

This guide will assist you when considering assisting a client obtain a reverse mortgage.

Clients over the age of 60 who may be asset rich but cashflow poor and own their own home may be able to use the equity in their property and take out a reverse mortgage.

- Use the equity in a home as security to take out a reverse mortgage.
- Take the loan as a lump sum, regular payment or line of credit, or a combination of the three.
- It's important to check to see what kind of impact a reverse mortgage may have on the client's finances.

Client(s) will be able to borrow a percentage, which starts at 15%-20% and increases each year from age 60 onwards, up to a maximum of 35%.

Funds can be taken as a lump sum, regular payments to the client(s) or a line of credit, or even a combination of the three.

Client(s) will not be required to make regular repayments, typically client(s) will be required to repay the reverse mortgage when the property is vacated, or the client(s) are deceased. Interest and fees will also be payable.

Moneysmart [reverse mortgage calculator](#) will provide an estimate of how much client(s) may be able to borrow, and how much will need to be repaid.

The amount owed on the loan will grow over time as interest compounds on the outstanding value. Voluntary repayments can be made to help reduce the outstanding amount. Not all lenders offer a reverse mortgage so you may have to shop around to find one that suits the clients' requirements.

Considerations for Client(s)

Before taking out a reverse mortgage, the below should be considered:

- How will taking out a reverse mortgage affect the clients' finances? Seek independent advice.
- How will taking out a reverse mortgage affect the client's eligibility for an age pension? Contact Centrelink for more information.
- Are there any other persons residing in the property, whether they will be able to stay in the home when your client(s) move out or pass away and the amount of loan available.
- How would having to pay out the reverse mortgage affect your client's ability to pay aged care costs, future living expenses, medical bills, and home maintenance.
- As having a reverse mortgage will reduce the value of the estate when your client(s) pass away, how will having to pay out the reverse mortgage affect any monies proposed as inheritance.

Broker Requirements

Prior to completing a Preliminary Assessment and recommending the client(s) apply for a reverse mortgage, the below should be considered / satisfied by you:

- Ensure you have completed the relevant lenders reverse mortgage training and accreditation requirements.
- Ensure you have undertaken reasonable enquiries on the client's requirements and objectives and ensure the clients have considered the above.
- Prepare projections using Moneysmart website – www.moneysmart.gov.au, discuss with the client(s) **in person** and have the client(s) sign to acknowledge they understand the projections.
- Provide a copy of the projections to the client(s).
- You **MUST** provide the client(s) with the Reverse Mortgage Information Statement – [Key Information About Reverse Mortgages](#) which explains the impact of interest capitalisation on the mortgaged property which the client(s) should consider when deciding whether to apply for a reverse mortgage.
- For multiple applicants / borrowers, confirm loan to valuation (LVR) ratio applicable based on both applicants ages.
- If there are other persons residing in the property, ensure the lender allows for a person other than the borrower(s) to occupy / reside in the property. Prior to providing credit assistance, you **MUST** give the borrower Form 7A – Disclosure about credit contracts (reverse mortgages).

<https://download.asic.gov.au/media/5792127/credit-form-7a.pdf>

General

- Websites advertising reverse mortgages must include a copy of the reverse mortgage information statement and provide a copy to client(s) upon request.
- All borrowers should obtain independent advice before signing any loan contracts for a reverse mortgage. Lenders generally will have this as a requirement.
- If the lender does not require independent advice, it is recommended all borrowers obtain this advice. A signed and dated letter from the borrower's accountant / financial planner on letterhead confirming they have provided advice in relation to a reverse mortgage may be obtained and held in your client file.
- A copy of the lenders independent advice certificate is to be retained on file in Chief.

The consequences of a consumer being placed into an unsuitable reverse mortgage are potentially severe. Ensure all the above is considered along with comprehensive file notes.

Normal Responsible Lending, reasonable enquiries, verification and Best Interest Duty requirements apply.