

Buyers guide to mortgagee sales

Who or what is a mortgagee?

A mortgagee is a party, normally a bank, institution or finance company, sometimes even an individual person, who has lent money to another party (the mortgagor) and has taken security for that loan over a property owned by the mortgagor.

What is a mortgagee sale?

A mortgagee sale happens when, as a result of the mortgagor not meeting their obligations under the terms of the mortgage, usually in not meeting their mortgage repayments, the mortgagee exercises its power of sale. The property is sold, after completing a legal process, to recover its debt.

In the majority of cases the property is offered for sale by public auction or tender.

Mortgagee sales are offered under different terms and conditions

As the mortgagee is not the owner of the property, it offers the property for sale under different terms and conditions. For example, most mortgagee sales are not offered for sale with vacant possession and do not include chattels in the sale.

The mortgagee generally does not give warranties regarding building permits, Code of Compliances or boundaries. These are just some examples.

The full sale conditions are contained in the auction particulars and conditions of sale or the tender documents. Prospective purchasers should obtain a copy of these from the real estate salesperson and familiarise themselves with the conditions of sale before attending the auction or submitting a tender.

If they do not understand any of these conditions or are unsure on any matter, then they should consult their solicitor.

It is also the customer's responsibility to have researched the property fully and satisfied themselves in all respects with regard to the property.

Is there a reserve set at a mortgagee auction?

The mortgagee will set a reserve with the auctioneer, just prior to the auction. This reserve is kept confidential between the mortgagee and the auctioneer and is not made public.

Can a mortgagee sale property be withdrawn prior to auction or closing of tenders?

The mortgagor has the right to redeem or repay their mortgage, on terms satisfactory to the mortgagee, prior to the property being sold. As such, a number of properties offered for sale on behalf of a mortgagee are withdrawn from sale.

To find out more about bidding at a mortgagee auction speak to your salesperson.

How do I find out what properties are being offered for mortgagee sale by Barfoot & Thompson?

You can find them through the Herald Homes lift-out section in each Saturday's New Zealand Herald and through local Property Press or other local community newspaper publications.

