

Home Equity Release

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HEARTLAND
BANK

New Zealand's Specialist Bank

Heartland at a glance



Heritage	Heartland Bank's roots stretch back to 1875
Listed	Heartland Bank's parent company Heartland New Zealand Limited (HNZ) is listed on the NZX Main Board with approximately 8,000 shareholders
Diversified	Diversified asset portfolio, widespread depositor base and a balanced geographic footprint
Principal activities	Specialist banking products for Household, business and Rural sectors
Credit rating	Standard & Poor's: BBB / Fitch: BBB
Home Equity Release	HNZ acquired the Australian and New Zealand home equity release mortgage businesses of Seniors Money International in April 2014

HNZ shares are listed on the NZX Main Board. The NZX Main Board is a registered market operated by NZX Limited, a registered exchange, regulated under the Securities Markets Act 1988. NZX Limited accepts no responsibility for any statement in this presentation.

What is a Home Equity Loan?

Simple product

A Home Equity Loan is simply a home loan, designed specifically for seniors, with no regular payments, that is only repayable when they move permanently from their home.

- Often referred to as a *Reverse Mortgage*
- Enables seniors to remain in their home and enjoy their retirement
- A variety of uses (e.g. home improvements, travel, upgrade motor vehicle, support next generation etc.)

Thorough and robust completion process:

- Mandatory independent legal advice
- Encourage independent financial advice
- Strongly encourage discussions with family first

Conservative LVR based on age of youngest borrower:

Age	65	70	75	80	85
Maximum %	20%	25%	30%	35%	40%

Marketplace

Potential NZ market size

- The New Zealand Home Equity Loan market was estimated at **NZ\$444m** in 2013 ¹
- Market penetration has been low but is forecast to grow significantly. This will be driven by:
 - **Greater product awareness and credibility**
 - **Demographic growth and changes**
 - **Increased retirement funding needs**

New Zealand property ownership is high for the 65+ cohort

- Almost **75%** of people aged over 65 own their own home ²
- Over **90%** of them (almost 300,000) own their home without a mortgage ³

1. Deloitte Reverse Mortgage Survey 2013 (New Zealand)
2. 2013 Census Data – Table 21
3. Survey of Family Income and Employment Dynamics 2004 – Table 10

Demographic changes

Have retirees saved enough?

Demographic and economic realities :

- When a 65yr old today was born, average life expectancy was **67yrs for males and 71 for females**
- However, a 65 year old retiring today can expect to live until about **age 86 for males or 88 for females**¹
- NZ Super provides broad based universal superannuation - only covers necessities
- The median income for a New Zealand retiree is **\$20k**²

Many have saved for retirement – it's just tied up in their home

- Home owners aged 65+ have over **85%** of their wealth in property³.
- A Home Equity Loan can play an important role to enable seniors to stay in their home, improve quality of life, and do more

1. 'How Long Will I Live?' Statistics New Zealand
2. Statistics New Zealand Income Survey June 13 Quarter
3. Housing and Implications for Retirement Saving – NZ Treasury 2007

Typical customer

Case study

Jack 74 and Bev 71

Home value: \$400,000

Maximum loan amount: \$104,000 (based on Bev's age: 26%)

Initial Borrowing: \$45,000 (including fees)

Express Top-Up: \$30,000 in three \$10,000 advances (Years 3, 5 & 10)



	Loan 8.95% p.a. interest rate	Property Value 3% p.a. growth rate	Equity Remaining
5 Years	\$92,233	\$463,710	\$371,476
10 Years	\$154,050	\$537,567	\$383,517
15 Years	\$240,595	\$623,187	\$382,592

While the loans can be small, the impact on New Zealand seniors is often transformational.

Customers

Myths and realities

Product Misconceptions:

- I no longer own my home
- You can evict me if I don't keep it tidy
- I don't want to make a mistake and burden my family
- I'm nervous I may be talked into something I don't need

- ✓ **Lifetime Occupancy guarantee**
- ✓ **No Negative Equity guarantee**
- ✓ **Loan Repayment guarantee**

Moral views:

- You should leave your home to your family
- You shouldn't need to take a loan – tighten your belt



Summary

Option to make the most out of retirement

- Simple product
- Enables retirees to stay in their own home and provides financial freedom to enjoy their retirement
- Socially responsible product
- Outcomes can be transformational
- Thorough and robust completion process
- Growing demographic
- Significant growth expected

