Are You Too Old for A Mortgage?

Perhaps not if you have a mortgage exit strategy

You may think 50 is a reasonable age to consider when and how you will pay out your mortgage in retirement, but what about when you are in your 30s?

Who would have thought that at 35 years old, a lender will take into consideration your profession and approximate retirement age when granting you a home loan?

Even at this age, some lenders may shorten your loan term or require a mortgage exit strategy, particularly if you are seeking early retirement.

Throughout your 30s, 40s, 50s, 60s and beyond, lenders will have varying requirements for you to meet your home loan obligations. At 50, this will almost always include a mortgage exit strategy.

A mortgage exit strategy outlines what will happen to your home loan when you retire.

This makes sense given the average age of retirement in Australia is approximately 63 years[1] and that the typical term of a loan is 30 years.

Lenders need assurance that you will pay out your home loan by retirement OR have a plan to continue paying it off beyond retirement.

When we add to this, the average age of people buying their first home in Australia is 35 years[2], the need for a mortgage exit strategy is an increasing trend.

Can you be denied a loan because of your age?

Australia's anti-discrimination legislation (Age Discrimination Act 2004 and National Consumer Credit Protection Act 2009) prevents lenders from discriminating against mortgage applicants due to their age.

Of course, lenders also have a responsibility to ensure that the borrower can afford to repay their home loan and satisfy the usual lending criteria.

As you approach retirement and without your regular employment income, the greater the risk you are to the lender.

While there are more requirements to be met for older Australians to obtain home loan approval, it's certainly not impossible.

In general, if you are in your 50s and applying for a home loan, you will need to provide more information regarding your current and future financial position compared to younger borrowers.

This is where a reliable mortgage exit strategy is important.

As your finance specialist, we can help you draft a mortgage exit strategy to present to your lender to maximise your chances of home loan approval.

The types of exit strategies the lender may accept include:

- **access to superannuation moneys**
- **sale of investment properties**
- **use of inheritance funds, or**
- **sale of shares.**

Other actions you may consider in retirement to help meet your home loan commitments are:

- **Part time work** – you may consider continuing part time work past retirement age.
- **Downsizing** – selling up your family home and moving into smaller accommodation (realising the equity and either paying out or reducing the mortgage significantly).
- **Rental income** – if you have investment properties, providing the expenses are less than the income, the balance of the tenants' rental income may be considered by the lenders as additional income to service the loan.
- **Shortening the term of your loan** - if you can afford to pay higher repayments.
- **Reverse mortgage** – some lenders may consider a reverse mortgage to access equity in your home which is repaid when you sell the property or pass away.

Don't be discouraged, we do the work for you!

In your home loan application you will be expected to set out your mortgage exit strategy. We can help write the strategy that best suits your circumstances to achieve home loan approval.

Call us today for a copy of 'Exit Strategies for Property Investors'.

1. Australian Bureau of Statistics, Retirement and Retirement Intentions, Australia, July 2016 to June 2017
2. Australian Housing and Urban Research Institute, Examining trends in first home purchasing, October 2019