Credit Guide

We, Household Capital Pty Limited ACN 618 068 214, are a credit representative (512757) of Mortgage Direct Pty Limited ACN 075 721 434, Australian Credit Licence 391876 (‘Mortgage Direct’).

Your lender will be Household Capital Services Pty Limited ACN 625 860 764 (‘Lender’). We manage loans for the Lender.

We are obliged to ensure that any loan we arrange for you is not unsuitable. The law requires us to:

- make reasonable inquiries about your requirements and objectives;
- make reasonable inquiries about your financial situation; and
- take reasonable steps to verify that financial situation.

A loan will be unsuitable if, at the time of the assessment, it is likely that at the time the loan is made:

- you could not repay or could only repay with substantial hardship; and
- the loan will not meet your requirements and objectives.

We do not charge you any fees and we do not receive any commissions for our services. However, you may need to pay the lender’s application fee, valuation fees and other fees.

Your rights

- You can request a copy of your loan assessment if you ask within seven years of the date of entering into the loan contract with the lender.
- If you have any complaints, you may notify us by contacting our Customer Service Centre on 1300 622 100 or visiting our website www.householdcapital.com.au. We will endeavour to resolve your complaint promptly.
- If you are not satisfied with the way we resolve your complaint, you may contact your Customer Advocate by email at customeradvocate@householdcapital.com. The role of the Customer Advocate is to provide an independent review of the outcome of your complaint. The Customer Advocate operates independently of our day-to-day business units and his/her recommendations are binding on us.
- If you are not satisfied with the way the Customer Advocate resolves your complaint, you may contact Mortgage Direct on 1300 360 999.
- We are a member of the Australian Financial Complaints Authority (AFCA). The AFCA scheme is a free service established to provide you with an independent mechanism to resolve specific complaints. If you are not satisfied with the way your complaint has been dealt with, you may contact AFCA by phone on 1800 931 678 or online at www.afca.org.au.

Household Capital Pty Limited ACN 618 068 214, credit representative number 512757
Phone: 1300 622 100
Email: info@householdcapital.com
Website: www.householdcapital.com.au

Household Capital

Reverse Mortgage Information Statement

The Reverse Mortgage Information Statement is an Australian Government requirement under the National Consumer Credit Protection Act 2009.

What is a reverse mortgage?

A reverse mortgage allows you to borrow money using the equity in your home as security. The loan may be taken as a lump sum, an income stream, a line of credit or a combination of these options. Interest is charged like any other loan, but you usually don't need to make repayments while you live in your home. The loan must be repaid in full if you sell your home or die or, in most cases, if you move into aged care. Typically, you are charged a higher interest rate on a reverse mortgage than for a standard home loan.

How will I be charged interest?

You will be charged interest on the loan amount you borrow. Fees and interest are added to the loan balance as you go, and the interest compounds. This means you will pay interest on your interest, plus on any fees or charges added to the loan. Over time, the amount you owe the lender will increase, and the longer you have the loan, the more the interest compounds and the bigger the amount you will have to repay.

For example, if you take out a reverse mortgage of $50,000, the effect of compound interest means that in 10 years' time you will owe more than twice that amount, as the table below illustrates.

Loan terms	Interest	Total amount owing
1 year	$4,420	$54,420
2 years	$9,230	$59,230
10 years	$66,632	$116,632

This example assumes a fixed rate of 8.5% compounded monthly with no fees applying and no repayments being made.

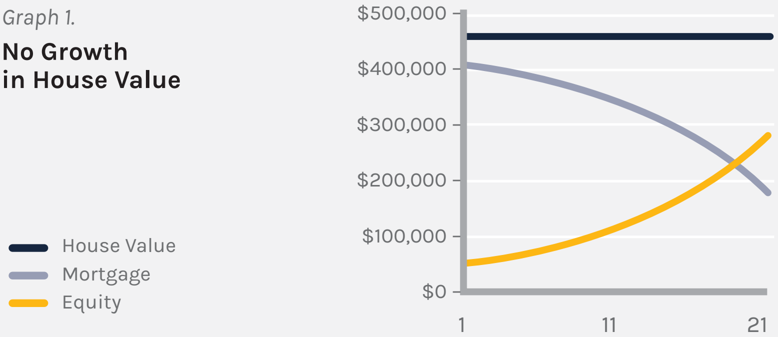
How much equity will I have left after my reverse mortgage is repaid?

The amount of equity you have left in your home after repaying your reverse mortgage will depend on how much money you borrow, the interest rate and how long you have the loan, and the value of your home when it is sold. To understand how a reverse mortgage works, let's say the value of your home is $450,000 and you take out a reverse mortgage of $50,000, leaving you with $400,000 in equity.

What if the value of your home stays the same?

Over 20 years, your debt will grow from $50,000 to $272,060. If the value of your home stays the same over this time, your remaining equity will be $177,940 *(see Graph 1 below).*

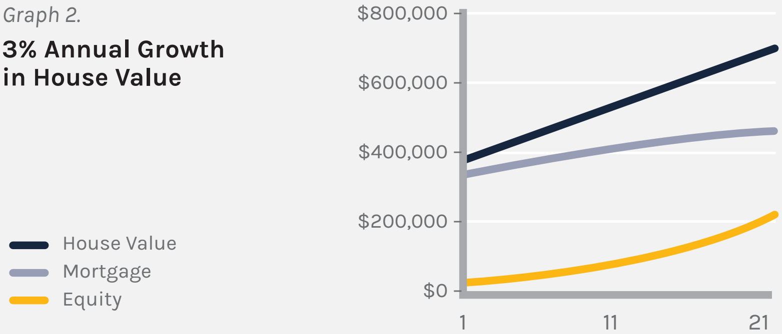
Graph 1.
No Growth in House Value



What if the value of your home goes up?

If the value of your home goes up at the rate of 3% per year, after 20 years your home will be worth $812,750 so your remaining equity will be $540,690 *(see Graph 2, below).*

Graph 2.
3% Annual Growth in House Value



This example assumes a fixed rate of 8.5% compounded monthly with no fees applying and no repayments being made.

A reverse mortgage may not be suitable for everyone.

What are the issues to consider in deciding if it is right for you?

How will the loan affect your future choices?

When thinking about a reverse mortgage, you need to consider both your current and future needs. The more you borrow now, and the younger you are when you borrow it, the less equity you will have in your home to pay for your needs as you age. How might your health and living situation have changed in 10, 20 or 30 years' time? If you use up too much of your equity too soon, you may not be able to afford future costs such as high medical expenses, the need to move into aged care accommodation, essential home maintenance or the purchase of a motor vehicle.

How much will you have to repay?

You can only estimate how much you will end up owing. The exact amount to repay will depend on how much money you borrow, the interest rate and how long you have the loan, and the value of your home when it is sold.

Will I owe more than what my home is worth?

By law, lenders must guarantee that when your reverse mortgage contract ends and your home is sold to repay the loan, you will not have to pay back more than the value of your home. This is known as a "no negative equity guarantee".

There are a few exceptions to this rule.

Will other people living in your home be affected?

Generally reverse mortgages have to be repaid when you move out (for example, into aged care) or die. If you are the homeowner and someone else is living with you, the other resident may have to move out when the loan has to be repaid. Some reverse mortgage contracts may protect the rights of the other resident by allowing them to stay in the home. If you want this option, make sure you discuss this with your lender before taking out a reverse mortgage.

Will you be able to leave your children an inheritance?

A reverse mortgage will reduce the amount of equity in your home you can leave to your children or other beneficiaries. You may wish to discuss this with your family.

Are there alternatives more appropriate for you?

There may be alternatives to taking out a reverse mortgage that may be more suitable for your needs. These can include downsizing, making arrangements with other family members, accessing government benefits, loans (such as the pension loans scheme), using savings or selling other assets or home reversion schemes.

Will your pension change?

A reverse mortgage may affect your pension or other Government entitlements. You can contact the Department of Human Services (Centrelink) on 132 300 to talk to a Financial Information Service Officer about how your pension may be affected.

Sources of other information

ASIC's MoneySmart:

To find out more about reverse mortgages, including a reverse mortgage calculator to help you work out how much equity you may have in the future, visit the Australian Securities and Investments Commission's free consumer website at **www.moneysmart.gov.au** or call 1300 300 630.