

"The Reserve Bank expects that lenders will consider borrowers' best interests when assessing whether to offer a new deferral, or to extend an existing one," Bascand said.

"For many borrowers, resuming or continuing payments in some form will be the most suitable approach, rather than taking up a deferral of their loan payments. A deferral should not be the default setting and it will be up to individual lenders to decide whether to offer one to their customers."

The Real Estate Institute of New Zealand (REINZ) welcomed the extension, but said it was also important that borrowers were not buried further into debt.

"It is great to see New Zealanders being supported in order to help them stay in their homes as they work through this difficult time," said Bindi Norwell, chief executive at REINZ.

"However, it's important that by extending the mortgage 'holiday' for individuals, that it doesn't place people into even further debt down the track – as the interest accrued doing the mortgage 'holiday' still needs to be paid back. It's imperative to get a balanced approach between sensible lending, how highly leveraged an individual is, and at the same time maintaining a stable property market."

ASB said that they were already evaluating each customer's economic situation separately, but their priority remains keeping families in their homes.

"COVID-19 has affected everyone's financial situation differently," said Craig Sims, executive general manager of retail banking at ASB.

"This means we are taking a tailored approach, working with our customers individually to identify the best available solutions to give them the breathing room they may need to get back on their feet."

Meanwhile, Derryn Mayne, owner of real estate firm Century 21 New Zealand, said the extension was "positive news" for both homeowners and the real estate industry given that several impactful events are set to happen in a few months.

"With the general election and applications closing on the wage subsidy scheme still happening this spring, extending mortgage holidays until the end of the first quarter next year is a no-brainer," she said. "We need to first get over these two big humps, and it will mean a brighter summer!"

Mayne added that the extension of mortgage holidays will help preserve the real estate market and property values overall.

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