



09 FEB 2021

On 14 January 2021, you emailed the Ministry of Social Development (the Ministry) requesting, under the Official Information Act 1982, the following information regarding content on the Ministry website about mortgages and benefits:

- 1. Please supply the formal legal working definition in full and legal totality as used by the Ministry of "minimum mortgage repayment" stated therein.*
- 2. Does the "minimum mortgage repayment" mean the lowest interest rate always?*
- 3. Does the minimum mortgage repayment mean "not" the lowest rate available but whatever rate of interest is taken the least required to service it? Example: Rates of 2.49 available but a rate of 2.99 over longer period also available. Is the client permitted to take the longer rate (rates may rise thus a savings made) at 2.99 and must pay the minimum of that?*
- 4. What rights does a beneficiary have regarding choosing the rates they feel will save the most money?*
- 5. Can a recipient of Special Benefit take a mortgage interest rate term of 5 years even if higher than 12 month terms if they feel rates will rise above the set interest rate before 5 years expires thus saving money as required on Special Benefit?*

For the sake of clarity, your questions are addressed in turn below:

- 1. Please supply the formal legal working definition in full and legal totality as used by the Ministry of "minimum mortgage repayment" stated therein.*

Your request for this information is refused under section 18(d) of the Act on the basis that the information requested is publicly available. The legal definition of accommodation costs in relation to homeownership and mortgage repayments can be found in section 65(2)(b) of the Social Security Act, 2018. This can be accessed at the following link:

www.legislation.govt.nz/act/public/2018/0032/latest/DLM6783242.html.

- 2. Does the "minimum mortgage repayment" mean the lowest interest rate always?*
- 3. Does the minimum mortgage repayment mean "not" the lowest rate available but whatever rate of interest is taken the least required to service it? Example: Rates of 2.49 available but a rate of 2.99 over longer period also available. Is the client permitted to take the longer rate (rates may rise thus a savings made) at 2.99 and must pay the minimum of that?*

Page 1 of 3

4. *What rights does a beneficiary have regarding choosing the rates they feel will save the most money?*
5. *Can a recipient of Special Benefit take a mortgage interest rate term of 5 years even if higher than 12 month terms if they feel rates will rise above the set interest rate before 5 years expires thus saving money as required on Special Benefit?*

A homeowner is able to claim the 'minimum mortgage repayment only' as an accommodation cost for Accommodation Supplement (AS). When assessing a homeowner's costs for the purposes of AS, the mortgage rate agreed on by the homeowner and the bank and/or financial institution is used to determine the amount of housing costs. A client's accommodation costs are the amount that they are required to repay, dependent on the rate of the mortgage they have taken. It is the client's choice in regard to what mortgage rate they take. The Ministry can cover the rate which has been agreed upon for the purposes of AS.

Any additional amount that is not required by the bank and/or financial institution to meet the minimum mortgage repayment cannot be claimed as accommodation costs for AS. If the client wants to pay more than the amount required by the mortgage, they may do so, but this cannot be subsidised by AS. This is because the Ministry should not subsidise individuals in acquiring an asset faster than necessary.

The 'minimum mortgage repayment' however, does not mean that the client has an obligation to find the lowest mortgage rate on the market (per the individual's mortgage agreement), as this would restrict clients' participation in the market and would not give clients the ability to seek out a mortgage agreement that best suits their financial situation. If a client would like to renegotiate the terms of their mortgage (which may be higher than the current market rate), they have discretion to do so, as it may be in their interest longer-term.

The principles and purposes of the Official Information Act 1982 under which you made your request are:

- to create greater openness and transparency about the plans, work and activities of the Government,
- to increase the ability of the public to participate in the making and administration of our laws and policies and
- to lead to greater accountability in the conduct of public affairs.

This Ministry fully supports those principles and purposes. The Ministry therefore intends to make the information contained in this letter and any attached documents available to the wider public. The Ministry will do this by publishing this letter on the Ministry of Social Development's website. Your personal details will be deleted, and the Ministry will not publish any information that would identify you as the person who requested the information.

If you wish to discuss this response with us, please feel free to contact OIA_Requests@msd.govt.nz.

If you are not satisfied with this response regarding information about mortgages and benefits, you have the right to seek an investigation and review by the Ombudsman. Information about how to make a complaint is available at www.ombudsman.parliament.nz or 0800 802 602.

Ngā mihi nui

A handwritten signature in blue ink, appearing to read 'Alex McKenzie', with a long horizontal flourish extending to the right.

Alex McKenzie
Manager
Employment and Housing Policy