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Page 1 of 1

Cheap loans for low-income families

Low-income Northland families short of cash to buy essential items now have a helping hand with the launch of a community finance initiative in Whangarei.

The programme is aimed at “financially vulnerable” people who don’t meet standard bank criteria. Under such circumstances many are forced to take out loans with alternative lenders, and are often charged high interest rates and fees.

Community Finance loan products have no fees or charges and are available to people on low incomes who are eligible for a Community Services Card.

The finance partnership, which is run by Good Shepherd New Zealand and BNZ, with support from the Ministry of Social Development and delivered by partners like the Salvation Army, is now available in Northland, based in Whangarei.

BNZ, which provides the lending, says since the pilot started in Auckland in 2014, 280 loans had been approved and estimated the \$700,000 of lending to date has saved clients more than \$380,000 in interest and charges when compared to borrowing the same amount through alternative lenders.

The bank has committed \$60 million in lending nationwide through the initiative. The Government announced \$4.2 million of additional funding in this year’s budget to roll out the pilot programme to the regions.

BNZ spokesman Mac Dalton says during the pilot clients had

acquired loans for items ranging from a new fridge, a table to eat together on to buying a car to take the kids to school in.

Chief executive Anthony Healy said he had heard of a young man who had come to the bank saying the only thing stopping him from getting a job was having a car. After organising a loan he could buy a second-hand car. “We were delighted when he told us he had secured an apprenticeship the next day.”

The initiative provides access to a fair, safe and affordable line of credit, Good Shepherd NZ chief executive Fleur Howard says. People also learn life skills by being in contact with community loan workers such as managing a budget better and become more savvy in their understanding of the dangers of third-tier lenders.

Major Pam Waugh, Territorial Social Services Secretary for The Salvation Army said, “Running a tight budget can be hard enough without the added pressure of predatory lenders.”



HELPING HAND: Running a tight budget can be hard enough without the added pressure of predatory lenders on your back, the Salvation Army says. PHOTO/FILE