



MEDIA RELEASE

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WARRNAMBOOL WARNED ABOUT REVERSE MORTGAGES

Reverse mortgages have become popular with Warrnambool residents but there are some serious risks to watch out for, the Consumer Action Law Centre warned today.

Consumer Action solicitor Joel Townsend visited Warrnambool last week on a regular outreach visit, hosted by Community Connections, and discovered some local concerns over reverse mortgages.

“A number of people expressed concern to me that some Warrnambool retirees didn’t understand the reverse mortgages they were entering into,” Mr Townsend said.

“Reverse mortgages can be attractive to people who are ‘asset rich but cash poor’.”

“But there are lots of issues to consider before you take out a reverse mortgage.”

Reverse mortgages, which are a type of ‘equity release’ product, allow homeowners to borrow money from a lender, secured over their home. The lender is repaid the loan, plus interest and fees and charges, when the house is sold, or when the borrower dies or permanently moves out of the house.

“The most important thing to remember is to make sure you will never owe more than the value of your home. This is sometimes called a ‘No Negative Equity’ guarantee,” Mr Townsend said.

“Many mainstream banks, as well as members of SEQUAL*, offer No Negative Equity guarantees, but unfortunately there are some companies who don’t, meaning that even after your house was sold to repay your loan you might still owe them money.”

“You should also never sign your home into someone else’s name.”

“If you’re considering taking out a reverse mortgage, get some independent financial advice. Don’t feel pressured into signing up straight away.”

“Amongst other things, consider how a reverse mortgage might affect your pension or your choices if at some later date you need to go into aged care.”

Consumer Action, the Public Interest Law Clearing House and the Financial and Consumer Rights Council will be conducting an ‘Advocacy and Empowerment Workshop’ for financial counsellors, community workers and lawyers in Warrnambool on 24 April 2007. For further information or to register, contact Consumer Action on (03) 9670 5088 or www.consumeraction.org.au.

* SEQUAL is the Senior Australians Equity Release Association of Lenders.

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