

Household Loan

Product information

For many retired Australians, accessing home equity can double their available assets to fund long-term retirement needs – income, contingency or aged care funding.

How can home equity can play a role in your clients' retirement funding strategy?

A Household Loan has been designed to work within Australia's retirement system. It enables those aged 60+ to access home equity with the protections provided through a reverse mortgage to enhance retirement funding and live a comfortable retirement.

Eligibility

- Borrowers aged 60+ who own residential property
- Available in metropolitan and major regional areas
- Property value to be greater than \$600,000
- Property types include houses, apartments/ units located on less than five hectares
- Owner occupied residential property. Secondary properties can also be considered.
- Applications may also be applied for under Power of Attorney subject to lender's approval
- Other occupants under the age of 60 residing in the home may be considered

Purposes

Top Up

- Supplement income through the regular drawdown option
- Top up appreciating assets, such as superannuation or an investment portfolio, to improve the longevity of retirement funding (this purpose requires financial advice)
- Establish a contingency facility to manage unexpected future expenses

Refinance & purchases

- Refinance an existing home loan or reverse mortgage to improve retirement lifestyle
- Purchase a home better suited to future needs
- Consolidate personal debts – council rates, insurances, credit cards and other
- Consolidate business debts – loans relating to past business activities

Live well

- Renovate the home to ensure its ongoing suitability throughout retirement
- Upgrade the car or improve retirement lifestyle choices such as a holidays

Care

- Medical and dental expenses, assistance to pay health insurance
- In-home care services
- Refundable Accommodation Deposits (RAD) or Daily Accommodation Payment (DAP) – (up to 5 years)

Give

- Help future generations when they need it most; for example, when buying their first home or for educational expenses

Quick facts

Loan parameters

- Minimum loan - \$50,000
- Maximum loan - \$2,000,000
- Structured as a mortgage over the residential property
- No ongoing payments required during the term of the loan (customers can elect to make voluntary repayments should they choose to at no extra cost or penalty)

Loan structure options

- Lump sum
- Regular payments made fortnightly or monthly for up to 5 years. Can be extended after 5 years.

	<ul style="list-style-type: none"> Contingency amount, which are funds set aside for unexpected situations, which can be drawn down over the initial 5 years. Maximum amount is the lower of \$200,000 or 50% of the available amount. All options can be used in combination
Loan to Value ratios (LVR)	<ul style="list-style-type: none"> Maximum LVR is 15% at 60 years old Maximum LVR is 45% at 90+ years old LVRs increase by 1% for each year – e.g. at 65 the LVR is 20% Maximum LVR is set at the youngest applicant or approved occupant LVR is applied to the valuation of the property to determine maximum loan facility size Higher LVR (+ 5%) maybe available for non-discretionary purposes e.g. refinance
Consumer protections	<ul style="list-style-type: none"> Lifetime occupancy - customer retains ownership of the home and can live there as long as they choose No regular loan repayments – i.e. no requirement to make regular loan repayments, however customers can make repayments at any time, with no penalty No Negative Equity Guarantee provides customer comfort that should the loan be greater than the value of the home, the amount repayable is capped at the value of the security property Equity Protection – in addition to the No Negative Equity Guarantee, customers may choose to protect a percentage of the eventual net sale proceeds of the home (up to 20%) Independent legal advice required Independent financial advice required only if loan proceeds are to be invested It is recommended that customers discuss their situation with Centrelink to understand the impact a Household Loan may have on Centrelink entitlements
Fees	<ul style="list-style-type: none"> Establishment fee - \$950 Valuation fee not payable up to \$2m; for properties over \$2m, a \$950 valuation fee applies No regular advance or drawdown fees Future variation or consent fee - \$250 Discharge fee - \$250 (plus 3rd party fees) Mortgage registration and discharge fees payable by Household Capital
Interest rate & payment arrangements	<ul style="list-style-type: none"> Current rates are available on our website Interest is compounding (calculated daily and debited monthly) Customer may elect to make full or part interest payments at any time through BPay Current loan balances are conveniently accessed via the online customer portal Contingency payment requests completed within two business days
Repaying loans	<ul style="list-style-type: none"> The loan is fully repayable when a repayment trigger event occurs (unless in default), when the last borrower or approved occupant moves permanently from their principal place of residence. Repayment trigger events include: <ul style="list-style-type: none"> Property is sold - repayment at settlement Up to 5 years from when the last borrower or approved occupant moves into aged care Within 365 days of when the last borrower or approved occupant passes away or ceases to reside in the property Customer may elect to make full or part interest payments at any time through BPay Loans may be repaid (in part/full) at any time without penalty Redraw not available
Broker remuneration	<ul style="list-style-type: none"> 0.8% upfront on approved amount at settlement / 0.2% trail on drawn funds Alternatively, 0.3% referral fee for brokers who are not accredited.

Contact

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Important information: Applications for credit are subject to eligibility and lending criteria. Fees and charges are payable, and terms and conditions apply (available upon request). Household Capital Pty Limited is a credit representative (512757) of Mortgage Direct Pty Limited ACN 075 721 434, Australian Credit Licence 391876. This document is issued on 16 November 2022.

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