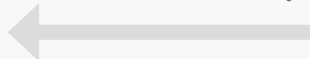


Considerations for an early release of superannuation request

Quite often a lender will receive a request from their customer to support an early release of superannuation to assist with mortgage repayments and pay outstanding arrears in situations where the lender has commenced enforcement action for possession of the mortgaged property.



What are a lender's obligations (and what does AFCA expect from a lender) when considering a request to support an early release of superannuation?



If a lender has determined that the customer does not have the ability to meet their loan obligations in the long term, it is not appropriate to support an early release of superannuation as the customer is still likely to lose their home and also part of their superannuation. An alternative is to offer time to sell the mortgaged property.

- Treat it as a request for hardship assistance and follow the usual hardship assistance process.
- Consider the request as well as alternatives such as capitalisation of arrears, repayment moratorium period or time to sell the mortgaged property.
- Ensure they understand a customer's financial position, including how their position may change in the future and if the release of superannuation is going to assist the customer in the long-term.
- Communicate their position to the customer including providing reasons where a request has been declined.

Consequences for failure to meet a lender's obligations when considering a request:

Potential monetary compensation for financial and/or non-financial loss.



If a lender does support an early release for superannuation request, what must they provide to the customer?

A letter (no more than 30 days old) which states:

- a payment of an amount is overdue;
- if the overdue amount is not paid by a certain date, the mortgagee will take possession of the mortgaged property;
- the equal amount to three months' repayments for the loan; and
- the equal amount to 12 months' interest on the loan balance.



Early superannuation release to repay arrears on a loan should be considered as a last resort. Lenders should explore all other alternatives to assist the customer in the first instance. If you are unsure of your obligations when considering whether to approve or decline a request, Gadens can assist in providing advice.



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