

Media Release

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Official Cash Rate Review Signals Time to Review Where Most Money is Owed - On Mortgages

Today's announcement of an unchanged Official Cash Rate provides a reminder for New Zealand mortgage holders to review their mortgages, the Retirement Commission recommends.

The Reserve Bank has left the Official Cash Rate - the rate at which the Reserve Bank and the commercial banks lend money to each other - unchanged. The OCR is used to control inflation, and is usually felt most strongly in interest rate fluctuations.

"The majority of New Zealanders' mortgages have interest rates that are fixed for a certain period of time, so it's very tempting to ignore the OCR," the Retirement Commissioner, Diana Crossan, said.

"The OCR was left unchanged today, but that doesn't mean it won't change at the next review in three months' time. A change in the OCR usually leads to banks changing the rates at which they lend money accordingly, and that would be felt most strongly where people owe the most - on their mortgages.

"Therefore, people who have a mortgage - whether fixed and due to expire in the next few months, or floating - need to take the time now to review it; calculate what the likely interest increases will cost them, and budget so they can increase their repayments to match, if possible," Ms Crossan said.

Despite the relatively high mortgage rates, there is still stiff competition amongst banks for business, so when you're reviewing your mortgage, shop around and see who can give you the best deal.

The Retirement Commission's free, independent website www.sorted.org.nz has a section dedicated to mortgages which includes specialised mortgage calculators to help compare offers and calculate costs.

Sorted calculators include:

1. **The Quick Mortgage calculator** helps you work out how much you can afford to repay and how this will affect the time and cost of repaying up to three mortgages.
2. **The Principal and Interest calculator** shows how much principal and interest you will pay for on your mortgage/s and how different repayments levels will affect this.
3. **The Comprehensive Mortgage calculator** combines the two calculators above with an additional goal-setting option so you can work out targets for specific periods for up to three mortgages.

These calculators, as well as a budget calculator and many others to help you with a wide range of personal financial topics can be found at www.sorted.org.nz.

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