



fact sheet

phone: 1800 007 007
www.debtselphelp.org.au

Published 2013.
This document is for
general information and is
not legal advice.

Savings or selling assets

Overview

One option when dealing with a debt that is causing you problems is to pay it off or reduce it, by using your savings or by selling an asset such as a second car, boat or maybe even jewellery.

Using savings to pay down debt could be very cost effective. The interest you may lose by using your savings would be more than covered when considering the cost of not dealing with the debt. Selling assets may also be an option, or in fact a necessity, when a debt is about to crush you.

Being forced to sell an asset may mean you sell at a reduced value or you sell an asset you may not be able to replace. However, this may be better than having an asset eventually seized by the creditor and sold at auction for far less than you may be able to sell it for yourself. If you do use assets to pay down debt, remember that it may be better to act sooner rather than later.

Should you sell your home?

You need to consider selling your home if:

- You cannot afford your loan repayments
- You will be unable to afford your loan repayments in the future.

You need to make this decision early because it is better to sell your home yourself rather than have the lender sell the home for you. You are more likely to get a better price for your home and avoid lots of legal costs. You also need to give yourself as much time as possible get a good price.

The decision whether to sell your home is most difficult when:

- You are unemployed and trying to get a job, or
- You are ill and don't know when you will be well, or
- You are waiting for a compensation payment.

In these circumstances, an option might be to:

- Make a repayment arrangement with the lender for up to 6 months;
- If by the end of the 6 months you still cannot make the loan repayments you should put your home on the market;
- Go back to the lender and negotiate a further arrangement on the basis you are selling your home.



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It is never too late to ask for time to sell, but the lender is less likely to agree later in the enforcement process and enforcement costs will be added to your loan as the legal proceedings progress.

You should lodge a dispute with an external dispute resolution scheme quickly if:

- You are unable to make a repayment arrangement with the lender; or
- The lender is threatening to commence legal action; or
- The lender has issued you with a Statement of Claim but has not obtained a court judgment.

There is more information about external dispute resolution schemes in the fact sheet on “Disputes” in the Legal Action page.

You’ve decided to sell your home. What do you do now?

You need to place your home on the market. You need to price the home realistically so that it will sell, but for the best price possible. If you are using a real estate agent you should explain what time frame you need to sell the home within. This will usually be under 6 months but could be under 3 months depending on what arrangement you make with your lender.

You need to give copies of evidence that you are selling your home to the lender. This evidence should include (where available):

- Copy of the contract with your real estate agent
- Evidence of advertising of your home
- Front page of the contract of sale
- Marketing plan

Negotiate a repayment arrangement on the grounds of financial hardship with your lender. You are negotiating the arrangement on the basis that:

- You are in financial hardship
- You can make regular repayments of what you can afford until the home is sold
- You have a reasonable time to sell your home (ask for 6 months but you may need to consider agreeing to 3 to 4 months)
- When the home is sold your loan will be repaid.

If the lender

- Will not agree to the proposed variation, or
- Threatens legal action, or
- Commences legal action

You can lodge a dispute with an external dispute resolution scheme (see the fact sheet “Disputes” on the Legal Action page). You can also talk to a financial counsellor or get legal advice about this.



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What if my home is worth less than the amount of my loan?

If you think your home may be worth less than the amount you owe on your home loan, get legal advice. (See Legal Action page.)