REVERSE MORTGAGE SECRETS

Seniors First
Specialist Finance

How to enjoy your home equity safely and save thousands

- SPECIAL CONSUMER REPORT -

READER FEEDBACK & ENQUIRIES

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REVERSE MORTGAGE SECRETS

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A message from the Managing Director

Once considered a 'fringe' financial product that was little understood by the media and the public, reverse mortgages have, over the last few years, become an established part of the financial mainstream.

There are now a number of lenders offering these products, and an established industry of properly accredited advisers exists to best serve the needs of senior borrowers. Even the federal government has become involved, with the recent launch of their 'Equity Release / Reverse Mortgage Information Service' (ERRMIS).

As more seniors discover the limitations of the aged pension, 'releasing equity' from the home has become an increasingly popular solution for 'asset rich but cash-poor' retirees. Indeed, there are now more than 38,100 households with a reverse mortgage in Australia. (source: SEQUAL Report, 2009)

With the advent of the global financial crisis, many self-funded retirees have unfortunately experienced significant and unexpected falls in the value of their retirement savings. Reductions of forty per cent or more in the value of superannuation and investment values are not uncommon. These retirees are now facing a future that looks very different from just a few short years ago, and many are considering equity release finance for the first time.

Whether you're a pensioner or a self-funded retiree, if you're thinking about a reverse mortgage as a possible solution it's essential that you get good information. These loans are not for everyone, but if handled with care they can be a safe, highly effective tool for creating a better lifestyle. This report aims to correct the common misconceptions, and answer your questions by providing accurate, practical information.

Better still, we share ten 'Reverse Mortgage Secrets' that will show you how to enjoy your equity safely and save thousands. I recently discussed these 'tips of the trade' on a top-rating breakfast radio program and the public response was overwhelming. Once you've read this report, you might also find yourself wanting to explore the options available to you. Please feel free to call the office and talk to one of our friendly Area Managers – we're here to help, and best of all our service is free.

Darren Moffatt
Managing Director

PS: You can also keep up to date with the very latest news by checking our blog at www.reversemortgagewatch.com.au

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About Seniors First

Seniors First Specialist Finance was the first major mortgage broker group in Australia to specialise in reverse mortgage and equity release finance. We are widely recognised as industry leaders and are a two-time finalist at the Australian Mortgage Awards for 'Reverse Mortgage Broker of the Year' (2007 and 2008) and was winner in 2009.

Seniors First is not a lender, but rather an organisation that has access to many different providers. In this way, we can better serve the interests of seniors by offering a 'whole of market' viewpoint, superior product choice, and a level of expertise that is currently not widely available.

Seniors First also has a strong consumer advocacy focus, pushing for greater ethical practice in the equity release industry and for greater financial protection for seniors. Seniors First has published a Code of Practice as a practical guide for staff and other intermediaries. This code has been backed by some of the industry's biggest players.

Secret #1

Only take what you need as a lump sum

It may sound like common sense, but people often borrow much more than they immediately need and stockpile surplus funds in their bank account. This results in a higher interest bill than necessary, and can also possibly affect pension entitlements under the asset test. Recent improvements in the way these loans work, mean that it's no longer required to borrow a larger lump sum upfront, in order to cater for future needs.

Therefore, on a day to day basis we assist senior consumers with:

- Quality, independent information
- Access to a wide variety of lenders & products
- Guidance with the transaction every-step-of-the-way

Seniors First was founded on a very simple principle: seniors themselves are the best people to provide other seniors with consumer help. That's why Seniors First is the only financial institution operated by seniors. Our Area Managers are aged over 55 and many have strong backgrounds in banking and finance. As such, we have a unique understanding of the issues facing older Australians seeking retirement finance.

All staff are fully trained and qualified and have completed:

- Lender Accreditations;
- An extensive in-house training program; and
- The industry benchmark training course, 'Equity Release Plans'

Australian population trends – why you're not alone

It probably comes as no surprise to you that the nature of the Australian population is changing rapidly.

Secret #2

Consider an INCOME PLAN and save $$$

People often first begin to consider a reverse mortgage because they are having trouble meeting normal living costs. Under these circumstances, an 'income plan' should be strongly considered over a lump sum. Because you are only charged the interest as the money is credited to your account each month – rather than on the whole amount from day one – the interest saving can be very substantial indeed. Eg; a total loan of $100,000 taken as a lump sum would be about $70,000 more expensive over ten years than if taken as an equal monthly instalment over the same period!

There has been much already written about the ageing of the population, but just to recap some key points:

- There are over 3 million people currently sixty years or older
- More than 200,000 will turn sixty each year between now and 2031
- By 2031 approximately 21% of Australia's population will be aged 65 years or older (a dramatic increase from 8.5% in 1961)

(source: Australian Bureau of Statistics)

So, it's clear that more people than ever before in the history of this nation are approaching retirement.

Fact: The reality for most people in this group is that they will have to fund their lifestyle from the government aged pension.

- More than 2 million people over sixty years of age currently rely on some form of government pension

The immediate future generations of retiring workers will enter their senior years with a significant shortfall in retirement savings. This is largely because employer contributions to staff were only mandated by government at the current level of 9% in 1993.

- The superannuation industry estimates that the retirement savings gap may be as much as AUD$600 billion.

(source: Datamonitor; Reverse Mortgages in Australia & New Zealand 2005)

If your working life was conducted during the 50's, 60's, and 70's, then you're unlikely to have accumulated much superannuation. It just wasn't the done thing back then.

Good news: Home ownership in Australia is extremely high by world standards.

In essence, the equity you have in your own home is another form of enforced saving. Taken as a whole across the nation, this presents as an obvious solution to the shortfall in retirement savings. Until quite recently, Australians wanting to access some of this value often had to sell their property, or downsize. Thankfully, there is now another way.

Equity Release – a solution to a growing problem

It's evident then, that increasing numbers of Australian pensioners and self-funded retirees have insufficient cash required to make important purchases, or enjoy the lifestyle they deserve. In order to make ends meet, many people simply go without or unnecessarily sell the family home. Unfortunately this often results in a lower quality of life than they expected in retirement.

Equity release provides an alternative solution that is becoming increasingly popular with Australian seniors.

→ The number of asset-rich, cash-poor taking out new reverse mortgages increased by 4% in 2009. Across Australia, 38,100 households have now borrowed a total of $2.61 billion via reverse mortgages.

(source: SEQUAL)

Equity Release can best be defined as:

A financial transaction that allows seniors to convert some of the value in their property for cash without having to sell their home.

In the U.S & the U.K, where equity release has been popular for 20 years, there are a number of product categories that achieve this. In the Australian market, at the time of writing, there are only two:

→ Reverse Mortgage
→ Debt-free (part-sale) equity release

What is a reverse mortgage?

Reverse mortgages are loans that have been designed especially for senior borrowers. These facilities allow people over 63 to convert the equity in their property into cash for any worthwhile purpose. No income is required to qualify. Although interest is charged like any loan, the borrower is not required to make repayments (although they can usually make voluntary payments if they wish).

Secret #3

Take CONTROL with a line of credit

It is still not widely known that many reverse mortgage lenders now offer a 'line of credit' option. This is a very positive development that empowers the borrower with complete control over when they take the funds, and how much. You can have all the funds available all of the time, but you attract ZERO interest until you need to use it, and then only on the money you draw. This is great for emergencies and unexpected costs.

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→ Standard credit product that falls under the Uniform Consumer Credit Code (U.C.C.C)
→ No change in ownership status of property
→ No income required to qualify
→ No repayments necessary

Fact: You are not selling any portion of your home under a reverse mortgage; this is a common misconception. You continue to retain full ownership of your home and enjoy the benefits of any future capital growth.

How does it work?

As with most conventional home loans, a reverse mortgage is secured by a registered first mortgage over the borrower's home. The main difference is that the interest accrued each month is 'capitalised' -charged back to the loan account - and will compound over time, i.e. the balance of the loan will increase unless voluntary payments are made.

Fact: Unless regular voluntary repayments are made, the debt will grow over time, and the capitalised interest will also compound.

Good news: Historical data strongly suggests future long-term growth in property values should largely offset compounding interest in most cases.

Secret #4

Only use SEQUAL lenders

There are now 12 lenders providing reverse mortgages in Australia, but only 9 belong to the Senior Australian's Equity Release Association of Lenders (SEQUAL). These lenders account for 95% of the market. Lenders belonging to SEQUAL abide by a strict code of practice, require that you obtain mandatory legal advice, and offer a 'No Negative Equity Guarantee' that provides borrowers with the maximum level of consumer protection currently available for these loans.

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Did you know?
The national annual increase in residential property, between 1980 and 2004, was an average of 8% per annum (source: Real Estate Institute of Australia)

Try this simple exercise: How much did you pay for your home, and how much is it worth today?

What will happen to my equity over time?

The level of equity you retain in your home will depend on a number of factors:

1) The length of time your reverse mortgage runs for
2) The level of future house price growth in your home
3) The interest rate charged on your Reverse Mortgage

It is not possible to predict with certainty what house prices (or interest rates) will do in the future. Australia has enjoyed a long and stable period of growth in house prices over the last 30 years. However, this is no guarantee of what might happen over the next 30 years.

While it is impossible to say with certainty what is going to happen to an individual loan, it is possible to give examples. The following graph demonstrates what may happen to the total loan balance and resulting equity value remaining in the property where a simple lump sum is taken.

Assumptions:

- An initial home value of $400,000
- An interest rate of 7.0%
- An annual property growth rate of 4%
- A lump sum loan of $80,000

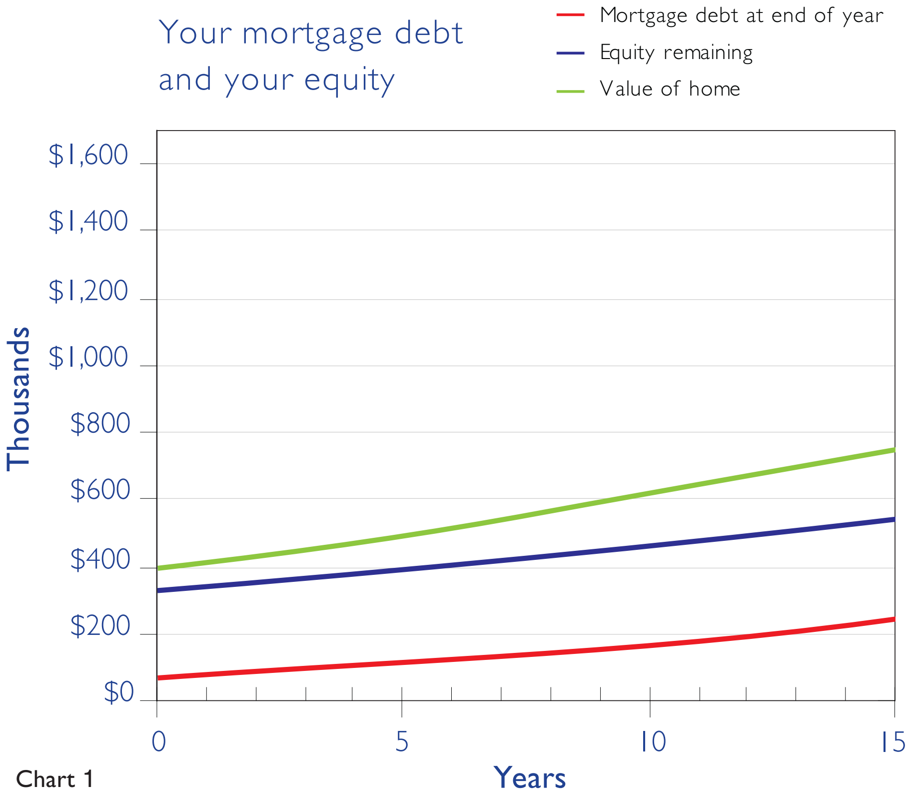

Chart 1

Year	Total loan balance	Remaining equity	Property Value
0	80,000	320,000	400,000
5	113,000	373,000	487,000
10	161,000	431,000	592,000
15	228,000	492,000	720,000

How much can I borrow?

Many of the lenders have similar criteria for determining how much you can borrow. Once the current market value of your property has been estimated by an independent valuer (appointed by the lender), a maximum percentage called the loan-to-value-ratio (LVR) is applied to that value based on the applicant's age. These ratios are very conservative by conventional standards, and this acts as an inbuilt protective mechanism for both the lender and the borrower.

Did you know? The older you are the more you can borrow.

Some of the lenders increase the LVR by 1% with each year lived. In cases where there are two applicants (eg; husband and wife), the maximum amount you can borrow is usually based on the age of the youngest borrower.
A summary table illustrating the most common lending parameters is below.

Age	60	63	70	75	80	85	90	95
LVR	n/a	15%	20%	30%	35%	40%	45%	50%

Example: Bob is 71 and his wife Jane is 68, and both are receiving the full government pension. They've decided they want to buy a new car and take a holiday. If possible, they also want an on-going, additional income that won't reduce their pension.

Although they bought their home 30 years ago for $60,000, the property is now worth $500,000. Based on Jane's age of 68, they can access a maximum of 18% of its current value which means they can borrow a total of $90,000.

$500,000 @ 18% loan-to-value-ratio (LVR) = $90,000 max.

How can I access the funds?

These loan products are becoming more flexible and increasingly sophisticated as the market develops.

Secret #5

Check with Centrelink

If you are receiving the government aged pension (or you think you will be in the future), you should check with Centrelink before signing any loan contracts. Contact your local Financial Information Services (F.I.S) officer to confirm that your proposed loan facility will not have any unwanted effects on your pension.

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Currently the borrower can access the funds either as:

- a lump sum deposited into a nominated bank account at settlement
- a series of monthly payments over an agreed term, often referred to as instalment option, or income plan
- a cash reserve (also known as a line of credit)
- or a combination of the above

Lenders also offer a range of different interest rate options, however the most common are:

- Variable – will fluctuate with changes in the official interest rate set by the Reserve Bank
- Capped variable – will fluctuate, but has a ceiling through which it is guaranteed not to go beyond
- Fixed term – locked in for a set term eg; 1 year, 5 years, 10 years etc.
- Fixed for life – (only available for those over 75 yrs) locked in for as long as you live

The business or institution that you approach for this finance should be able to offer most of the options listed above. If they are unable or unwilling to do so, your individual needs may not be adequately met and you should consider going elsewhere.

How can I use the money?

You can use the funds for any purpose – the choice is entirely yours. Some purposes may affect pension entitlements, so it is essential that you check first with Centrelink if you are receiving the aged pension.

Some of the more popular options are:

- Travel
- A new motor vehicle
- Home improvements
- Refinance debt
- Pay medical expenses
- Increase monthly income
- Assist the children or grandchildren
- Accommodation bonds for aged care

When is the loan repaid?

Different 'trigger events', depending on the lender you choose, can determine when repayment of the debt is required. The debt, including the entire original principal and all the interest owed, is repaid when either:

- You sell the property
- You move permanently into aged care
- The last surviving borrower passes away

Increasingly, lenders do not require payment of the loan if the borrower(s) move into aged care.

Did you know? Many providers also offer a 'portability' clause which allows you to transfer the loan to a new security property in the future. This is a particularly important feature to request if you think you might move or 'downsize' in the future.

Case study

Ron and Carol have worked hard all their life and are proud that they own their own home. Although they only paid $55,000 for their home in the '70's, it's done well over the years and is now worth about $400,000. Both now 67 years of age, they've been retired for 5 years and although they were enjoying their retirement, Ron's small amount of superannuation ran out recently and they've been struggling to make ends meet. They've cut back on spending and socialising, and although life isn't as much fun anymore with the pension as their only income source, they have enough money to scrape through most weeks.

Lately however, their old car has been giving them trouble and Ron's keen to sell it before it breaks down. Carol's also unhappy with the kitchen; it hasn't been upgraded in nearly 30 years. They decide to investigate these reverse mortgages that everyone is talking about. Initially they approach the local bank but the interest rate seems a bit high, not to mention the monthly fees. With their home worth $400,000, they're told they can access about $68,000. They don't need this much, but are told whatever they borrow they must take as a lump sum, which means they'll accumulate interest on the entire amount from the start.

Secret #6

Seek quality independent legal & financial advice

In a positive development, many lenders are now providing simple loan documents in plain English which are much easier for consumers to understand. However it's crucial that you are fully informed of your legal obligations under contract, and that you clearly understand the possible cost of the loan over the long term. Be sure to seek out good legal and financial advice, and check that your advisers have some experience of these financial products.

Ron and Carol aren't sure about this, so at the suggestion of a friend who already has a reverse mortgage, they contact a specialist broker to investigate other options. To their amazement, they discover a whole range of lenders offering much better rates and more flexible loan products. In the end, they opt for a lump sum of $20,000 for a new car and kitchen, a regular monthly instalment of $300 over ten years to assist with general living costs, and a cash reserve of $15,000 to cover any unexpected future bills.

By using the specialist equity release broker they got a better rate, saved a lot of money, and have more control over how they use their equity in retirement.

Is it safe?

For many people, this is the 'sixty-four million dollar question'. The home is after all usually a family's biggest asset, and also custodian of a lifetime's memories. It's only natural that consumers should proceed with caution. However if handled with care, these loans can provide a better lifestyle whilst maintaining the security of home ownership.

Ultimately, individuals must make up their own minds with regard to their level of acceptable risk. There are however, two key areas to consider when making any assessment on the pros and cons of reverse mortgages:

a) LENDERS AND PRODUCT
b) SELLING PRACTICES

a) LENDERS AND PRODUCT

"I think Australian products are probably of a higher quality than anywhere else in the world, and the products here are a lot better in terms of range. In the US, for instance, they are only just coming around to fixed interest products … in the UK there's been a lot of blunt instrument, large lump-sum type products, and they have more reversionary products there as well."
Martin Lynch, Director of Reverse Mortgages, Royal Bank of Scotland

"The increasing use of income stream and line of credit facilities enables borrowers to borrow what they want, when they need it."
Kevin Conlon, Chief Executive Officer, SEQUAL

Good news: In many ways, Australians are already reaping the benefits of overseas experience with reverse mortgages.

Although these loans have been around for more than two decades in both the U.S and the U.K, mistakes were made and past product design was often poor. A long process of evolution and development has delivered a current generation of products far superior in terms of flexibility and consumer protection. The local lenders largely adopted these from the outset, and continue to innovate regularly.

In addition, the Australian industry has been quick to self-regulate with the formation of the peak industry group, SEQUAL.

Secret #7

Avoid the big banks and save $$$

Although some of the big banks were among the first to offer reverse mortgages, they have been well and truly left behind by the emergence of specialist lenders over the last few years. With better products, much lower interest rates and, crucially, no monthly fees, you may save many thousands of dollars by avoiding the mainstream banks. Eg: On a lump sum loan of $100,000 with one of the major banks you would currently pay 7.71% interest and $12 a month in fees. Compared to one of the specialist lenders, with a rate of 7.4% and no fees, the bank would cost you $36,000 more over 20 years!

What is SEQUAL?

SEQUAL stands for "Senior Australian's Equity Release Association of Lenders". This is an industry body that oversees the responsible provision of these facilities to the public.

All SEQUAL lenders:

- Abide by a strict code of conduct
- Insist the borrower obtain independent legal advice
- Provide all borrowers with a "No Negative Equity Guarantee"

For more information check out: www.sequal.com.au

Secret #8

You CAN protect equity for beneficiaries

Many lenders now offer a feature called 'Protected Equity'. This allows you to quarantine some of your home's value for your children or the beneficiaries of your estate. This ensures a portion of your equity is set aside from any future sale.

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What is a "No Negative Equity Guarantee"?

All SEQUAL lenders give a guarantee that should the debt grow to such a level over time that it exceeds the value of the security property realised at sale, then neither the borrower, nor beneficiaries of the estate, can be pursued for this shortfall after the sale has been concluded. Put simply, if the sale of the security property is not enough to cover the debt, the lender wears the loss.

In addition, the lender cannot force the borrower from the property if they think the debt may have grown to a level where a shortfall may occur.

While the presence of these guarantees with SEQUAL lenders gives borrowers greater peace of mind, a recent Choice report suggests there is some variation in the quality of these undertakings between the lenders. Some lenders make their guarantee conditional upon the borrower not being in default under the terms of the contract. For instance, if you have not continued to insure your home or pay your rates, you may be in breach and the lender may technically not be required to honour the No Negative Equity Guarantee.

For more information check out: www.choice.com.au

There are now 12 providers of reverse mortgage products operating in the domestic market, an increase from just six providers four years ago. Whilst the increased competition is great for consumers, the sheer breadth of choice can leave some seniors bewildered. In order to maximise consumer protection, senior borrowers should use SEQUAL-accredited lenders wherever possible.

Did you know? Of more than 12 lenders currently active in the Australian market, only 9 lenders belong to SEQUAL.

Note: Seniors First only uses these SEQUAL lenders for the provision of reverse mortgage finance.

b) SELLING PRACTICES

In an effort to understand a complex market and source better lending solutions, more and more senior borrowers are turning to third-party introducers such as financial planners and mortgage brokers for guidance.

The proportion of borrowers going direct to the bank or lender is declining:

→ In 2009 47% of all new reverse mortgage loans were sourced through brokers and financial planners.

(source: SEQUAL)

Although the benefits of dealing with an 'expert' in this field are self-evident, most conventional mortgage brokers fall a long way short. Because these products are still relatively new, very few have completed any of the accredited training courses. This is slowly improving due to the commendable efforts of the FBAA and SEQUAL, but most still appear to have less than satisfactory product knowledge according to the Choice Report (Feb, 2007).

Consumers should be careful who they use, and should strongly consider a broker or company that specialises in equity release finance (such as Seniors First). When approaching any broker or third party for assistance it pays to ask questions first so that you can be confident they'll serve your interests well. Use the following checklist as your guide.

Secret #9

Consider viable alternatives to reverse mortgages

Reverse mortgages will not always be the best solution for accessing some of the equity in your property. Obtaining the agreement of family or children to help fund your cash-flow in retirement may be possible in some cases. Alternatively, selling the home and downsizing can be more appropriate, although you need to weigh up the substantial transactional and emotional costs in doing so.

Ideally your broker should be able to provide:

- The choice of at least two to three different lenders
- Access to lump sum, line of credit, and income/ instalment plan options
- Access to fixed, variable and 'fixed for life' interest rate options
- An accurate equity & interest projection using a recognised reverse mortgage calculator
- A summary of likely fees and charges

WARNING: Be especially wary of mortgage brokers or other third parties who attempt to sell you 'Lo Doc' or 'No Doc' loans instead of a true reverse mortgage. Generally speaking, these loans are NOT designed for pensioners and retirees and can quickly escalate out of control.

Be wary of the tell-tale signs that could indicate you are not being provided with a proper reverse mortgage:

- You are being pressured to take a much larger loan amount than you are comfortable with
- You have been asked to supply an Australian Business Number (ABN) for an 'investment loan'
- The loan-to-value-ratio (LVR) is much higher than the parameters published earlier in this report
- You have been asked to sign an 'income declaration' with an inaccurate estimate of your income
- You're being charged a large 'brokerage fee' on top of the fees charged by the lender

Did you know? The Choice Report into reverse mortgages (Feb '07) covers these issues in more detail. This is recommended reading and can be found at www.choice.com.au

Getting advice

Obtaining professional advice and consulting with family is an important part of the process when considering a reverse mortgage. Your personal and financial circumstances will dictate whether a reverse mortgage is an appropriate product and what other options might be available to you.

Centrelink

It is possible in many cases to structure your reverse mortgage so that it does not reduce the amount of aged pension income you currently receive. However, the outcome will depend on your individual situation and the lender or broker cannot properly advise you in this regard. ALL borrowers in receipt of the government aged pension should speak with a Financial Information Services (F.I.S) officer at a Centrelink office before signing loan contracts.

Legal advice

All reputable lenders will require you to receive independent legal advice as a standard part of the transactional process. Often the loan contracts will be sent to your nominated solicitor, who then should provide a full review and explanation of the terms and conditions.

Did you know? There is often a wide variation in the price charged by solicitors for this advice. It helps to shop around and also to check if your solicitor has previously encountered a reverse mortgage contract.

Financial advice

In addition to the mandatory legal advice that lenders require, you may also wish to seek independent financial advice from a qualified financial planner or accountant. This may also be required by some lenders in any case.

Family

It can also be a good idea to talk with any beneficiaries or family before making an application for finance. In most cases, the repayment of your reverse mortgage will affect the value of your estate, so ideally such a transaction should be discussed with any relevant parties. It is often the case that the grown adult children are actually very supportive of their parents enjoying a quality of life in retirement, even at the expense of a reduced inheritance.

Secret #10

Use a specialist broker to find the right solution for you

As you may have gathered from this report, Equity Release is a complex and highly dynamic market. If you are considering senior's finance, your future may benefit greatly from fully independent expertise in this area. There are a small, but growing number of specialist brokers (such as Seniors First) who have the market knowledge to ensure you obtain a solution suitable for your personal circumstances, and possibly save you thousands of dollars.

The Future

It is anticipated that the equity release market will continue to grow rapidly over the next few years as the baby boomer generation begins to enter retirement in significant numbers.

In addition, many Australian seniors have been directly affected by the sharp reduction in superannuation and share values caused by the global financial crisis In particular, there is growing demand amongst self-funded retirees for equity release products as a means to fund these unexpected shortfalls in retirement savings.

Although a number of lenders temporarily exited the reverse mortgage market in 2008, due to funding issues arising from the credit crunch, there are signs that conditions are beginning to improve. It's possible these lenders will re-enter the market in 2010/11, enhancing the product choice available to consumers.

In the five or so years that a substantial reverse mortgage industry has been operating in Australia, both lenders and intermediaries have largely served the interests of senior borrowers well. The industry body, SEQUAL, continues to educate both the public and associated professionals such as solicitors, mortgage brokers and financial planners, and the forthcoming regulation of the mortgage industry (due in 2010) will further improve the standard and consistency of product advice administered to borrowers.

With the global financial crisis putting ever greater strain on government and household budgets alike, it is anticipated equity release and reverse mortgage finance will play an increasingly dominant role in the lives of Australian seniors over the coming years. These developments only reinforce the need for consumers to seek independent, specialist product advice and assistance.

Useful contacts

Seniors First Specialist Finance
www.seniorfirst.com.au
PH:1300 745 745

Centrelink – Retirement
www.centrelink.gov.au
PH: 132 300

Senior Australians Equity Release Association of Lenders (SEQUAL)
www.sequal.com.au

Equity Release / Reverse Mortgage Information Service (ERRMIS)
http://reversemortgage.nicri.org.au
PH: 1800 615 676

Reverse Mortgage Watch
www.reversemortgagewatch.com.au

National Information Centre on Retirement Investments (NICRI)
www.nicri.org.au
PH: 1800 020 110

Finance Brokers Association of Australia
www.financebrokers.com.au
PH: 07 3847 8119

Appendix I

What our customers say about us…

"At the outset of contemplating raising a reverse mortgage, we felt we would face the usual delays and lack of communication from the broker which can be so frustrating that you really wish you had never approached them in the first place. We were then certainly surprised and delighted that our queries and concerns were answered concisely, factually and without delay. We were kept informed every step of the way regarding valuation appointments, loan offers, and documentation - in fact right up to settlement day and follow-up thereafter, to a satisfactory conclusion by all parties. We would thoroughly recommend Seniors First to anybody wishing to obtain a reverse mortgage, for the very reasons set out above."

Collette Sheehan and Josie Kirkpatrick,
Sunshine Coast, Queensland

"We were looking at a reverse mortgage for a new car and some work to the house, but weren't quite sure where to start so we gave Seniors First Specialist Finance a call. They were just great; they gave us all the information we needed, helped us find the best loan from a range of lenders, and told us what was happening every step of the way. There were no nasty surprises, and everything went really smoothly. Now we've got the new car and we're having a great time. Seniors First, you've won me."

E Holland,
Ingleburn NSW

"We toyed with the idea of getting a reverse mortgage and joining the SKI Club (Spend the Kid's Inheritance!) for 3 years. Then, in November 2006 we heard an advertisement on Radio 2HD stating that Seniors First were conducting a seminar at West Leagues Club to inform people how to obtain equity from their homes. Together with the Centrelink seminar, Seniors First was the most informative one we saw, and we are now in the process of obtaining equity from our home with their help."

"Everybody at Seniors First is so co-operative and helpful down to the last detail. Our advice to anyone wishing to join the "SKI club" is to go for it, as most people are asset rich and cash poor. Our personal need is to travel and carry out repairs to our home and Seniors First have answered our prayers with their service."

Robert & Vilma Blanch,
Newcastle NSW

Appendix II
Seniors First Voluntary Code of Practice

Seniors First Specialist Finance voluntarily adopts the following code of conduct for the provision of equity release finance to Australian seniors. The code aims to define and promote industry best-practice around the sale of these products by intermediaries. **Seniors First** hereby undertakes to:

1) Treat consumers seeking equity release with respect and dignity;

2) Propose a range of suitable product solutions from our panel of providers, based on the Consumer's individual financial requirements and wishes, as represented by the Consumer. If it is determined that there is no suitable product available (having regard to the requirements and wishes expressed by the Consumer), then no equity release product will be proposed;

3) Present all credible forms of equity release finance as options available to the Consumer(s) where ever applicable, including reverse mortgage, debt-free (part-sale), and other hybrid forms that may emerge;*

4) Use only providers that demonstrate industry best-practice in product design and homeowner protection. Where reverse mortgage presents as the Consumer's preferred mechanism for releasing equity, to use SEQUAL-accredited lenders, thereby ensuring:

a) the presence of a 'No Negative Equity Guarantee'
b) the requirement for mandatory independent legal advice;

5) Clearly and accurately indicate to the Consumer(s) the likely costs associated with each transaction before the application stage. This is in anticipation of the actual costs detailed in the provider's subsequent contract or loan offer document;

6) Recommend the Consumer(s) obtain independent financial and legal advice;

7) Provide the Consumer(s) with a transparent illustration of the proposed loan facility including all known costs and interest charges using the reverse mortgage calculator provided by FIDO, (or similar where product is not a reverse mortgage);

8) Strongly encourage the Consumer(s) to discuss the transaction with any relevant family members and beneficiaries;

9) Inform Consumer(s) in receipt of the government aged pension, (and those likely to receive it in the future), that they should consult with Centrelink to accurately determine if their pension will be affected by the proposed facility;

10) Encourage the Consumer(s) to consider both their short and long-term needs. Specifically, to consider possible future requirements for Aged Care and the payment of accommodation bonds from their remaining equity;

11) Ensure front-line staff are trained and accredited to sell Equity Release Products according to industry and lender standards;

12) Provide service to the Consumer(s) without charging a brokerage fee, and to disclose commissions in a clear and transparent fashion.

Intermediaries will also comply with the Privacy Act, Trade Practices Act and any other relevant Code (including the SEQUAL code of conduct and the FBAA code of practice) or Regulation at law in the selling of equity release products to senior consumers.

As the market develops and new equity release products emerge, **Seniors First will carefully monitor industry and regulator response before adding any new providers to our approved provider panel.*

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