

Older borrowers are fighting against time...here's what to do

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Here's why your lender wants to know how big your retirement nest egg is.

Tick, tick, tick. For so many Australians, this is the sound of the great Aussie dream moving further out of reach. Renting in your 20s is the norm. In your 30s, no big deal.

But suddenly you're well into your 40s and the mortgage clock is ticking, no, booming in your ears. The dread sets in. Have you missed your chance?

Not necessarily. Because as it turns out, while the bigwigs in Canberra won't let you use your retirement nest egg to get on the property ladder – though that may change after the next election – lenders are more than happy to eye up your super savings when giving the green light on a 30-year loan.

Essentially, with “mature age borrowers”, a bank needs to know you have an exit strategy in place, Finance Brokers Association of Australia managing director Peter White says.

“It's all about the retirement age. Are you going to put someone who's 60 into a 30-year mortgage, expecting that at the age of 90 they'll still be able to pay it off?”

“You can't by law discriminate against people just because of age. But there are credit policy positions in place to say a 90 year old can't be paying off a loan the same as a 50 or 60 year old,” he tells The Weekend Australian.



With “mature age borrowers”, a bank wants to know what the exit strategy is for when you retire with debt.

The problem, of course, is that over the years, and alongside rising house prices, the average age of first-home buyers has steadily become older. And that's not going to change.

The average Australian buying their first home in the early 2000s was in their mid-20s. Now they're in their mid-30s. Back then, a mortgage was usually a 20-year affair but that has also stretched out, to 30 years and beyond.

Meanwhile, fewer of us are even getting on the property ladder: In 1971, 64 per cent of 30-34 year olds owned a home. This fell to just 50 per cent of 30-34 year olds by 2021, according to the last census.

Home ownership rates have also declined for those firmly in middle age: Between 1996 and 2021, home ownership rates for the 50-54 age group fell from 80 per cent to 72 per cent. And for those aged 55 to 59, home ownership dipped from 81 to 75 per cent.

But that doesn't even tell the whole story. More of us are retiring with the monthly mortgage payment still going out. In 1996, 75 per cent of those aged 55 and above owned their home outright. It's nowhere near that now.

Indeed, a recent report from AMP found one in nine Australians over the age of 50 expect to be in debt to the tune of \$250,000 when they retire.

It's not too much of a stretch to assume that at least some of those retirees will take a big chunk out of their super savings to pay that down.

Sky high prices in the major cities are sending potential homebuyers to the regions, where there's a chance of getting on the property ladder sooner.

Following a stint working overseas, interior designer Joy Johnston and her environmental scientist husband moved back to Australia as Covid hit in March 2020, hopeful they might soon be homeowners.

“At the start we were thinking we’d save (for a deposit) on our own. But pretty quickly, it became apparent that it didn’t matter how much we saved, we were never going to get anywhere,” Johnston says.

A couple of years later, even with a boost from the bank of mum and dad and a substantial inheritance, 34-year-old Johnston and her husband knew they couldn’t afford to buy a family home in places like Sydney’s inner west or the North Shore.

But with a toddler and a baby on the way, they were feeling the pressure. They didn’t want to keep renting just to stay in the area where they grew up.

“We have quite a lot of friends who are closer to 40 and rent along the northern beaches. Some of them have had to move a couple times with their kids and that was definitely something we didn’t want to do,” she says.

After a long search, they’ve just bought a fixer-upper in Newcastle, happy with their decision to trade city life for a family home.



An apartment on the North Shore or a family home in Newcastle? For Joy Johnston and her husband there was no contest. Picture: Gaye Gerard

While a 35 year old with a solid income and a decent deposit can be fairly certain of walking out of a bank with home loan pre-approval in hand, anyone in the back end of their 40s or older will likely face closer scrutiny because they’re that much closer to retirement.

This is where the exit strategy comes in. One of the first things lenders will look at, Mr White says, is a borrower’s nest egg.

Fortunately, with decades of compulsory superannuation behind us, super balances are becoming increasingly hefty.

“If you’re 50, you might have a whole lot of super saved up and you can say (to the bank), ‘Well, I’m going to retire at 65, I’m just going to clear all (my super) out and pay the debt off,’” Mr White says.

“It’s the same at 60 (in terms of the exit strategy). But at 60, there’s a much greater scrutiny as to potentially gearing, ‘

While some lenders are likely to have strict rules on giving a 30-year-loan to “mature” borrowers (that’s 45-plus) others will be more open to it, he adds.

Here, non-bank lenders might be a more favourable option. But it always pays to shop around.

And if there’s the option to downsize later in life, that’s a second exit strategy that a lender can take into account when assessing the capacity to repay.

“The essence is, there is (a home loan option) for everyone,” White says.

“The older you are, the less equity you’ve got, the more difficult it becomes. But generally there’s something for you.”