

Important information about

# Your home loan





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This document includes certain key information that is required to be set out in a Disclosure Statement by the Credit Contracts and Consumer Finance Act 2003.

# 1. Introduction

1.1 The terms of any *facility* are set out in:

- a. this *agreement*;
- b. any *letter of advice*;
- c. any *confirmation*;
- d. any relevant *security* documents;
- e. any other *facility document*; and
- f. the Facility Fees section of the Personal Account, Service and Facility Fees Brochure (as amended by *us* from time to time).

The terms of any *facility*, the terms and conditions of any *specified account*, and any other agreements between *you* and *us* are separate contracts unless *we* specify otherwise.

Additional terms and conditions may be implied by law.

1.2 If there is any conflict between this *agreement* and a *letter of advice* then the relevant part of that *letter of advice* takes precedence over the relevant part of this *agreement*.

1.3 This *agreement* contains some terms and conditions which relate to all *facilities*, and some provisions which relate only to each of the Housing Term Loan, BNZ Advantage, Fly Buys, Rapid Repay home loan, Premium Rapid Repay home loan, Revolving Credit and Mortgage One *facilities*. The relevant *letter of advice* specifies which *facility* *you* have.

1.4 The meaning of words printed in *italics* is explained at the end of this *agreement*.

1.5 This *agreement* does not comprise all the terms of *your facility* or all the key information *we* are required by law (including the Credit Contracts and Consumer Finance Act 2003) to give *you*. Further terms and conditions and key information are contained in the items referred to in **clause 1.1**.

# 2. Agreeing a facility

2.1 *We* are always happy to discuss *your* financing needs and options with *you*. If *you* are considering applying for a *facility*, some of the things *we* may need to discuss with *you* include:

- a. the type of *facility* *you* want;
- b. the amount *you* want to borrow;
- c. how long *you* wish to borrow the money or have a *facility* available for; and
- d. how *you* wish to repay *us*.

We may agree to make a *facility* available to *you* after those discussions. If we do, we will disclose to *you*:

- a. if that *facility* is the first *facility* under this *agreement*, a copy of this *agreement* together with a *letter of advice* and any other relevant items listed in **clause 1.1**; and
- b. for all other *facilities* after the first *facility*, a *letter of advice* and any other relevant items listed in **clause 1.1** that *you* have not previously been sent.

A *letter of advice* is an offer by us to provide *you* with the *facility* specified in that *letter of advice*.

- 2.2 Where *you* have consented to us satisfying *our* disclosure requirements or *our* providing *you* with continuing disclosure information under the Credit Contracts and Consumer Finance Act 2003 in electronic form *you* acknowledge that this may include communication via *our* website, email or electronic communication to an email address specified by *you* for that purpose. Please note that emails are transmitted over the Internet which is an insecure public domain and subject to the risk of unlawful interception, corruption, non-delivery or mis-delivery.

### 3. Changes to facilities

- 3.1 *You* and *we* may need to agree terms which are specified in a *letter of advice* as terms that are to be agreed after the date of that *letter of advice*. *You* and *we* will be bound from the effective date specified in the *confirmation* by those terms. *We* will send *you* a *confirmation* of those terms.
- 3.2 *We* will give *you* notice of any change in any *agreed annual interest rate*, fee, rebate, charge or premium payable under the terms of any *facility* (including the application of any new fee or charge to a *facility*) by way of public notice, press release or as otherwise authorised by law.
- 3.3 *We* may also amend the terms of this *agreement* or a *letter of advice* without having to obtain *your* further agreement. Other than in the case of *agreed annual interest rates*, fees, rebates, charges or premiums, *we* will send *you* a *confirmation* of any change at least 14 days before the relevant change takes effect.

### 4. Insurance

- 4.1 *We* may, or *we* may require *you* to, take out lender's mortgage insurance cover for an amount equivalent to 20% of *your credit limit* or the *loan amount* on any terms *we* approve if, when a *facility* is made available to *you* under this *agreement* (or if *we* grant an application to redraw some of the *loan amount* or increase *your credit limit*), *your credit limit* or the *loan amount* will exceed what would be acceptable to *us* based on *our* normal lending criteria. Any

benefit from that insurance is *ours*. You will pay any premium on that insurance. The policy may require you to pay any *amount outstanding* under the relevant *facility* to the insurer if we make a claim under that policy. We will tell you whether we require this insurance cover, and how much it will cost you when we offer or consent to the *facility*, redraw or *credit limit* increase.

- 4.2 If you default under any *facility* or any *security* resulting in a need to sell the mortgaged property and the sale proceeds are insufficient to fully repay each *facility*, we may incur a loss. We may recover this loss under the lender's mortgage insurance. However, you become legally responsible for repaying to the insurer any *amount outstanding* under the relevant *facility* or any *security* because you are not protected by the insurance. Thus the only advantage you receive from paying the premium is the ability to borrow more than we would permit if we did not have that insurance.

## 5. Pre-conditions

- 5.1 We are not obliged to do anything under a *facility* if you have not:
- provided the *securities* in a form acceptable to us; or
  - met any conditions we have specified, or have otherwise not complied with a term of this *agreement* or the relevant *letter of advice*.

## 6. Procedure for borrowing

- 6.1 Any amount to be borrowed under a *facility* must not, when added to all *amounts outstanding* under that *facility*, exceed your *credit limit* or the *loan amount*.
- 6.2 Unless otherwise specified in this *agreement* or the relevant *letter of advice*, you may borrow money under a *facility* on the dates and in the amounts you request, so long as the *amount outstanding* does not exceed your *credit limit* or the *loan amount* and you have not breached any term of the *facility* or the terms and conditions of any *specified account* (if that account is with us) or we have not made demand.

## 7. Interest and credit limit

- 7.1 Interest will accrue daily on the *amount outstanding* under each *facility* at the *agreed annual interest rate*. We may vary the *agreed annual interest rate* as set out in the *facility documents*.
- 7.2 Unless otherwise provided in this *agreement*, interest will be debited from the *specified account* on the *agreed dates* for payment of interest specified in the *letter of advice*.

- 7.3 If the *agreed annual interest rate* is variable, we may change that interest rate at any time. We will give you notice on or before the date of any interest rate change.
- 7.4 If the *agreed annual interest rate* includes reference to a *customer margin*, we may make any changes to the *customer margin* as we see fit. We will give you at least 14 days' notice of any change to a *customer margin*.
- 7.5 If the amount of interest payable by you cannot be determined because a rate which is used to fix that amount ceases to exist or for any other reason, we (or any person appointed by us for this purpose) may then fix a rate for the purpose of calculating the amount of interest payable.
- 7.6 If you fail to pay any amount to us when it falls due, we may charge you interest at the default rate (if one is specified in a *letter of advice*) on a daily basis on the overdue amount, calculated from the date that amount became due until the date it is actually paid.
- 7.7 We may also from time to time (at our discretion) add any interest due but unpaid to the principal.
- 7.8 The *amount outstanding* under a *facility* at any time must not exceed your *credit limit* or the *loan amount*.

## 8. Payment and repayment

### Method

- 8.1 You will make *minimum payments* on the *agreed dates* by direct debit from the *specified account* (or by other means acceptable to us), with the first *minimum payment* to be made on the first *agreed date*.
- 8.2 You may make a payment greater than the *minimum payment* (whether by lump sum or by increasing the *minimum payment*) at any time provided that any greater payment is made in accordance with this *agreement*.
- 8.3 All payments will go towards payment of, first, outstanding fees payable under the terms of any *facility* and, if the payment is credited to any *specified account*, the terms and conditions of that account, second, interest, and then towards repayment of other *amounts outstanding*.
- 8.4 You must pay us any *amount outstanding* on the *end date* or otherwise when we, in accordance with this *agreement*, demand repayment.
- 8.5 We will credit payments to the *facility* as soon as practicable after we receive them. This is not necessarily the same day as you pay. We may subsequently adjust debits and credits so as to accurately reflect the legal obligations of you and us (for example, because of an error, or because a cheque is dishonoured). If we do this, we may make

consequential changes (including to interest charges). Where a *letter of advice* provides that payments are to be made in accordance with a specified schedule of payments, we may credit a payment that is accepted in accordance with that schedule notwithstanding that the payment may be received by us before the due date for payment.

## Early repayment at your option

**Clauses 8.6-8.16** below contain key information required by the Credit Contracts and Consumer Finance Act 2003.

### 8.6 Early repayment allowed

We will reduce your *credit limit* if you ask us in writing to do so. You can also repay in full, or in part, any *facility* at any time. After any early repayment of part of a *facility*, you can either:

- a. continue to make the same *minimum payment* until that *facility* is fully repaid; or
- b. reduce the *minimum payment* so that the *end date* stays the same.

### 8.7 Early repayment charge

If you decide to repay early, we may seek reimbursement from you of a reasonable estimate of our loss arising from your early repayment. The amount payable by you is called the *early repayment charge*. A simple explanation of the procedure used to calculate the early repayment charge is set out in clause 8.14 below and a more detailed explanation of the procedure is set out in the Annexure.

### 8.8 5% no charge threshold

If a *letter of advice* provides that a *facility* has a *fixed rate period* and any early repayments you make in any consecutive 12 month period within that *fixed rate period* (taken together) do not exceed 5% of the loan amount outstanding under your *facility* at the start of the *fixed rate period*, we will not charge you an *early repayment charge*. The *early repayment charge* is only payable when the total early repayments you make in any 12 month period exceed the 5% “no charge” threshold. The first such 12 month period shall start on the first day of the *fixed rate period*.

### 8.9 Increases in minimum payments

For the purposes of clauses 8.6 to 8.16, early repayments shall include any increase in the *minimum payment* under your *facility* during the *fixed rate period*. In such case, the date of your early repayment will be the date we give effect to such increase. However, early repayments will exclude any contractual increase in the *minimum payment* if your *facility* is specified in the relevant *letter of advice* as a Tailored home loan.

### 8.10 Changes to interest rates

Should you change the *agreed annual interest rate* from a fixed interest rate to a variable interest rate or another fixed interest rate



during a *fixed rate period*, the effect on *our* position will be the same as if *you* made an early repayment and, for this reason, we may charge *you* an *early repayment charge* on the same basis.

**8.11 Other charges**

The *early repayment charge* shall be in addition to any other charges payable by *you* under the *letter of advice*. We may also charge a fee to cover the administrative costs we incur from the early repayment. The *early repayment charge* and any other applicable administration fee will be payable on the date when the early repayment is made.

**8.12 Why an early repayment charge may be payable**

An *early repayment charge* arises because, when we provide fixed rate loans, we enter into contracts in the wholesale markets which are priced using wholesale rates. When *you* repay all or part of *your* loan early, we still need to honour *our* contracts in the wholesale markets and in doing so, we may suffer a loss if wholesale rates have changed. For this reason, we use wholesale rates in the calculation described in clause 8.14 below.

**8.13 Estimate of loss**

Although we enter into *our* wholesale contracts in relation to the total of *our* fixed rate loans rather than for each loan, a reasonable way for us to estimate *our* loss, if any, arising from *your* early repayment is by calculating the *early repayment charge* as if we had entered into a wholesale contract for *your* individual loan.

**8.14 Calculation procedure**

We will calculate the *early repayment charge* by multiplying the following as at each *agreed date* occurring from the date of *your* early repayment until, and including, the end of the *fixed rate period*, and adding up the results:

- a. The difference in *your* opening loan balance on each *agreed date* caused by *your* early repayment;
- b. Any amount by which the relevant wholesale rate at the start of the *fixed rate period* is higher than the relevant wholesale rate on the date of *your* early repayment, for the remainder of the *fixed rate period*;
- c. The number of days since the previous *agreed date* (or the date of *your* early repayment where this is not an *agreed date*) divided by 365 days per year; and
- d. A discount factor to reduce the result to its value as at the date of *your* early repayment.

We then take into account the 5% “no charge” threshold referred to in clause 8.8, to determine the *early repayment charge*.

The relevant wholesale rate which we will use in *our* calculation will be determined by us by reference to wholesale interest rate swap rates, which change continuously to reflect changes in market conditions.

We have explained this procedure in more detail in the Annexure.

### 8.15 Charges available on request

You should discuss with us any plans to make an early repayment of your facility during the fixed rate period. We will give you details of any early repayment charge that you may have to pay. If you then decide to make an early repayment, a calculation of the early repayment charge can be provided on request.

### 8.16 Examples

Examples below show the levels of early repayment charges which can arise. Since these are only examples, you should not assume that they accurately show the amount of any early repayment charge that you may have to pay. This amount will depend on the details of the relevant facility and the circumstances at the date of early repayment.

#### Example - 25 year amortisation with a wholesale rate of 7%

(All charges are per \$1000 of principal repaid)

		Months before fixed rate period expires									
		6	12	18	24	30	36	42	48	54	60
% current wholesale rate has fallen below the wholesale rate at the start of the fixed rate period	1%	5	10	14	19	24	28	32	36	40	44
	2%	10	20	29	38	47	56	64	72	80	87
	3%	15	29	43	57	71	84	96	108	120	131
	4%	20	39	58	76	94	111	128	144	159	174
	5%	25	49	72	95	118	139	160	180	199	218
	6%	30	59	87	115	141	167	192	216	239	261
% current wholesale rate has fallen below the wholesale rate at the start of the fixed rate period		66	72	78	84	90	96	102	108	114	120
	1%	47	51	54	57	60	63	66	68	71	73
	2%	94	101	108	114	120	126	131	136	141	146
	3%	141	152	161	171	180	188	197	204	212	219
	4%	189	202	215	228	240	251	262	272	282	292
	5%	236	253	269	285	300	314	328	341	353	365
6%	283	303	323	342	360	377	393	409	424	438	

Note: Results change with amortisation period, wholesale rate & discount curve. For example if the wholesale rate is higher the early repayment charge rate will be marginally higher.

## Example – 10 year amortisation with a wholesale rate of 7%

(All charges are per \$1000 of principal repaid)

		Months before <i>fixed rate period</i> expires									
		6	12	18	24	30	36	42	48	54	60
% current wholesale rate has fallen below the wholesale rate at the start of the fixed rate period	1%	5	9	14	18	22	25	29	32	34	37
	2%	10	19	28	36	44	51	57	63	69	74
	3%	15	28	42	54	65	76	86	95	103	110
	4%	19	38	55	72	87	101	114	126	137	147
	5%	24	47	69	90	109	127	143	158	172	184
	6%	29	57	83	108	131	152	172	190	206	221
		66	72	78	84	90	96	102	108	114	120
% current wholesale rate has fallen below the wholesale rate at the start of the fixed rate period	1%	39	41	43	44	45	46	47	47	48	48
	2%	78	82	85	88	90	92	94	95	95	96
	3%	117	123	128	132	136	138	141	142	143	143
	4%	156	164	170	176	181	185	188	190	191	191
	5%	195	205	213	220	226	231	234	237	239	239
	6%	234	245	255	264	271	277	281	284	286	287

Note: Results change with amortisation period, wholesale rate & discount curve. For example if the wholesale rate is higher the early repayment charge rate will be marginally higher.

## Early repayment and reduction in credit limit at our option

- 8.17 If, in relation to a particular *facility*, this *agreement* allows us to, we can demand repayment of any *amount outstanding* and/or reduce your *credit limit* at any time for any reason. Otherwise, we can only demand repayment of any *amount outstanding* or reduce your *credit limit* if:
- you breach any of the terms and conditions of any *facility document*, any *specified account* (if that account is with us) or any other *agreement* you have with us;
  - you default in paying money due to us, whether under this *agreement* or otherwise;
  - you, or any *guarantor*, is adjudicated bankrupt or becomes insolvent, is to be removed from the Companies Register, has a receiver, administrator or liquidator appointed in respect of your or any *guarantor's* assets, dies or makes any arrangement with your or any *guarantor's* creditors;

- d. we think that the *securities* we hold have significantly devalued;
  - e. *your*, or any *guarantor's*, circumstances have changed to the extent that, in *our* opinion, warrants us demanding repayment of any of the *amount outstanding* and/or the reduction of *your credit limit*;
  - f. we reasonably believe *you* or another person has acted fraudulently in connection with a *facility document* or any other agreements *you* have with *us*; or
  - g. circumstances exist which, in *our* opinion, impact adversely on *our* ability to continue making the relevant *facility* available to *you*.
- 8.18 If we demand repayment of any of the *amount outstanding*, then *you* must pay *us* at *our* address as noted in a *letter of advice* all money owing to *us*, and all money that will become owing to *us*, by *you* under the terms of any *facility* including:
- a. all principal and interest;
  - b. any service, facility or other fees, charges and premiums that we think are applicable under the terms of any *facility*;
  - c. any costs that we incur in recovering the money owing;
  - d. a fee to compensate *us* for a reasonable estimate of any loss incurred by *us* as a result of *your* default; and
  - e. interest at the *agreed annual interest rate*, or (if applicable) at the default rate specified in the relevant *letter of advice*, on all money owing until *you* pay *us*.
- 8.19 We can rely on *our* assumption that *you* will receive any demand for repayment of any of the *amount outstanding* if that demand is left at or sent to *your* address as specified in the most recent *letter of advice*.

## 9. Fees and charges

- 9.1 *You* agree to pay *us* on demand (or on the date specified by *us*) the fees, charges and premiums specified in a *letter of advice*. Charges for keeping accounts (including but not limited to activity fees and base fees) may be payable under the terms and conditions of any *specified account* (if that account is with *us*). The terms and conditions of any *specified account* (if that account is with *us*) may be obtained from your nearest BNZ store, **0800 ASK BNZ** and **bnz.co.nz**
- 9.2 *You* may be eligible for fee rebates as specified in a *letter of advice*.
- 9.3 We may increase, decrease or change the terms of payment of any rebate, fee, charge or premium payable under the terms of any *facility* by giving *you* notice on or before the date of any of these changes. We may also apply new fees, charges or premiums to a *facility* by giving *you* notice on or before the date of their introduction. Rebates, fees, charges or premiums payable under the terms and conditions of any *specified account* (if that account is with *us*) may be increased, decreased or changed in accordance with those terms and conditions.

## 10. Housing Term loan: special conditions

- 10.1 We will credit *your specified account* with the full *loan amount* on the date *you* request or if the relevant *letter of advice* allows *you* to receive progressive payments of the *loan amount*, we will credit *your specified account* with progressive payments on the dates and in the amounts *you* request (up to the *loan amount*) provided that:
- you* may not borrow any amount more than 6 months after the date *you* first borrow money under the relevant *letter of advice*; and
  - the first draw down is no later than 90 days after the date of the relevant *letter of advice*.
- 10.2 The *agreed annual interest rate* for a *facility* may be variable, capped, or fixed for a period, and it may be determined by reference to a *customer margin*.
- 10.3 If a *facility* has a *fixed rate period* then the *agreed annual interest rate* will not change until the end of that period and *you* will not receive the benefit of any decrease in variable rates during that period. Should *you* change the *agreed annual interest rate* from a fixed interest rate to a variable interest rate or another fixed interest rate during such period, we may charge *you* on the same basis as an *early repayment charge*.

### Redraw

- 10.4 Before *you* repay this *facility* in full (but not before the end of any *fixed rate period* specified in the relevant *letter of advice*), *you* may pay a redrawing fee (advised to *you* at the time of *your* request) and apply to us to redraw an amount more than \$3000 and less than the difference between the *amount outstanding* when *you* made *your* request and the amount that would have been outstanding if *you* had made only *your* required *minimum payments*.
- 10.5 If we grant *your* redrawing application (which we will determine at *our* sole discretion), we may require *you* to change *your* *minimum payments* so that the *end date* stays the same.

### Tailored home loan

- 10.6 If the relevant *letter of advice* specifies that *you* have a Tailored home loan, then the *minimum payment* will increase on each anniversary of the date *you* borrowed the full *loan amount* under this *facility* in accordance with the following formula:

**Formula:**  $A \times [1 + (B\% - C\%)]$

**Where:** A = *your* existing *minimum payment*; and

B = the *agreed annual interest rate* (expressed as a decimal) on the relevant anniversary; and

C = the Repayment Index Base (a percentage figure expressed as a decimal) prevailing on the relevant anniversary (the relevant *letter of advice* sets out

what the relevant Repayment Index Base is at the time when *you* sign that *letter of advice*)

**Example:** A = \$300.00 (the existing *minimum payment*),

B = 10% per annum; and

C = 8.5% per annum

**Then:**  $A \times [1 + (B\% - C\%)] = 300 \times [1 + (0.10 - 0.085)]$   
 $= 300 \times 1.015 = \$304.50$  (the new *minimum payment*)

The following year's adjustment would be based on A = \$304.50

**Provided that:**

- i. where the Repayment Index Base is greater than the *agreed annual interest rate*, the *minimum payment* will remain the same;
- ii. where the increased *minimum payment* calculated in accordance with the above formula is not sufficient (as at the date of increase) to pay interest on the *amount outstanding*, the *minimum payment* will be further increased to the extent necessary to pay such interest;
- iii. *you* and *we* may agree to vary the Repayment Index Base applicable to this *facility* at any time;
- iv. the *minimum payment* may be changed by an amount agreed between *you* and *us* at any time provided the *amount outstanding* and any accrued but unpaid interest on such an amount will be repaid within the *term* from the date *you* borrow the full *loan amount* under this *facility*.

## 11. BNZ Advantage: special conditions

- 11.1 BNZ Advantage shall only be available to customers who already have a BNZ Advantage *facility*. BNZ Advantage may be made available to other customers and new customers from a date *we* advise.
- 11.2 *Your* BNZ Advantage *facility* has the same special conditions as the Housing Term Loan *facility*. These conditions are set out in **clause 10.1-10.6** of this *agreement*. There are also some extra conditions that apply to a BNZ Advantage *facility*.

### Calculation and allocation of cash back

- 11.3 In this clause, cash back means a monetary reward credited to *you* monthly based on the *average balance of your* BNZ Advantage *facility* during that month.
- 11.4 Cash back will be calculated by *us* as at the last day of each month. The cash back amount will be credited to the account from which *your* home loan payments are made (or another account nominated by *you* (located in New Zealand in *your* name) if *you* so request in writing) within the first five *business days* of the next month (or on such later date during the next month as *we* may determine from

- time to time). *You* are responsible for providing *us* with details of the account (or nominated account) and *we* shall not be responsible for any inaccuracy in account details provided by *you*.
- 11.5 The cash back amount will be calculated using the method set out in *your letter of advice or confirmation*, as the case may be.
  - 11.6 *We* will show the amount of cash back credited during the relevant statement period on *your* monthly home loan statements. *You* can access *your* monthly home loan statements through internet banking or *you* may elect to receive them by post.
  - 11.7 *We* may credit bonus cash back amounts to *you* from time to time as part of special promotions.
  - 11.8 The cash back will be rounded down to the nearest cent.
  - 11.9 Cash back is calculated at the end of each month. However, on the final repayment of *your facility* *you* will be entitled to receive cash back (to the extent not already credited to *your* account) for the proportion of the calendar month until the final repayment of *your facility*. This will be credited to *you* in accordance with clause 11.4.
  - 11.10 *Our* respective rights and obligations in relation to cash back are separate from *our* respective rights and obligations under *your* BNZ Advantage *facility*. *We* may assign *our* rights under *your* BNZ Advantage *facility* without assigning *our* rights or affecting *our* obligations under cash back. *You* may not set-off any amount owed to *you* under cash back against any amount *you* owe under the BNZ Advantage *facility*.

## General

- 11.11 Until such time as it has been credited to the account referred to in clause 11.4 above, cash back is not *your* property and cannot be transferred or assigned.
- 11.12 *You* are responsible for any taxes payable in connection with cash back. *We* provide no advice or representation regarding tax matters.
- 11.13 *We* may change the method for calculating the earning of cash back or any component of that method, including the earnings rate, at any time for any reason whatsoever, provided that *we* tell *you* about such change by giving *you* notice at least 14 days before such change takes effect.
- 11.14 *We* reserve the right to amend, replace with another reward programme or withdraw the earning of cash back on BNZ Advantage *facilities* generally, at any time, provided that *we* tell *you* about such amendment, replacement or withdrawal by giving *you* notice at least 14 days before such amendment, replacement or withdrawal.
- 11.15 *We* will not be liable for any direct or indirect loss *you* suffer through *our* amendment to, or withdrawal or replacement of, cash back.
- 11.16 Cash back may not be earned under the *facility* if a *facility document* is breached by *you* for more than 30 days. *We* will notify *you* if *you* are in breach of *your facility*.

## 12. Fly Buys: special conditions

- 12.1 This part of this *agreement* must be read together with the terms and conditions of the Fly Buys Points programme. *Your Fly Buys facility* has the same special conditions as the Housing Term Loan *facility*. These conditions are set out in **clause 10.1-10.6** of this *agreement*. There are also some extra conditions that apply to a Fly Buys *facility*:
- a. *you* may nominate one Fly Buys member to earn Fly Buys Points under this *agreement* in the relevant *letter of advice* or *confirmation*. We will use the method set out in the *letter of advice* or *confirmation*, as the case may be, to calculate how many Fly Buys Points that nominated person is entitled to each month from the *facility*.
  - b. *we* may change the method for calculating the earning of Fly Buys Points, or any component of that method, at any time, as a result of changes which Loyalty New Zealand Limited may make to its Fly Buys programme, or for any other reason whatsoever, provided that *we* tell *you* about such change by giving *you* notice at least 14 days before such change takes effect.
  - c. *we* reserve the right to cancel the earning of Fly Buys Points on Fly Buys *facilities* generally, at any time, provided that *we* tell *you* that Fly Buys Points will no longer be earned from Fly Buys *facilities*, by giving *you* notice at least 14 days before Fly Buys Points cease to be allocated.
  - d. *we* may suspend or terminate the allocation of Fly Buys Points to a nominated person at any time without notice.
  - e. no Fly Buys Points will be earned under the *facility* if a *facility document* is breached by *you* for more than 30 days.
  - f. no Fly Buys Points will be earned under the *facility* (and all Fly Buys Points earned under the *facility* will be cancelled) if *we* have not been provided with a valid Fly Buys membership number within 90 days of the Fly Buys *facility* being taken out by *you*. If, subsequent to that time *you* provide *us* with a valid Fly Buys membership number, the earning of Fly Buys Points on the Fly Buys *facility* will commence from the date *you* provided *us* with such membership number.
  - g. *we* will tell Loyalty New Zealand Limited how many, if any, Fly Buys Points the nominated person earns within ten *business days* of the end of each month. Loyalty New Zealand Limited will apply any earned Fly Buys Points to the nominated person's Fly Buys account within its normal processing periods, and those Fly Buys Points will be shown on the relevant Fly Buys Points summary.
  - h. the terms and conditions of the Fly Buys Points programme will determine the use and value of those Fly Buys Points. *We* do not guarantee the use or redemption of Fly Buys Points earned under *your* Fly Buys *facility*.



- i. *you* authorise Loyalty New Zealand Limited to obtain, use, and disclose any information about *you* in relation to this *facility* at any time for the purpose of establishing and maintaining the relationships between *you* and Loyalty New Zealand Limited, including advising *you* about any products and services not related to this *facility*. This may involve, amongst other things, contacting *you* via email, text message or an online facility (without an unsubscribe facility), or by telephone or post.

## 13. Rapid Repay home loan: special conditions

- 13.1 The *agreed annual interest rate* for this *facility* is variable, and may be determined by reference to a *customer margin*. Interest will be debited from the *specified account* on the last *business day* of each month.
- 13.2 *You* will make payments as appropriate to ensure that the *amount outstanding* under this *facility* does not exceed *your credit limit*.

### Credit limit

- 13.3 We will reduce *your credit limit* by the relevant *reduction amount* on the last *business day* of each month. The first reduction will occur in the month after the month in which this *facility* becomes available under this *agreement*.
- 13.4 Unless *you* ask us to do otherwise, we will give *you* at least 14 days' notice of *our* estimate of the next *reduction amount* and *our* estimate of *your* corresponding reduced *credit limit*. We can only give *you* estimates for these amounts because the *agreed annual interest rate* may change.
- 13.5 We will reduce *your credit limit* if *you* ask us in writing to do so. If we reduce *your credit limit* in response to *your* written request, then *you* can either:
  - a. continue to have *your credit limit* reduced monthly by the relevant *reduction amount* as though no extra reduction has been made, so that the *end date* will fall sooner; or
  - b. change the relevant *reduction amount* to take account of the extra reduction, so that the *end date* will stay the same.

### Ready Money Account

- 13.6 Once the *term* of a Rapid Repay home loan *facility* has expired, and so long as *you* have fully repaid this *facility* and all interest and charges relating to it, only the Ready Money Account terms and conditions will apply to *your specified account* and this *agreement* will cease to apply.

## 14. Premium Rapid Repay home loan: special conditions

- 14.1 Your Premium Rapid Repay home loan *facility* has the same special conditions as those set out in **clauses 13.1-13.5** that apply to the Rapid Repay home loan *facility*. Your *facility* also has the following special conditions:

### Credit balances

- 14.2 Despite what is said in the terms and conditions of your Premium Account, credit interest will accrue daily on the credit balance in a *specified account* at the rate we advise from time to time for account balances of \$5000 or more.

### Premium Account

- 14.3 Once the *term* of a Premium Rapid Repay home loan *facility* has expired, and so long as you have fully repaid this *facility* and all interest and charges relating to it, only the terms and conditions of your Premium Account will apply to your *specified account* and this *agreement* will cease to apply.

## 15. Mortgage One: special conditions

- 15.1 The *agreed annual interest rate* for a Mortgage One *facility* will be variable. We may at any time vary the balances between which the relevant interest rates apply by giving you notice at least 14 days before the change takes effect.
- 15.2 We can review this facility when, and how, we think appropriate. We can determine the extent of the scope of a review when we carry out that review.

## 16. Revolving Credit facility: special conditions

- 16.1 The *agreed annual interest rate* for a Revolving Credit *facility* will be variable. Interest will be debited from the *specified account* on the last *business day* of each month.
- 16.2 You will make payments as appropriate to ensure that the *amount outstanding* under this *facility* does not exceed your *credit limit*.
- 16.3 We can demand repayment of any of the *amount outstanding* under this *facility* at any time for any reason. We can also cancel or reduce your *credit limit* at any time for any reason.
- 16.4 We can review this *facility* when, and how, we think appropriate. We can determine the extent of the scope of a review when we carry out that review.

## 17. Use of information

- 17.1 *You* authorise *us* to use information about *you* at any time held by *our group* for the purpose of establishing and maintaining the relationships between *you* and *our group*.
- 17.2 *You* authorise *us* to disclose information about *you*:
- to National Australia Bank Limited and any of *our* other related companies for the purpose of credit, risk and prudential assessment;
  - to any insurer of a *facility* or any property which is, or is to be, subject to a *security*;
  - to any person performing services in connection with any such property;
  - to any assignee or prospective assignee of *ours*;
  - to any credit reporting agency with which we are a party to a subscriber agreement; and
  - in the event of default in payment, to any credit agency.
- We will confine any disclosure to that reasonably required for use by these entities.
- 17.3 *You* agree that *we* can collect information from *you* and use that information to help *our group* comply with any laws, rules or regulations in New Zealand or overseas. *You* agree to supply any information requested by *our group* to help *us*, or any other member of *our group*, comply with any such laws, rules or regulations in New Zealand or overseas. *You* also agree that *our group* can share any information about *you* and your accounts with any government body or agency in New Zealand or overseas (including any tax authorities) to help *our group* comply with any laws, rules or regulations in New Zealand or overseas.
- 17.4 *You* authorise *us* to make credit and other inquiries about *you* within *our* normal procedures and to obtain information about *you* from:
- any holder of a *security* over any property of *yours* which is also secured, or is to be secured, to *us*;
  - any insurer of any property which is, or is to be, subject to a *security*;
  - any government, local or other authority having jurisdiction in respect of any such property; and
  - any person performing services in connection with any such property, provided that the information obtained is confined to that reasonably required by *us*; and
  - any credit reporting agency with which we are a party to a subscriber agreement.
- 17.5 Credit Reporting Agencies: Credit reporting agencies may use information disclosed by *our group* to update their credit reporting database and disclose any information that they hold about *you* to

their own customers as permitted under the Credit Reporting Privacy Code. In addition, our group may use any service provided by credit reporting agencies to receive updates of the information it holds about you.

- 17.6 If we assign or transfer any *facility document* or all or any of our rights, title and interest under that document to any person:
- a. *you* authorise such assignee or transferee to use information about *you*, disclose information about *you* and make credit and other enquiries about *you* to the same extent provided above as if such assignee or transferee was *us*; and
  - b. *you* authorise *us* (in addition to any assignee or transferee) to continue to use information about *you* at any time held by *us* for the purpose of continuing to maintain the relationship between *you* and *us* regardless of the assignment or transfer.
- 17.7 *Your* acceptance of this *agreement* will be sufficient authority to the people or companies referred to in this part of the *agreement* to provide the relevant information to *us*.
- 17.8 This information may be used by *our group* to advise *you* of products, services, promotions or other information that may or may not be related to *your* account; and/or develop or begin a relationship with *you*. This may involve, amongst other things, contacting *you* via email, text message or an online facility (without an unsubscribe facility), or by telephone or post.

## 18. General

- 18.1 All existing and future *securities* held by *us* in respect of *your* obligations will secure the *facilities*. *You* will provide or procure the provision of the *securities*. *You* have consented to each *guarantor*/third party referred to in the 'Security' section of the relevant *letter of advice*, receiving a copy of this *agreement*, the relevant *letter of advice* and any information about *your* financial position that is in *our* possession.
- 18.2 Any account *you* have with *us*, including any *specified account*, is subject to *our* usual terms and conditions relating to the operation of accounts.
- 18.3 Any payments required to be made under the terms of any *facility* by direct debit will be credited to *us* at *our* address as noted in a *letter of advice*. *You* must make any other payments to *us* at that address.
- 18.4 *We* can debit a *specified account*, or any other account *you* have with *us*, at any time with any money owing under the terms of any *facility*, including any money owing as a result of fees, charges or premiums payable by *you* under the terms of any *facility*.
- 18.5 If for any reason there are insufficient funds available to meet debits to a *specified account*, debits may be paid, or not paid, at *our* discretion.

- 18.6 You will make all payments under each *facility* in full without deduction. However, if you are legally obliged to deduct or withhold an amount from any payment due under a *facility*, then that payment will be increased so that we receive and retain (free from liability) a net sum equal to the payment we would have received if no deduction or withholding had been required.
- 18.7 All the information, including financial information, provided by you, or any other person on behalf of you, to us in connection with the *facility documents* is true, complete and accurate in all material respects. You are not aware of any material facts or circumstances which have not been disclosed to us and which could affect our decision to provide financial accommodation to you.
- 18.8 You will have complied and will continue to comply with all laws and constitutional requirements applicable to you, your business or your property.
- 18.9 The illegality, invalidity or unenforceability of any provision of any *facility document* will not affect the legality, validity or enforceability of any other provision of that *facility document*.
- 18.10 Where more than one person is named in a *letter of advice* as a Customer, references to you are to each named person and the liability of each named person is joint and several with each other named person.
- 18.11 Our certificate as to any amount or fact relating to any of the *facilities* will, in the absence of manifest error, be conclusive evidence of that amount or fact.
- 18.12 You may not assign or transfer all or any of your rights, benefits or obligations under a *facility document*. We may at any time assign or transfer all or any of our rights, benefits and obligations under the *facility documents* to any person. In the event of any assignment or transfer by us, references to us in the relevant *facility document* and all or any *securities* provided in respect of that *facility document* are deemed to be references to the relevant assignee or transferee. However, references to our prevailing interest rates in clauses relating to the calculation of interest or an *early repayment charge* payable by you continue to be references to Bank of New Zealand's prevailing rates and not those of the relevant assignee or transferee and, if we do not assign or transfer all of our rights, benefits and obligations under the relevant *facility document*, references to us in that *facility document* in relation to any rights, benefits and obligations not so assigned or transferred continue to be references to Bank of New Zealand and not to the relevant assignee or transferee.
- 18.13 No failure to exercise or delay in exercising any right or remedy available to us under any *facility document* or at law will waive that right or remedy, nor will a partial exercise of any right or remedy preclude any further exercise of that right or remedy or any other right or remedy. The rights and remedies conferred by each *facility*

*document* are additional to any of the rights and remedies available to us at law or under any other *agreement* with you.

- 18.14 If you are borrowing this money for the purposes of your business then nothing in the Consumer Guarantees Act 1993 shall apply to the provision by us of the *facilities* (and associated services) to you.
- 18.15 If you are a partner, a *facility document* will continue to bind you despite:
- a. any changes which may from time to time take place in the partners, whether by death, incapacity, or retirement of any partner or the admission of any new partner or otherwise;
  - b. the fact that the partnership no longer carries on business; and
  - c. the fact that you or any of your partners is no longer a member of the partnership.
- 18.16 If a *letter of advice* specifies that you are a trustee acting in an independent capacity without any interest in any of the assets of the relevant trust (other than your interest as trustee), then you are only liable under the *facility documents* to the extent of the value of the assets of that trust that are available from time to time to meet your liability, plus any amount by which the value of those assets has been diminished by any breach of trust caused by your wilful default or dishonesty. You will not be acting independently without any interest in any of the assets of that trust (other than your interest as trustee) if you are a beneficiary, discretionary beneficiary, or appointor under that trust.
- 18.17 The provisions of each *facility document* will be governed by and construed in accordance with New Zealand law.

## 19. Key terms

In this *agreement*:

1. *agreed annual interest rate* means, under each *facility*, the applicable annual interest rate or rates specified in the relevant *letter of advice*.
2. *agreed date* means a date for the making of payments of principal, interest or both (as appropriate) as specified in the relevant *letter of advice*.
3. *agreement* means this Home Loan Facility Master Agreement.
4. *amount outstanding* means all the moneys owing under a *facility*. When this amount is to be calculated for the end of a day, it includes all debits and credits assigned to that day.
5. *average balance* has the meaning set out in your letter of advice or confirmation, as the case may be.
6. *business day* means any day other than a Saturday or Sunday on which banks are open for normal banking business in Auckland or Wellington.

7. *confirmation* means any written confirmation by us to you of the terms (as agreed or as amended) of a facility.
8. *credit limit* means the maximum amount of money specified as such in the relevant letter of advice or subsequently notified by us in writing (which may be set out in a statement of a specified account, if that account is with us), that may from time to time be borrowed by you under a Rapid Repay Home Loan, Premium Rapid Repay Home Loan, Revolving Credit Facility or Mortgage One facility, and is sometimes referred to by us as the 'safety limit'.
9. *customer margin* means the percentage per annum specified as such in the relevant *letter of advice*.
10. *costs* includes costs, charges and expenses, including in connection with legal and other advisers.
11. *early repayment charge* has the meaning given to it in **clause 8.7** of this *agreement*. 'Early repayment' is to be read and construed as 'prepayment' (in whole or in part) of a *facility* (as the term 'prepayment' is used in the Credit Contracts and Consumer Finance Act 2003).
12. *end date* means, as applicable, the last day of the *term* of a *facility* or the last day that we make a *facility* available to *you*.
13. *facility* means a facility provided to *you* by *us* specified in the relevant *letter of advice*.
14. *facility document* means this *agreement*, each *letter of advice*, any document evidencing a *security*, and any other document specified by *us* as a '*facility document*'.
15. *fixed rate period* means the period specified as such in the relevant *letter of advice* during which the *agreed annual interest rate* is fixed.
16. *guarantor* means any person or entity who has guaranteed to *us* that *you* will meet any of *your* obligations to *us* under a *facility*.
17. *letter of advice* means a letter from *us* to *you* that incorporates by cross reference the applicable terms of this *agreement*, and provides details of a *facility* *we* are prepared to make available to *you*, and any *confirmation*.
18. *loan amount* means, under a Housing Term Loan, Fly Buys *facility* or BNZ Advantage *facility*, the amount of money specified as such in the relevant *letter of advice*.
19. *minimum payment* means, in relation to a *facility*, the minimum amount of principal and/or interest payable, specified as such in the relevant *letter of advice*.
20. *our group* means *us* and/or any of *our* related companies.
21. *reduction amount* means, for any month, an amount equal to the amount of principal that would be repayable that month (on the basis of a fully amortising table loan), if *you* had borrowed a *loan*

*amount* equivalent to *your credit limit* with the same *end date* as the relevant *facility* (based on the *agreed annual interest rate* for that month).

22. *security* means each *security interest* described in the ‘*Security*’ section of the relevant *letter of advice* and any substitute or additional *security interest* given in connection with the *facility documents* and any personal guarantee given by any third party in connection with a *facility* or *facilities* and any *security interest* given in respect of such guarantee.
23. *security interest* means any mortgage, debenture, general security agreement, specific security agreement, trust, pledge, lien, or other security interest or encumbrance.
24. *specified account* means any account specified as such in the relevant *letter of advice*.
25. *term* means (if applicable) the period specified as such in the relevant *letter of advice*.
26. *you* means the person or persons named in the relevant *letter of advice* as the Customer. If there are more than one, ‘*you*’ means each of them separately and all of them jointly, and includes their successors and permitted assignees. *Your* has a corresponding meaning.
27. *we* or *us* means Bank of New Zealand and *our* successors and assignees. *Our* has a corresponding meaning.
28. ‘*person*’ includes without limitation, any individual, firm, company, corporation or unincorporated body of persons.
29. Under any *facility document* or this *agreement* a day ends at:
  - i. for transaction purposes, 11.00pm on any day; and
  - ii. otherwise, 4.30pm on any *business day*.
30. Any Act of Parliament includes any modification or re-enactment of, and any regulations issued under, an Act.
31. Any document includes that document as amended, assigned, supplemented or replaced.

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# Annexure

## Early repayment charge calculation

**This Annexure sets out the procedure we use to calculate a reasonable estimate of our loss (if any) arising from your early repayment. If you do not understand this procedure, we recommend you seek independent financial advice.**

### **1 Why an early repayment charge may be payable**

1.1 When we provide our customers with fixed interest rate funding for a *fixed rate period*, we are exposed to a risk that the return we receive on the *facility* (the fixed interest rate) may, over time, not be sufficient to cover our cost of providing the *facility* (which is based on a variable interest rate). To manage the risk of movements in the variable interest rates applicable to our borrowings, we enter into contracts in the wholesale markets, known as hedging arrangements. We maintain these arrangements for all of the fixed interest rate facilities we provide and seek to ensure that our risks are hedged at all times for all fixed interest rate facilities. If you choose to repay early, we may incur a loss from having to adjust these hedging arrangements.

1.2 Although we don't individually borrow an amount at a fixed interest rate to fund your individual fixed interest rate facility, we can determine what it costs us to hedge the interest rate risk arising from your facility at the relevant wholesale rate. Equally, if you repay early, we can determine the impact your early repayment has on our overall hedging position. A reasonable way for us to calculate the loss, if any, we incur if you repay early is to determine the effect your early repayment would have on us if we had entered into a transaction to separately hedge the interest rate risk in relation to your facility and then had to terminate that arrangement early. We refer to this reference hedging transaction as the "*Notional Hedging Transaction*".

Under the Notional Hedging Transaction we would make a series of fixed payments which would be determined by reference to the loan amount outstanding under your facility, your scheduled repayments and the relevant wholesale rate (the "*Original Hedge Rate*"). The Original Hedge Rate would reflect the cost to us of hedging our interest rate risk in relation to your facility as at the start of the applicable *fixed rate period*.

If you elect to repay early, we calculate the effect on our overall hedging arrangements by reference to the adjustments which would be made to the Notional Hedging Transaction. These adjustments will reflect:

- a. the movement in the relevant wholesale rates between the date the applicable *fixed rate period* commenced and the date you propose to repay early. The more that the relevant wholesale rates have dropped, the more it will cost us to adjust our hedging arrangements;
- b. the portion (including where the facility is to be repaid early in full) of the loan amount you intend to repay early and the changes, if any, to the amount and frequency of your scheduled repayments. The greater the portion of the loan amount you intend to repay early during the *fixed rate period*, the greater the required adjustment to our hedging arrangements; and
- c. the remainder of the applicable *fixed rate period*. The longer the remainder of the *fixed rate period*, the greater the required adjustment to our hedging arrangements.

A discount factor determined by reference to market rates (the "*Discount Factor*") will also be used to determine the net present value of the adjustments.

## 2 Procedure for calculating the early repayment charge

The procedure *we* use to calculate a reasonable estimate of *our* loss (if any) as a result of these adjustments is as follows:

### 2.1 Step 1

*We* determine the effect the early repayment will have on the loan amounts outstanding under *your facility* as at each of the *agreed dates* in the remainder, and on the last day, of the applicable *fixed rate period*. *We* use the difference between the opening balance of the original and revised loan amounts outstanding at each of the *agreed dates*, to adjust the payments *we* would have to make under the Notional Hedging Transaction. Where the *facility* is to be repaid early in full, the revised loan amount outstanding will be zero.

### 2.2 Step 2

*We* need to compare the changes in the relevant wholesale rates between the date on which the applicable *fixed rate period* commenced and the date of early repayment, because if there has been a decrease in those rates over that time, then *your* early repayment will result in a loss to *us*.

When *you* repay early, the effect of the adjustments to the Notional Hedging Transaction would be as follows:

- a. *we* would need to reduce the notional amounts used to calculate *our* payment obligations under the Notional Hedging Transaction to take into account the difference between the original and the revised loan amounts outstanding at each of the *agreed dates*;
- b. the calculation of *our* adjusted payment obligations under the Notional Hedging Transaction needs to be determined by reference to the amounts in (a) above and the difference between:
  - i. the Original Hedge Rate used to calculate the fixed payments by *us* under the Notional Hedging Transaction; and
  - ii. the relevant wholesale rate for the remainder of the applicable *fixed rate period* (the “*Amended Hedge Rate*”) determined by *us* as at the date when *you* repay early.

*We* would incur a cost for making those adjustments if the Amended Hedge Rate is lower than the Original Hedge Rate.

### 2.3 Step 3

*We* factor in the remainder of the *fixed rate period* as this would match the period over which *we* would need to adjust the amounts payable under the Notional Hedging Transaction.

### 2.4 Step 4

*We* apply the Discount Factor to calculate the net present value of the cost of the adjustments to the Notional Hedging Transaction to ensure that *we* only charge *you* an amount which reflects the cost of *your* early repayment as at the date of calculation.

## 3 Formula

The procedure *we* have described above is represented by the following formula:

$$\text{Loss} = (\text{Scheduled Loan Amount Outstanding} - \text{Revised Scheduled Loan Amount Outstanding}) \times (\text{Original Hedge Rate} - \text{Amended Hedge Rate}) \times (\text{Calculation Period} / 365) \times \text{Discount Factor}$$

The Calculation Period referred to in the formula above is the number of

days since the previous *agreed date* (or the date of *your* early repayment where this is not an *agreed date*) in the remainder, and on the last day, of the applicable *fixed rate period*. We repeat that calculation for each *agreed date* and then total those amounts.

## Need more information?

- › Talk to us in store
- › Visit **bnz.co.nz**
- › Give us a call on **0800 275 269**

### Further information:

Bank of New Zealand's current Reserve Bank disclosure statement may be obtained from any store or agency of Bank of New Zealand.

