MACQUARIE

Mature Age Borrower Loan Scenarios

The purpose of this guide is to provide loan scenarios to assist with the understanding of changes made to our credit policy as they relate to mature age borrowing. This will include when an exit strategy is required, the assumptions used when assessing acceptable downsizing exit strategies. The guide covers the following scenarios:

- individual borrower
- joint borrowers, spousal relationship
- joint borrower, non-spousal relationship
- downsizing exit strategy.

1. Individual Borrower

Scenario 1a

Individual applicant who is BOTH 50 years or older at the time of application AND, will be 70 years or older at the loan maturity.

50+

Key Facts

- Sole applicant aged 50 at time of application.
- Requests a loan term of 20 years or longer.

Outcome

Satisfactory exit strategy is required as the applicant is 50 and they will be 70 years or older at loan maturity.

Scenario 1b

Individual applicant who is BOTH 50 years or older at the time of application AND, will be 70 years or older at the loan maturity. Want to repay the loan by the time they reach 70 years and have the income to service the loan over such a loan term.

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Key Facts

- Sole applicant aged 51 at time of application.
- Requests an 18-year loan term.
- Based on 18-year loan term, the loan maturity date will occur prior to being 70 years old.

Outcome

Satisfactory exit strategy is <u>not</u> required as although the applicant is older than 50 years, loan repayment will occur prior to being 70 years old and we haven't been advised of an earlier retirement age.

2. Joint Borrowers spousal relationship

Scenario 2a

Joint applicants in a spousal relationship where an applicant is BOTH 50 years or older at application AND will be 70 years or older at loan maturity. No ability to service over shorter than 30-year loan term. Servicing surplus $1,000.

48
59

Key Facts

- Applicant 1 aged 48 and earning $75,000 p.a.
- Applicant 2 aged 59 and earning $30,000 p.a.
- 30-year loan term
- No ability to service loan over a shorter loan term

Outcome

Satisfactory exit strategy is required. Even though Applicant 2 is not the primary income earner their income is required to service the loan satisfactorily and they will be past age of 70 at loan maturity.

Scenario 2b

Joint applicants in a spousal relationship where an applicant is BOTH 50 years or older at application AND will be 70 years or older at loan maturity. No ability to service over shorter than 30-year loan term. Servicing surplus $1,000.

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Key Facts

- Applicant 1 aged 48 and earning $105,000 p.a.
- Applicant 2 aged 59 and earning $0 p.a.
- 30-year loan term
- No ability to service loan over a shorter loan term

Outcome

Satisfactory exit strategy is not required. Even though Applicant 2 will be older than 70 at loan maturity their income is not required to service the loan and the applicants are in a spousal relationship.

However, please note if Applicant 2 did have employment/passive income and it was required to service the loan then an exit strategy would be required.

3. Joint Borrowers non-spousal relationship

Scenario 3

Joint applicants in a non-spousal relationship where any applicant, regardless of their income is BOTH 50 years or older at application AND will be 70 years or older at loan maturity. 30-year loan term requested. No ability to service over a shorter than 30-year loan term. Servicing surplus $1,000

30

Key Facts

- Applicant 1 (son) aged 35 and earning $75,000 p.a.
- Applicant 2 (mother) aged 65 and works casually but income not required to meet minimum servicing requirement.
- 30-year loan term requested
- No ability to service loan over a shorter loan term

Outcome

Satisfactory exit strategy is required for Applicant 2. Even though Applicant 2 income is not required to service the loan, they will be past the age of 70 years at loan maturity and they are not in a spousal relationship with Applicant 1.

4. Downsizing exit strategy

The following principles are used when assessing downsizing exit strategy:

- the property intended to be purchased is assessed at current market value
- the applicant needs to be able to purchase the new property and extinguish all debt on the existing property
- the loan size can be assessed at the amortised value at the point in time they intend to downsize, based on minimum contractual repayments
- no capital growth should be assumed in the property they are selling
- care is required where the loan is secured by an owner-occupied property which is the applicant's main asset
- exit strategy plan, is detailed including the above and showing timeframe, purchase price and location, and aligns with applicant's requirements and objectives

Scenario 4

Single applicant applies for a $500,000 loan to refinance their current owner occupied 4-bedroom family home currently worth $1m. They are 59 years old. The exit strategy provided states they intended to downsize in 10 years and purchase a 2-bedroom unit in a nearby location for $550,000 based on today's market. The loan will be paid down to $390,000 in 10 years based on minimum contractual repayments at current interest rates.

Key Facts

- Sole applicant aged over 50 at time of application and over 70 at loan maturity.
- Property values assessed at current market values
- No capital growth factored into future value of property to be sold
- Existing loan assessed at contractual position in 10 years' time.

Outcome

Exit strategy is satisfactory as enough equity/residual cash ($610,000 less costs) is available post sale and loan clearance to complete the intended new purchase $550,000.