

Heartland Bank announces monthly advance option for reverse mortgage loans

A mortgage-free home represents many years of hard saving, but there are few options available to older New Zealanders to access those funds.

Now Heartland Bank (Heartland) (NZX: HBL) is offering a monthly advance option on its Reverse Mortgage Loan, which allows seniors to leverage the value of their home and provides them with more cashflow flexibility and financial freedom.

Heartland Bank is the largest provider of reverse mortgage loans in New Zealand. The new feature will allow seniors to opt to receive a minimum \$300 monthly advance directly into their nominated account, or into their Heartland Direct Call account, which currently pays 2.75% interest.

“Demand for our reverse mortgage product is growing rapidly, and we recognise there is a growing need for payments to be convenient and flexible,” said Lisa Hatfield, Heartland Senior Manager Retail.

“This new feature is ideal for borrowers looking to boost their income streams to maintain their lifestyles in retirement, without selling their property.

“People are using our loans to fund home repairs or improvements, travel, pay for medical procedures, or a host of other uses to make life easier and more comfortable.”

Hatfield noted increasing interest from people approaching retirement age and looking to refinance small amounts outstanding on a standard mortgage.

“There are no regular repayments on our reverse mortgage loans, so using one to replace an existing mortgage can eliminate one demand on income after retirement.”

In the year to June 2016, Heartland’s New Zealand reverse mortgage loan book increased by \$28 million to \$365 million, and has grown strongly since.

Hatfield said the product was receiving increasing recognition from government agencies and consumer organisations as an option for the growing retirement-age population to fund better retirement lifestyles.

Ministry of Social Development data show around 75% of older New Zealanders own their homes mortgage-free.

“While not suitable for everyone, a reverse mortgage is the right loan product for the right person.

“We have found that people are using reverse mortgages as a practical financial planning tool, to appropriately balance their needs and their resources. While the amounts drawn are often modest, the outcome can be massive – it can truly change lives,” Hatfield said.

The median term of Heartland’s loans is relatively short at around eight years, with customers often using a reverse mortgage as a transition – for example, if they want to have a few more years in their home, so the grandkids can enjoy it, before moving into a retirement village or downsizing.

“Independent legal advice is mandatory, we encourage all customers to talk to family, and we even highlight alternative options, in writing, so they can make an informed decision,” Hatfield said.

“Heartland’s approach is conservative and we lend only a relatively small proportion of a home’s overall value.”

In July last year, Heartland Seniors Finance, the Heartland Bank division offering reverse mortgage loans, was accredited under Consumer NZ’s *Consumer Trusted* programme. Consumer NZ recognised “the commitment Heartland Seniors Finance had made to delivering an excellent customer experience and to ensure customers were kept well informed.”

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Note to Editors:

What is a reverse mortgage?

A reverse mortgage, or home equity release loan, is a standard mortgage that has been designed specifically for seniors, with no regular repayments. It enables seniors to stay in their home while using some of the equity to have the financial freedom and independence to enjoy their retirement.

About Heartland Bank

Heartland Bank Limited is a New Zealand registered bank (NZX:HBL) that recognises, and is responding to, the changing banking sector. Its early strategic focus was product-centric; delivering innovative banking products to market segments underserved by the other banks. Now, in the next phase of its strategy, Heartland is focused on the channels to deliver its products with an emphasis on digital distribution. Heartland has launched a number of digital platforms (including Open for Business and Open for Livestock) that deliver a fast and simple customer experience. Visit www.heartland.co.nz