

# REVERSE MORTGAGES



Reverse Mortgages, also known as Equity Releases or Seniors' Home Loans, are loans offered to seniors who own their home. Seniors can use the equity in their home as security to get access to cash - a trade off which comes with serious risks.

## WHY DO PEOPLE GET THEM?

### No regular repayments

Interest and fees added onto the loan balance.

Repaid in full when you sell, move into aged care or pass away.



## THE RISKS

- High interest rates.
- Expensive fees.
- **Huge penalties** if you cancel the loan.
- Compound interest = **rapidly rising debt**.
  - Impact on **pension eligibility**.
- Extremely **vulnerable** to a fall in house prices, as this eats into your remaining equity.
  - Less equity available to cover **future expenses**.
- **Restrictions on selling**, renting, renovations or living arrangements.

## COMPOUND INTEREST

Your liability for a \$100k reverse mortgage can grow rapidly.



5 years



15 years



20 years

Assuming no repayments, 6.37% interest, \$950 start up fee and monthly fees of \$12.

## PROTECT YOURSELF

### Know your rights

Commonwealth legislation will normally stop a lender from claiming an amount greater than your home's sale price but this won't stop you from losing all of your equity to fees and interest.

### Seek financial and legal advice

This is required by law, and can prevent you from losing your pension. It is vital that you go through the loan contract and understand all the terms, conditions and fees - including any break fees.

## NEED MORE INFORMATION?

Call the CCLSWA advice line on (08) 9221 7066