

Kiwi families helped out of financial hardship

Thousands of Kiwis on limited incomes have accessed fair and affordable loans and support, preventing them from having to resort to loan sharks and becoming trapped in a vicious cycle of debt; all thanks to a community finance programme that today marks five years' of success.

The community finance programme is delivered by Good Shepherd New Zealand, in partnership with the Bank of New Zealand (BNZ) and with support from the Ministry of Social Development.

Good Shepherd New Zealand's chief executive Fleur Howard says, "A lot of families find it hard just to meet basic food, housing, power, transport and healthcare needs. When an unexpected cost comes along, they can really struggle. To cover such costs as a car to get to work, or a new washing machine when the old one breaks down, their only available option is often at the loan shark end of the finance market, because they don't meet mainstream lenders' credit criteria. As a result, they can become burdened with unmanageable debt.

"Our community finance programme offers StepUP low-interest loans and NILS no-interest loans to people and when families come to us, instead of a loan shark, they stay out of serious financial trouble. This provides opportunities to improve their financial situation and gain a better understanding of their finances."

Fleur Howard says that, to date, the community finance programme has provided nearly \$5 million in affordable loans to over 1,700 families living on limited incomes, saving an estimated \$2.4 million in interest and fees. In addition, more than 6,500 financial conversations have been held with applicants, supporting them to improve their financial capability.

Good Shepherd New Zealand partners with BNZ to provide StepUP and NILS loans, with support from the Ministry of Social Development. They work alongside The Salvation Army, Vaka Tautua and Aviva to make StepUP and NILS available to their clients alongside other support services.

The Minister for Social Development, Hon Carmel Sepuloni says, "Good Shepherd New Zealand is a welcome supporter in the fight against unsafe lending. Their practical assistance for people with problem debt can be life-changing. As a founding Community Finance partner, Good Shepherd has made a valuable contribution to New Zealanders' financial wellbeing."

Fleur Howard says the community finance programme is not designed to be a quick fix.

"We provide more than just loans," says Fleur. "As part of the application process every client has a conversation with a loan worker to ensure they understand their financial situation and can afford to make the repayments, and where needed, access other forms of support. This is an important step towards building long-term financial capability."

A 2019 BERL report titled '*The harm from high cost lending*¹', reveals almost all borrowers (98 percent) with high cost loans have on average six other debts. Twenty seven percent of borrowers

¹ <https://www.fincap.org.nz/the-harm-from-high-cost-lending/>

listed high cost loans as the primary reason for their financial distress, alongside increased living costs (29 percent) and loss of jobs or reduction in income (30 percent).

An evaluation of the community finance programme, prepared by research organisation Malatest International, revealed that more than two-thirds (69 percent) of participants said they were spending less on things they did not need.

Fifty-four percent said they better understood their finances, 46 percent said they were paying off debt faster, and 40 percent were saving more money. Employability and wellbeing also increased, with 67 percent of participants reporting that the loan helped them to get or stay in their current job.

Increased operational funding from the Government and BNZ has enabled Good Shepherd New Zealand to expand the community finance programme throughout New Zealand, with the service now available in 21 locations and growing.

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