

What is lifetime occupancy with a reverse mortgage?



FACT SHEET

What is lifetime occupancy?

Lifetime occupancy is one of the most significant protections offered with a reverse mortgage in Australia.

It guarantees that as long as you meet your loan obligations (in other words, you do not default), you have the right to live in your home for the rest of your life.

This protection ensures that lenders cannot force you to move out or sell your home. This can provide you with the security and peace of mind to age in place.

For many retirees, staying in their family home is a deeply emotional and practical choice. Lifetime occupancy ensures you can do so without financial pressure or fear of losing your home due to the reverse mortgage loan.

How lifetime occupancy works

When you take out a reverse mortgage, the lender registers a charge (first mortgage) over your property. However, this doesn't mean you lose ownership of your home—**you remain the owner and keep your name on the certificate of title deed.**

If your loan is approved, the lender will make you a loan offer. In this offer document, the lender will provide a full definition of default events. For the purposes of this summary about lifetime occupancy, as long as you meet straightforward obligations, your lifetime occupancy guarantee remains intact:



- **Live in the home:** The property must remain your primary residence. This means you must live in the home for the majority of the year.
- **Maintain the property:** You need to keep the home in reasonable condition, ensuring it's safe and well-maintained.
- **Pay for insurance and rates:** You are responsible for paying and keeping up to date your council rates, home insurance, and any other applicable property expenses.

What lifetime occupancy protects you against

1. Lender eviction: The lender cannot force you to leave your home, regardless of property market conditions or the loan balance, as long as you meet your obligations.

2. Financial stress: There's no need to worry about monthly repayments, as reverse mortgages don't require any until the loan is repaid (usually after the house is sold and you have left the home).

3. Unexpected circumstances: If your home's value decreases or your loan balance grows due to compounding interest, lifetime occupancy ensures you still have a right to remain in your home.

Key benefits of lifetime occupancy

1. Stay in your home for life

Lifetime occupancy allows you to **enjoy the comfort, familiarity, and security of your own home for as long as you choose.**

This feature is particularly important for retirees who want to **remain connected to their community and maintain their independence.**

2. Financial security

Reverse mortgages are structured so that **you're not required to repay the loan while living in your home** (unless you choose to).

This guarantees financial flexibility while ensuring you retain your home.

3. Peace of mind for you and your family

Knowing **you cannot be forced to leave your home** brings peace of mind to both you and your loved ones.

It also gives your family clarity about your future living arrangements.

Considerations

• **Loan obligations:** It's important to stay on top of your obligations, such as maintaining the property and paying for rates and insurance, to retain your **lifetime occupancy guarantee.**

• **Plan for the future:** While lifetime occupancy allows you to remain in your home for life, it's helpful to plan for future lifestyle or health changes that may require you to move.

• **Impact on estate:** Any outstanding loan balance, including interest, may reduce the amount of equity in your home. This will affect any inheritance passed on to your family.

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.

Reverse mortgages can also provide the funds needed to secure your new property before your current home sells. This flexibility ensures that you can purchase a new home, cover costs like moving expenses and stamp duty, and move forward with confidence, even if your old home hasn't yet sold.



Example: A homeowner looking to downsize may need \$50,000 to prepare their existing home for sale and to cover moving costs. A reverse mortgage allows them to cover these costs without financial strain.

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.

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.

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.



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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