REVERSE MORTGAGE
Guide

MORTGAGES by Carlos

General Information

What is a Reverse Mortgage?

A reverse mortgage is a loan to people aged 60 and over secured against their residential property. The loan enables senior home owners to release some of the equity trapped in their home, to assist them to enjoy their retirement with independence and dignity, without having to sell the home.

Who is Heartland Seniors Finance?

Heartland Seniors Finance is Australia's largest specialist provider of reverse mortgages. Established in 2004 they have helped thousands of senior Australians live a better retirement.

Heartland has an award winning product, which provides seniors the financial freedom to spend their retirement how they choose, with independence and dignity. Heartland's product is flexible, offers considerable customer protection, and is backed up with excellent service.

Heartland's has been named "Best Reverse Mortgage Provider" by Canstar and its' product awarded "Best Reverse Mortgage" by Money Magazine for seven years in a row.

As a specialist lender, Heartland Seniors Finance understands the needs of older borrowers and is proud to offer an important funding alternative for Australian pensioners and self-funded retirees. With flexible criteria and innovative loan products, Heartland Seniors Finance is the reverse mortgage lender of choice for Australian seniors.

Why a reverse mortgage?

More and more senior Australians are finding it difficult to live the retirement they hoped for and deserve. Funds from a Heartland reverse mortgage can be used for virtually anypersonal purpose.

Heartland's product is flexible, allowing borrowers to draw down funds up front, have funds advanced regularly to supplement their income and have funds set aside for future needs. Borrowers also have the flexibility to repay the loan, in part or in full, at any time, without penalty.

Borrowers continue to own their home, and benefit from any increases in the property value.

What are the main benefits of a reverse mortgage?

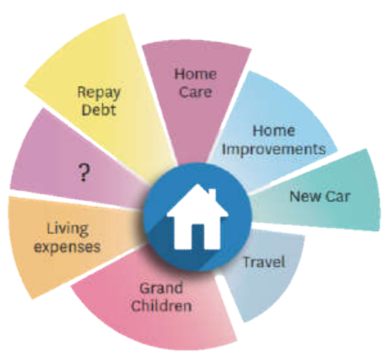
The Heartland Reverse Mortgage is designed to provide customers with the financial freedom to enjoy their retirement accessing some of the money tied up in the family home by taking out a loan secured by the property.

Borrowers do not need to make regular loan repayments and can continue to live in their home for as long as they wish, benefitting from any potential increase in property values. The total loan amount including accumulated interest is repayable when the customer moves permanently from the home. This may occur when the property is sold or when the last surviving borrower moves in to aged care or passes away.

What can borrowersdo with the money?

Borrowers may use the funds from their reverse mortgage loan for any personal purpose. The most common uses being:

Home Repairs or Improvements.	New bathrooms and kitchens feature regularly but full makeovers are not uncommon. Modifying the home to better meet the needs of people as they age often comes up.
Travel.	Borrowers often use loan funds to travel to see friends and family or tick something off their bucket list.
Medical Expenses.	Costs that are often not planned for and can be considerable.
Debt Consolidation.	Repaying principal and interest loanswill free borrowers from the repayment commitment. Clearing expensive credit card debt and ridding themselves of the need to service the monthly repayments is very common.
Motor Vehicles.	A safe, trouble free car allows people to get out of the home and do the things they enjoy.
In home care.	Remain safely in the family home and get the services needed delivered to the door.
Supplementary income.	Create a regular payment stream (monthly, quarterly or annually) with funds dropped into the borrowers bank account
Permanent Residential Aged Care.	Moving into permanent long term care is very expensive and borrowing against the former home rather than selling it is appropriate for some people.



What protections are in place?

Customer Protection:

Heartland recognises that taking out a reverse mortgage is a big decision. To provide peace of mind, a Heartland reverse mortgages includes three promises* to provide borrowers with peace of mind.

Promise one Lifetime Occupancy	Your home will remain the place you live for as long as you choose.
Promise two No Negative Equity guarantee	The amount required to repay the loan will never exceed the net sale proceeds of the property.
Promise three Loan Repayment	There is no requirement to make any loan repayment until the end of the loan, but you are free to do so at any time.

Loan Specifics

Some of the criteria of the Heartland Reverse Mortgage.

Customer Criteria	Customers must be aged 60 or over with a maximum of two customers being able to applyunder one loan.
Property criteria	Residential property of conventional construction and in good repair. The property can be the borrower's principal residence, investment property or holiday home. It must be mortgage free unless the loan is used to repay any outstanding mortgage. The minimum property value we will consider is $200,000 and is also dependent on location. Loans cannot be secured against properties in Retirement Villages.
Minimum loan	The minimum loan amount is $10,000.
Maximum loan	The maximum amount available to borrow is calculated by applying a Loan to Value Ratio (LVR) which is based on the age of the youngest customer applying for the loan. The LVR is applied to the valuation of the property. The LVR's commence at 15% for age 60 and increase by 1% for each year. The ages and LVRs shown are examples. If the security property is an Investment Property or Holiday Home, the maximum amount available is reduced by 10%.

Age	LVR
60	15%
70	25%
80	35%
90	45%

Payment options	The following options are available: Lump sum. Funds required for immediate use. Regular Advances paidmonthly, quarterly or annually over 5 or 10 years. Cash Reserve facilitywhich enables the customers to "reserve" an amount up to the difference between the funds initially taken and the maximum loan entitlement. All of the above can be used in combination
Equity protection option	Customers can choose to protect 10%, 20% or 50% of the net proceeds from the sale of the property. This means that at all times the percentage protected is theirs, irrespective of the loan balance on discharge. Choosing the Equity Protection Option will reduce the loan amount available by the percentage selected.
Early repayment	There are no early repayment fees Loan repayments are optional and can be made at any time
Loan repayment	Provided the customer is not in default and unless the Aged Care Option applies (which has a 5 year maximum term), the only time the loan will need to be repaid is when the last customer passes away, moves into permanent long-term care or the property is sold.
Interest Rate and Fees	This is a variable rate loan, currently 6.19%pa (Comparison rate 6.21%pa^) and subject to change. Interest is compounding (calculated daily and debited monthly)

Clients most frequently asked questions

Will I continue to own my home?

This is perhaps the one of the most important of the reverse mortgage FAQs. Yes, you will always own your home and continue to live in it as long as you wish and benefit from any capital growth. Only when you move permanently from your home (or in the case of joint applicants, when both of you have moved permanently from your home) will the loan be repayable.

How do you value my home?

We will arrange for a registered valuer to visit your home to assess its value. A copy of this assessment will be provided to you. You may need to pay for the cost of the valuation, which will depend on the location and value of your property.

How and when is my loan repaid?

Your Heartland Reverse Mortgage, including accrued interest, is only due to be repaid when you move permanently from your home, when the property is sold or the last nominated borrowermoves out of theirhome or passes away. The loan is usually repaid from the sale proceeds of your propertyand the balance is then retained by you or your estate. If you are moving into long term care, the loan would need to be repaid unless you are eligible and chose to apply for our Aged Care Option for 5 years (terms, conditions, credit criteria and fees apply).

Although the Heartland Reverse Mortgage is designed to last for as long as you wish to keep your home, you may repay all or part of your Heartland Reverse Mortgage at any time without penalty, providing you with flexibility to manage your finances in the way that suits your needs. With a Heartland Reverse Mortgage you do not need to make regular repayments.

Can I increase my loan amount?

When your Cash Reserve facility (if any) is fully drawn you can apply to increase your total loan amount. Increases are based on the age of the youngest person, the current property value and the total loan balance, at the time of application.

A Further Advance Fee will apply and a review of the value of your home will be required. This will be confirmed at the time of application. You will also be required to obtain independent legal advice on the Further Advance loan agreement.

What are my obligations under the Loan?

While no repayments are required whilst you are living in your home, you do have to continue to pay your rates and insure your property. You also have to keep your property maintained. If you do not meet your obligations under the mortgage, Heartland Seniors Finance may be unable to honour its promises to you.

Do I need independent legal advice?

It is important that you are completely happy with all aspects of your Heartland Reverse Mortgage. To ensure this, the legal advice on your loan agreement must be carried out by a solicitor of your choice, who will represent your interests and work with you to explain and discuss your loan.

Common misconceptions

Over the years there have been some misconceptions and misinformation about reverse mortgages. Some of the more common are:

Misconception: Interest is charged on the approved loan amount even if it's not yet drawn down.

Interest accrues only on funds actually drawn. Cash reserve funds not yet accessed and future regular advance amounts do not incur interest until drawn down.

Misconception: The bank owns your home

With a reverse mortgage, the borrower retains ownership. The loan is secured by a mortgage over the certificate of titlejust like with any other mortgage loan.

Misconception: You can end up owing more than your home is worth.

Reverse mortgages come with a No Negative Equity guarantee* meaning that, as long as the loan terms and conditions have been adhered to, the amount required to repay the loan will never exceed the net sale proceeds of the property. This is a non-recourse loan which means other assets are not at risk.

Misconception: When the borrower dies, the bank will sell the home.

Families of the borrowers have 12 months to sell or pay off the mortgage.

Misconception: There are no payments on a reverse mortgage including taxes and insurance.

Borrowers must continue to pay applicable property rates and insurance, as well as occupy the home if it is their principal residence.

Misconception:Government income support such as the age pension will be affected

Government income support payments such as the age pension are usually not affected by a reverse mortgage. Borrowers should consult with Centrelinkto ensure there are no unintended consequences on their eligibility for government benefits.

Disclaimers &Disclosures

Disclaimer	When to use	Text
General	All	**IMPORTANT NOTICE**: Information provided is accurate as at 27 January 2016 and may change from time to time. Individuals should consider their own objectives, financial situation and needs and seek appropriate advice. Applications are subject to Heartland's normal loan approval criteria. Terms and conditions apply. Credit provided by ASF Custodians Pty Ltd (ACN 106 822 780 / Australian Credit Licence No. 386781).
Comparison rate	A comparison rate is a rate that all lenders by law must display next to their advertised interest rates.	^The comparison rate is based on a loan of $150,000 secured for a term of 25 years. Please note the comparison rate only applies to the examples given. Different loan amounts and terms will result in different comparison rates. Costs such as redraw fees and cost savings, such as fee waivers, are not included in the comparison rate but may influence the cost of the loan.
Terms and conditions apply / Customer Protections	No negative equity guarantee or when referencing customer protections or Heartland Promises	*Subject to complying with the terms and conditions of the Heartland Reverse Mortgage. You will not owe more than the net sale proceeds of your home and you can keep your home for as long as you choose.

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