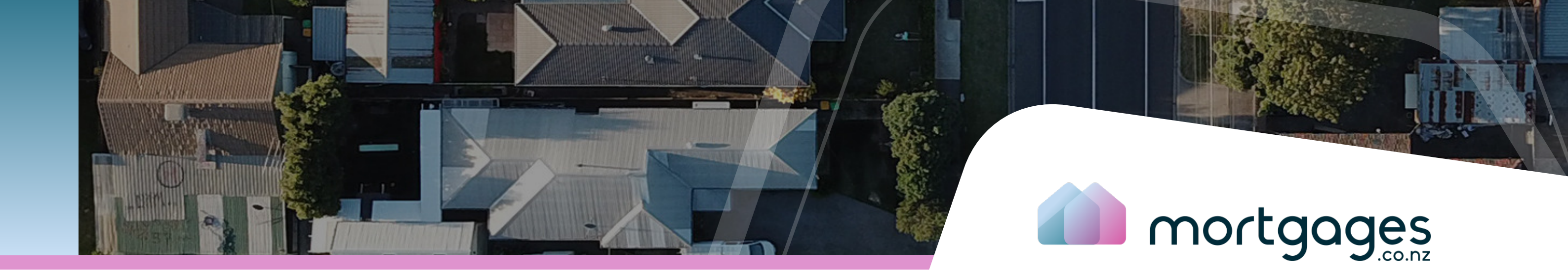
Comments on bank lending to first home buyers submitted by advisors include the following.

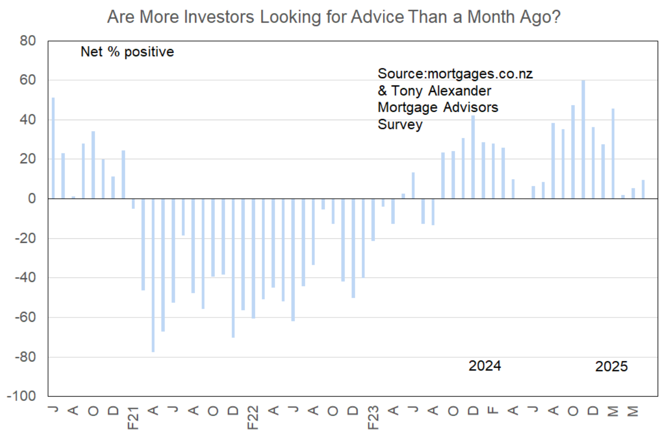
- Haven't had any trouble from lenders with first home buyers. Even managed with a non Kainga Ora home loan with 5% deposit with no questions.
- Existing debts and overtime policy are being looked at closely.
- First home buyers ok with 10% deposit. Kainga Ora increased LEP for First Home Loan Product, and now pricing unattractive compared to bank pricing. Now only suitable if deposit between 5-10%. Some lenders requiring higher monthly income surplus for high LVR lending. Debt Servicing test rates have fallen in line with OCR reductions.
- Tougher with banks now telling us they are pushing their over 80% LVR limits. Wonder if its more about their inability to manage their lending queues.
- Less and less lending available for first home buyers outside their own bank or KO. Servicing requirements for lending over 80% is also tightening again with several banks.

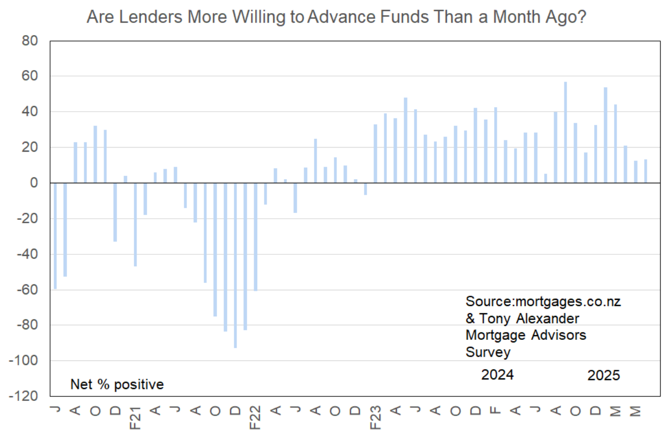
COMPARED WITH A MONTH AGO, ARE YOU SEEING MORE OR FEWER INVESTORS LOOKING FOR MORTGAGE ADVICE?

As is the case for first time buyers there has been a slight recovery this month in the proportion of brokers saying that they are seeing more investors in the market. That proportion has risen to a net 10% positive from 5% last month and just 2% in April.

But as the graph here clearly shows, the surge in investor interest following commencement of the monetary policy easing cycle in August last year has essentially now ended.







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

- Seeing a few investors and the majority have a cash deposit or strong equity to support the application. Many investors are seeking cashflow positive properties so the timeline from pre-approval to purchase is longer for this reason.
- Slight reduction in stress test rates. A little more relaxation around the need to include rates and insurance for rental properties.
- Super slow assessment times and additional questions on exit plans by some lenders if lend takes purchaser well past retirement age.
- Lenders seem fairly bullish about investors which is a pleasant change from a year or more ago.

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

A net 13% of brokers this month have reported that they feel lenders are becoming more willing to advance funds. This is the same as the result in our May survey but again well down from results earlier this year.

Mortgage advisors strongly report that banks are taking too long to process mortgage applications. That might help explain why competition between lenders is still not much manifesting as discounting of lending rates.

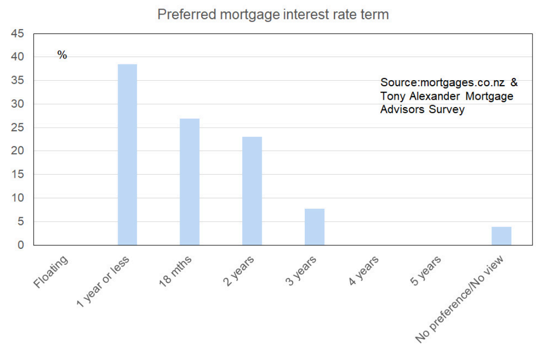
At the same time this might explain some of the decreased willingness to lend to those with less than a 20% deposit.

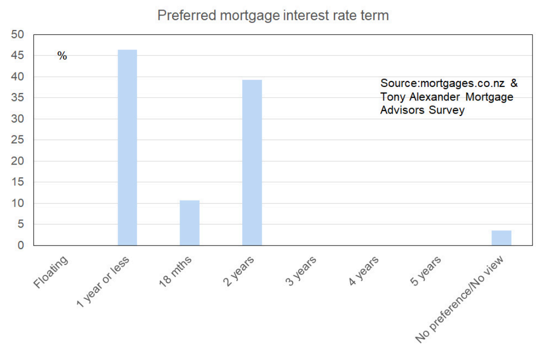
Nevertheless, overall, there is still a trend in place of improving access to housing credit.

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

There is a bias on the part of borrowers towards fixing their mortgage interest rate for only a short period of time. 38% of brokers say that people prefer the one year term, 27% say 18 months, and 23% two years. Only 8% of brokers say borrowers are opting for fixing three years.

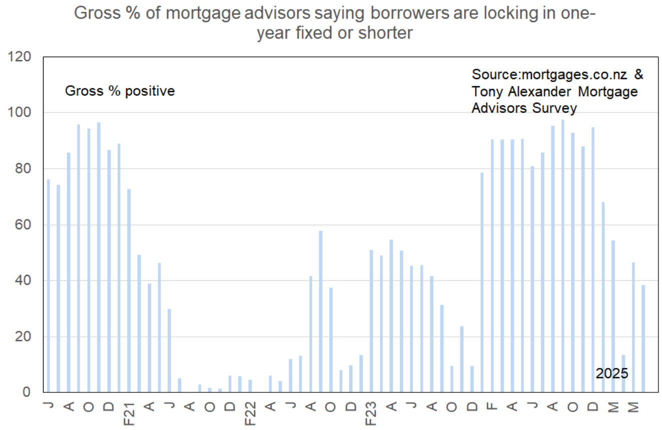
The first following graph shows this month's distribution of rate preferences and the graph immediately after shows where those preferences stood last month. Note the main shift is from two years to 18 months.



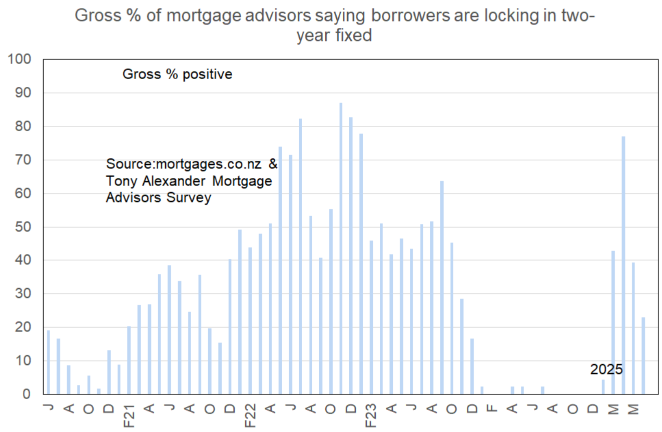


Last month

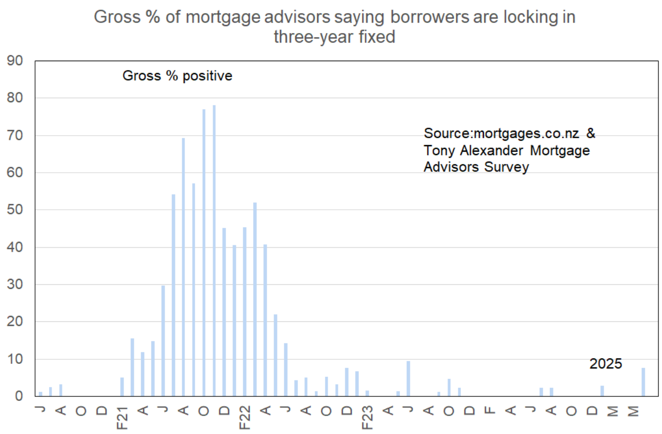
This graph shows the changes in the proportion of agents saying people prefer fixing one year.



This next graph shows how interest in fixing two years has just eased off.

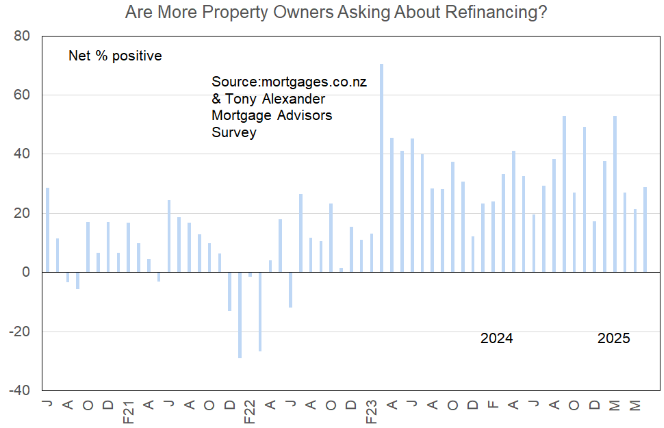


Very few people show a preference for fixing three years.



ARE MORE PROPERTY OWNERS ASKING ABOUT REFINANCING?

A net 29% of mortgage advisors report that they are seeing more people looking for advice on refinancing their loan. This proportion has remained relatively high since the start of 2023 when the “recovery” in the housing market started.



Mortgage Advisors’ Comments

Following are some of the general comments which mortgage advisors volunteered in this month’s survey. Enjoy.

- Starting to see a refreshing wave of very young buyers that are well prepared for their first home purchase.
- Super busy....the banks really don't have urgency from application through to documentation.
- There are plenty of properties available for First Home Buyers, however given their incomes they are at the sub $700k purchase price due to affordability constraints. Competing with investors in this space. More newly single applicants after relationship separations. More individual / solo dads/mums applying to secure accommodation for their financial security. Most are cautiously optimistic about future property values
- 1st buyers facing increased competition at offer time, particularly for he 'typical' first home price bracket (which is around $700-$850 where I'm from). A lot of multi offers now, and strong multi offers at that. Still a bargain to be had at auctions though for those that are able to attend auctions

- Feels like buyers are in slow motion at the moment
- Banks still content to do their own thing, and not too interested in matching competition. Don't match interest rates now. As a general comment, staff are rushing to do things and making more errors as a result.
- Reduced UMI rates are helping at last.
- Test rates reducing making it easier to get approvals
- Turn around times are a real problem especially in business banking.
- Bit of a gap between borrowers' expectations and bank offers at present. Finding borrowers want more formal approvals from different providers which isn't efficient for anyone's time.
- Worst assessment times out of AKL I have seen in 13 years. Last 4 applications to one bank have taken between 4-6 weeks to get across the line. A simple restructure with no new lending took 5 weeks.
- Further reductions to test rates are giving improved borrowing capacity. Turnaround time is still poor, maybe a slight improvement lately. Consistent investment property enquiry has started to come in - haven't had that for years!
- With so much social media coverage, more and more existing borrowers are requesting retention payments which can then trigger a refinance. (if the existing bank isn't very generous). Still plenty of first home buyers out there looking. Definite shift away from the very short term rates. A few hedging their bets with a 1 and 3 year rate. Uncertainty over the US is a hot topic dominating peoples rate decisions.
- Winter slowdown is apparent. Busier than last winter though.
- We are getting less foot traffic [people through the door] and enquiries. However we have a large book of existing customers and there is always work coming from these. I think the competition in the Wairarapa has grown.
- Nonbank space there is lots of money, so this is getting competitive and better for clients. Bank space remains largely unchanged.
- Bank processing times with the exception of xxx are still too long.
- Banks are still hindered with slow turnarounds. I'm finding many clients are getting declined by their own bank for a top up but another bank will refinance them with the extra funds included - this has been a recurring issue for me this year I don't like to refinance to another bank unless I really have to, but it seems to be the only way to obtain the funds a client wants.
- It has been a little quieter, less enquiries this month.

ISSN: 2744-5194

This publication is written by Tony Alexander, independent economist.
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