

A photograph of an elderly couple smiling warmly at the camera. They are both wrapped in a thick, plaid blanket with a pattern of red, yellow, and white. The man is in the background, slightly behind the woman, and both are looking directly at the viewer. The background is a soft-focus green, suggesting an outdoor setting with trees or foliage.

# **Your Guide to a Reverse Mortgage with Gateway Bank**



**For your pocket  
& your planet**



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# Who is Gateway Bank?

Gateway is an award winning Mutual Bank and we're proud to be 100% owned by more than 30,000 members. Our members are at the heart of everything we do and with this commitment Gateway has grown to be a strong and sustainable institution.

Gateway is large enough to provide you with the security of an APRA-regulated bank, yet small enough to provide high quality personalised service to you and your family.



## For your Pocket & Planet

Gateway is committed to doing the right thing for our members' pocket and the planet. We continue to look at ways in which we can improve on how we deliver on our purpose and give our members high quality, sustainable financial services with competitive interest rates and fees.



## Certified Carbon Neutral

The Climate Active Neutral Standard recognises an organisation's strategy to reduce emissions across a number of major sources, predominantly energy, transport & logistics and offsetting any remaining emissions. Gateway is not only proud to be certified as Carbon Neutral, but we remain committed to finding ways to reduce our impact on the environment.



## Ethical Investment & Lending Policies

We pride ourselves on doing the right thing for our members and operating in a responsible and ethical manner. To support this, we have published our Ethical Banking and Investment Policies which state which industries and activities we will not lend to or invest in. For full details visit our website.

## What is a Reverse Mortgage?

A reverse mortgage provides you with the opportunity to access equity that is otherwise locked away in your home.



A reverse mortgage is a loan that allows you to access the available equity of your property. Unlike other loans, there are no ongoing repayments that need to be made. Interest accrues over time and is added to the amount you've borrowed. The funds and interest from the reverse mortgage only need to be paid when either the house is sold, you move out of the property or pass away. Some of the key factors which help determine how much you can borrow are the age of the youngest borrower and

the value of the property that the reverse mortgage is held against.

Gateway's Reverse Mortgage is a Line of Credit that could help fund your retirement without having to sell or move out of your home. A Line of Credit gives you full control over how you use the funds up to your approved limit. Gateway's Reverse Mortgage includes the 'No Negative Equity Guarantee'<sup>1</sup> that ensures you will never owe more on your loan than your home is worth.



## Why would I Need a Reverse Mortgage?

There are a number of reasons why a reverse mortgage may be the right solution for you, for example, needing to access a lump sum for a specific reason and not wanting to sell your home. Additionally, you could see yourself as 'asset rich' but 'cash poor' because you own your own property but can't access the value it holds and therefore struggle to cover the costs of everyday living.

A reverse mortgage is different to other types of loans in that you don't need to make regular repayments. This means you can access some of the equity in your property today knowing the debt will be covered by the sale of your property in the future.

<sup>1</sup> Negative equity protection will not apply if we determine, acting reasonably, that you engaged in fraud, or made a material misrepresentation, relating to your loan before, at, or after the time your loan contract was made.

# What Can I Use a Reverse Mortgage for?

You're able to use the funds for a wide range of purposes, these include:

## Home renovations

- You may be looking to make the most of your existing property during retirement, such as renovations or enhancements to make your home more functional for later in life.
- You may also be looking to downsize and to renovate your home before selling to increase its value.

## Medical expenses

- You may have medical expenses that require immediate funding.

## Refinance existing debt

- If you have expensive existing debts that require monthly repayments impacting your retirement income and ability to meet cost of living refinancing the debt into a reverse mortgage may be a solution that helps.

## Car or other large purchase

- Australians are generally living longer in retirement than the reasonable life of a car. If you continue to drive, it may be necessary to make further car purchases. Check with Centrelink as there are rules around certain assets which may affect your pension, if applicable.
- Increased income and travel opportunities throughout retirement. You may want to go on that large family trip,

but don't have the regular income to afford it.

## Pension insufficient for quality of life

- The pension in Australia is generally calculated at a level which assumes that the person has paid off their home and has a relatively low cost of living. This may be more than enough in some parts of the country, but not enough in others, and it does not generally allow for a lot of discretionary travel and leisure spending.

## Moving and downsizing costs

- The costs of moving and downsizing can be high, depending on which state you reside in.
- A reverse mortgage may be a good medium-term option if downsizing is planned a couple of years down the track if for example, real estate values are expected to rise sharply in the following year and it is preferred to wait until that occurs.

## Gifting

- Utilising the equity in your property through a reverse mortgage can be a great way to support family members through gifting.
- When using the funds for a gift Gateway will make additional enquiry to ensure that this is a suitable option.
- We recommend you take appropriate independent advice and ensure you've discussed the options with your family.



## Am I Eligible for a Reverse Mortgage?

You may be eligible for a reverse mortgage with Gateway Bank if you:

- Own your own home
- Are at least 60 years of age
- We will require you to have received independent legal advice to ensure you understand all the elements of a reverse mortgage. We strongly recommend that you seek independent financial advice regarding the product.
- We also strongly recommend discussing the product with your family and any beneficiaries as reverse mortgage will impact any potential inheritance from the sale of the property.

Talk to your broker or one of our friendly team to find out more about reverse mortgages and your eligibility.

## What Do I Need to Think About Before I Take Out a Reverse Mortgage?

A reverse mortgage provides significant flexibility but does come at a cost and with risk. Before taking out a reverse mortgage, you should think about the following:

### Compounding Interest

- Compounding interest refers to the impact of 'interest on interest' that you pay on loans.
- If you borrow \$100,000 at a rate of 7.25%, your loan size will reach \$200,000 in 9.6 years, and \$400,000 in 19.2 years.
- By not making repayments, compounding interest can have a significant impact on the equity that you hold in your property. This impact escalates the longer you hold a loan reverse mortgage.
- While \$100,000 might be palatable, if you don't have a clear exit strategy you may find that a reverse mortgage significantly impacts on the future equity you have in your property in the long term.

### Exit Strategy

- The most important consideration when taking out a reverse mortgage is planning your future so that you can work out whether a reverse mortgage is right for you.
- Options like aged care can cost hundreds of thousands of dollars, and if your loan balance has already increased significantly, these plans may become out of reach, causing you to change your plans or bring them forward.
- An independent financial advisor will be able to assist you in planning the right move for you. They will be able to help you work out whether a reverse mortgage will fit with your plans. We strongly recommend that you seek independent financial advice to help you decide if a reverse mortgage is right for your circumstances.

## Inheritance

- If you are planning on holding a reverse mortgage for a long period of time, this will likely impact the inheritance given to your beneficiaries when you pass.
- The value of the loan and the length of time you have the loan will impact how much equity is left in your property when it comes to selling. These need to be considered when planning your family's inheritance.
- We recommend that you discuss this with your family/beneficiaries before taking a reverse mortgage.

## Other Occupants

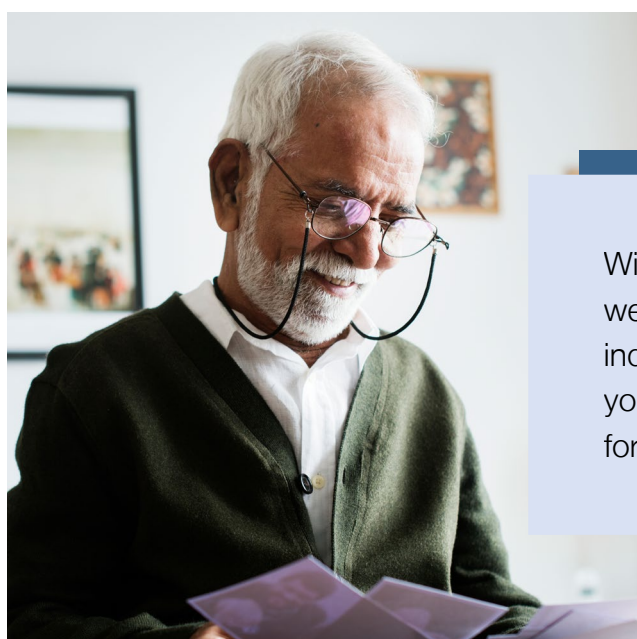
- If you have other occupants in your home that are not a party to the reverse mortgage, they may not be able to continue living in the property after you pass.
- Another option to consider is entering a reverse mortgage with a spouse or partner as a joint borrower, to ensure that you will both be covered by the same protection.

## Aged Pension Implications

- When the proceeds of the reverse mortgage go towards an asset, such as a car or even sitting in your savings account, it is possible that this will have an impact on your pension. You should seek independent financial advice and investigate the impacts of this before taking out a reverse mortgage.

## What Are the Other Options?

- Downsizing might be the more straightforward option in certain scenarios, looking for more accessible properties or moving closer to relatives. A reverse mortgage could also be used in conjunction with downsizing to help with moving and renovation costs.
- If the requirements are for a modest recurring amount, or for a small purchase, the Australian government's Home Equity Access Scheme (HEAS) may be sufficient. It allows an eligible borrower to receive up to 1.5x of their pension, fortnightly, as a secured loan, which has no repayment obligations during the lifetime.



With all these considerations, we recommend that you seek independent financial advice to help you make the decision that is right for your individual needs.

## Gateway's Reverse Mortgage

Most reverse mortgages either allow you to receive a lump sum amount or draw down on a limit progressively. If you receive a lump sum, you will have readily available access to your money, but you'll be paying interest on funds that you may not be using or need at that time. In addition, you may have your pension eligibility impacted if the money stays in your account. Conversely, if you progressively draw down on an agreed limit, you won't pay as much interest on unused funds, but every draw down will likely cost you in fees and take time to process.

With Gateway's Reverse Mortgage you can choose whether to take a lump sum, access funds when you need them or set up a regular installment. You don't pay interest on undrawn money and you don't have to wait to access your funds or pay fees when you need to draw down. The money is available when you need it and easy to access via:

- Online banking and the Gateway app<sup>1</sup> so you can view transactions and transfer funds as you need.
- A Visa Debit<sup>2</sup> card enabling you to access your funds through Visa, EFTPOS and ATMs, and enable you to shop online both in Australia and overseas.

By accessing your money as you need it, as opposed to being restricted, you're able to save both time and money.



### No Negative Equity Guarantee<sup>3</sup>

This means that, subject to meeting basic maintenance requirements, there is no possibility that the debt can exceed the sale value of the home. This is not the case with a normal mortgage, where there are scenarios in which real estate values decline and borrowers might owe more than the proceeds of selling the home.

<sup>1</sup> The Gateway App for Android™ is only available from Google Play™. The Gateway app for iPhone is only available from the App Store. iPhone is a trademark of Apple Inc., registered in the U.S. and other countries. App Store is a service mark of Apple Inc. Android and Google Play are trademarks of Google Inc.

<sup>2</sup> You should consider if a Visa Debit Card is right for you.

<sup>3</sup> Negative equity protection will not apply if we determine, acting reasonably, that you engaged in fraud, or made a material misrepresentation, relating to your loan before, at, or after the time your loan contract was made.

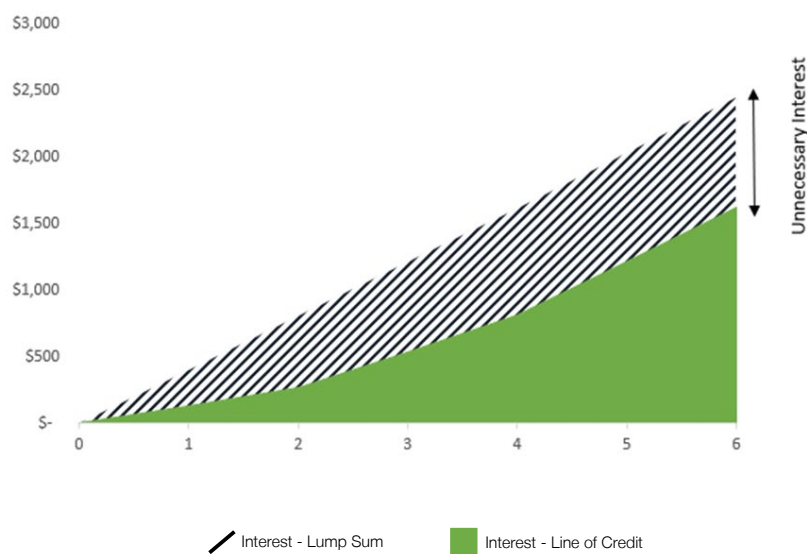


## How Much Can I Borrow?

The amount you can borrow is linked to the age of the youngest borrower and the value of your property. The percentage of your property value that you can borrow increases with age. The amount you can borrow for a reverse mortgage increases with age. A 60-year-old can borrow up to 15% of the value of their property. For every additional year, an extra 1% can be borrowed, for example, a 70-year-old can borrow 25% of the value of their property.

The maximum borrowing amount is based on the age of the youngest borrower.

**Cumulative Interest on \$60k over 6 Months**



This example is for illustrative purposes only.

Let's use a practical example, where you're looking at completing renovations over the course of six months, totalling \$60,000. The interest rate on a reverse mortgage is 8.00%.

Your options are:

- Take \$60,000 upfront, paying interest on it right away. This will cost you \$2,440 in interest over the 6 months. This might also impact on your pension eligibility.
- Drawn down in three instalments of \$20,000 at the start of month 1, 3 and 5. This will cost you \$1,620 in interest over the six months.
- Use the funds as you need them, assuming \$5,000 every fortnight. This will cost you around \$1,110 in interest over the six months – less than half of what you might pay if you took the money upfront.

## Who Should I Talk to Before Applying?

### Independent legal advice

Gateway wants to ensure that this product is right for you and your situation, therefore, it is a requirement that you have gained independent legal advice before getting a reverse mortgage. This is to ensure that you have understood the reverse mortgage product and to help ensure that it is the best solution for you.

### Independent financial advice

We strongly recommend that you seek independent financial advice before taking a reverse mortgage. An independent advisor will be able to help you plan your exit strategy and also understand any impacts the reverse mortgage may have on your other entitlements and benefits. They may also be able to provide you with better suited alternatives.

### Your family

While the decision to take a reverse mortgage rests with the property owner, a reverse mortgage held for a long period of time will have a significant impact on the inheritance that family members may receive. If appropriate, it is strongly recommended that you discuss this decision with close family members to avoid any surprises for them.



## How Do I Apply?

- Apply through an accredited Reverse Mortgage Broker;
- Directly by completing the form on our website;
- Requesting a call back on our website; or
- Contact our call centre directly using the details on the back of this booklet. Gateway staff have been specially trained to help you understand this product, and we can guide you through the process, either in person or remotely by a video or voice call.

## How Long Does it Take to Receive the Money?

It usually only takes a few weeks, provided you have your documentation available, between applying for the loan and settlement, receiving approval and the receiving the funds.



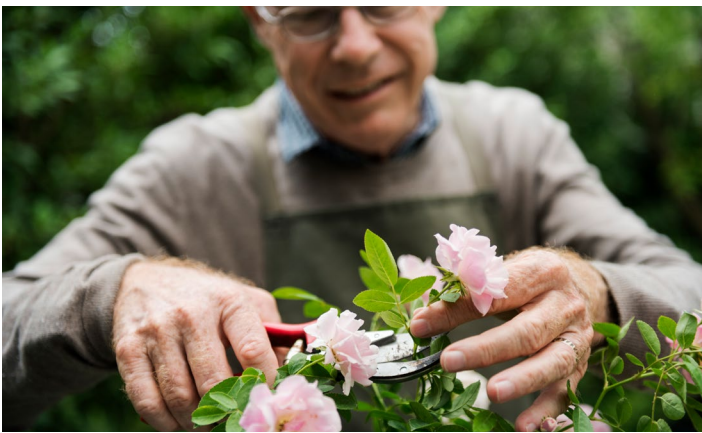


## When Do I Need to Repay the Reverse Mortgage?

Your reverse mortgage will need to be paid in full after one of the following occurs:

- Selling your property
- Moving out of your property, or
- Passing away

You don't need to make any repayments over the life of the reverse mortgage. You may choose to make repayments at any time without penalty, which will reduce how much interest you pay.



### Important information:

This information does not take into account your personal needs, objectives or financial situation. We strongly encourage that you seek independent advice and speak with your family with regard to a reverse mortgage. Applications for finance are subject to our standard credit assessment criteria. Full terms and conditions are available on application. Fees and charges apply.





# Contact Us

If you would like to learn more about our Reverse Mortgages you can contact us by:

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8am – 6pm (AEST) Mon - Fri

## Website

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## Email

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& your planet



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