

NEWS ALERT! - REVERSE MORTGAGE LOANS

In the previous Bulletin we published an article on Reverse Mortgage Loans (also called Home Equity Release Loans). In the meanwhile the Department of Trade and Industry launched an official investigation into Reverse Mortgage Company (RMC) in Pretoria for contravening the Companies Act and Unfair Business Practices Act. Business Report recently reported that RMC is suspected of “fraudulently” obtaining reverse mortgage loans for properties for the past two years totaling R1-billion. As a result 400 home owners might be losing their homes. It has also been reported that four of the country's top banks have inadvertently been roped into this allegedly fraudulent homeloan scheme. We once again, would like to alert SAARP members and senior citizens in general that the process of obtaining reverse mortgages is a potentially dangerous means of financing. These steps should not be entered into lightly and then only with a reputable company. For this reason SAARP requested the Government to introduce some form of control through legislation as means of protection. When the request was not successful, SAARP was instrumental in establishing SAHERPA, a body established by all the stakeholders in the industry to safeguard the interests of the senior community. SAHERPA, with its strict codes of conduct and registration criteria, ensures that only reputable, reliable companies are members. All contract documents used by SAHERPA supplier members are audited every year by BDO Spencer Steward to ensure compliance with the standards laid down. SAARP receives exactly R 0-00 from any Reverse Mortgage taken by a member. We encourage our members and senior citizens to only use a SAHERPA registered body when considering a reverse mortgage loan on their hard earned properties.