Title: HOME EQUITY RELEASE PLAN

Abstract: The present invention provides a method of releasing equity in real property. The method comprises the steps of: a vendor of the property entering into a contract of sale with a purchaser who acquires an entitlement to a specified share of the proceeds from a future sale of the property; and the purchaser paying the vendor a deposit representing a percentage of the purchaser’s share of the expected future sale proceeds whereby the vendor releases equity in the property.
HOME EQUITY RELEASE PLAN

FIELD OF THE INVENTION

The present invention relates generally to a method of releasing equity in real property. The invention relates particularly, though not exclusively, to a method of releasing equity in residential property for aged home owners.

BACKGROUND OF THE INVENTION

Financial institutions or banks in for example the USA and the UK have introduced a "reverse mortgage" which is essentially a loan offered to the home owner and secured against the property. The reverse mortgage is a capitalising interest loan where interest is not paid until sale of the property on death of the owner. The reverse mortgage has been met with limited success primarily because the size of the capitalising interest loan in relation to the value of the home at the time of repayment is unknown. It is generally not possible in advance to determine:

1. the period of time before the home is sold;

2. the actual amount of the sale proceeds that will be received from the sale of the home; or

3. the interest rates that will apply over the term of the loan.

The patent literature includes a number of US patents relating to reverse mortgages including US patent application No. 2002/0055905 and US patent Nos. 6012047 and 5991745. These US patents disclose variations on the conventional reverse mortgage including a method for securitising a reverse mortgage, together with processing and loan recalculation systems for use with reverse mortgages.

SUMMARY OF THE INVENTION

According to one aspect of the present invention there is provided a method of releasing equity in real property, said method comprising the steps of:
a vendor of the property entering into a contract of sale with a purchaser who acquires an entitlement to a specified share of the proceeds from a future sale of the property;

the purchaser paying the vendor a deposit representing a percentage of the purchaser's share of the expected future sale proceeds whereby the vendor releases equity in the property; and

completion of the contract of sale by the vendor voluntarily, or their estate after their death, selling the property and the purchaser receiving the specified share of the sale proceeds and, where sale is effected prior to an anticipated date of completion, payment of an early proceeds rebate to the vendor.

Preferably the early proceeds rebate is a percentage of the difference between the purchaser's share of the market value of the property on entering into the contract of sale, and the deposit. More preferably the anticipated date of completion is determined based on the anticipated life span of the vendor, and the early proceeds rebate is paid when the vendor decides to voluntarily sell their property or dies before this anticipated date.

According to the present invention there is provided a method of releasing equity in real property, said method comprising the steps of:

a vendor of the property entering into a contract of sale with a purchaser who acquires an entitlement to a specified share of the proceeds from a future sale of the property; and

the purchaser paying the vendor a deposit representing a percentage of the purchaser's share of the expected future sale proceeds whereby the vendor releases equity in the property.

Generally the payment of the deposit by the purchaser is not contingent on the vendor repaying the deposit by way of principal and/or interest payments. The vendor may incur fixed administrative payments on entering into or on completion of the contract although no accruing interest, fees or other charges are payable.

Preferably the percentage of the purchaser's share is calculated based on the present day value of the expected future sale proceeds. More preferably this percentage represents a discounted amount relative to the purchaser's share of the current market value of the property.
Preferably the purchaser acquires the entitlement in the property without transfer of title in the property.

Preferably the method also comprises the step of completion of the contract of sale by the vendor voluntarily, or their estate after their death, selling the property and the purchaser receiving the specified share of the sale proceeds. More preferably the vendor is not required during the term of the contract or on its completion to make repayments to the purchaser.

Preferably the completion of the sale of the property also involves payment of a rebate to the vendor where sale is effected prior to an anticipated date of completion. More preferably this early proceeds rebate is calculated as a percentage of the difference between the purchaser's share of the market value of the property on entering into the contract of sale, and the deposit, and this percentage is determined to provide the vendor with a certain cost of funds. Generally the anticipated date of completion is determined based on the anticipated life span of the vendor, and the early proceeds rebate is paid when the vendor decides to voluntarily sell their property or dies before this anticipated date.

Preferably the sale of the property further involves payment of excess proceeds where the purchaser's share of the sale proceeds exceeds a benchmark determined on entering into the contract of sale. More preferably the benchmark is calculated by reference to a benchmark rate which is a percentage per annum compounded. For example, the predetermined percentage of the difference between the purchaser's share of the actual sale proceeds and the benchmark which is based on the initial value of the property increasing at the benchmark rate which may be set at from between 2 to 10% and the vendor may receive from between 25 to 75% of the difference between the actual sale proceeds and the benchmark. The benchmark rate may be set at a margin over an index such as the Consumer Price Index (CPI).

Preferably the vendor is an aged home owner or aged home owners. More preferably the aged home owner is at least 65 years of age.

Preferably the purchaser is a pooled entity such as a unit trust or a company.
DETAILED DESCRIPTION OF THE PREFERRED EMBODIMENT

In order to achieve a better understanding of the nature of the present invention a preferred embodiment of a method of releasing equity in real property will now be described in some detail, by way of example only.

The following examples or scenarios illustrate a preferred methodology for releasing equity in residential property for aged home owners. This includes a measure of the "cost of funds" to the vendor or aged home owner. In assessing the "cost of funds" relative to typical lending rates, this method of releasing equity effectively protects the aged home owner from at least the following risks:

1. the value of their real property or home not increasing at a benchmark rate, for example 8.0% per annum compound, this risk being borne by a purchaser or in these examples a pooled entity such as a unit trust or company;

2. the longevity risks of the aged home owner which is carried by the purchaser.

3. fluctuations in future interest rates.

The preferred methodology described is intended to be offered by banks or other financial institutions in the form of a home equity release product. The product of these examples has been coined as the Home Equity Lifestyle Plan or the HELP product.

The key assumptions in the following examples/scenarios are as follows:

1. age of home owner at last birthday (assumed to be a single female) 75 years;

2. current value of home - $500,000;

3. HELP percentage 30%;

4. current market value of home subject to HELP product (i.e. 30% of $500,000) $150,000;

5. HELP deposit or initial cash sum - $94,900;

6. acquisition expenses (including GST) $2,200;

7. net initial cash received by aged home owner $92,700.
### Scenario 1 - Home sold in year 5

<table>
<thead>
<tr>
<th>Item</th>
<th>Amounts assuming value of home increases at:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>$</td>
</tr>
<tr>
<td>Initial value of HELP Product’s share at inception</td>
<td>150,000</td>
</tr>
<tr>
<td>Sale Value (100%)</td>
<td>500,000</td>
</tr>
<tr>
<td>HELP Product sale proceeds</td>
<td>150,000</td>
</tr>
<tr>
<td>Benchmark for Realised Excess Proceeds in year 5</td>
<td>220,399</td>
</tr>
<tr>
<td>Realised Excess Proceeds</td>
<td>0</td>
</tr>
<tr>
<td>Aged home owner’s share (50%) of Realised Excess Proceeds</td>
<td>0</td>
</tr>
<tr>
<td>Early Proceeds Rebate</td>
<td>8,614</td>
</tr>
<tr>
<td>Total payment at settlement</td>
<td>8,615</td>
</tr>
</tbody>
</table>

Cost of funds (gross of expenses) of HELP Product to aged home owner per annum compounding monthly:

- 8.0%
- 8.3%
- 12.0%

### Scenario 2 - Home sold in year 15

<table>
<thead>
<tr>
<th>Item</th>
<th>Amounts assuming value of home increases at:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5%</td>
</tr>
<tr>
<td></td>
<td>$</td>
</tr>
<tr>
<td>Initial value of HELP Product’s share at inception</td>
<td>150,000</td>
</tr>
<tr>
<td>Sale Value (100%)</td>
<td>1,039,464</td>
</tr>
<tr>
<td>HELP Product sale proceeds</td>
<td>311,839</td>
</tr>
<tr>
<td>Item</td>
<td>Amounts assuming value of home increases at:</td>
</tr>
<tr>
<td>----------------------------------------------------------------------</td>
<td>---------------------------------------------</td>
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<tr>
<td></td>
<td>5%</td>
</tr>
<tr>
<td></td>
<td>$</td>
</tr>
<tr>
<td>Benchmark for Realised Excess Proceeds in year 15</td>
<td>475,825</td>
</tr>
<tr>
<td>Realised Excess Proceeds</td>
<td>0</td>
</tr>
<tr>
<td>Aged home owner's share (50%) of Realised Excess Proceeds</td>
<td>0</td>
</tr>
<tr>
<td>Early Proceeds Rebate</td>
<td>0</td>
</tr>
<tr>
<td>Total payment at settlement</td>
<td>1</td>
</tr>
<tr>
<td>Cost of funds (gross of expenses) of HELP Product to aged home owner per annum compounding monthly</td>
<td>8.0%</td>
</tr>
</tbody>
</table>

**Scenario 3 - Home sold in year 30**

<table>
<thead>
<tr>
<th>Item</th>
<th>Amounts assuming value of home increases at:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5%</td>
</tr>
<tr>
<td></td>
<td>$</td>
</tr>
<tr>
<td>Initial Cash Sum</td>
<td>94,900</td>
</tr>
<tr>
<td>Initial value of HELP Product's share at inception</td>
<td>150,000</td>
</tr>
<tr>
<td>Sale Value (100%)</td>
<td>2,160,971</td>
</tr>
<tr>
<td>HELP Product sale proceeds</td>
<td>648,291</td>
</tr>
<tr>
<td>Benchmark for Realised Excess Proceeds in year 30</td>
<td>1,509,399</td>
</tr>
<tr>
<td>Realised Excess Proceeds</td>
<td>0</td>
</tr>
<tr>
<td>Item</td>
<td>Amounts assuming value of home increases at:</td>
</tr>
<tr>
<td>----------------------------------------------------------------------</td>
<td>---------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>5%</td>
</tr>
<tr>
<td></td>
<td>$</td>
</tr>
<tr>
<td>Aged home owner's share (50%) of Realised Excess Proceeds</td>
<td>0</td>
</tr>
<tr>
<td>Early Proceeds Rebate</td>
<td>0</td>
</tr>
<tr>
<td>Total payment at settlement</td>
<td>1</td>
</tr>
<tr>
<td>Cost of funds (gross of expenses) of HELP Product to aged home owner per annum compounding monthly</td>
<td>7.2%</td>
</tr>
</tbody>
</table>

The deposit or initial cash sum represents a percentage of the purchaser's share of the expected future sale proceeds of the home. This percentage is calculated based on the present day value of the expected future sale proceeds and represents a discounted amount relative to the purchaser's share of the current market value of the property.

The HELP Product sale proceeds in this example equates to 30% of the sale value. In these examples the benchmark rate for payment of excess proceeds is based on compounded growth at 8% per annum. However, this benchmark rate may vary and may for example be set at a margin over the CPI.

The realised excess proceeds are the difference between the HELP Product sale proceeds (purchaser's share of the actual sale proceeds) and the benchmark. In these examples the realised excess proceeds to the aged home owner amounted to 50% of the actual realised excess proceeds. This is illustrated in scenarios 2 and 3 where compounded growth in excess of 8% per annum is exemplified.

The early proceeds rebate is relevant where completion of the sale of the property is effected prior to an anticipated date of completion. Typically, the anticipated date of completion is determined based on the anticipated life span of the vendor or home owner and the early proceeds rebate is paid when the vendor voluntarily sells the property or dies before this anticipated date. This is illustrated in scenario 1 where the home is sold in year 5 either voluntarily or on death at the age of 80 years. On the other hand, scenarios 2 and 3 are
indicative of an aged home owner at the age of 90 and 105 years, respectively, who has
passed the anticipated date of completion and an early proceeds rebate is not payable.

The early proceeds rebate is a percentage of the difference between the purchaser's share of
the market value of the property on entering into the contract of sale, and the deposit or
initial cash sum. The early proceeds rebate is a feature of the HELP Product intended to
enhance its appeal to both the aged home owner and the purchaser. The early proceeds
rebate works retrospectively and provides the opportunity to effectively have the benefits of
a loan combined with the certainty of a sale. The applicant has an algorithm which
calculates the amount of the early proceeds for various scenarios at the commencement of
the contract. Once the sale proceeds are known then the actual early proceeds rebate can be
calculated using the principles and bases set out in the contract. The term "initial discount" is
used to describe the difference between the HELP Product's share of the property and the
initial cash sum, for example in the scenarios given the initial discount is $35,100.

If the home of the aged home owner were to be sold in the early years of the HELP Contract
(either by the aged home owner or by their estate after their death), they would forgo the full
initial discount if it were not for the early proceeds rebate. The maximum early proceeds
rebate is calculated for each individual aged home owner and will be set out in a schedule to
the individual HELP Contract. The principal function of the early proceeds rebate is to
ensure that the cost of funds should not be excessive in the case of an early sale of a home.

The amount of the early proceeds rebate is calculated by reference to the actual specified
share (the "HELP Percentage") of the sale proceeds. It is intended that the cost of funds
should not be excessive if house price growth is in accordance with the pricing assumptions
and furthermore should not be too low in the event that house price growth has been less
than assumed under the pricing assumptions. In other words, if the application of the
maximum early proceeds rebate causes the cost of funds to fall below a specified minimum
rate the early proceeds rebate will be reduced. The early proceeds rebate cannot exceed the
initial discount nor be less than zero.

The ability to reduce the amount of the early proceeds rebate based on actual house prices,
increases the protection for the purchaser and the investor in the event of a short term
decline in house prices. This is because the converse of the aged home owner having a
minimum cost of funds on account of the early proceeds rebate is that the investor will have
a minimum yield on account of retaining a portion of the initial discount. As can be seen
from the following example, the early proceeds rebate provides the purchaser with considerable protection in the event of a decrease in property prices.

**Approximate Yield to the Purchaser**

<table>
<thead>
<tr>
<th>Property price movement</th>
<th>5% Yield %pa</th>
<th>0% Yield %pa</th>
<th>-10% Yield %pa</th>
<th>-20% Yield %pa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home sold in year</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>4.5</td>
<td>4.5</td>
<td>4.5</td>
<td>4.5</td>
</tr>
<tr>
<td>2</td>
<td>6.0</td>
<td>6.0</td>
<td>6.0</td>
<td>6.0</td>
</tr>
<tr>
<td>3</td>
<td>6.5</td>
<td>6.5</td>
<td>6.5</td>
<td>6.5</td>
</tr>
<tr>
<td>4</td>
<td>7.0</td>
<td>7.0</td>
<td>7.0</td>
<td>4.5</td>
</tr>
<tr>
<td>5</td>
<td>7.0</td>
<td>7.0</td>
<td>6.0</td>
<td>3.5</td>
</tr>
</tbody>
</table>

* aged home owner assumed to be 75 years old when entering into HELP with a target investor yield of 10.0% p.a.

It will thus be apparent that the HELP Product allows aged home owners to convert part of the equity in their home into cash for any purpose. The aged home owner can continue to live in their home as long as they wish and retain all the usual benefits of home ownership. There are no repayments and no rent. The general steps involved in the preferred method of releasing equity in the home are as follows:

1. the aged home owner agrees to sell such as up to 50% of their home to the purchaser and enters into a contract of sale such as that in the attached appendix, the maximum limit ensures that the aged home owner keeps a substantial part of their home;

2. the aged home owner receives an initial cash sum which is an advance on what the purchaser expects to receive when the home is eventually sold;

3. the aged home owner determines the timing of the eventual sale which in most instances is expected to be after the aged home owner has died although the aged home owner has the right to sell the property at any time;

4. the aged home owner is not under the HELP Contract required to make repayments and as such is not a loan or a "reverse mortgage";
5. the home is sold and the purchaser is entitled to part of the proceeds from the sale, for example if the aged home owner sold 30% of their home to the purchaser then the purchaser would be entitled to 30% of the proceeds from the eventual sale of the home;

6. the aged home owner receives their share of the actual sale proceeds together with their entitlement under the HELP Contract to realised excess proceeds and early proceeds rebate (where applicable).

If the aged home owner lives longer than their average life expectancy, or the anticipated date of completion, the purchaser must wait longer for the sale of the home and their share of the resultant proceeds. On the other hand if the aged home owner dies in early years of the HELP transaction or decides to sell their home voluntarily, an amount may be paid in addition to the initial cash sum, this being the early proceeds rebate.

The HELP Product is designed to be fair to the extent that although the aged home owner has sold a part of their home to the purchaser, it nevertheless allows the aged home owner to share in increases in the market price. This is by way of the realised excess proceeds wherein the purchaser pays the aged home owner or their estate the relevant percentage of any capital growth in excess of the benchmark on the portion owned by the purchaser.

Furthermore the HELP Product is designed to protect the financial security of the aged home owner so that if the value of the home does not increase by the benchmark rate, for example 8% per annum, between the time the contract is executed and the eventual sale of the home, the aged home owner will not be asked to pay anything back. Thus, the purchaser accepts the risk that property prices will not increase by the benchmark rate.

The actual cost, or value of the home foregone, to an aged home owner will depend on how long they live and the actual change in the market value of their home. In general terms, the longer an aged home owner lives the lower their cost of funds whereas the higher the actual increase in actual house prices the higher will be the cost of funds. This is exemplified in the preceding scenarios 1 to 3.

The aged home owner or vendor will during the life of the HELP Contract receive:

1. the deposit or initial cash sum on entering into the HELP Contract plus $1 on completion of the HELP Contract; and

2. the early proceeds rebate (if applicable) at settlement; and
3. a specified percentage, such as 50% of the realised excess proceeds (if applicable).

The amount of the initial cash sum is calculated to provide the purchaser its required yield using the relevant pricing assumptions and traditional actuarial principles.

The HELP Product including the contract of sale between the aged home owner as the vendor and the purchaser is a core element of the described method for an aged home owner releasing equity. The HELP contract provides for the aged home owner to receive a non-refundable deposit being an initial cash sum which represents the present day value of the HELP Percentage of the expected future sale proceeds which have been sold by the aged home owner. The initial cash sum is a discounted amount relative to the HELP Percentage of the current market value of the home and the difference reflects, in general terms, the required yield of the investor exceeding the assumed house price increase rate as well as other benefits retained by or provided to, the aged home owner.

The HELP Contract such as that which follows provides for settlement on the earlier of the sale of the home or the death of the aged home owner. At settlement there is as outlined in the aforementioned examples a final amount payable of $1.00 together with, if applicable, any early proceeds rebate and any share of realised excess proceeds. Generally, under the contract, the property must be sold within a period of time, for example in 180 days of the aged home owner, which in the case of a couple is defined as the last remaining vendor.

The HELP Contract may contain a schedule setting out the maximum amount of the early proceeds rebate in the event that the home is sold earlier than the anticipated completion date. The schedule may also include a method and formula which will apply in certain circumstances to produce a lower amount. The early proceeds rebate is calculated as a percentage of the difference between the market value of the HELP Percentage of the home at inception (or on sale if lower) and the initial cash sum. The early proceeds rebate is paid to ensure that an aged home owner who either decides to voluntarily sell their home or dies before the anticipated completion date is not financially disadvantaged.

The HELP Contract also provides for a further payment at settlement in the event that the actual share of the sale proceeds exceeds a specified benchmark based on the initial value of the home increasing at the benchmark rate such as 4%, 6%, 8% or a margin over an index such as the Consumer Price Index. The aged home owner may typically receive a portion, such as 50%, of the realised excess proceeds.
The method of releasing equity as for example outlined in the HELP contract involves the transfer of a number of risks including property value, aged home owners longevity or mortality rates, and interest rates. These risks are borne by a pooled entity being the purchaser rather than an individual as is the case with the "reverse mortgage". The vendor or aged home owner is provided with certainty because the purchaser is in a position to average and manage the risks.

Notwithstanding that the initial cash sum or deposit is based on a prospective assessment, the early proceeds rebate operates on a retrospective basis. This provides a mechanism to control the cost of funds to the vendor based on an actual sale date and actual sale proceeds. Thus, the vendor has the certainty of sale and the benefit of hindsight in fixing the cost of funds.

The HELP contract up until settlement contains all ownership rights and obligations for the aged home owner. This includes the ability to lease the home and the requirement to pay all outgoings including rates, taxes and insurance premiums. The aged home owner may buy out the purchaser at any time on the same basis as if the home was being sold. However, this is subject to the amount received by the purchaser being not less than that which would provide the purchaser with its required yield. Otherwise, the method of releasing funds includes the following features:

1. the HELP contract may provide for the deposit or initial cash sum to be paid either by a single lump sum or by instalments, for example, annual instalments over a period of up to 5 years;

2. the interests of the purchaser may be protected by a mortgage and a caveat;

3. the HELP contract may provide that on death of the aged home owner the purchaser can complete the purchase of its interest in the home and then be in a position to require the entire home to be sold with the proceeds of sale to be distributed in accordance with the respective ownership interests.

SAMPLE
HELP CONTRACT
PARTICULARS OF SALE

DX
Ref:
Fax:

PURCHASER'S
SOLICITOR

DX

Ref:
Fax:

VENDOR

PURCHASER

LAND

the Sale Interest in the land described in the attached copy
title/s and plan/s and being Volume Folio

PROPERTY ADDRESS

The land together with any improvements known as

CHATTELS

Nil

PURCHASE PRICE

$ to be paid in accordance with special condition
3

PAYMENT OF BALANCE

On the date specified by the Purchaser under special condition 5.2.1.

SETTLEMENT DATE

is the date upon which vacant possession or receipt of the rent and profits of the Property and chattels must be provided, namely, upon acceptance of title and payment of the purchase price

DAY OF SALE

is the date of this Contract, namely
SPECIAL CONDITIONS ("SC")

1 INTERPRETATION

In this contract except where inconsistent with the context or subject matter:

1.1 "Authority of the State" means a person or body who or which is authorised to acquire land for the purposes of the Land Acquisition Just Terms Compensation Act 1991 (NSW) or the Lands Acquisition Act 1989 (Cth);

1.2 "Attorney" means any attorney appointed under this contract and any attorney's substitute or delegate;

1.3 "Authority Notice" means any notice or order referred to in special condition 11.1.4;

1.4 "Business Day" means any day which is not a Saturday, Sunday or a public holiday in New South Wales;

1.5 "Documentary Evidence" means an original or certified copy of a birth certificate or birth certificate extract or a certified copy of the relevant page or pages of a valid passport;

1.6 "Effective Date" means the earlier of the date:

1.6.1 that the Purchaser is notified of the death of the Surviving Party in accordance with special condition 5.1; or

1.6.2 60 days after the Purchaser gives the Vendor a notice in respect of any default of the Vendor under this contract specifying the default and requiring that it be remedied and the Vendor has failed to comply with such notice by such date;

1.7 "Further Sale" means the sale of the Property referred to in special condition 5.3;

1.8 "Government Agency" means:

1.8.1 a government or government department or other body;

1.8.2 a governmental, semi-governmental or judicial person; or

1.8.3 a person (whether autonomous or not) who is charged with the administration of a law;

1.9 "Hurdle Property Price" means [formula to be established];

1.10 "Interest Rate" means [to be completed];

1.11 "Land Tax" means any tax imposed under the Land Tax Act 1956 (NSW);
1.12 "Laws" means all statutes, statutory rules, by-laws, orders or regulations and other provisions having the force of law present or future affecting or relating to the Property or the Land;

1.13 "Legal Requirements" means all requirements which may be made or notices or orders which may be given by any Government Agency having jurisdiction or authority over or in respect of the Property or the Land or the use or the Vendor's occupancy of the Property;

1.14 "Mortgage" means the real property mortgage having the same date as this contract between the Vendor as mortgagor and the Purchaser as mortgagee;

1.15 "New Sale" means the sale of the Property referred to in special condition 5.4;

1.16 "Particulars of Sale" means the Particulars of Sale to which these special conditions are attached;

1.17 "Proceeds of Sale" means the purchase price for a contract of sale under special condition 5.3, 5.4 or 8.1 less any costs or expenses attributable to such sale;

1.18 "Purchaser's Notice" means the written notice by the Purchaser to the Vendor in accordance with special condition 5.2;

1.19 "Related Party" means in respect of any person:

1.19.1 a spouse, child, grandchild, sibling, niece or nephew of that person; or

1.19.2 a child of a spouse, child, grandchild, sibling, niece or nephew of that person; or

1.19.3 a spouse of a child, grandchild, sibling, niece or nephew of that person;

1.20 "Sale Interest" means the percentage interest in the Land specified in Item 1 of the Reference Schedule;

1.21 "Surviving Party" means if the Vendor is one person the person named as Vendor in the Particulars of Sale, or if the Vendor is more than one person, the later or last surviving person named as Vendor in the Particulars of Sale;

1.22 "Vendor" means the person or persons named in the Particulars of Sale and:

1.22.1 where the Vendor is one person, includes that person and that person's executors, administrators and successors; or

1.22.2 where the Vendor is two or more persons includes all such persons and each of them and their executors administrators and successors;
1.23 words importing the singular include the plural words importing the plural include the singular and words importing one gender include any other gender;

1.24 if there is more than one person named as Purchaser then each person is bound severally and jointly with every other person named as Purchaser by the terms and conditions of this contract to be performed and observed by the Purchaser;

1.25 if there is more than one person named as Vendor then each person is bound severally and jointly with every other person named as Vendor by the terms and conditions of this contract to be performed and observed by the Vendor;

1.26 reference to a statute includes all regulations under and amendments to that statute whether by subsequent statute or in some other manner and a statute passed in substitution of the statute referred to or incorporating any of its provisions;

1.27 references to the term "Land" or "Property" in this contract refer to the Sale Interest except for special conditions 5.2.2, 5.3, 5.4, 7, 8, 9, 10.6.1, 10.6.2, 10.5, 11.1, 11.3 and 12 or where the context otherwise requires where such reference is to the entire Land.

20 2 VENDOR WARRANTY

Without limiting the operation or effect of this contract, the Vendor warrants that except for the parties to this contract no other person has any interest either legal or equitable in the land which may be affected by this contract.

3 PURCHASE PRICE

25 The Purchaser must pay the purchase price in the manner set out in Item 2 of the Reference Schedule.

4 VENDOR DATES OF BIRTH

4.1 The date of birth of each person named as Vendor in the Particulars of Sale is specified in Item 4 of the Reference Schedule.

4.2 The Vendor has, prior to the date of this contract, provided Documentary Evidence to the satisfaction of the Purchaser as to such date or dates of birth.

5 REQUIREMENTS UPON EFFECTIVE DATE

5.1 The Vendor has, by evidence in writing, provided to the Purchaser on or before the signing of this contract and will continue to procure that arrangements satisfactory to the Purchaser remain in place to ensure that the Purchaser is notified in writing within 30 days of the date of death of the Surviving Party.

5.2 Within 3 months after the Effective Date the Purchaser must provide written notice to the Vendor ("the Purchaser's Notice") electing to either:
5.2.1 complete the sale under this contract and specifying the Settlement Date which must be a date no more than 90 days from the date of the Purchaser’s Notice; or

5.2.2 require that the Property be sold to a third party.

5.3 Subject to special condition 10 if the Purchaser elects to complete this contract of sale in accordance with special condition 5.2.1, the Purchaser and Vendor must, within 3 months of the Settlement Date, offer the Property for sale by public auction or by private sale (to be determined at the sole discretion of the Purchaser). The Purchaser and Vendor will be entitled to the Proceeds of Sale arising from the Further Sale in accordance with each party’s respective interest in the Land adjusted in accordance with special conditions 5.5 and 5.6 where relevant.

5.4 Subject to special condition 10 if the Purchaser requires the Vendor to sell the Property under special condition 5.2.2, the Vendor must sell the Property by public auction or private sale (to be determined at the sole discretion of the Purchaser) on such terms and conditions as the Purchaser reasonably requires ("the New Sale") and, at the settlement date of the New Sale the Vendor must account to the Purchaser for the percentage of the Proceeds of Sale specified in Item 1 of the Reference Schedule, adjusted in accordance with special conditions 5.5 and 5.6 where relevant.

5.5 If the Effective Date is on or earlier than the date specified in Item 3 of the Reference Schedule the amount payable to the Purchaser in respect of the Further Sale or the New Sale under special condition 5.3 or 5.4 will be adjusted as follows:

[formula to be provided]

5.6 If the Proceeds of Sale for the Further Sale or the New Sale are greater than the Hurdle Property Price, the amount payable to the Purchaser in respect of the Further Sale or the New Sale under special condition 5.3 or 5.4 will be adjusted as follows:

[formula to be provided]

5.7 Upon payment to the Purchaser of the amount specified in special condition 5.4 as adjusted in accordance with special conditions 5.5 and 5.6 (where relevant):

5.7.1 this contract will terminate and the Purchaser will have no further rights or interest in the land; and

5.7.2 the Purchaser must provide to the Vendor a registrable discharge of the Mortgage and a withdrawal of any caveat lodged in respect of the Land in accordance with special condition 12.

5.8 Termination of this contract under special condition 5.7 will not prejudice any claim by any party that arises prior to the date of termination.
6 APPOINTMENT OF ATTORNEY

6.1 The Vendor irrevocably appoints the Purchaser and each officer (as that expression is defined in the Corporations Law) of the Purchaser severally its attorney to do anything that the Attorney considers is necessary or desirable to conduct the New Sale or the Further Sale.

6.2 An Attorney may exercise a power even though the exercise of the power constitutes an actual or potential conflict of interest or duty, or benefits the Attorney.

6.3 An Attorney may do anything under this power of attorney in its name, in the name of the Purchaser or in the name of both of them.

6.4 The Vendor must ratify anything done by an Attorney under this clause.

6.5 The Vendor grants the power of attorney in this clause for valuable consideration, receipt of which is acknowledged by the Vendor.

7 VENDOR NOT TO ENCUMBER

The Vendor may not sell, lease or encumber the Property other than in accordance with special condition 8 or special condition 9.

8 VENDOR MAY SELL

8.1 The Vendor may enter into a contract of sale in respect of the Property at any time ("a Vendor Contract") if:

8.1.1 the Purchaser under the Vendor Contract is not a Related Party of the Vendor;

8.1.2 the terms and conditions of the Vendor Contract have been approved by the Purchaser (such approval not to be unreasonably withheld); and

8.1.3 the purchase price for the sale is not less than the market value of the Property as confirmed by a written valuation produced for the benefit of the Purchaser and the Vendor that is:

8.1.3.1 not less than 3 months old at the date of the Vendor Contract; and

8.1.3.2 undertaken at the expense of the Vendor by a valuer approved by the Purchaser (such approval not to be unreasonably withheld).

8.2 At the settlement date of the Vendor Contract, the Vendor must pay the Purchaser the percentage of the Proceeds of Sale in accordance with special condition 5.4 adjusted in accordance with special conditions 5.5 and 5.6 (where relevant) as if the Property had been sold in accordance with special condition 5.2.2.
8.3 If the Vendor enters into a Vendor Contract, the Effective Date for the purposes of special condition 5.5 will be the date of the Vendor Contract.

8.4 Once the Purchaser has been paid in accordance with special condition 8.2, special conditions 5.7 and 5.8 will apply as if the Vendor Contract was a Further Sale under special condition 5.

9 VENDOR MAY LEASE

9.1 After the Day of Sale the Vendor may only lease the Property:

9.1.1 at market rent; and

9.1.2 for a term (including options for renewal) not exceeding 12 months.

9.2 The Vendor must give the Purchaser:

9.2.1 prior written notice of the Vendor's intention to enter into a lease in accordance with special condition 9.1 and the terms of such lease; and

9.2.2 within 14 days after the commencement of the lease must provide the Purchaser with a copy of the lease.

9.3 If at the Effective Date the Property is leased in accordance with this special condition 9, the Purchaser may require that the settlement date for the Further Sale or the New Sale be a date after the termination or expiry of such lease.

10 VENDOR MAY PAY PURCHASER

10.1 The Vendor may at any time until and including the date 30 days from the date of the Purchaser's Notice provide the Purchaser with written notice (a "Vendor Notice") that the Vendor will pay the Purchaser the higher of:

10.1.1 any amount paid by the Purchaser to the Vendor under this contract and interest on that amount at the Interest Rate compounded annually; and

10.1.2 the market value of the Sale Interest determined in accordance with a valuation on the terms specified in special condition 8.1.3, adjusted in accordance with special conditions 5.5 and 5.6 as if the Property had been sold in accordance with special condition 5.2.2.

10.2 The Vendor must, in the Vendor Notice, specify the date, which must be not less than 10 and not more than 25 Business Days from the date of the Vendor Notice, upon which the Vendor will pay the Purchaser the amount referred to in special condition 10.1.

10.3 For the purposes of adjusting the payment in special condition 10.1.2 if the date of the Vendor Notice is before the date of the death of the Surviving
Party, the Effective Date for the purposes of special condition 5.5 will be the date of the Vendor Notice.

10.4  If the date of the Vendor Notice is after the Effective Date or the Purchaser, acting reasonably, determines that the Vendor has vacated the Property permanently, the Vendor need only pay the Purchaser the amount specified in special condition 10.1.2 in order to satisfy this special condition 10.

10.5  The parties acknowledge that the grant of a lease in accordance with special condition 9 does not establish that the Vendor has vacated the Property permanently.

10.6  Upon payment of the amount referred to in special condition 10.1, this contract will terminate and special conditions 5.7 and 5.8 will apply.

11  VENDOR TO MAINTAIN PROPERTY

11.1  From the Day of Sale until the Settlement Date the Vendor must:

11.1.1  at the Vendor's own expense comply with and observe all Laws and Legal Requirements and the Vendor must keep the Purchaser indemnified in respect of all such matters;

11.1.2  without limiting special condition 11.1.1, pay all rates, taxes and outgoings levied against the Property for any period up to and including the Settlement Date;

11.1.3  insure and keep insured the Property at its full insurable value;

11.1.4  within 7 days of receipt of any notice or order arising from or incidental to a Law or a Legal Requirement (other than a notice of assessment relating to the Vendor's obligations under special condition 11.1.2) or any notice or order from an Authority of the State or Government Agency provide a copy of such notice to the Purchaser; and

11.1.5  consult with the Purchaser before taking any action or responding to any claim, offer, requirement, or right to comment contained in an Authority Notice and must formulate a response in accordance with the reasonable requirements of the Purchaser, or if the Purchaser so requires, allow the Purchaser to have the conduct of any such response on behalf of the Vendor.

11.2  If the State Revenue Office issues an invoice to the Purchaser for Land Tax in respect of the Property or the Sale Interest for any period prior to the Settlement Date, the Vendor must on demand:

11.2.1  pay the invoice directly; or

11.2.2  reimburse the Purchaser for any Land Tax paid.

11.3  The Purchaser may, upon reasonable notice to the Vendor, inspect the Property in relation to any matter arising from this special condition 11.
CAVEAT AND MORTGAGE

12.1 The Purchaser may lodge a caveat for registration on the certificate of title for the Land in respect of its interest under this contract. The Vendor must not object to the Purchaser lodging such a caveat.

12.2 The Vendor:

12.2.1 acknowledges that the Purchaser will lodge the Mortgage for registration on the certificate of title for the Land; and

12.2.2 must do all things necessary to enable the Purchaser to register the Mortgage including signing any further agreement, acknowledgement or document and making available any required document.

MERGER

The provisions of this contract do not merge in the instrument of transfer and continue to bind the Vendor and the Purchaser to the extent that any of them are to be complied with after the Settlement Date.
REFERENCE SCHEDULE

ITEM 1

(percentage) [ ]%

ITEM 2

OPTION 1:

(purchase price) [ ] on of ;
[ ] on of ; and
$1.00 on the Settlement Date.
[to be intended as required]

OR

OPTION 2:

[ ] on the Day of Sale; and
$1.00 on the Settlement Date.
[delete the option not required]

ITEM 3

(Effective Date) [ ] of

ITEM 4

(Date/s of Birth) [ ]

Now that a preferred embodiment and various examples of the method of releasing equity in real property have been described, it will be apparent to those skilled in the art that this methodology has at least the following advantages:

1. the home equity lifestyle plan provides the vendor or aged home owners with certainty and security as they are guaranteed to receive a set percentage of the sale proceeds;

2. the process in conjunction with the HELP Product enables aged home owners to access the equity in their homes in a secure and cost-efficient manner;

3. the vendor or home owner can continue to live in their home as long as they wish and retain all the usual benefits of home ownership without repayments and rent;

4. the home owner under for example the HELP contract has the freedom to sell or rent out the home at any time;
5. the home owner continues to benefit proportionally from rises in the value of the home whilst there is no additional cost if on the other hand the value of the home falls;

6. an additional amount, in the form of an early proceeds rebate, may be received by the home owner if the home is sold early or prior to the anticipated completion date;

7. the cost of funds reduces the longer the home owner retains ownership of the home;

8. the home owner is provided with security of tenure wherein settlement is delayed until the sale of the home by the aged home owner or their estate after their death;

9. the home owner is provided with certainty regarding the maximum percentage of the sale proceeds which will pass to the purchaser who is typically a pooled entity and will be in a position to average and manage its long term risks;

10. the home owner has both the certainty of sale and the benefit of hindsight in the manner that the cost of funds is determined largely as a result of the early proceeds rebate which operates retrospectively;

11. the vendor or home owner continues to have the protection of property law as title does not pass to the purchaser until completion of the HELP contract; and

12. the HELP contract does not require that the home owner sells and leases back their property in order to release equity in the property.

Those skilled in the art will appreciate that the invention described herein is susceptible to variations and modifications other than those specifically described. For example, the methodology need not relate to aged owners’ equity in the homes, but rather may extend to other real property and its sale and purchase according to the characterising steps of the invention as broadly defined. The specific percentages and numbers may vary from that described provided the method of releasing equity is within the ambit of the broadest aspect of the invention.

All such variations and modifications are to be considered within the scope of the present invention, the nature of which is to be determined from the foregoing description.
CLAIMS

1. A method of releasing equity in real property, said method comprising the steps of:

   a vendor of the property entering into a contract of sale with a

   purchaser who acquires an entitlement to a specified share of the proceeds
   from a future sale of the property; and

   the purchaser paying the vendor a deposit representing a percentage
   of the purchaser’s share of the expected future sale proceeds whereby the
   vendor releases equity in the property.

2. A method as defined in claim 1 also comprising the step of completion of the
   contract of sale by the vendor voluntarily, or their estate after their death,
   selling the property and the purchaser receiving the specified share of the sale
   proceeds.

3. A method as defined in either of claims 2 or 3 wherein the completion of the
   sale of the property also involves payment of a rebate to the vendor where
   sale is effected prior to an anticipated date of completion.

4. A method of releasing equity in real property, said method comprising the
   steps of:

   a vendor of the property entering into a contract of sale with a

   purchaser who acquires an entitlement to a specified share of the proceeds
   from a future sale of the property;

   the purchaser paying the vendor a deposit representing a percentage
   of the purchaser’s share of the expected future sale proceeds whereby the
   vendor releases equity in the property; and

   completion of the contract of sale by the vendor voluntarily, or their
   estate after their death, selling the property and the purchaser receiving the
   specified share of the sale proceeds and, where sale is effected prior to an
anticipated date of completion, payment of an early proceeds rebate to the vendor.

5. A method as defined in either of claims 3 or 4 wherein the early proceeds rebate is calculated as a percentage of the difference between the purchaser's share of the market value of the property on entering into the contract of sale and the deposit, and this percentage is determined to provide the vendor with a certain cost of funds.

6. A method as defined in any one of claims 3 to 5 wherein the anticipated date of completion is determined based on the anticipated life span of the vendor, and the early proceeds rebate is paid when the vendor decides to voluntarily sell their property or dies before this anticipated date.

7. A method as defined in any one of the preceding claims wherein the sale of the property further involves payment of excess proceeds where the purchaser's share of the sale proceeds exceeds a benchmark determined on entering into the contract of sale.

8. A method as defined in claim 7 wherein the benchmark is calculated by reference to a benchmark rate which is a percentage per annum compounded.

9. A method as defined in claim 8 wherein the predetermined percentage of the difference between the purchaser's share of the actual sale proceeds and the benchmark which is based on the initial value of the property increasing at the benchmark rate which is set at from between 2 to 10% and the vendor receives from between 25 to 75% of the difference between the actual sale proceeds and the benchmark.

10. A method as defined in either of claims 8 or 9 wherein benchmark rate is set at a margin over the Consumer Price Index (CPI).

11. A method as defined in any one of the preceding claims wherein the payment of the deposit by the purchaser is not contingent on the vendor repaying the deposit by way of principal and/or interest payments.

12. A method as defined in any one of the preceding claims wherein the percentage of the purchaser's share is calculated based on the present day value of the expected future sale proceeds.
13. A method as defined in claim 12 wherein this percentage represents a discounted amount relative to the purchaser's share of the current market value of the property.

14. A method as defined in any one of the preceding claims wherein the purchaser acquires the entitlement in the property without transfer of title in the property.

15. A method as defined in any one of the preceding claims wherein the vendor is not required during the term of the contract or on its completion to make payments to the purchaser.

16. A method as defined in any one of the preceding claims wherein the vendor incurs fixed administrative payments on entering into or on completion of the contract although no accruing interest, fees or other charges are payable.

17. A method as defined in any one of the preceding claims wherein the vendor is an aged home owner or aged home owners.

18. A method as defined in claim 17 wherein the aged home owner is at least 65 years of age.

19. A method as defined in any one of the preceding claims wherein the purchaser is a pooled entity including a unit trust or a company.
INTERNATIONAL SEARCH REPORT

A. CLASSIFICATION OF SUBJECT MATTER
Int. Cl. 7: G06F 17/60

According to International Patent Classification (IPC) or to both national classification and IPC

B. FIELDS SEARCHED

Minimum documentation searched (classification system followed by classification symbols)

Documentation searched other than minimum documentation to the extent that such documents are included in the fields searched

Electronic data base consulted during the international search (name of data base and, where practicable, search terms used)
USPTO, WPAT (reverse mortgage)

C. DOCUMENTS CONSIDERED TO BE RELEVANT

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<td>US 6012047 A (Mazonas et al) 4 January 2000 Whole Document</td>
<td>1-19</td>
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<tr>
<td>X</td>
<td>US 5991745 A (Kiritz) 23 November 1999 Whole Document</td>
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☐ Further documents are listed in the continuation of Box C  X See patent family annex

* Special category of cited documents:
  "A" document defining the general state of the art which is not considered to be of particular relevance
  "E" earlier application or patent but published on or after the international filing date
  "L" document which may throw doubts on priority claim(s) or which is cited to establish the publication date of another citation or other special reason (as specified)
  "O" document referring to an oral disclosure, use, exhibition or other means
  "P" document published prior to the international filing date but later than the priority date claimed

"T" later document published after the international filing date or priority date and not in conflict with the application but cited to understand the principle or theory underlying the invention
"X" document of particular relevance; the claimed invention cannot be considered novel or cannot be considered to involve an inventive step when the document is taken alone
"Y" document of particular relevance; the claimed invention cannot be considered to involve an inventive step when the document is combined with one or more other such documents, such combination being obvious to a person skilled in the art
"G" document member of the same patent family

Date of the actual completion of the international search
16 February 2004

Date of mailing of the international search report
25 FEB 2004

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Form PCT/ISA/210 (second sheet) (January 2004)
This Annex lists the known "A" publication level patent family members relating to the patent documents cited in the above-mentioned international search report. The Australian Patent Office is in no way liable for these particulars which are merely given for the purpose of information.

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END OF ANNEX