

# WHAT IS
# The Home Equity Access Scheme?

MARCH 2026

The Home Equity Access Scheme is a voluntary reverse mortgage offered by the Government, providing older Australians with a fortnightly income stream to supplement their retirement income.

## How does it work?

The Scheme allows you and/or your partner to convert equity in an existing property (such as your home) into regular fortnightly loan amounts paid by the Government.

The loan amounts are subject to interest compounding fortnightly at the rate of 3.95% p.a. The loan, plus interest, is recoverable once the relevant property is sold, or from your estate.

You have the choice of either taking a fortnightly payment, or a lump sum equivalent to 50% of the relevant annual pension amount. You can choose to cease drawing loan amounts at any time.

There is no mandatory loan repayments required until you pass away or sell the property the loan is secured against. However, you can make voluntarily repayments of the loan any time. The longer you take to repay the loan, the more interest you will accrue.

Amounts drawn from the loan are not assessable when determining your eligibility for a social security payment, nor are they treated as taxable income[1]. Also, loan amounts are not counted for the purposes of the Seniors and Pensioners Tax Offset, the Low Income Tax Offset, or for the purposes of the Commonwealth Seniors Health Card.

To increase the Scheme's flexibility and make it more attractive to senior Australians, the following changes were made from 1 July 2022:

- A No Negative Guarantee means recipients will never owe more than the value of the equity in the secured property, and
- Participants will be able to bring forward a portion of their fortnightly loan payments as a lump sum advance. These lump sum advances will be capped at 50 per cent of the annual rate of the relevant pension, and any advance taken will reduce the fortnightly loan amount a person can receive over the following 12 months.

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You can apply for the Scheme by visiting Centrelink at www.servicesaustralia.gov.au DVA at www.dva.gov.au and search 'Home Equity Access Scheme'.

Prior to 1 January 2022, the Home Equity Access Scheme was known as the Pension Loan Scheme.

## How much can I receive each fortnight?

Under the Scheme, you can top up your current pension amount (whether you receive some pension or nil) to 150% of the maximum rate of pension which applies to your circumstances. If you do not wish to receive the maximum amount of loan, you can nominate a lower percentage or a dollar amount.

The loan amount each fortnight is the difference between the pension you would normally receive (if any) and the amount you receive when the pension has been increased under the Scheme.

For example, John is a single pensioner receiving 100% of the maximum age pension. The maximum he could be paid each fortnight under the Scheme is 50% of the maximum age pension. As John's pension changes, his loan amount will automatically adjust so it does not go over the 150% maximum (if he chooses this payment option).

John's brother, George is also eligible for the Age Pension but receives no payments because his assets exceed the asset test threshold. He too decides to apply for the Home Equity Access Scheme to supplement his income. George has a number of options for how he chooses to receive the payments. He can:

- Receive up to 150% of the maximum Age Pension rate as a regular payment. Since the maximum Age Pension rate is $1,178.70 per fortnight, George can receive up to $1,768.05 per fortnight through the scheme.
- He could elect a lump-sum payment of $45,969.30 and receive no regular income payments for the next 26 fortnights (one year), or
- He could take a combination of a lump-sum and an income stream. George's fortnightly payments will be adjusted for the next 26 fortnights to offset the amount he takes as a lump sum.

## How do I qualify?

To qualify with Centrelink, you must satisfy the following:

- Qualify for an eligible pension[2], even though your payment rate may be nil under the income or asset test,
- Own real estate in Australia with sufficient equity to secure the loan,
- Have adequate insurance covering the nominated security,
- Not be bankrupt or subject to a personal insolvency agreement, and
- You or your partner are Age Pension age or older.

To qualify with the Department of Veterans' Affairs, you must satisfy the following:

- Be a veteran who has reached the applicable pension age and eligible for Service Pension, or
- Be a war widow/widower who has reached qualifying age and eligible for the income support supplement; and
- Own real estate in Australia that you can use as security for the loan,
- Have adequate and appropriate insurance covering the real estate offered as security,
- Not be bankrupt or subject to a personal insolvency agreement.

## Maximum loan amount?

The accrued loan is subject to a maximum loan amount. Where the maximum loan amount is reached, loan drawdown payments will cease, although interest will continue to accrue until the loan is repaid. The maximum loan amount is not fixed; it is recalculated every 12 months in

1. Refer to ATO Tax Determination 96/14, Income tax: the Social Security Act 1991 provides for a pension loans scheme. Are amounts received by pensioners under the pension loans scheme assessable income?
2. Eligible pensions include Age Pension, Bereavement Allowance, Carer Payment, Disability Support Pension, Widow B Pension, Wife Pension.

January or July, following a borrower's birthday, to adjust for the higher age component available.

The total amount of loan you can receive depends on:

- the value of property offered as security for the loan,
- equity you wish to keep in your property, and
- you or your partner's age (whoever is younger) at the time the loan is granted.

For example, Richard (aged 75) and Miranda (aged 72) own their own home valued at $1.2 million. Using $900,000 of equity as security for the Scheme, the maximum loan amount, based Miranda's age, is currently $299,700[3] and will increase with age.

## Type of security for the loan

You can offer real estate you and/or your partner own in Australia. This includes:

- a home you live in,
- an investment property,
- property held in a company or trust of which you or your partner is an attributable stakeholder, or
- a retirement village.

If the property is owned with someone other than your partner, jointly or as tenants in common, Centrelink/DVA will need to determine whether the property can be used as security.

When applying, you must provide a current certificate of insurance for the property nominated as security for the loan. The insured value must be at least 90% of the value of all buildings on the property for standard events including:

- Fire,
- Escape of liquid,
- Flood,
- Storm, and
- Explosion.

In some circumstances, third party liability insurance may also be required. In the event there are significant changes to the insurance policy covering the property used secure a loan, you are required to notify Centrelink.

## How is interest calculated on the loan?

Interest is calculated fortnightly each loan amount pay day. It is calculated on the loan amounts you have received plus previously accrued interest, less any repayments made.

The interest rate is set by the Minister for the Department of Social Services and is published in the Australian Government Gazette. From 1 January 2022, the interest rate for the Home Equity Access Scheme is 3.95 per cent per annum.

## What happens if I have a surviving partner?

If there is an outstanding loan at the time of your passing, the amount is generally recoverable from your estate and interest will accrue until the loan is repaid.

If your spouse is also eligible for loan amounts and wishes to keep receiving them, payments will continue, and recovery of the loan may be deferred until their passing. On their death the loan is recovered from their estate.

If your surviving partner is under pension age, the loan may be recovered after the bereavement period. If your surviving partner has reached pension age and is using the property which secured the loan, the loan may not be recovered until after their death.

## Social security assessment

Lump sum advances received under the Scheme can influence your rate of pension under the income or asset test.

For the income test, lump sums are not assessable however if the amount is subsequently invested in a:

- financial asset, the invested amount will be subject to the deeming provisions; or

3. Calculated as 3,330 x (900,000/10,000). Age based factor per Social Security (Pension Loans Scheme - Age Component Amount) Determination 2019.

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- a non-financial asset, any income actually earned, derived or received from that investment is counted.

For the asset test, the first $40,000 accessed from the Scheme is excluded for 90 days. Any amount over $40,000 is assessable immediately. If the first $40,000 is not spent within 90 days, the unspent amount is counted as an asset.

## What about financial hardship?

Participating in the Scheme does not preclude you from consideration under hardship provisions. In some circumstances, Centrelink may deem it appropriate to investigate whether you have an entitlement under the hardship provisions before proceeding with an application for the Scheme. You can receive assistance via the hardship provisions or HEAS, not both.

## Other considerations

There are costs associated with setting up a loan under the HEAS. This can include legal fees and cost for you to register a charge with the Land Titles office on the title deed of the property you are using as security. You will need to pay any costs associated with registering and removing this charge.

A voluntary reverse mortgage could impact other financial goals including estate planning and aged care. Consider speaking to a financial adviser before proceeding. They can help identify alternate retirement income funding strategies appropriate to your personal circumstances and highlight other factors you should take into consideration before proceeding.

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