

Refinancing a home loan with a reverse mortgage



FACT SHEET

What is refinancing with a reverse mortgage?

Refinancing a traditional home loan with a reverse mortgage allows homeowners over 55 to stay in their homes longer without the pressure of monthly repayments. Unlike a traditional mortgage, a reverse mortgage doesn't require regular payments. Instead, the loan is typically repaid when the house is sold, whether for lifestyle reasons or when the borrower moves into aged care.

Benefits of refinancing with a reverse mortgage

For many retirees, the burden of making monthly repayments on a conventional mortgage can be overwhelming, especially when relying on a modest pension. A reverse mortgage alleviates this stress by eliminating monthly repayments, freeing up cash for essential living expenses.

Example: If you currently have a mortgage requiring \$1,500 in monthly repayments and are on a pension of \$40,000 a year, nearly half of your income is tied up in mortgage payments. Switching to a reverse mortgage immediately improves your financial situation, providing more cash flow for daily needs.

Downsizing considerations

Many retirees think of downsizing to manage their finances. However, selling your home and buying a new one incurs significant costs, including real estate agent fees, moving expenses, and stamp duty, which can amount to 8% of your property's value.



By staying in your home and refinancing with a reverse mortgage, you may avoid these costs while still accessing equity from your property.

Flexibility in repayments

While there are no required repayments with a reverse mortgage, many homeowners choose to make voluntary payments. Even small, regular payments can significantly reduce the interest that accrues over time. This flexibility allows you to better manage your financial situation and reduce the long-term costs associated with your reverse mortgage.

Tools to help you decide

At Your Home Equity, we are developing an industry-first downsizer calculator that can help you evaluate the costs and benefits of staying in your home versus downsizing. This tool will make it easier to see the financial advantages of remaining in your home for a few more years.

How reverse mortgages work

A reverse mortgage is a unique type of loan designed specifically for Australians aged 55 and above, enabling you to access the equity in your home without the need to sell or make regular repayments. The loan is typically repaid when you sell your home, move into aged care, or when the last surviving borrower passes away.

With a reverse mortgage:

- **You retain ownership of your home.** There are no monthly repayments required, meaning you can free up cash flow to cover living expenses, healthcare, and do more in your retirement.
- **The amount you can borrow** depends on your age, the value of your home, and how much equity you have. The older you are, the more you can borrow with borrowing capped at 55% by age 90.
- **You can access funds** in a way that suits you—either as a lump sum, a regular income, a line of credit, or a combination of these options.

Interest is added to the loan over time and compounds, meaning the total loan balance increases as time goes on. However, you are not required to make any repayments unless you choose to, and you can remain in your home for as long as you wish.



Protections for borrowers

Reverse mortgages in Australia are strictly regulated by the government to protect borrowers and ensure transparency. Some key protections include:

- **No Negative Equity Guarantee (NNEG):** This legal safeguard ensures that you can never owe more than the value of your home. Even if property prices fall, you or your estate will not be liable for any shortfall when the home is sold.

- **Ownership rights:** You retain full ownership of your home. The lender does not take over the property, and the title deed remains in your name. You are free to sell your home at any time and repay the loan without penalties (though settlement and mortgage discharge fees may apply).

- **Clear terms and conditions:** All reverse mortgages come with clear terms, including transparency around interest rates, fees, and potential risks, so you know exactly what you're agreeing to.

These protections are designed to ensure that reverse mortgages are a safe and viable option for older Australians looking to access their home equity.

Independent legal advice

Before taking out a reverse mortgage, it's essential to seek **independent legal advice**. This is a mandatory requirement for all reverse mortgage lenders, and helps ensure that you fully understand the terms and conditions of the loan.

A solicitor will review the loan agreement, explain how the reverse mortgage contact works, and discuss any potential implications, such as how it may affect your inheritance or future financial plans.

At Your Home Equity, we always encourage clients to take their time with this decision and to seek comprehensive legal and professional advice. We believe in empowering our clients with the knowledge they need to make the best choice for their financial future.

Your Home Equity – Reverse Mortgage Brokers

At Your Home Equity, we specialise in reverse mortgage broking for Australians over 55. This is our sole focus, and we have more than 14 years of combined experience helping clients navigate their **financial options in retirement**.

What sets us apart:

- **We work for you, not the lenders:** As specialist brokers, our role is to find the best reverse mortgage product for your unique situation. We're accredited with Australia's leading reverse mortgage lenders, which gives us access to a wide range of options tailored to your needs.
- **Expertise and compassion:** We understand that the decision to take out a reverse mortgage is a significant one, and we're here to provide guidance without pressure. Our process is client-focused, ensuring that you feel comfortable, informed, and supported every step of the way.
- **No obligation consultations:** We offer no-obligation consultations, so you can explore your options and ask questions without feeling pressured to commit. We're here to make sure you have all the information you need to make a confident, informed decision.

Our mission is simple: to help older Australians live well in their retirement by accessing the wealth they've built in their homes. Whether you're looking to refinance, consolidate debt, top up your income, or fund home improvements, we're here to guide you through the process.

General Disclaimer

The information provided is correct to the best of our knowledge, but no warranty as to accuracy is given and each person or organisation should not act on the basis of its contents without taking appropriate advice.

The information in this guide is general in nature and has been prepared without taking into account the needs, objectives, or financial situation of any particular individual. Individuals should consider their own circumstances and, if necessary, seek professional advice.

All reverse mortgage products are subject to the terms, conditions and approval of the providers and fees and charges apply.

Please note that while the information set out in this guide is considered to be true and correct at the date of publication (08/02/2025), changes in circumstances after the time of publication may impact on the accuracy of information.



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