



FACT SHEET



Reverse Mortgages

A "reverse mortgage" loan is aimed at retired people who own their own home but have little cash or ability to raise finance through traditional means.

This style of loan allows the cash-poor, asset-rich to tap into the value of their property without having to sell it. No repayments are required during the loan term. The capitalised interest, fees and charges are payable only when the loan is repaid or after the last borrower's death. As no repayments are required borrowers do not need to declare an income.

The borrowing limits depend on your age – the older you are the more you can borrow. As a general rule you can borrow between 15% and 40% of the value of your property.

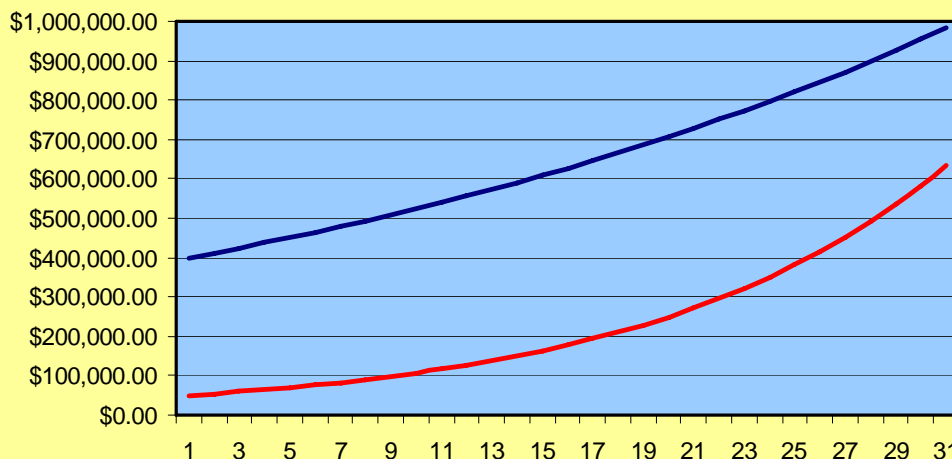
Borrowers should be aware that as repayments are deferred, interest and charges are compounding. This mounting debt on the home during the term of the loan erodes the owner's increasing equity from rising property values. This means there will be less available to pass on in their will.

There are only a few lenders in this market, a lack of competition allows the bank lenders to charge interest rates roughly one per cent above the standard variable rate. Borrowers can choose a variable rate, fixed for up to 10 years or even the life of the loan

If you are considering a Reverse Mortgage, Equitimax (and most lenders) recommend that you discuss this with your children, beneficiaries of your will, your financial and legal advisers.

Reverse Mortgage

(\$50k Loan, \$400k Property, 30 years)



Reverse Mortgage Example.

The BLUE LINE represents the value of your property. This example assumes a growth rate of 3%

The RED LINE represents an initial \$50,000 Reverse Mortgage Loan at an interest rate of 8.5%. Interest is capitalised (or compounded) for the life of the loan.

This example is generic and may not reflect your position. For more information please contact your accountant or legal/financial advisors.