

s22 (out of scope)



Australian Government
Services Australia

Security for the Home Equity Access Scheme (HEAS) 065-08020020

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Background

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This document outlines how to determine if a customer has sufficient real estate assets to secure and repay a HEAS loan, and how to calculate the Maximum Loan Amount.

Real estate the only accepted security + Twisty...

Only real estate owned in Australia, including the below locations, can be used as security for a HEAS loan. This includes the below locations:

- Norfolk Island
- Christmas Island
- Cocos (Keeling) Islands
- Ashmore and Cartier Islands, and
- Jervis Bay Territory

Note: the following are unlikely to ever be offered as security as:

- Ashmore and Cartier Islands are National Nature Reserves
- Jervis Bay Territory manages housing by lease only

Australian real estate that can be used by the customer includes:

- the customer's principal home
- self-contained flat attached to a customer's principal home
- vacant land
- part of a principal home used primarily or solely for business purposes

- house, unit or flat (other than the principal home)
- land not allowed as curtilage. The term curtilage describes land surrounding the principal home on a single land title. The 2 curtilage categories used to determine a customer's allowable house and curtilage concession are private land use test and extended land use test. A saving provision will grandfather concessions for real estate to 2 groups of existing customers on payments continuously from prior to 1 January 2007
- shop or factory
- farm or market garden or hobby garden
- commercial premises
- industrial premises
- retail premises
- shop and dwelling
- home office/business

Any property offered as security for HEAS, must be valued before a HEAS loan can be granted. When determining the value of the property any charge or encumbrance over the property offered is considered. This may reduce the real asset value for the purposes of determining the [Maximum Loan Amount \(MLA\)](#) payable.

Retirement villages and lifestyle residences

Retirement villages/lifestyle residences do not generally provide land ownership. This means they cannot be used as security for the purposes of HEAS, unless the retirement village/lifestyle residence has the customer's or their partner's name on the Land Title Certificate making use of the:

- land lease
- leasehold, or
- loan licence arrangements

Note: where a customer is offering a retirement village/lifestyle residence as the property, the delegate **must** request the appropriate information to make a correct determination about the property offered against the HEAS loan.

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Ownership of real estate as security + Twisty...

The customer can own real estate:

- solely
- jointly with their partner, or
- with a third party co-owner

The customer's or their partner's name **must** be on the Title Certificate:

- All other owners need to [consent](#) to the property being offered as security for the HEAS loan
- Partners **must** provide [consent](#) even if they are not a co-owner
- Ownership is determined by the placement on information on the Title Certificate
 - Typically, ownership is at the top as first schedule/registered owner
 - If the customer or partner information is second schedule, they may not own the property outright

If the customer's partner has sole ownership of the property, it can still be used as security for the customer's application.

Generally, the value for each member of the couple is set as half of the value of their combined interest. This is for consistency in treatment of shared assets:

- in the Social Security Act, and
- in recognition a claim may be made on the property in the case of separation settlement

Exceptions may apply in consultation with the [Level 2 Policy Helpdesk](#).

If the customer or partner is a stakeholder of a [company](#) or [trust](#), the real estate assets owned by the company or trust may be used as security. In this situation:

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- The company or trust **must** provide a guarantee to the Commonwealth that any HEAS debt incurred by the customer will be repaid by the company or trustee
- The customer **must** supply a copy of the company constitution, or trust deed with their HEAS application

If a company constitution requires a Special Resolution for the directors providing the guarantee, then the customer **must** provide a copy of the Special Resolution.

See the [Process](#) page for property offered under a Company title arrangement.

Note: when a third party, company or trustee completes the guarantee declaration of a HEAS application, they will be agreeing to any costs incurred by the Commonwealth when registering and discharging the charge or caveat placed on the property used as security.

Real estate obtained under a 'long lease' may satisfy the requirement for ownership under the Social Security Act 1991, section 1133.I, if it does **not**:

- preclude the Commonwealth from recovering the HEAS debt, **and**
- prevent the person who receives the benefit of the lease (the lessee) from selling the HEAS secured property

For example, due to the system of land title in the Australian Capital Territory (ACT), a registered proprietor for the lease (or Crown lessee) in the ACT has the right to use land under a lease for a term of 99 years. Even though the Crown lessee only has a 'lease' on the land, the person, not the ACT Government, receives the financial benefit of the land value on sale.

Self-Managed Superannuation Funds (SMSF) + Twisty...

A HEAS applicant should **not** use property held by a SMSF as security for their HEAS loan, as it is a requirement to have sufficient real assets to secure and repay their HEAS loan.

For more information, see [Assessing Home Equity Access Scheme \(HEAS\) applications](#).

If an assessment has already been conducted, a HEAS claim streaming **Note** will show on the customer's record.
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Real asset value for HEAS purposes + Twisty...

Australian real estate offered as security for HEAS must be valued, including the principal home. When determining the equity of the real estate, staff **must** take into consideration:

- any charge, or
- encumbrance over the property

The presence of an encumbrance such as a mortgage, reverse mortgage or a home reversion product on the HEAS property being offered as security for a HEAS application does not necessarily disqualify a customer or partner (if applicable).

The encumbrance **must** be considered to determine the available equity of real assets to calculate the customer's (and partner's, if applicable) [Maximum Loan Amount \(MLA\)](#).

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Factors taken into account when assessing the real estate include:

- current market value of the real estate
- [adequate and appropriate insurance on the real estate](#)
- valuation of the real estate
- life interest
- sale of the real estate
- real estate with a mortgage
- real estate with a reverse mortgage
- apportionment of pre-existing mortgages
- real estate as part of a home reversion product
- applicable name on the Land Title Certificate and/or Land Property Certificate
- real estate owned by a trust or company
- co-owners of the real estate

Where there is an existing encumbrance on a property offered as security, consent (referred to as [confirmation](#) by the agency) may be required for the customer to participate in the HEAS.

The [Process](#) page has more details about affecting factors.

Limiting the Maximum Loan Amount (MLA) + Twisty...

The [Maximum Loan Amount \(MLA\)](#) is determined by a statutory formula: the equity offered rounded down to the nearest 10,000 divided by 10,000 and then multiplied by the [age component amount](#).

The age component amount is determined by using the customer's age, or if a member of a couple the younger of the couple's age, against a table set by ministerial determination. See the [References](#) page for a link to the determination.

A customer may choose to limit the MLA in 2 ways, by nominating:

- a customer MLA which will limit the total amount of HEAS loan payments borrowed over the life of the HEAS loan. The Customer MLA **must** be equal or lower than the actual MLA
- an amount to be excluded from the real asset's value for calculation of the HEAS loan:
 - The Nominated Amount (NA) can be changed at any time via their [Centrelink online account](#), with [consent](#) from their partner (if applicable), or
 - They can complete a Home Equity Access Scheme variation form (SA497) **must** be signed by the customer (and partner if they are a member of a couple)

Neither of these prevent the HEAS loan being recovered if the [HEAS loan balance](#) exceeds the MLA.

The [Resources](#) page has a link to the SA497.

Customer's obligation to advise of changes in circumstances + Twisty...

Customers receiving HEAS **must** tell Services Australia of any [change in circumstances](#) affecting the real estate used to secure the HEAS loan.

For more details, see [Home Equity Access Scheme \(HEAS\) reviews](#)

Discretion of the delegate + Twisty...

A delegate for the purposes of HEAS, is a suitably skilled [Complex Assessment Officer \(CAO\)](#), often referred to as the [Home Equity Access Scheme National Team](#).

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HEAS loans secured by placement of a statutory charge or caveat + Twisty...

Services Australia secures [repayment](#) of the HEAS loan by placing a statutory charge or caveat over the item(s) of real estate of the customer's choosing:

- The agency lodges a [caveat over the real estate](#) with the relevant Land Titles Office:
 - This ensures the agency is advised of any impending sale of real estate, which has been secured under a HEAS loan, and
 - The delegate can renegotiate, or cancel and recover the HEAS loan as appropriate
- The charge or caveat is removed when the HEAS balance is repaid in full
- The customer (and partner, if applicable), third party, trust or company who have an interest in the property used as security must [consent](#) to the lodgement of a charge or caveat over the nominated HEAS secured property
- If a Power of Attorney who also has [nominee](#) arrangements lodges the application, the [Power of Attorney](#) can consent on behalf of the customer, and the:

- customer is not required to provide written consent. Confirmation that the customer wants to enter HEAS will be discussed at the [pre-grant interview](#)
- charge or caveat is removed when the HEAS balance is repaid **in full**
- If the customer provides an alternate property as security for the HEAS loan and the alternate property is determined as suitable security, the charge or caveat should simultaneously be removed from the previous security and applied to the new secured property at a cost to the customer

For more details, see [Processing applications for the Home Equity Access Scheme \(HEAS\)](#).

Costs involved with caveats + Twisty...

- The [costs involved in registering a caveat](#) are payable by the customer, and are added to their HEAS loan balance:
 - Once these costs are added to the [HEAS balance](#), they attract [interest](#) (compounded daily and added fortnightly) the same way as the principal loan payments and previously accumulated interest
 - The customer pays the cost of removal of the caveat, or in the event of the customer's death, it is paid through their estate

Customers may choose to rearrange their assets and remove the caveat from one secured property and place it on another:

- These costs are paid by the customer
- This rearrangement of assets is not an obstacle to continuing to participate in HEAS. Meaning, as long as the value of the substitute property provides adequate security for the HEAS loan
- Costs may also be incurred if another dealing is registered on the HEAS secured property, and it requires Services Australia to:
 - assess, and
 - consent

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HEAS balance as an allowable deduction + Twisty...

The [HEAS balance](#) is an allowable deduction against the assessable asset amount (not including exempt amounts) of secured properties.

- The deduction:
 - s47E(d)
 - applies to the assessable asset component of the offered security only. This is different to the treatment of other loans or encumbrances. They are apportioned between the assessable, and non-assessable components of the property

See the [Process](#) page for instructions on how to assess and apply the deduction.

The [Resources](#) page has examples of assessing the value of HEAS security and the [Maximum Loan Amount \(MLA\)](#).

Related links

[Home Equity Access Scheme \(HEAS\)](#)

[Initial contact by customers applying for the Home Equity Access Scheme \(HEAS\)](#)

[Assessing Home Equity Access Scheme \(HEAS\) applications](#)

[Repayment of Home Equity Access Scheme \(HEAS\) loans](#)

[Home Equity Access Scheme \(HEAS\) reviews](#)

[Types of Centrelink records](#)

[Home ownership](#)

[Determining homeowners and non-homeowners](#)

[Customer's principal residence owned by a private trust or private company - determining home ownership](#)

[Assessing asset attribution](#)

[Retirement villages](#)

[Granny flat provisions](#)

[Assessing caravans, boats and park homes as a principal place of residence](#)

Process

For Complex Assessment Officer (CAO) use.

This document outlines how to determine if a customer has sufficient real estate assets to secure and repay a HEAS loan, and how to calculate the Maximum Loan Amount.

On this page:

[Establishing sufficient security for HEAS and calculation of Maximum Loan Amount \(MLA\)](#)

[Factors affecting the real asset value](#)

[Deducting the HEAS loan balance from secured real estate](#)

Establishing sufficient security for HEAS and calculation of Maximum Loan Amount (MLA)

Table 1

Expand table

Step	Action
1	Determine adequate security + Read more... Consider the following: - current market value of the real estate being offered as security - factors affecting the customer's equity in real estate, including: - details of ownership and placement on the Land Title Certificate - for trust and company use, s47E(d) - nominated amount requested by the customer - period for which the HEAS loan will be paid (if known) - pre-existing debts. For example, mortgages Table 2 describes the factors to consider when determining the value of the real estate for HEAS purposes.
2	Establish value of real estate offered as security + Read more... The decision on whether adequate security is being offered can only take into account the customer's nominated properties and not the total value of real estate owned by the customer. s47E(d) Determining the customer's share If the customer is partnered, divide the current market value by 2 to determine the customer's share of the asset value. Members of a couple (MoC) are deemed to have 50% ownership for the purposes of determining the HEAS loan security value. This is regardless of their actual ownership percentage. s47E(d)

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For example, if each member of the couple owned a separate property and wished to use their own property as HEAS loan security.

Note: where real estate offered as security is owned jointly or as [tenants-in-common](#) with a third party, **only** record the customer's share of the asset value in the **s47E(d)** field.

3

Establish Nominated Amount + Read more...

Generally, the full value of the real estate offered as loan security is used to determine adequate security for HEAS purposes. Customers can choose to use only part of the value if they wish. The amount the customer chooses to reduce the value by is known as the **Nominated Amount**.

For example, if the current market value of the real estate is \$400,000, and the customer decides to use only \$350,000 as security, the Nominated Amount is \$50,000.

The Nominated Amount is recorded on the **s47E(d)** screen. If both [members of a couple](#) are applying for the HEAS loan, the CAO **must** confirm with the couple what portion of the Nominated Amount is to be applied to each member (generally this will be 50% apportioned to each person).

The Nominated Amount is not quarantined from recovery by the Commonwealth. For example, if the person's HEAS balance exceeds \$350,000 due to interest continuing to accumulate, they are still required to repay the balance in full.

4

Establish deductions + Read more...

If the real estate used as the security has one of the below, the amount reduces the loan security value for HEAS purposes:

- loan
- mortgage
- reverse mortgage
- life interest
- line of credit
- overdue property rates, or
- any other type of encumbrance recorded against it

If the customer is partnered, the CAO **must** divide the deduction amount by 2 to determine the customer's share of the deductions.

If another percentage other than 50% has been used to determine the HEAS loan security value, the CAO **must** apply this percentage to work out the customer's share of the deductions).

Establish the value of any applicable deductions and record the amount in the **s47E(d)** field on the **s47E(d)** screen.

Note: where the real estate also has third party ownership with a loan, mortgage, reverse mortgage, life interest, line of credit, overdue property rates or any other type of encumbrance recorded against the property offered, the total value should be applied as a deduction (if partnered, the value should be divided as 50/50).

See [Table 2](#) table for more details about deductions, such as mortgages and mortgage apportionment, and life interests.

5 **Determine value of real assets** + Read more...

Once the customer's share of the current market value, Nominated Amount, and deductions have been determined, the **CAO must identify the value of real assets** for calculating the [Maximum Loan Amount \(MLA\)](#).

The system automatically works out the real asset value based on the following formula:

Real asset value = Current Market Value minus (Nominated Amount + Deductions).

6 **Determine age component** + Read more...

The [age component](#) is used to work out the [maximum loan amount](#). The system automatically works out the age component based on:

- **single customers** - the age component is the age of the customer on their last birthday
- **partnered customers** - the age component is the age of the younger member of the couple on their last birthday

Once the age component is known, the relevant age component is the amount defined in section 1135A(3) of the Social Security Act 1991.

7 **Calculate Maximum Loan Amount** + Read more...

The [Maximum Loan Amount \(MLA\)](#) available to the customer can now be calculated. The system automatically works out the MLA based on:

- real asset value rounded down to the nearest \$10,000
- [age component amount](#)

The following formula is used to determine the MLA:

Maximum Loan Amount = age component amount x (value of real assets divided by 10,000).

See the [Resources](#) page for examples of calculating the Maximum Loan Amount.

8 **Decide if the real estate is adequate security** + Read more...

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The [Home Equity Access Scheme grant and projection calculator](#) **must** be used by the [CAO](#) to estimate the future balance of the HEAS loan to help identify if the HEAS loan balance will exceed the real asset value.

Does the real asset value provide adequate security to secure repayment of a HEAS loan?

- **Yes**, customer has offered adequate security to be eligible for HEAS. To determine if the customer meets other eligibility criteria for HEAS see [Eligibility for the Home Equity Access Scheme \(HEAS\)](#)
- **No**, customer has not offered adequate security to be eligible for payments. HEAS application to be rejected, or if already current on payments, ongoing HEAS payments will cancel. For more information, see [Home Equity Access Scheme \(HEAS\) cancellation, restorations and rejections](#)

For more details about coding security details on the s47E(d) screen see [Processing applications for the Home Equity Access Scheme \(HEAS\)](#).

Factors affecting the real asset value

Table 2

Expand table

Factor	Description
1	Valuation of the real estate + Read more... Any real estate, including the customer's principal home, offered as security for HEAS, must be valued. This valuation must be completed before grant. Valuations are completed by an approved valuer at no cost to the customer. If a pensioner provides a private valuation, it is accepted where the valuer is professionally qualified and the valuation conforms with approved standards. That is, the price is one: • a willing buyer would agree upon with a willing, but not anxious, seller and • in the case of real estate or a business, supported by evidence of recent comparable sales
2	Adequate and appropriate insurance on the real estate + Read more... To be eligible for HEAS, the customer must have adequate and appropriate insurance for the Australian real estate offered as security. When lodging a new application for HEAS, applicants must provide their

	current certificate of insurance for the real estate offered as security. Adequate and appropriate insurance for HEAS purposes is generally considered to be an insured amount, that is a reasonable representation of the replacement value of all buildings on the real estate property or properties. Property location and environmental factors may affect whether the insurance is considered adequate and appropriate. For example, fire and flood insurance. HEAS customers are required to notify Centrelink of any significant changes to the insurance policy covering the property used to secure a HEAS loan, including if the insured amount falls below the current market value of all buildings on the property.
3	Life interest + Read more... If a person, other than the customer or partner, has a life interest in the real estate offered to secure the HEAS loan, the value of the life interest will reduce the equity the applicant's estate has in the real estate. This has the effect of reducing the security of the HEAS loan and so reducing the maximum loan amount the applicant is able to receive. The current value of the life interest needs to be obtained. If necessary, a request for valuation of the life interest should be sent to the Australian Government Actuary office. The costs of obtaining this valuation will be added to the customer's HEAS balance. See Referrals for actuarial valuations for more information.
4	Sale of the real estate + Read more... If a customer wants to sell the real estate securing their HEAS loan, the delegate must determine whether repayment of the outstanding loan is required at this time. A charge or caveat is lodged by the Commonwealth over the real estate to ensure Services Australia is told of any impending change of title for the real estate used to secure a HEAS loan. This allows the agency time to arrange for repayment of the loan or renegotiation as appropriate. The question of whether repayment of the loan is required must be addressed by the delegate having regard to the circumstances of the case. If the HEAS loan is still safely secured by other remaining or alternate real estate, the delegate may exercise discretion in transferring the charge or caveat over the disposed real estate without taking recovery action.
5	Real estate with a mortgage + Read more... The presence of a mortgage on real estate offered as security for the HEAS loan does not necessarily disqualify a customer from HEAS. However, the mortgage reduces the available equity of real assets when calculating the Maximum Loan Amount (MLA) available to the customer or couple. Staff must use the Mortgage/Loan Apportionment Calculator to determine the deduction amount to calculate the customer's MLA, if the property being offered as security:

- has a pre-existing mortgage, **and**
- the mortgage is secured by another property or properties (this may also be called cross collateralisation)

Coding details of a mortgage:

s47E(d)

Coding details of a line of credit:

s47E(d)

Coding details of a guarantor loan:

s47E(d)

The [Resources](#) page has a list of examples.

Where customers have an existing mortgage, staff **must** request, in writing, a copy of the most recent statement and the agreement or contract for the mortgage.

This **must** include details of the:

- address of the security offered
- current terms and conditions, and
- current interest rate of the mortgage

The terms and conditions **may** be separate to the contract for the mortgage.

It is the customer's responsibility to provide the information above s47E(d)

If the customer does not provide the terms and conditions after a valid request for information, the claim is to be [rejected Failure to return correspondence](#) s47E(d).

If the lender's terms and conditions **preclude the customer from entering into other loan arrangements** using the same real estate property, approval of the HEAS loan cannot be considered as the property is not suitable as security for the purposes of HEAS.

Where consent (referred to [confirmation](#) by the agency) is required and the mortgage provider advises the customer they require Services Australia to enter into an agreement with deed of priority, this is **not** considered confirmation and the real estate is not able to be accepted as security for the HEAS loan.

Deeds of priority places the agency at risk to recover the HEAS loan value.

See the [Resources](#) page for examples for lender confirmation.

Customers may offer property as security, **where they have fully repaid the mortgage however a mortgage is still in place** with the lender.

Where this occurs, the CAO **must** ask the customer to approach the lender and request the lender provides a letter of confirmation the mortgage is no longer active.

This is to make sure there are **no other active** accounts or available redraw facilities still linked to the mortgage. A letter stating account is closed is not sufficient.

If the lender has gone into administration or liquidation and is no longer trading, the customer will need to contact the relevant land titles office to discuss removing the caveat or charge the lender has on the title. In this instance, this **must** be actioned before the property can be considered suitable.

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6

Real estate with a reverse mortgage + Read more...

A [reverse mortgage](#) will not prevent a customer from accessing HEAS. However, the delegate will need to determine if they are able to calculate the maximum loan amount available for the customer considering an existing reverse mortgage and its ongoing effect on the available equity for HEAS.

As the debt incurred by a reverse mortgage increases over time without any reduction in the capital outlay, it is important the delegate ensures there is sufficient equity available to protect Government outlays under the HEAS.

One of the requirements of HEAS is the real assets value being sufficient to secure the payment of any outstanding HEAS loan amount when it becomes payable to the Commonwealth under Division 4 of the SSA 1991.

To meet this requirement for real estate with a reverse mortgage, staff **must** complete a case-by-case assessment.

Staff **must**:

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Clearly document any decisions as part of the delegate's [decision-making process](#).

It is the customer's responsibility to provide information outlined above and CAOs **must** only assess the terms and conditions provided by the customer. If the customer does not provide the terms and conditions after a valid request for information the application is to be [rejected](#) s47E(d)

The [Resources](#) page contains examples for confirmation and the HEAS grant and projection calculator.

If the grant and projection calculator shows results with insufficient equity, a HEAS loan **must not** be granted.

If the lender's terms and conditions **preclude the customer from entering into other loan arrangements** using the same real estate property, approval of HEAS cannot be considered as the property is not suitable as security for the purposes of HEAS.

Where confirmation is requested and the mortgage provider advises the customer that they require Services Australia to enter into an agreement with deed of priority, this is **not** considered confirmation, and the real estate is not to be accepted as security for the HEAS loan.

Coding details for a reverse mortgage:

- s47E(d) screen- code the 'reverse mortgage projected amount' from the HEAS grant and projection calculator
- s47E(d) screen - for an income support customer, code the outstanding balance from the most recent reverse mortgage statement

Note: customers who have a reverse mortgage deduction recorded on the s47E(d) screen in Customer First/s47E(d) screen in Process Direct are reviewed annually under the [Risk Based Review](#) profiling.

7

Real estate as part of a Home Reversion product + Read more...

Customers may have a Home Reversion product. This is **not** a Reverse Mortgage.

Home Reversion occurs when a customer 'sells' a percentage of the future sale value of their real assets in exchange for an upfront lump sum amount.

At the time customers sell their property, they repay the percentage to the Home Reversion product provider as part of the settlement.

Customers remain the legal owner of the property, however the Home Reversion product provider will place a charge or caveat on the property.

If customers present with a Home Reversion type product, the delegate **must** determine if the value of the real asset is sufficient to secure the payment of any [outstanding HEAS amount](#) that may become

payable to the Commonwealth.

Staff **must** complete a case-by-case assessment by:

s47E(d)

Note: the terms and conditions may be separate to the contract for the Home Reversion provider.

It is the customer's responsibility to provide information outlined above s47E(d)
If the customer does not provide the terms and conditions after a valid request for information the claim is to be rejected s47E(d)

If the provider's terms and conditions **preclude the customer from entering into other loan arrangements** using the same real estate property, approval of the HEAS loan cannot be considered as the property is not suitable as security for the purposes of HEAS.

The [Resources](#) page contains confirmation examples and the [HEAS grant and projection calculator](#). If the calculator shows results with insufficient equity the HEAS must **not** be paid.

Any decisions should be clearly documented as part of the [decision-making process](#).

8

Real estate owned by a trust or company + Read more...

Real estate owned by a [trust or company](#) may be used to secure a HEAS loan if the:

- customer or partner is an attributable stakeholder of the trust or company that owns the real estate
- company or trustee **must** give a written guarantee that the company or trustee will pay any debt in the event the HEAS loan becomes payable. This guarantee is obtained via the Home Equity Access Scheme partnered application form (SA310) in Parts D, E and F or Home Equity Access Scheme single application form (SA496) in Parts D, E and F
- HEAS loan is secured by a charge or caveat against the real property of the trust or company

The company or trustee **must** notify Services Australia if there are any [changes to the equity of the real estate](#) they are offering as security.

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9

Real estate owned under a Company title + Read more...

Where a company owns a building or unit complex and the customer owns shares in the company, and the customer has a right to reside in the unit, the shares are considered as [home ownership](#) for HEAS purposes.

Real estate owned under a Company title arrangement may be used to secure a HEAS loan if:

- the customer can provide proof they own shares linked to the unit they offer as security.
- **all the Directors** of the company **must** provide a written guarantee that the company **will pay any debt** in the event the HEAS loan becomes payable and that guarantee is given via Part F of either a:
 - [SA310](#) or
 - [SA496](#)
- the HEAS loan is secured by a caveat or charge against the property of the company

In some cases, a Company Constitution may have a clause indicating that a Special Resolution of Directors is required when allowing borrowings, including borrowings by individuals. In these circumstances, a copy of the Special Resolution **must** be provided.

The company or trustee **must** notify Services Australia if there are any [changes to the equity of the real estate](#) being offered as security.

10

Co-owners of the real estate used as security + Read more...

If a person, other than the customer or partner, is a co-owner of the property used to secure the HEAS loan, this does not necessarily disqualify a customer from HEAS. Only the customer's share in the equity of the property can be used for the purposes of calculating the maximum loan amount available. However, there **must** be a documented agreement from the third party who owns the balance of the real asset.

This agreement is obtained via Part C (Co-owner declaration) in the:

- SA310, or
- SA496

Types of third party co-owners may include:

- joint tenants, or
- [tenants in common](#)

11

Familial Caveats on real estate + Read more...

A familial caveat is a legal notice lodged on the title of a property by a family member to protect their interest.

	These may be in place for a variety of reasons. Where a familial caveat is listed on a title, CAO must request information relating to: • the level of interest in the property • any amounts owing • contractual arrangements. Depending on the type of caveat lodged, it may prevent the agency from registering a caveat or charge on the property offered as security. In the absence of any evidence to support the familial caveat or charge, the customer will need to contact the relevant land titles office to discuss removing the familial caveat or charge from the title. In this instance, this must be actioned before the property can be considered suitable.
12	Overdue property rates + Read more... Customers may indicate they have overdue property rates on the real estate offered as security for the HEAS loan. This does not necessarily disqualify a customer from HEAS. Overdue property rates must be included as a deduction for the purposes of HEAS. Councils may use local legislation to recover rates and do not need to register their interests in a property to pursue unpaid rates. s47E(d) Use the HEAS grant and projection calculator to forecast an estimate of the future value of the overdue property rates. Code the: • amount in the s47E(d) field and include the interest rate (if applicable) • 'deductible amount' on the s47E(d) screen with any other loans or encumbrance deductions Clearly document any decisions as part of the decision-making process.

Deducting the HEAS loan balance from secured real estate

Table 3

Expand table

Step	Action
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1 **The HEAS loan balance as an allowable deduction** + Read more...

The [HEAS loan balance](#) is an allowable deduction against the assessable asset amount (not including exempt amounts) for secured properties.

The deduction is applied by manually coding the HEAS loan balance amount in the **s47E(d)** field on the Real Estate Detail **s47E(d)** screen for the secured property.

The deduction can be updated at any time. This procedure describes the steps taken to assess and update the deduction coding (for example, at the customer's request).

For more details about the risk based review, see [Home Equity Access Scheme \(HEAS\) reviews](#).

Note: when reviewing HEAS secured properties, always consider the proximity of the current balance to the [Maximum Loan Amount \(MLA\)](#) against the age of the property value or valuation recorded.

If the property has reduced in value, additional information may be required before the HEAS loan deduction can be recorded.

For example, it may be necessary to request a [Real Estate Details form \(MOD R\)](#) from the customer or a valuation. Ensure all required information has been provided (if applicable) and relevant updates made before proceeding with the HEAS loan deduction coding.

2 **Determine current loan balance** + Read more...

Collect the current [HEAS loan balance](#) from the Loan Details **s47E(d)** screen in Customer First/**s47E(d)** screen in Process Direct for each customer and partner (if [member of a couple](#)). For partnered customers, add the balances for a combined HEAS loan balance.

The HEAS loan balance used **must** be the balance as at the most recent **Effect Date** recorded on the **s47E(d)** screen. Take note of the Effect Date, as this is the date of event used when coding the HEAS loan deduction against the secured real estate on the **s47E(d)** screen.

3 **Identify secured real estate** + Read more...

Identify the property (or properties, if multiple exist) used to secure the HEAS loan. The secured properties can be identified by matching the **s47E(d)** on the **s47E(d)** screen and the **s47E(d)** on the Real Estate/Business Identifying **s47E(d)** screen (accessible via the **s47E(d)** screen).

If only one secured property exists, the deduction of the [HEAS loan balance](#) can be deducted in full against the assessable asset value (if any) for the property.

If multiple secured properties exist, the HEAS loan balance is to be split evenly against the assessable components of each property.

If the deduction exceeds the value of the property, apply any excess deduction to another property being

offered for HEAS.

Unless the HEAS loan is secured by assessable real assets **and** the customer's principal home, the full value of the loan is deducted from the value of the assessable asset.

Note: s47E(d) recorded on the s47E(d) screen **must** be coded on the s47E(d) screen of the customer's record.

4

Request information + Read more...

For each secured property, consider the proximity of the current balance to the [Maximum Loan Amount \(MLA\)](#) against the age of the property value. If the property has reduced in value, additional information may be required before the HEAS loan deduction can be recorded. For example, if:

- the secured property has a mortgage or loan against it, request an updated loan balance from the customer
- the real estate details do not appear to be up-to-date or there is reason to think they may have changed, request a [Real Estate Details form \(MOD R\)](#) from the customer
- a valuation has never been completed on the property, or the last valuation was completed more than 12 months ago and no longer appears reasonable, a new valuation **must** be requested

Property offered as part of a Retirement Village or lifestyle residence may be suitable security. To correctly assess suitability, information needs to be requested from the customer. Any documents obtained from the retirement village or lifestyle residence by the customer **must** have the business letter head and should include:

- a clear breakdown of the fees and charges allocated at the time of sale of the property (including any legal fees)
- the percentage the retirement home will be allocated upon sale of the property (including the refurbishment amount)
- a letter of [confirmation](#) from the retirement village authorising the customer to participate in the scheme and use the property as security against the HEAS loan, allowing Services Australia to place a caveat on the title
- insurance certificate to ascertain the customer has [adequate and appropriate insurance](#)

[Requests for information](#) should be sent using Process Direct. For more details, see [Assessing applications for the Home Equity Access Scheme \(HEAS\)](#).

Once the required information has been provided, or if no information needs to be requested, [go to Step 5](#).

5

Principal home with no assessable asset value + Read more...

Is the secured property the customer's [principal home](#) **and** is it less than two hectares, or has no [assessable components](#) under the [assets test](#) (for example, over two hectares but meets the extended land use test)?

- **Yes**, HEAS loan does not need to be recorded as a deduction. If the property:
 - has a mortgage against it, record the current balance in the s47E(d) field on the s47E(d) screen

	○ does not have a mortgage against it, no coding is required. Update the HEAS Display on Access s47E(d) DOC on the Document List s47E(d) screen to record the assessment outcome. Proceed to assess any other secured properties, otherwise, procedure ends here • No, to go Step 6
6	Principal home with assessable asset value + Read more... Is the secured property the customer's principal home and is it greater than two hectares, or has assessable components under the assets test (for example, over two hectares and does not meet the extended land use test)? • Yes, go to Step 8 • No, the secured asset is a non-principal home property. Go to Step 7
7	Non-principal home property + Read more... Does the non-principal home property have a mortgage against it? • Yes, add the mortgage amount to the relevant HEAS loan amount, and record the combined total in the s47E(d) field on the s47E(d) screen • No, code the relevant HEAS loan amount in the s47E(d) field on the s47E(d) screen If there is already an existing amount coded in the s47E(d) field, replace the existing amount with the new amount from the applicable Event Date. The Event Date on the s47E(d) screen must match the Effect Date of the current loan balance recorded on the s47E(d) screen. Once coding is complete, procedure ends here.
8	Split assessable and non-assessable components + Read more... Where a secured property has both assessable and non-assessable components, the property must be coded twice on the customer's record to enable the correct application of allowable deductions, as follows: • HEAS loan balances are not subject to mortgage/loan apportionment rules and are to be applied entirely against the assessable component • Any other mortgages or loans against the property are to be apportioned across the assessable and non-assessable components Assessable components: • Current Market Value: The excess house and curtilage value • House and Curtilage: \$0

Non-assessable components:

- Current Market Value: House and Curtilage value
- House and Curtilage: House and Curtilage value

If the property has not been coded twice to split the assessable and non-assessable components, create a new record for the secured property via the [s47E\(d\)](#) screen.

Replicate the details from the existing record **except** code only the assessable components on one record with the [s47E\(d\)](#) field equal to:

- the excess house and curtilage value, and
- the non-assessable components on the other with the [s47E\(d\)](#) and [s47E\(d\)](#) fields as the house and curtilage value

Note: this may require the existing record to be updated as well.

See the [Resources](#) page for an example of coding Assessable and Non-assessable components.

Once two records exist, [code the deductions](#) in the [s47E\(d\)](#) field on the [s47E\(d\)](#) screen. If the property:

- does **not** have a mortgage or loan against it, code the relevant HEAS loan amount on the property record containing the **assessable** components
- has a mortgage or loan against it, apportion the mortgage/loan value across the **assessable** and **non-assessable** components and code the two property records accordingly:
 - Code the apportioned mortgage/loan value corresponding with the **non-assessable** components on the property record containing the **non-assessable** components, and
 - Combine the apportioned mortgage/loan value corresponding with the **assessable** components with the relevant amount of the HEAS loan balance on the property record containing the **assessable** components

See the Resources page in [Loans and Liabilities against assets](#) for an example of assessing loan encumbrances and a link to the Mortgage Apportionment Calculator for apportioned loan values.

Once coding is complete, procedure ends here.

References

Policy

[Social Security Guide 3.4.5.20 Security for HEAS](#)

[Social Security Guide 3.4.5.30 Calculating the maximum HEAS loan](#)

[Social Security Guide 4.6.6.30 Encumbrances & loans against assets](#)

For information on the effect on the HEAS of the sale of real estate, refer to 'Sale of real estate' in [Social Security Guide 3.4.5.80 Continuation & termination of HEAS](#)

Legislation

Links to the Federal Register of Legislation site go to an 'All versions' page. Select the 'Latest' version.

[Social Security Act 1991](#)

- section 1135A, maximum loan available
- section 1138, Existence of debt results in charge over real assets
- section 1140, Enforcement of charge
- section 1143, Registration of charge
- section 1141, Person ceases to participate in pension loans scheme if debt exceeds maximum loan available

Ministerial Determinations

[Social Security \(Pension Loans Scheme - Age Component Amount\) Determination 2019](#)

Resources

[Home Equity Access Scheme National](#)

HEAS Forms + Twisty...

[Home Equity Access Scheme partnered application form \(SA310\)](#)

[Home Equity Access Scheme single application form \(SA496\)](#)

[Home Equity Access Scheme variation form \(SA497\)](#)

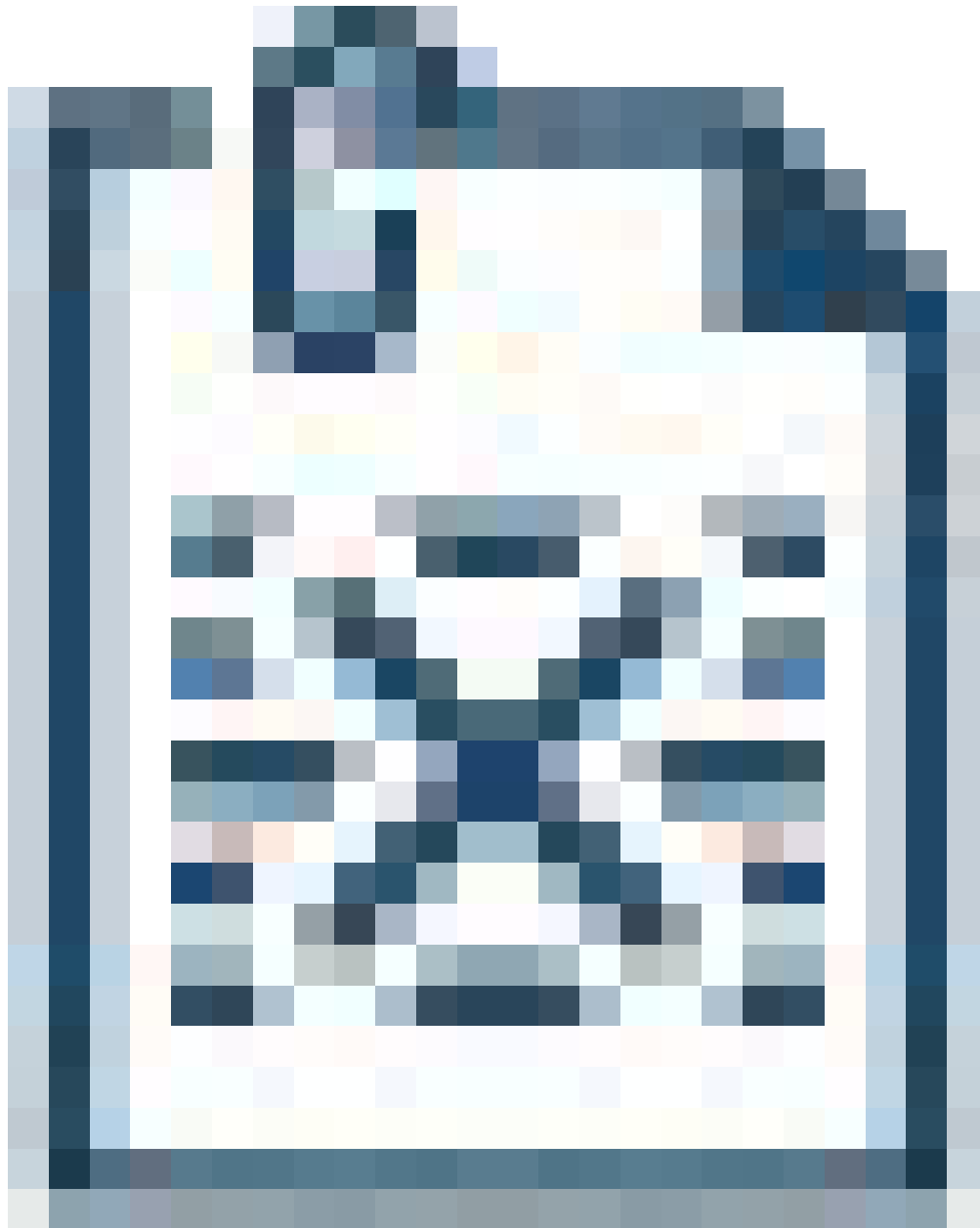
[Home Equity Access Scheme review form \(SA498\)](#)

Age component amount + Twisty...

[Age component amount](#)

Calculator for Complex Assessment Officers (CAO) + Twisty...

s22 (out of scope)



[Home Equity Access Scheme grant and projection calculator](#)

s47E(d)

Assessing value of assets as security for the HEAS + Twisty...

Table 1

Example	Description
1	Real asset value calculation s47E(d)
2	Maximum Loan Amount calculation - single customer s47E(d) s
3	Maximum Loan Amount calculation - couple s47E(d)

	s47E(d)
4	Split assessable and non-assessable components s47E(d)

Mortgage Apportionment Calculator + Twisty...

The Mortgage Apportionment Calculator is also known as the Loan Apportionment Calculator [Mortgage Apportionment Calculator](#)

Examples where Lender Confirmation may be required + Twisty...

Table 2

Example	Description
1	Where a lender's Terms & Conditions or contract categorically state customers cannot have another loan, the property offered is not suitable and the claim must be rejected , unless another suitable property is offered.
2	Where a lender's Terms & Conditions or contract state consent (confirmation) is required if the customer is seeking another loan, advise the customer to obtain a letter from the lender, stating the lender 'provides confirmation for the [named] customer [and/or partner] to participate in the Home Equity Access Scheme using [the property the lender lists for their security, matching the property offered for HEAS security]'. Note: any other details in the letter can cause delays in granting or place the agency at risk to recover any loan amount paid, which must be considered when determining a properties suitability

	as security.
3	Where a lender's Terms & Conditions or contract do not state consent (confirmation) is required, do not request the customer to obtain any form of consent from the lender. Note: during the pre-grant interview, CAO's will ask and record a response relating to the customer having sought Independent Financial or Legal Advice. If a customer omits information, they may not be eligible for the No Negative Equity Guarantee s47E(d)
4	Customers may provide a letter of confirmation where a lender indicates specific or restrictive requirements the agency must meet. For example, other lenders requesting a deed of priority or provisions to allow further drawdown in equity without consultation. s47E(d)
5	Where a letter of confirmation is returned with basic wording, stating the lender 'provides confirmation for the [named] customer [and/or partner] to participate in the Home Equity Access Scheme using [the property the lender lists for their security, matching the property offered for HEAS security]', if all other requirements are met, the claim can be granted.

Training & Support

Add the course number to the **s47E(d)** field on the **s47E(d)**

- **s47E(d)** - HEAS Introduction
- **s47E(d)** - Assessing HEAS Applications
- **s47E(d)** - HEAS CAO only Processing and Reviews
- **s47E(d)** - HEAS Settlements and Title Updates
- **s47E(d)** - HEAS Repayments
- **s47E(d)** - Assessing HEAS Applications extended
- **s47E(d)** - HEAS general processing