

HEARTLAND
BANK

Enjoy a better lifestyle in retirement

Heartland Bank Reverse Mortgages



Welcome to a more comfortable retirement

If you would like more financial freedom and flexibility in your retirement, we're here to help. We have helped more than 26,600 New Zealanders use their home to live a more comfortable retirement. Our Reverse Mortgage could help you release funds from your home without having to sell it. This brochure tells you how it all works.

What is a reverse mortgage?

A reverse mortgage is like a normal home loan that has been designed for people aged 60 and over.

It allows home owners to borrow against their home to live a more comfortable retirement. Importantly, you continue to own and live in your home for as long as you wish.

The amount you can borrow depends on certain factors, such as your age and the value of your home. You are not required to make repayments, instead, the total loan amount, including accumulated interest, is only repayable when you move from your home permanently – usually when you sell your property, move into long-term care or pass away.



How are Kiwis using their reverse mortgages?



Debt consolidation

Consolidate debt and enjoy more of what life has to offer.



Home improvements

Future proof and enhance your home for years to come.



Medical and healthcare

Cover healthcare costs and aged care.



Car purchase

Maintain or upgrade your car.



Day to day expenses

Supplement your income and cover daily expenses.



Support your family

Give your children or grandchildren a helping hand.



Travel and holidays

Tick off dream destinations from your bucket list or visit loved ones.

Our promises to you

At Heartland, we take our duty of care seriously and have a range of safeguards in place so you can have peace of mind in taking out a loan with us. This includes the following promises, in return for meeting your loan obligations.

Lifetime occupancy

You can own and live in your home for as long as you choose.

No negative equity guarantee

The amount required to repay the loan will never exceed the net sale proceeds of the property.

Loan repayment

There is no requirement to make any loan repayment until the end of the loan, although you are free to do so at any time.

It is important that you are completely happy with your Heartland Reverse Mortgage. To ensure this, we require you to receive independent legal advice from a solicitor of your choice, who will represent your interests and make sure you understand every aspect of your loan. We strongly recommend that you talk to a financial adviser and your family when considering a Heartland Reverse Mortgage.

This brochure provides you with an overview of the Heartland Reverse Mortgage, how it works and how it could help you. For more information, terms and conditions, or any questions, visit our website or call one of our friendly team members.



What you need to know

Who can apply?

Homeowners, aged 60 and above.

Property criteria

Your property must be residential, of conventional construction and in good repair. It must also meet our minimum property criteria, including valuation, size and location. The property should be mortgage free, or if there is a mortgage outstanding, it must be repaid with your Heartland Reverse Mortgage.

You can take out a reverse mortgage on your owner occupied home, or on an investment property or holiday home. Loans cannot be secured against properties in retirement villages.

As security for your loan, Heartland must be the first and only mortgagee on your property – this means you will be unable to take out another mortgage or charge on your home.

Interest

Interest will be charged on your loan balance at the current Heartland Reverse Mortgage variable interest rate and will be added to your loan monthly (compounded).

The interest rate is variable, which provides you with flexibility to make repayments at any time, without penalty.

The interest rate will change from time to time. This could be due to what is happening in the funding market and economy both in New Zealand and overseas, as well as changes to our own borrowing costs.

Should the interest rate change, we will write to you, publish these changes on our website and detail the new interest rate on your next statement.

Flexible drawdown options

Heartland encourages you to only borrow what you need. Our reverse mortgage is designed to facilitate this by providing three flexible options to access the equity in your home when required, which can be used in combination:

- Lump sum up front

This is an initial, lump sum amount made on settlement. A minimum lump sum of \$5,000 must be initially drawn.

- Monthly advance

Supplement your retirement income with a monthly payment for up to 10 years.

- Minimum \$300 per month
- 1 to 10 year options
- One time set up fee.

- Cash reserve facility

Our Cash Reserve Facility enables you to set aside funds for future needs or unexpected expenditure (e.g. home repairs, healthcare). You can apply to draw on this reserve at any time, however this is subject to approval.

There is no interest charged on any amount of your facility that has not been drawn down. Interest will only be charged on what you use. Fees and minimum drawdown amounts apply.

Further information can be found by downloading our [fact sheet](#) and [fee schedule](#) which are also found at heartland.co.nz.

Repaying your loan

The total loan amount, including accumulated interest, is repayable when you move permanently from your home – usually when you sell your property, move into long-term care or pass away. The loan can be repaid from the sale proceeds of your home, and the balance is then retained by you or your estate. Heartland allows you 12 months from when you move from your property to repay your loan.

You are welcome to repay all or part of your Heartland Reverse Mortgage at any time without penalty.

Secondary Property Loan

You can also take a reverse mortgage against a secondary property such as an investment property or holiday home. A Secondary Property Loan provides you the same benefits as a reverse mortgage on your primary home, however lower lending limits apply.

Arrangement fees

There will be charges to arrange your Heartland Reverse Mortgage. These fees can be paid out of your initial drawdown under the loan. Full details and our [fact sheet](#) are available at heartland.co.nz.

Legal advice

We want to ensure you make an informed decision. It is a requirement that you receive independent legal advice when you take out a Heartland Reverse Mortgage.

Your lawyer will advise you about their fees for completing the necessary legal work. You are responsible for their fees.

Your obligations

When you take out a Heartland Reverse Mortgage you must agree to maintain your property in good order, pay your rates and insure your property. If you do not meet your obligations under the loan, Heartland Bank may be unable to honour our promises to you.



How much can you borrow?

The amount you can borrow depends on a number of factors, such as your age, the value of your home, it's location and condition. We will work with you so that you're comfortable with the arrangements you make. You don't have to take it all at once!

The following table shows the maximum % of your home's value you can borrow at various ages. All applications are subject to Heartland's credit criteria and the amount available will depend on your circumstances. A lower maximum % applies under a Secondary Property Loan.

Maximum lending of 50%.

| Standard Reverse Mortgage | |
|---------------------------|-------------------------------------|
| Age of youngest borrower | Maximum % of home's value available |
| 60 | 20% |
| 65 | 25% |
| 70 | 30% |
| 75 | 35% |
| 80 | 40% |
| 85 | 45% |

Looking out for you

In return for meeting your loan obligations, we have put in place a number of other features and protections to help ensure you are comfortable with your decision to take out a Heartland Reverse Mortgage.

Heartland understands that each and every customer places their trust in us when we provide them with finance, and we take this duty of care seriously. During our application process, Heartland asks customers to consider their future needs, requirements and objectives.

Continue to own your own home

You remain the registered owner of the property. Your home is yours to live in for as long as you want and you will benefit from any increase in your home's value.

No regular payments required

There is no need for regular repayments, although you are free to do so with no penalty. The loan (including interest) is only repayable when you move from your home permanently.

No negative equity guarantee

The amount required to repay the loan will never exceed the net sale proceeds of the property.

Property value

If and when you decide to sell up, you could benefit from any potential increase in property values. If for some reason the value decreases, provided you meet the terms of your loan, you are protected by the no negative equity guarantee.

Independent legal advice

For your protection it is a requirement that you receive independent legal advice on your loan agreement from a solicitor of your choice.

30-day cooling-off period

We want you to be happy with your decision. If you change your mind within 30 calendar days of taking out your loan, you can simply pay it off, including interest, and we will refund our arrangement fee in full.

Equity Protection Option

You may choose to protect a percentage of the value of your home (up to 50%). When your loan is repaid, you or your estate are guaranteed to receive at least the chosen Equity Protection Option percentage of the net sale proceeds.

By choosing the Equity Protection Option you will preserve a percentage of your home's value, however it will reduce the maximum amount you can borrow (refer to the example on the next page).

There is also a small one time fee, which can be found on the Heartland Reverse Mortgage fact sheet.

Financial and family advice

We strongly recommend that you talk to a financial adviser and your family when considering a Heartland Reverse Mortgage.

Those living with you

If you have a spouse or partner, they need to be party to the loan. Additional occupiers, such as children, are permitted. However, they will be required to sign an acknowledgment confirming that they understand the lifetime occupancy promise will not apply.

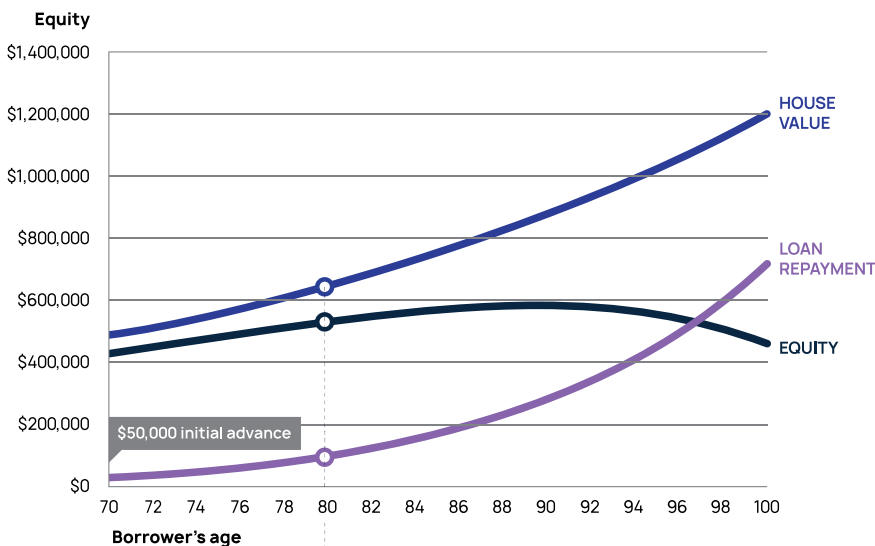
Here's an example

We are often asked how a Heartland Reverse Mortgage adds up over time, and how much equity will remain in the property when the loan is due to be repaid. This depends on a number of factors including interest rate, house price growth and term of the loan. We have therefore prepared the following example for a fictitious couple, for illustrative purposes.

Let's use the example of Jo and John. Both are 70 years old and they own a home we valued at \$500,000. The maximum amount available to them is \$150,000. Initially, they choose to draw down \$50,000 for home improvements, and set \$100,000 aside in a cash reserve facility in case they need it in the future. The cash reserve is never drawn, meaning interest is never charged on that amount.

The table below shows what happens to Jo and John's equity over time. As you can see, while the loan debt increases, so too does the value of their property, and the amount of equity increases as a result. In addition, they have had the benefit of the funds being released via a reverse mortgage to live a more comfortable retirement.

Reverse Mortgage Estimated Projection



Example at age 80:
House Value \$671,958 Based on a 3% annual growth rate
Loan balance \$122,446 Based on a 8.99% annual interest rate
Equity Remaining \$549,512

In dollar terms, Jo and John will have more 'net equity' after 10 years than what they did before the loan, about \$549,00. After 15 years, when they are both 85 years old, there would still be \$587,000 remaining.

Remember, this graph is an example. The Heartland Reverse Mortgage is designed to last as long as required, or until you move from your home permanently. A member of our team can prepare a tailored calculation for you.

How does the Equity Protection Option work?

If Jo and John want to protect 20% of the value of their home through an Equity Protection Option, the amount they can borrow is reduced by 20%. This means the maximum they can borrow will be \$120,000, however they will be guaranteed to receive at least 20% of the future value of their home.

Frequently asked questions

Will I still own my home?

Yes, you continue to own and live in your home for as long as you choose.

Can I rent or lease out my property?

If the loan is initially taken out over your investment property, you can rent out your property subject to the lease meeting our requirements.

If you wish to lease out your owner occupied property, please contact us to discuss your situation. This is not always possible and is based on your specific circumstances and loan conditions. Loans cannot be secured against properties in retirement villages.

What if I move house?

If you move into another house, you can reapply for a Reverse Mortgage against your new property. This is subject to Heartland's lending criteria and applicable fees.

How do you value my home?

To allow us to establish the value of your home, and therefore calculate how much you will be entitled to borrow, we will need to assess the value of your home. All applications will initially be assessed using an online valuation (i-val). Some applications may require a full market valuation (FMV), when certain criteria is met according to our valuations policy. In that case we will arrange for a registered valuer to visit your home to assess its value. You will need to pay for the cost of a FMV, which will depend on the location and value of your property. A copy of the i-val and the FMV report will be provided to you.

How often will I receive a statement?

Statements are sent out on March 31 and September 30 and outline the details of your loan from the previous six month period, including interest.

Do I need to consider my future needs?

We want you to make an informed decision, taking into consideration your future objectives, as taking out a reverse mortgage may affect equity available later on. This includes aged care and other future expenses and how you intend to pay for these, along with your desire to leave an inheritance.

You should also consider any other available options, such as downsizing, to ensure a reverse mortgage is right for you. We will assist you to do this as part of our thorough application process.

Can I increase my loan amount?

When your cash reserve facility is fully drawn you can apply to increase your total loan amount via our further advance application. Further advances are based on the age of the youngest person, the current property value and the total loan balance, at the time of application. Fees will apply and a new valuation of your home will be required.

Will this affect my other financial arrangements?

A reverse mortgage may affect your financial arrangements with the NZ Government (such as supplementary benefits). We recommend contacting your solicitor and Work and Income to discuss any potential financial impacts the Reverse Mortgage may have. Visit workandincome.govt.nz for more info.

Your reverse mortgage in five steps

1. Talk to our team

Get in touch. One of our Heartland Reverse Mortgage specialists will help you figure out if this is the right option for you and get your application started.

2. Application

To be eligible, you'll need to meet certain criteria, including your age, and the location, construction and value of your property.

3. Property valuation

Once you've submitted your application, we need to assess the current value of your home. This helps us determine how much you can borrow. If a full market valuation is needed, we'll guide you through the process - simple and straightforward.

4. Approval

After we've confirmed your property's value, we'll carefully review your application. If everything meets our lending criteria, we'll send you a loan offer tailored to your needs.

5. Settlement

We send your settlement documents to your solicitor, who will need to provide you with necessary independent legal advice. Sign and return your documents, and we'll have your funds to your solicitor the next business day after all requirements have been received.



Heartland is committed to ensuring your loan process is seamless. To start your application or to chat through your options, get in touch with our friendly team. Phone **0800 488 740** (Mon - Fri, 8.30am - 5pm, excluding public holidays) or email us at reverseinfo@heartland.co.nz

What do our customers say?

“ It was an easy process and Heartland handled it very well under challenging circumstances. ”

“ For us it really has been about making the most of our retirement and being able to ‘top up’ when we need to. ”

“ At no point did we feel pressured into rushing into the decision. Everything was thoroughly explained to us and Heartland was completely transparent. All of our concerns and queries were also addressed. ”

Read more here: heartland.co.nz/reverse-mortgage/customer-stories

Compliments and complaints

Your satisfaction is very important to us. If you wish to provide feedback, we encourage you to contact us. In the first instance, please get in touch with your usual point of contact at Heartland Bank.

We will acknowledge your complaint within five business days and make sure your complaint is investigated promptly.

Alternatively you can email us at complaints@heartland.co.nz, or call us free on 0800 488 740 and ask to speak with a member of

the Risk and Compliance team. If a solution can't be found you can contact the Banking Ombudsman at:

Freepost 218002
PO Box 25-327, Featherston Street, Wellington 6146
Phone: 0800 805 950 / +64 4 915 0400
Email: help@bankomb.org.nz




Get in touch

For more about Reverse Mortgages and Heartland, including articles, videos and news please visit our website heartland.co.nz.

Call TOLL FREE: 0800 488 740
Email: reverseinfo@heartland.co.nz

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 **Come and check us out on our Facebook page**
facebook.com/HeartlandBankNZ

Important notice

Every situation is different – this information has been prepared without taking into account your needs, objectives, or financial situation. If you are considering a reverse mortgage we encourage you to understand how it may affect your personal circumstances – talk to friends and family, speak to professionals and use the resources and tools Heartland has available.

You are protected by responsible lending laws. Because of these protections, the recommendations given to you about Heartland loans are not regulated financial advice. This means that duties and requirements imposed on people who give financial advice do not apply to these recommendations. This includes a duty to comply with a code of conduct and a requirement to be licensed.

For fees and interest rate refer to our fact sheet, available at heartland.co.nz.

Loans are subject to meeting the approval criteria. Heartland Bank Limited's responsible lending criteria, terms, conditions, fees and charges apply.

heartland.co.nz/reverse-mortgage

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