

# SEQUAL Guideline: Equity Release Proper Process



## Fact Find

Gather Client Information

Stage 1

Establish "Property & Income" Position

Stage 2

Determine Loan Purpose/Financial Need

Stage 3

Investigate Alternative Funding Sources

Stage 4

## Suitability Assessment

Consider Client Needs/Preferences

Stage 5

Product Selection and Client Decision

Stage 6

Reconcile Client Decision with  
Client Needs & Preferences

Stage 7

## Client Care

Confirm Informed Client Decision

Stage 8

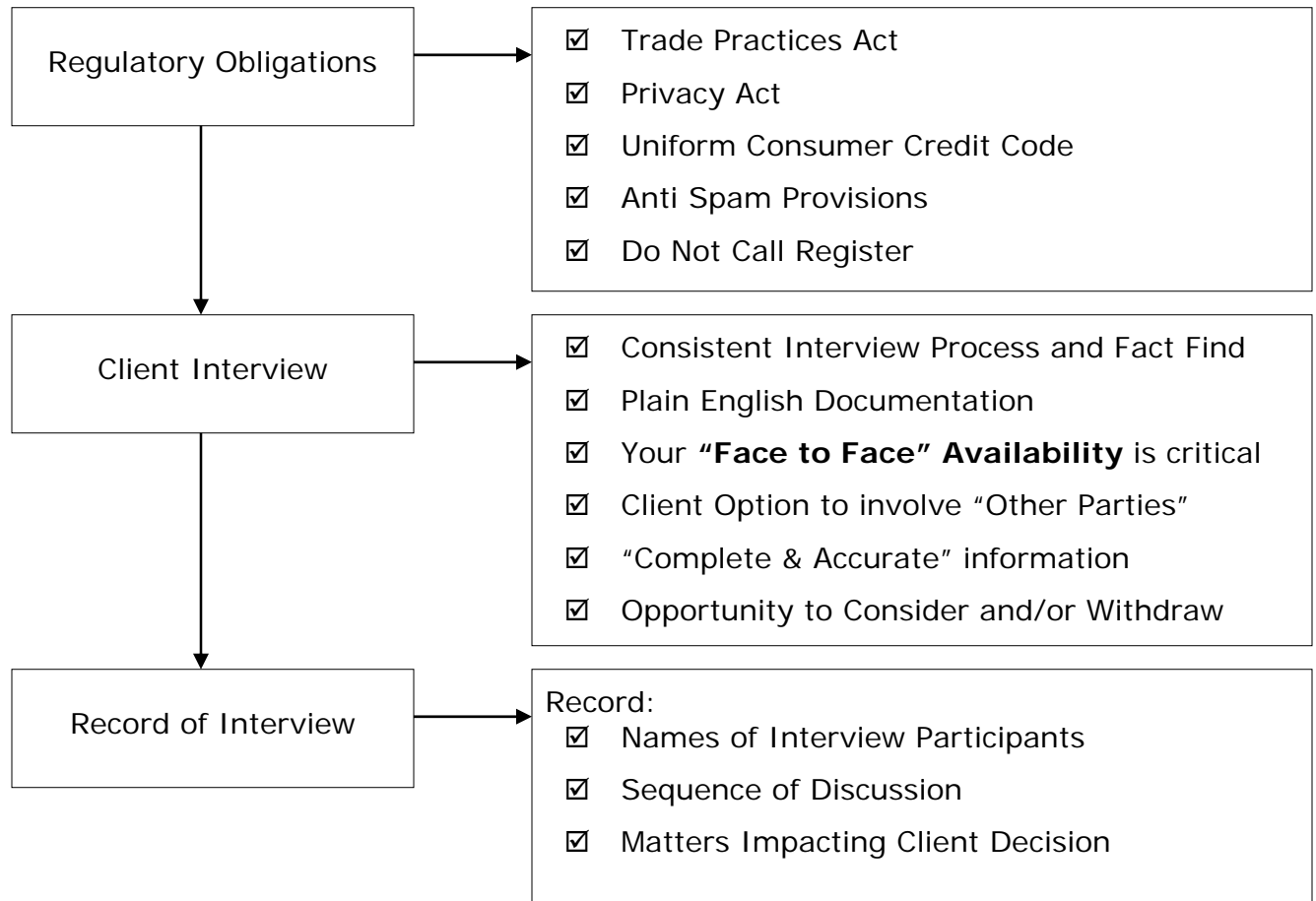
Maintain Client Records and  
Dispute Resolution Policy

Stage 9

\* SEQUAL acknowledges the assistance provided by the Mortgage & Finance Association of Australia ("MFAA") and the Council of Mortgage Lenders (UK).



## Stage 1 Gather Client Information



### Guidelines:

- Regulatory Obligations should be considered from the perspective of a "somewhat vulnerable" consumer considering "unfamiliar" products. Apart from strict adherence to Regulation, Reverse Mortgage Consultants ("RMC's") need to consider their clients particular needs. For example, the involvement of "other parties" should always be the Client's decision (caution Trade Practices Act - "Undue Influence").
- The Client Interview should be conducted according to a consistent method/policy in order to eliminate doubt regarding "Proper Process".
- The Client's decision-making preferences must be accommodated. Older Client's require sufficient opportunity to carefully consider their decisions.
- Detailed and contemporaneous "Diary Notes" should be maintained for Equity Release transactions as part of a comprehensive Fact Find. Key Issues such as the Client's Risk Tolerance, Product Selection, Financial Need, Family Circumstances, and Future Expectations etc. should be carefully recorded.



Stage 2  
Establish "Property & Income" Position

Property

- ☑ Check Type & Location against product criteria
- ☑ Observe Condition and any Modification for Client Need
- ☑ Establish Client Valuation and record Evidence

Occupancy

- ☑ Verify Ownership status. Ensure that all Owners are Transaction Parties.
- ☑ Check use of property is within product criteria.
- ☑ Check occupancy other than Borrowers.
- ☑ Explain any waiver requirements for non-borrower occupants.

Income

- ☑ Determine Available Income (all sources).
- ☑ Client to confirm that they are receiving their Maximum Benefit Entitlement.
- ☑ Discuss potential Change of Circumstances (Loss of Spousal Income, impact of Equity Release etc.)



**Stage 3**  
**Determine Loan Purpose/Financial Need**

Application of the Equity Release proceeds.

- ☑ Consider the UCCC implications for Use of Funds.
- ☑ Verify Client Benefit for any third-party distribution.
- ☑ Licensed Financial Planner to provide advice on Investments (Using Equity Release proceeds to invest is deemed to be a "High Risk" strategy.)

Refinancing Financial Obligations

- Issues to consider include:
- ☑ Extending the debt period & total interest,
  - ☑ Securing a previously unsecured loan?
  - ☑ Evaluate costs and benefits of refinancing.
  - ☑ Early Repayment Penalty and other Transaction Costs.
  - ☑ Opportunity to enter into Arrangements with creditors.

Adequacy of Equity Release proceeds.

- ☑ Match the proposed Equity Release proceeds with the identified Financial Needs.
- ☑ Discuss both Present and Future Financial Needs.
- ☑ Compare the potential future Transaction Costs for accessing further Equity Release with the Carrying Cost of any "surplus" or unallocated proceeds.

Lump Sum Drawdown

- ☑ Calculate the expected Cost of Funding (Capitalised Interest etc.).
- ☑ Calculate the expected Equity Position (Property Value movements)
- ☑ Consider any Benefit Entitlement impact of Unallocated Funds.

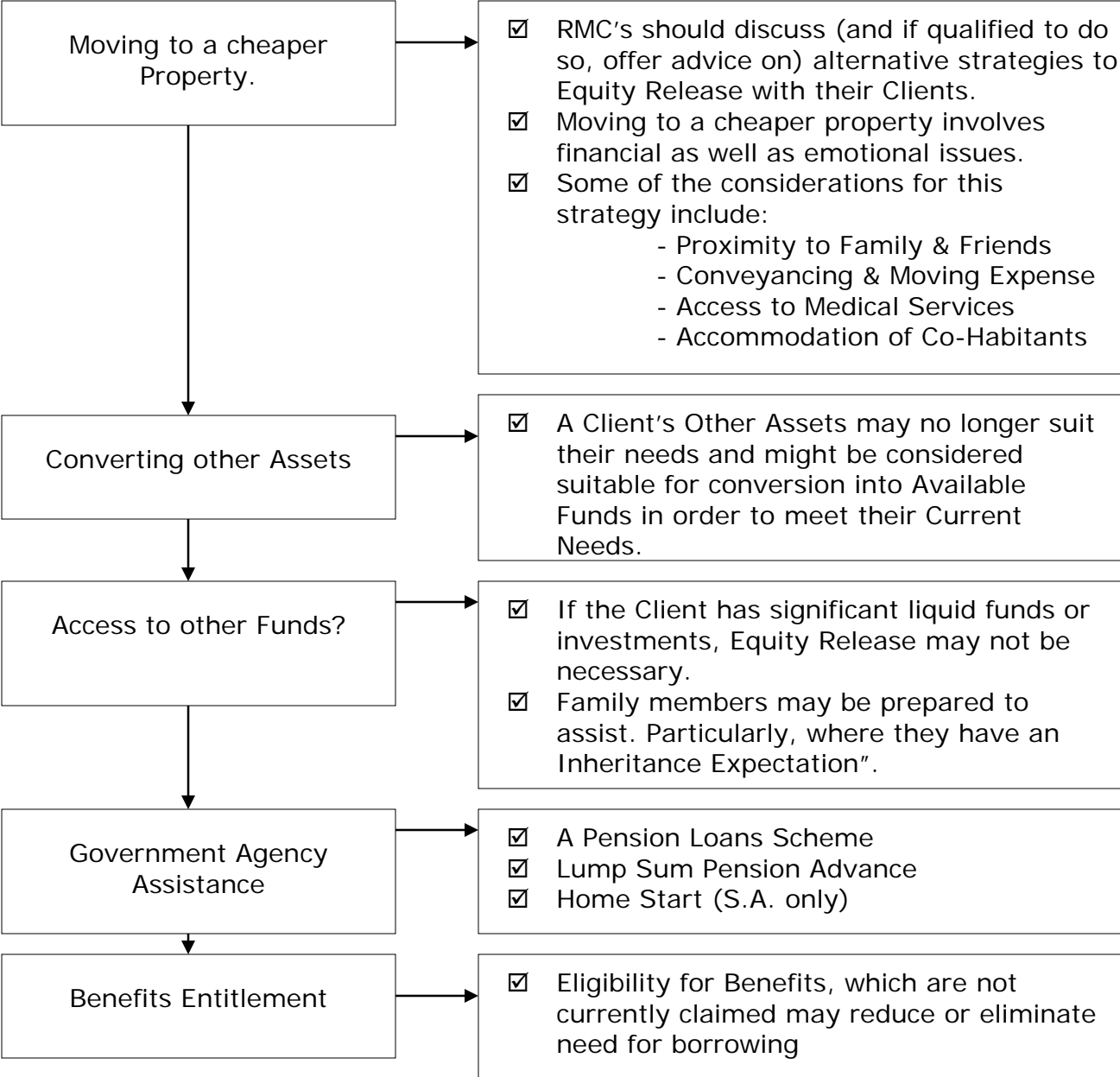
and/or

Progressive Drawdown

- ☑ Match expected expenditure pattern with the income schedule.
- ☑ Consider any Benefit Entitlement impact of Accumulated Funds.
- ☑ Consider any Counterparty Risk with un-drawn funds.



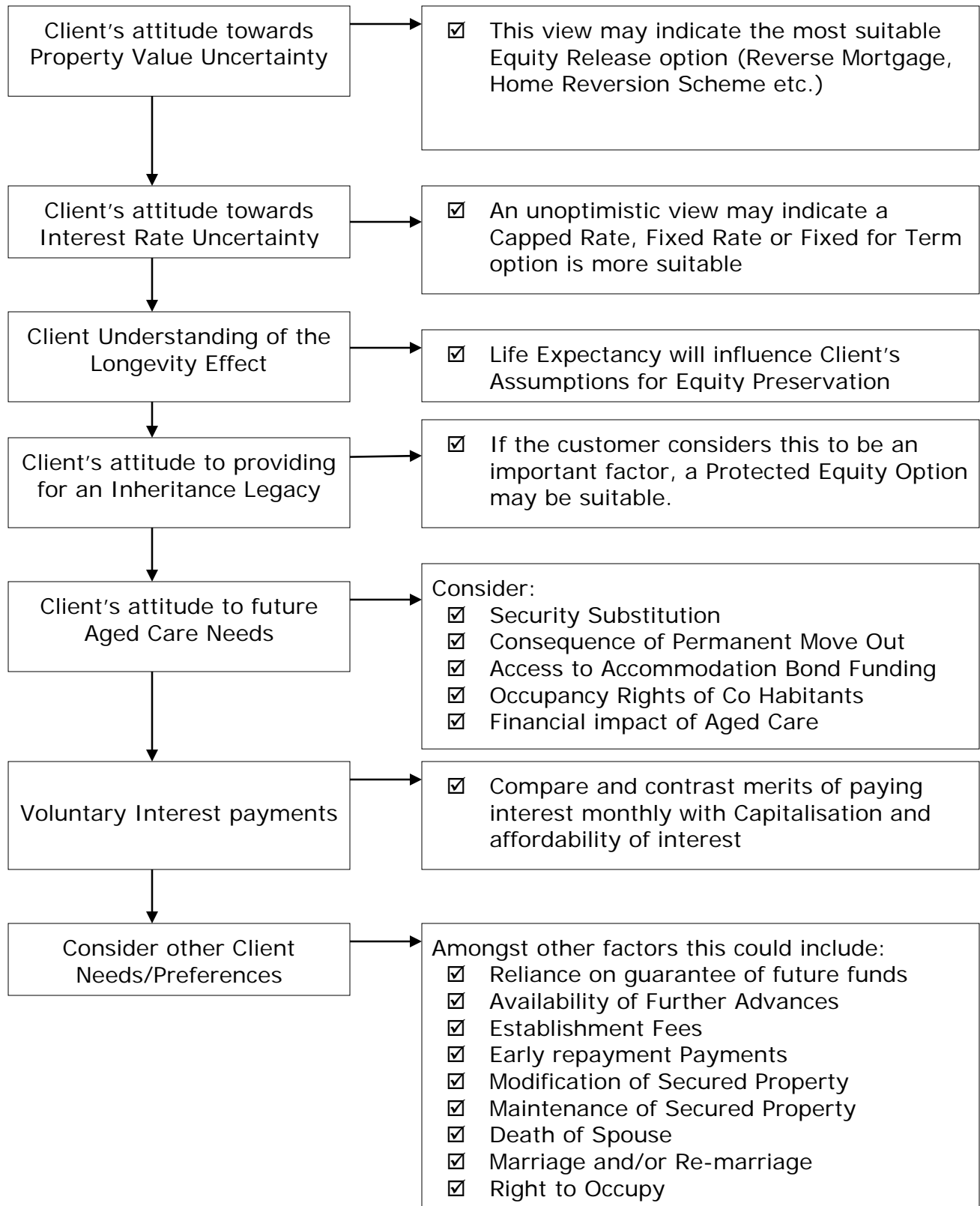
Stage 4  
Investigate Alternative Funding Sources



- Guidelines:
- Unless qualified to do so, RMCs MUST NOT PROVIDE CLIENT ADVICE.
  - RMC's must assist their clients to make fully-informed decisions by providing accurate and complete information.
  - Clients should be encouraged to consider alternative strategies to Equity Release and make contact with relevant Agencies (Centrelink, Veterans' Affairs, Department of Family & Community Services etc.).

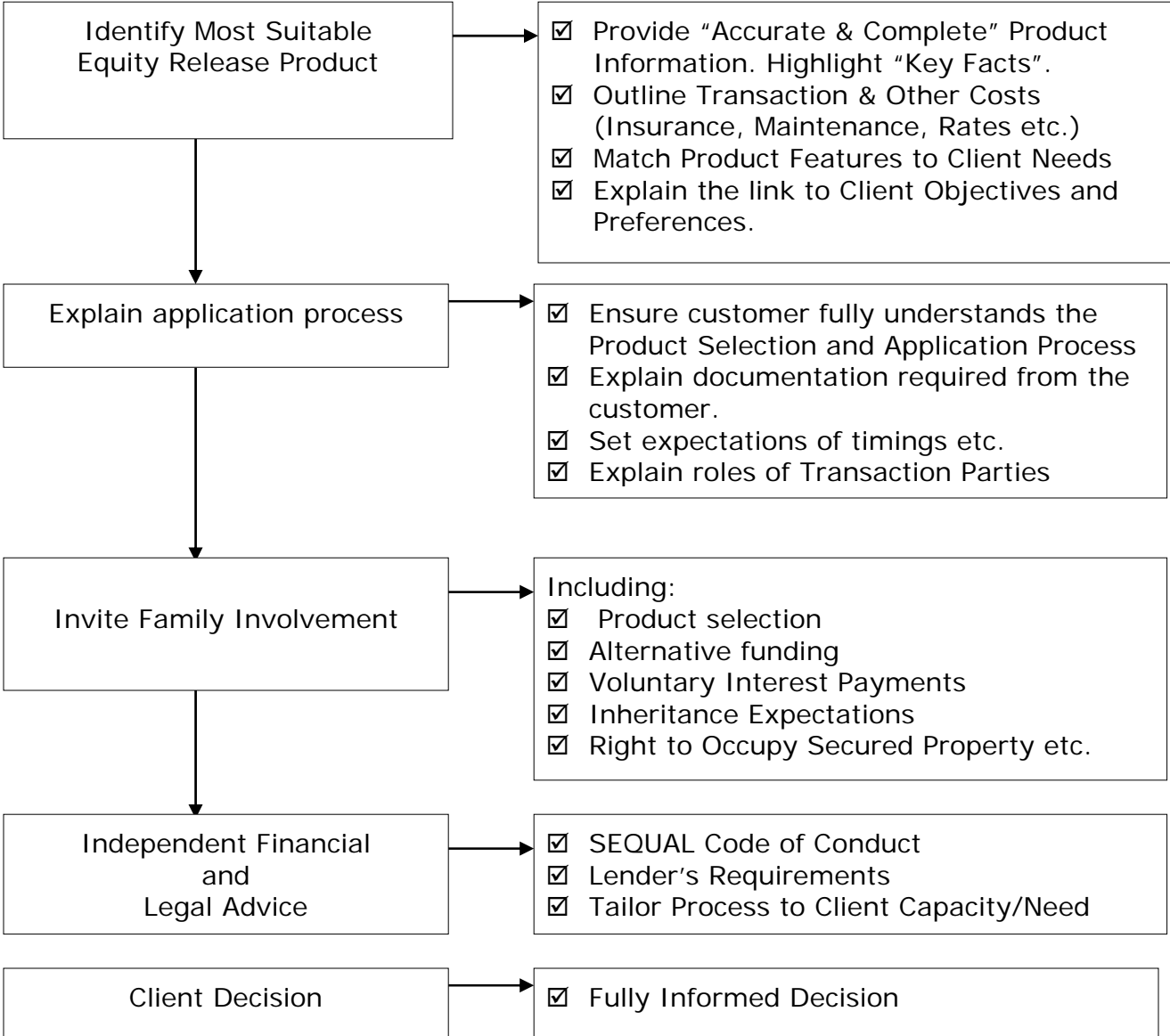


Stage 5  
Consider Client Needs/Preferences





Stage 6  
Product Selection and Client Decision





Stage 7  
Reconcile Client Decision with  
Client Needs & Preferences

Size & Timing of Equity Release  
Funding

- ☑ Arbitrary or Excessive Equity Release is to be avoided. RMC's should assist their Clients to "Map" the Equity Release Funds (both in terms of Size and Timing), to their Financial Needs.

Benefits Entitlement

- ☑ RMC's must be mindful of the impact of Equity Release on their Client's Benefits Entitlement and future Financial Options. Clients should be encouraged to carefully consider these important matters.

Risk Tolerance

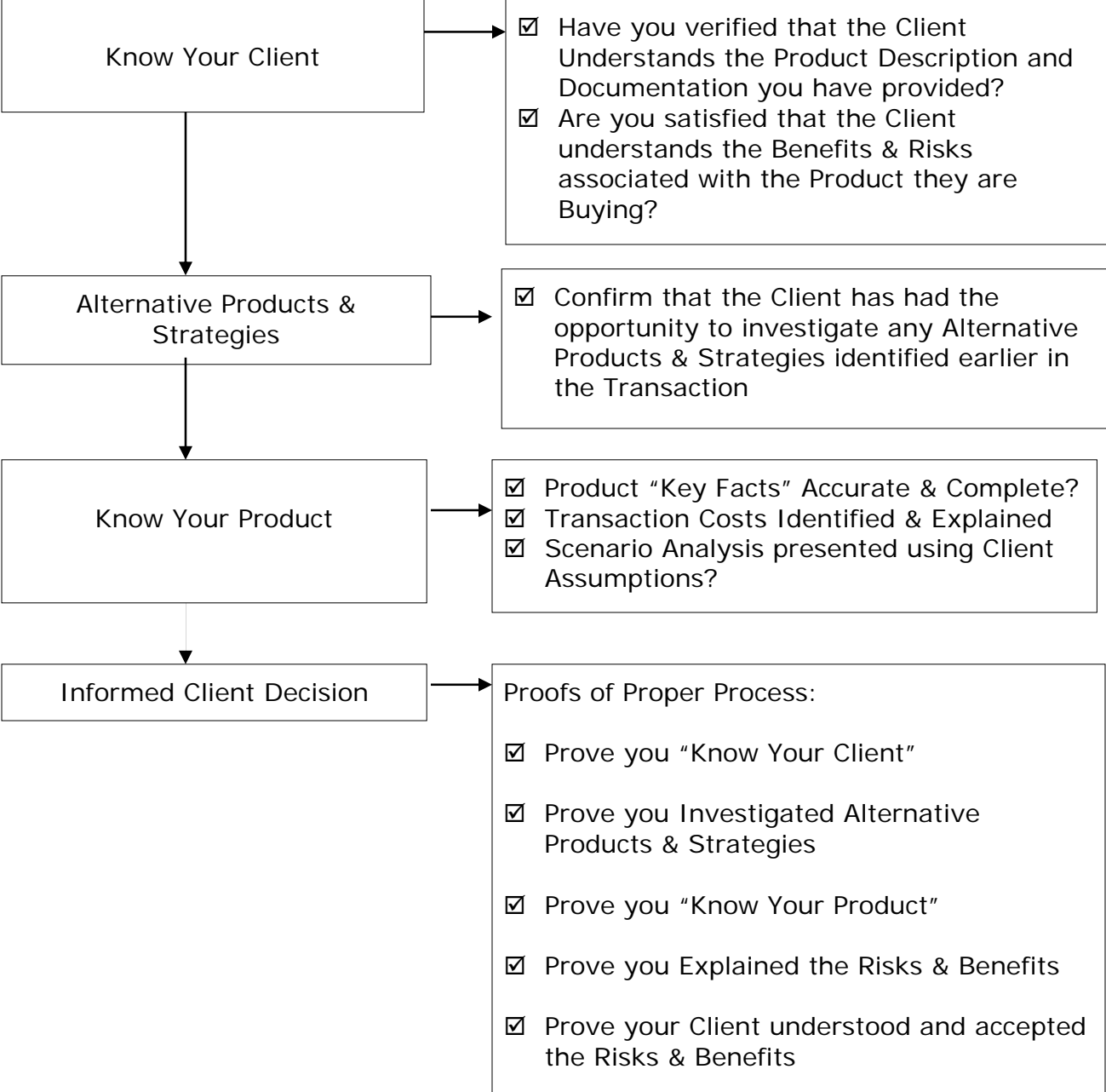
- ☑ A Client's Risk Tolerance should be properly considered in the Product Selection Process.
- ☑ A clear explanation of the difficulty in predicting the impact of Longevity, Interest Rate Movements and Future Property Values should be provided.
- ☑ Remember: Unless qualified to do so, an **RMC cannot provide Advice.**

Changed Circumstances

- ☑ A Client's Present & Expected Future Needs should be clearly identified.
- ☑ Potential Changed Circumstances (Marriage, Health, Family Support etc.) should be properly considered.

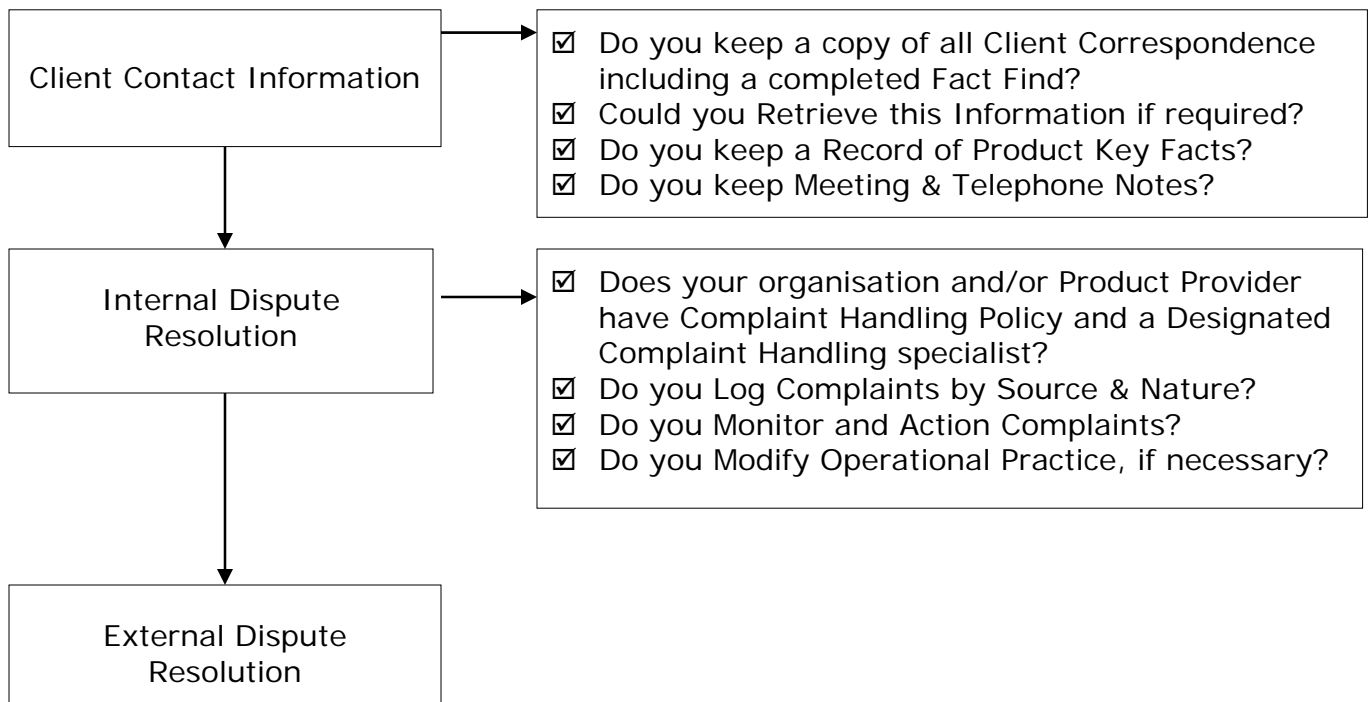


Stage 8  
Confirm Informed Client Decision





Stage 9  
Maintain Client Records  
Dispute Resolution Policy



**Consumer Complaints against SEQUAL Members or SEQUAL-accredited RMC's:**

a) If the Client is seeking monetary compensation:

If the complaint remains unresolved after going through the RMC's and Product Provider IDR procedures, the Client can refer the matter to an External Dispute Resolution (EDR) scheme. The EDR Scheme must be approved by ASIC for example, The Credit Ombudsman Service Limited (COSL).

All RMC's should be a member of, or be covered by a membership of an ASIC approved EDR scheme.

b) If the Client is not seeking monetary compensation and the complaint is claimed to be a breach of the SEQUAL Code of Conduct:

A Client can refer the matter to the SEQUAL Code Compliance Committee for investigation. SEQUAL has a process to deal with complaints of alleged misconduct against SEQUAL Members and SEQUAL-accredited RMC's.

The SEQUAL Code Compliance Committee has the power to impose various sanctions on a SEQUAL Member or SEQUAL-accredited RMC for misconduct -including expulsion from membership of SEQUAL or removal of the SEQUAL-accredited RMC designation.

**Consumer Complaints against providers who are not SEQUAL Members or practitioners who are not SEQUAL-accredited RMC's:**

Various Government or Consumer Advocacy Agencies may be able to assist. Alternatively, Clients should seek their own Professional Advice.