

Consolidating debt with a reverse mortgage



FACT SHEET

Why consolidate debt with a reverse mortgage?

Debt consolidation using a reverse mortgage is an effective way for homeowners over 55 to reduce financial stress. If you're dealing with multiple debts—such as credit cards, personal loans, or even loans from friends or family—this approach offers a way to manage these obligations more easily. With no monthly repayments required, you can consolidate high-interest debt into a reverse mortgage and free up cash flow.

How debt consolidation works

Many credit cards charge high interest rates (15–23%) and require minimum monthly repayments. By consolidating this debt with a reverse mortgage, you eliminate the need for ongoing monthly payments, allowing your funds to be used for other important expenses. This is particularly valuable for clients on a fixed income, like an age pension, who struggle to meet monthly repayment demands.

Example: A \$5,000 credit card debt typically requires a \$100 minimum monthly payment, which mostly covers interest. With a reverse mortgage, you can roll this debt into your loan and free yourself from these recurring payments.

Break the cycle of debt

Many older Australians face the pressure of paying off unsecured debt like credit cards or personal loans, often with little relief in sight. A reverse mortgage can break this cycle, giving you the freedom to regain control over your finances. By consolidating debt into a reverse mortgage, you can also set aside a cash reserve for future



emergencies, preventing you from falling back into debt.

The importance of voluntary repayments

Although a reverse mortgage doesn't require monthly repayments, making even small voluntary payments can help reduce the overall cost of the loan by lowering the compounding interest. This strategy helps clients manage their debt while preserving as much of their home equity as possible.

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.



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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.

Independent Legal Advice

Before taking out a reverse mortgage, it's essential to seek **independent legal advice**.

This is a legal requirement in Australia and helps ensure 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.



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