



Te Uniana Whakanama Pirihimana  
POLICE HELPING POLICE

# Retire Easy

... with the Police Credit Union  
reverse mortgage



Don't just make ends meet

**LIVE** the retirement you deserve



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## Don't just make ends meet **LIVE** the retirement you deserve

You've served or worked hard all your life, but retirement's not as rosy as you'd hoped. You see your home's worth lots on paper, but you don't have the cash to enjoy your retirement.

It doesn't help that everyday costs have gone through the roof, making it even harder to do or afford the basics, let alone spoiling yourself every now and again.

Enter "**Retire Easy**", the Police Credit Union's reverse mortgage.

Imagine freeing up some of the cash in your home while still owning and living in it, and then not having to pay it back until you permanently leave your home, sell up, or pass away.

Use that cash to fix up the house, upgrade the car, follow the All Blacks overseas, or get that operation done you've been putting off.

The best part is **you decide!**







## Retire Easy – how does it work?

**Retire Easy** is a special home loan typically called a 'reverse mortgage' that lets you turn some of the equity in your home into cash. It's for members aged 70+ with a few key differences from your regular home loan:

With **Retire Easy**:

- » You remain the owner of your home.
- » No regular repayments are required, although you can do this at any time. This means your loan balance keeps growing as interest is added.
- » Only repay the loan when you sell the property, or when the last Nominated Person (someone you choose who can reside in the home) moves out or passes away. There's more information about 'Nominated Person' in the FAQ section on page 20.
- » You can get the loan as a lump sum(s) or paid regularly to you fortnightly or monthly.
- » Get NZ's lowest interest rate and fees (as at 18 May 2022).

### **Retire Easy Guarantee #1: Lifetime occupancy**

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

### **Retire Easy Guarantee #2: No negative equity**

The loan amount will never exceed the net sale proceeds of your property. If there's not enough money left from the sale of your home to repay your loan, there is no requirement for the shortfall to be paid.



## You decide what to spend it on

**Retire Easy** helps you live the retirement you deserve. You decide how to spend the money you borrow, which could include:

- » Home improvements.
- » Day-to-day expenses.
- » Travel and holidays.
- » Repaying other debts.
- » Buying a vehicle.
- » Healthcare & medical.







## Features of **Retire Easy**

### **You stay in your home**

You remain the owner of your property and can continue to stay in your home for as long as you want.

### **No repayments – unless you want to**

You don't need to make any regular loan repayments but can repay all or part of your loan at any time. You need to be aware though that your loan balance will continue to grow as interest is added to your loan each year.

### **Save you money by charging interest annually**

We only charge interest to your loan once-a-year rather than monthly. This means you pay less interest over the life of the loan.

You can see the impact of this in the graphs in the “An example – **Retire Easy** in action” section on pages 14–15.

### **You choose how to use it**

Everyone is different, so what they need is different too. You can use **Retire Easy** to pay for whatever's important to you.

**It's vital to understand that **Retire Easy** is not for everyone. If you're thinking seriously about one, we strongly recommend you:**

- » Talk with your family/whānau.
- » Get independent legal and financial advice.
- » Have a look at other options to meet the needs you have.
- » Review what Consumer NZ has to say about reverse mortgages.



## Doing what's right for members

We've designed **Retire Easy** to be NZ's best reverse mortgage.

### **NZ's lowest interest rate & fees**

As a member-owned organisation not pre-occupied with making money at member's expense, we're offering NZ's lowest interest rate and fees for a reverse mortgage (as at 18 May 2022).

### **Saving you money: annual rather than monthly interest charges**

We only charge interest to your loan once-a-year rather than monthly, so you pay less interest over the life of the loan. You can see the impact of this on pages 14–15.

### **Giving you flexibility**

You decide how you want to use your loan. You can either get paid:

- » A regular amount every fortnight/month, or
- » All the loan at once, or
- » In lump sums when you need the money.

Remember, you only pay interest on the money you take from your **Retire Easy** loan.

So, if we approve a **Retire Easy** loan of \$50,000 but you initially withdraw just \$20,000 (say to replace the car), then you pay interest on \$20,000, not the total approved amount of \$50,000.

### **Calculating interest**

We calculate interest every day on the balance of your loan.





## Safeguards for members

We know that taking out a reverse mortgage is a big decision for you and your whānau. That's why we have protections in place to give you peace of mind.

### **Guarantee #1: Lifetime occupancy**

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

### **Guarantee #2: No negative equity**

The loan amount will never exceed the net sale proceeds of your property. If there's not enough money left from the sale of your home to repay your loan, there is no requirement for the shortfall to be paid.

### **Loans from age 70 rather than age 60**

This product is only available to members aged 70+. This significantly lessens the potential amount you may owe when it comes time to repay the loan.

### **Independent legal & financial advice**

Getting independent legal and financial advice is critically important to ensure you understand the commitment you are making. Talk to them about other options that might be available to you.

### **Cooling off period**

If you change your mind within the first 30 calendar days, you can repay your loan and any interest charges in full. The loan account will be closed, and any establishment fees will be refunded in full.

### **Check out what Consumer NZ has to say about reverse mortgages**

Consumer NZ reviewed reverse mortgages in 2017. We recommend you read their review as part of your research. You can find the review online at <https://www.consumer.org.nz/articles/reverse-mortgages>.

#### **We meet the Ministry of Social Development (MSD) Code of Conduct**

MSD has published a "Code of Conduct" for reverse mortgages. **Retire Easy** meets all the **Code requirements** below:

- 1. Borrowers will be guaranteed lifetime occupancy**
  - » see **Guarantee # 1**.
- 2. Negative equity is not allowed**
  - » see **Guarantee # 2**.
- 3. Lenders must set out clear expectations of the conditions, charges, costs, and responsibilities**
  - » check out this document and our website [www.policecu.org.nz](http://www.policecu.org.nz)
- 4. Borrowers should seek out independent legal advice before signing up.**
  - » We insist you get legal advice and strongly recommend you talk to a financial advisor and your family.
- 5. Borrowers can access an independent complaints process**
  - » See our Frequently Asked Questions for details on how to make a complaint.



## An example – Retire Easy in action

### Meet Anaru & Mary

Both are aged 73 with a home valued at \$1,330,000. They need to get some house repairs done and want to take their dream holiday to Europe; they've estimated about \$50,000 to do both.

### How much could Anaru & Mary borrow?

The maximum loan is the **lesser** of:

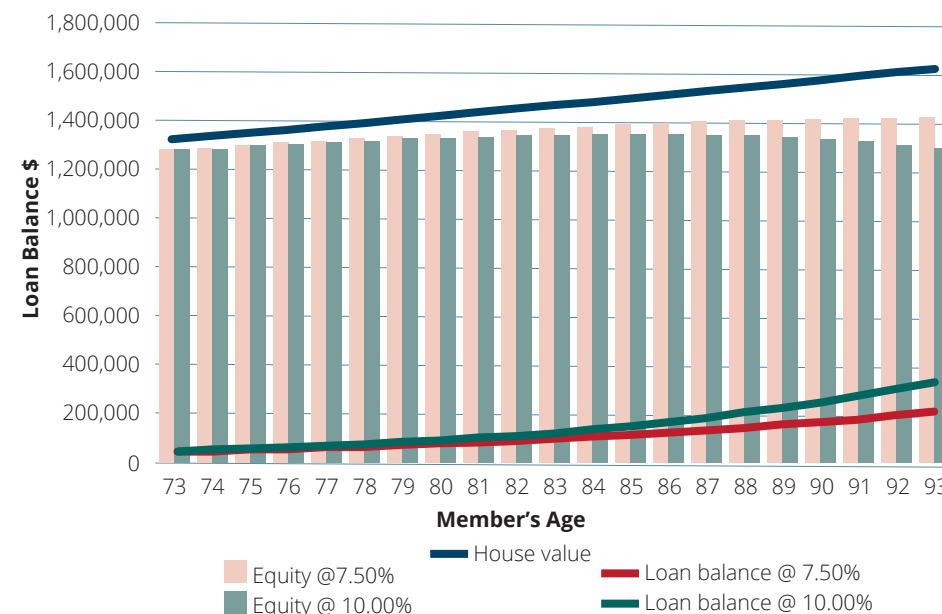
- » \$100,000 or
- » 20% of the value of their home; calculated as \$266,000.

So, in this example, the maximum they can borrow is **\$100,000**.

### What does this look like over the next 20 years?

Assumptions:

- » Anaru & Mary borrow \$50,000.
- » Anaru & Mary decide to make no repayments. They'll repay the loan when they sell up.
- » Our graph shows 2 rates for comparison – these rates are higher than our current rate to be conservative. NB: the **actual** rate will go up and down over time, but our model keeps the same rate for all 20 years:
  - a. 7.50% p.a. (red line).
  - b. 10% p.a. (green line).
- » The value of their house (blue line) increases by 1% every year.
- » We add our \$100 establishment fee to the loan.



### What's the outcome after 20 years?

The last column below (in red) highlights the total interest a member would pay using a competitor product which charges interest monthly rather than annually.

After 20 years				
Interest rate	House value	Equity	Loan balance	
			Annual interest Retire Easy	Monthly interest Competitors
7.50%	\$1,622,853	\$1,410,035	\$212,817	\$223,487
10.00%		\$1,285,805	\$337,048	\$367,137



## What makes a reverse mortgage different

## to a regular home loan/mortgage?

Retire Easy reverse mortgage		Regular home loan/mortgage	
General eligibility	Must already be or be eligible to be a Police Credit Union member	Depends on income and ability to repay the loan	General eligibility
Regular loan repayments	No repayments unless you wish to	Fortnightly or monthly principal and interest payments	Regular loan repayments
Final loan repayment	When the last Nominated Person** leaves the house, sells up or passes away.	Usually at the end of an agreed term or earlier if you make higher repayments or lump sum payments	Final loan repayment
Ownership of the home used as security	Borrower has full ownership	Borrower has full ownership	Ownership of the home used as security
Age eligibility	Each borrower and Nominated Person** must be at least 70-years of age	Depends on income and ability to repay the loan	Age eligibility
Amount you can borrow	Maximum \$100,00 or 20% of the value of your home (LVR), whichever is less	Depends on the property value. In NZ you can typically borrow up to 80% of the value of your home (higher in some cases)	Amount you can borrow
Interest calculation	Calculated daily and charged to your loan annually	Calculated daily and typically charged to your loan fortnightly or monthly	Interest calculation
Interest rate	Floating rate only. Typically, higher than a regular home loan interest rate	Floating and fixed rates available	Interest rate
Negative equity protection	<b>Our Guarantee: the loan amount will never exceed the net sale proceeds of your property.</b>	Does not apply. If you still owe money after selling your home, you are required to repay this	Negative equity protection
People staying in your home	The Nominated Person(s)** must remain in the home	You decide. Can even be turned into a rental/ investment option	People staying in your home

\*\* see page 20 of the FAQ section for more about a "Nominated Person"



## Frequently Asked Questions (FAQ)

### *So, why is the Police Credit Union offering reverse mortgages?*

We want members to have useful products and services. We asked members in 2021 if they had any interest in a reverse mortgage. The survey was a real eye opener as it confirmed that some members were doing it tough in retirement and would consider using one. However, some members were also very wary. We've taken that feedback into account to ensure Retire Easy is the most member-focused reverse mortgage in New Zealand.

### *Why would I want a reverse mortgage?*

A reverse mortgage is not for everyone which is why we strongly recommend you speak with your family and take legal and financial advice. Typically, they suit (a) those who have sufficient equity in their home or are mortgage free (b) understand the loan will increase over time with compounding interest which reduces the equity in the house, and (c) need access to cash to fund retirement and have limited or no access to other lending options.

### *How do I know if a reverse mortgage is right for me?*

You'll need to weigh up lots of factors before deciding whether it's right for you. This is why we strongly recommend you speak with family and take legal and financial advice before committing to a reverse mortgage.

### *I've heard nothing but bad press about these types of loans including people losing their homes. What do you say about that?*

We've heard those stories as well. **Retire Easy** is designed with members first and foremost in mind. It's why we:

- » Only allow you to borrow the lesser of 20% of the value of the property or \$100,000
- » Only charge interest annually to your loan rather than every month to keep the interest costs down.
- » Charge the lowest interest rate and fees in New Zealand (as at 18 May 2022).
- » Have two guarantees
  - › **Guarantee #1: Lifetime occupancy.** You continue to own and live in your home for as long as you choose.
  - › **Guarantee #2: No negative equity.** The loan amount will never exceed the net sale proceeds of your property. This means that if there's not enough money left from the sale of your home to repay your loan, there is no requirement for the shortfall to be paid.

### *Who is eligible for a reverse mortgage?*

Members aged 70+ who are either mortgage free or wish to use the new loan to pay off their current loan.



### ***What is a Nominated Person?***

- » Up to two (2) people can be nominated by the Borrower(s) to live in the property the loan is held over ("Nominated Person").
- » Each Nominated Person must be aged at least 70 years when the loan is first drawn down.
- » Examples of a Nominated Person include property owner(s), borrower(s), spouse, or partner.
- » The loan does not need to be repaid until the last Nominated Person leaves the property permanently (e.g., moves into retirement or other health care facility), passes away, or the property is sold
- » Subject to approval, a Nominated Person can be changed during the loan term. The new Nominated Person is subject to the same criteria outlined in this clause.
- » Other persons of any age ("Residing Person") may reside in the property however they do not have the same rights as a Nominated Person

### ***How much could I borrow?***

The lesser of \$100,000 or 20% LVR. The LVR (Loan to Value Ratio) is calculated by taking the loan amount then dividing by the value of your home e.g. a loan of \$100,000 and property worth \$750,000 = LVR of 13.3%

### ***What if I already have a mortgage with another bank?***

You could setup **Retire Easy** with us and use this to repay the existing home loan. The total amount we would lend to you would be the lesser of \$100,000 or 20% LVR.

### ***Will I still own my home?***

Yes! You remain the owner of your property and can continue to stay in your home for as long as you want.

### ***What happens if my spouse/partner does not own the home?***

If you have a spouse or partner living with you who does not own the home, they can be added as a co-borrower and/or a 'Nominated Person'.

### ***When do I have to repay my reverse mortgage?***

Your loan is typically repayable when the last Nominated Person moves permanently from the home; this could occur when property is sold, a move to long-term care, or the person passes away.

### ***How do you value my home?***

We use a variety of sources, but typically use council valuations. We'll let you know what we require when you apply.



### ***Can I increase my loan amount?***

You would need to apply again to see whether your loan can be increased.

### ***What if I am not the only property owner?***

Both owners need to be aged 70 or older, and both must be borrowers.

### ***What if I move house?***

Let us know your plans as soon as possible. We may be able to transfer the loan to your new home depending on the value and suitability of your new home. Otherwise, the loan will need to be repaid when you sell your current home.

### ***Can I lose my home with a reverse mortgage?***

This would be very unlikely. Remember we have 2 guarantees: (1) all nominated persons who occupy the property when the loan is setup are guaranteed occupancy until they pass away, or the home is sold and (2) that the amount required to repay the loan will never exceed the net sale proceeds of the property.

### ***What if I want to make a compliment or complaint?***

You can send your compliment or complaint to the Police Credit Union by secured bank messaging within Internet or Mobile Banking applications, or;

By mail      **Police Credit Union**  
P O Box 12344  
Wellington 6144

Alternatively      Phone: **0800 429 000**  
Email: **[info@policecu.org.nz](mailto:info@policecu.org.nz)**  
Website: **[policecu.org.nz/about-us/contact-us/](http://policecu.org.nz/about-us/contact-us/)**

If you're not happy with how we deal with your complaint, you can contact our independent dispute resolution provider – Financial Services Complaints Ltd (FSCL). This service is free for you.

FSCL's contact details are:

By mail      **Financial Services Complaints Limited**  
PO Box 5967  
Lambton Quay  
Wellington 6145

Alternatively      Phone: **0800 347 257**  
Email: **[info@fscl.org.nz](mailto:info@fscl.org.nz)**  
Website: **[fscl.org.nz](http://fscl.org.nz)**



### ***What are the alternatives to a reverse mortgage?***

Reverse mortgages aren't the only options if you're needing some money to supplement your retirement. You could consider:

- » Selling your house and downsizing to a smaller property.
- » Subdividing or cross-lease your section.
- » Renting your home and moving somewhere smaller.
- » Taking in a boarder.
- » Looking into rates relief provided by local authorities.
- » Looking at selling part of your house to family or arranging a loan with family members using the house as collateral. If you decide to do this, make sure you get independent legal advice - and draw up the loan as a legal document

### ***How could this affect my children's inheritance?***

By their nature, reverse mortgages continue to grow over time given no repayments are required during the life of the loan. As the loan increases, the equity available on the property typically decreases, unless the value of the house continues to increase faster than the value of the loan. Given this, you, and your family (particularly those who may inherit) should discuss the loan and take independent legal and financial advice.

### ***What does Consumer NZ think about reverse mortgages?***

Consumer NZ reviewed reverse mortgages in 2017. We recommend you read their review as part of your research. You can find it online at: <https://www.consumer.org.nz/articles/reverse-mortgages>

## **Next Steps**

If you think **Retire Easy** would help you to live your best retirement, and would like to know more, you can:

1. Head online to [policecu.org.nz/loans/retire-easy/](https://policecu.org.nz/loans/retire-easy/) and complete the contact form. You'll then receive a call from us to chat through your situation in more detail.
2. Call us on **0800 429 000** to speak to one of our team members. Our team is available Monday to Friday from 8:00am until 5:30pm.





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Normal lending criteria and a \$100 establishment fee applies to all new loans. Fees and interest rate are available at [www.policecu.org.nz](http://www.policecu.org.nz)

Copies of our current Terms and Conditions and Product Disclosure Statement are available from the Police and Families Credit Union. These can be viewed at [policecu.org.nz](http://policecu.org.nz), or by calling **0800 429 000**.

The Police Credit Union is not a registered bank.

Police and Families Credit Union  
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Wellington, New Zealand