

ALL Home Loans

MORTGAGE MATTERS

Produced for clients and friends of All Home Loans (Aust) Pty Ltd

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Special Edition - Reverse Mortgages

A Reverse Mortgage can help those who:

- Own their home and want to continue to own and live in it
- Are asset rich, have no debts but not much cash
- Would benefit from a lump sum and/or additional monthly income

Because of the intense public interest in these loans, that can be taken by senior people to bolster the living conditions of their twilight years, we are devoting this edition entirely to this important subject.

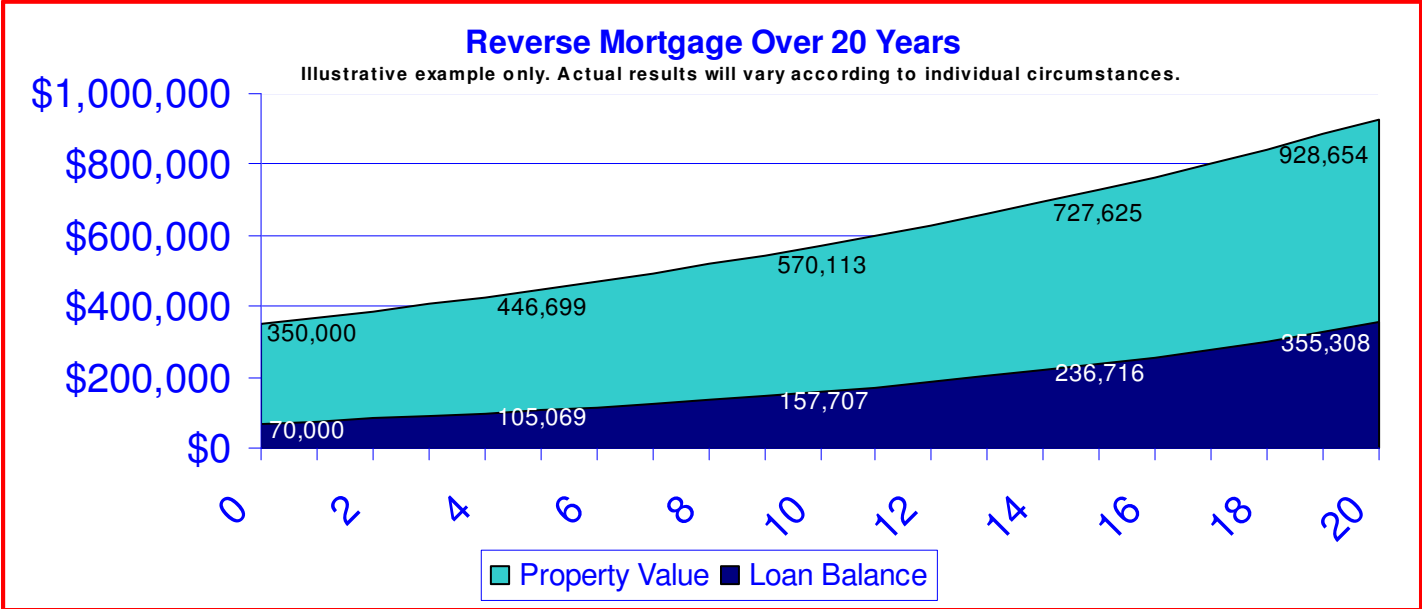
The information given here is, however, of a general nature and, as we stress in our free public seminars on this topic, all interested parties should seek independent advice from experts such as accountants, solicitors, Veteran Affairs and Centrelink regarding their individual situation.

The term "reverse" is really not appropriate, for these are a true mortgage. You do **NOT** sell your house! You borrow money, using the house as security. Then you need make no repayments, until you pass away or move permanently into aged care.

Some names lenders have for these loans re Equity Release, Equity Unlock, Equity Tap, Seniors Access, Equity Living, Seniors Home Equity Release, Lifestyle Plus, Lifetime Loan and Silver Lining.

Lenders include CBA, Over 50s, Aust Seniors Finance, Macquarie Bank, St George Bank, Vision Equity Living, Collins Securities, Bluestone Equity Tap, ANZ Bank and many more.

When you take out such a loan, interest and fees are added to the loan. The debt grows, but so does your property value.



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Reverse Mortgages and Centrelink

Below is an extract of some of the major points contained within the web site of one of those, *Bluestone Mortgages – Equity Tap*. The full document is too long to show here, but is available from us on request.

How Centrelink will assess withdrawals from a “Reverse Mortgage”

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How a Reverse Mortgage will affect all benefits payable by Centrelink under the Income Test and Asset Test.

Income Test

Q: How are withdrawals from Reverse Mortgage assessed under the income test?

A: Amounts withdrawn from Reverse Mortgage are not counted for the income test.

Q: What income test will apply if Reverse Mortgage withdrawals are spent?

A: If the amounts withdrawn are ‘spent’- that is, consumed and are no longer readily accessible then the incomes test will no longer apply to the amount spent. For example, house renovations, holidays, medical procedures and the capitalized interest.

Assets Test

Q: Are there any amounts withdrawn from Reverse Mortgage over a person’s home counted under the assets test?

A: Normally a person’s principal place of residence is not included in the assets test. This is the case no matter the value of the home. However certain amounts withdrawn as part of the Reverse Mortgage product are counted under the assets. It is important to know what those amounts are, how they are worked out and for how long the money will be counted.

Q: What are those certain amounts?

A: There are three rules to remember:-

1. The first \$40,000 withdrawn from Reverse Mortgage is exempt from the assets test for 90 days beginning on the date the first withdrawal is made.
2. After 90 days have elapsed, the whole amount withdrawn is counted for the assets test.
3. Amounts above \$40,000 are assets test counted from the moment they are withdrawn from Reverse Mortgage. (This particularly relevant to borrowers who withdraw monies using a mix of lump sum and instalment withdrawals.)

Q: For how long are these amounts counted?

A: Amounts withdrawn are no longer counted once they have been ‘spent’ – that is, consumed and are no longer readily accessible. For example, home renovations, holidays or medical procedures. (Renovations to investment properties would be included in the revised net market value of that property.)

Similarly if the amounts withdrawn are invested in an asset that has a particular assets test then the assets test will be applied when that investment takes place.

This report has been produced as a guide only. The content was taken directly from Financial & Technical Solutions assessment dated 10th October 2005. Whilst every effort has been made to ensure the information contained is accurate as at the published date, the information contained should not be relied upon for any purpose, or used as a substitute for independent professional advice. As such, you should consider the appropriateness of this information having regard to your own financial situation, objectives and needs. We strongly recommend you seek independent professional advice specific to your individual circumstances.

For more information, private consultations, or referrals to suitable solicitors or accountants please call us.

FREE GROUP INFORMATION SESSIONS

Any group of more than twenty interested people, such as your Probus, Lions, RSL, Church group or Lodge etc. is welcome to book our free and informative presentation and talk on Reverse Mortgages. It is approximately twenty five minutes in length, with questions answered after.

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