



ASIC
Australian Securities & Investments Commission

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09-148MR ASIC expands relief for hardship withdrawals from frozen mortgage funds

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ASIC today announced changes to hardship withdrawals from frozen mortgage funds. These changes expand the circumstances in which operators are able to make payments to fund members who demonstrate the need to access funds on hardship grounds.

The changes to the existing hardship relief provisions include:

1. The cap on hardship withdrawals for each member is raised to \$100,000 each calendar year, from \$20,000 plus 50 per cent of the member's interest;
2. An investor can make up to four hardship withdrawals a calendar year, instead of a once-only withdrawal (subject to the overall cap of \$100,000); and
3. Hardship grounds are extended:
 - (a) To cover a beneficiary of a deceased estate of a member where the beneficiary is suffering hardship; and
 - (b) To make it clear a person unemployed for at least three months without other means may apply for hardship relief.

ASIC first announced hardship relief measures in October 2008. Since then ASIC has provided existing hardship relief to 22 operators for 76 frozen funds. These funds hold approximately \$25 billion of funds under management. Based on responses from 46 funds, these funds have paid out \$38M under hardship relief to-date. 1452 withdrawal payments have been made with an average withdrawal of \$25,024.

ASIC Commissioner, Mr Greg Medcraft said, 'We have expanded hardship relief to pick up special situations where the industry considers that further discretion for relief is needed'.

Responsible entities of funds will need to apply to ASIC for a variation to their existing hardship relief.

Existing hardship grounds

Our existing hardship relief (which continue in operation) applies where the member is able to satisfy the operator that they meet one of the following criteria:

1. Where the member is unable to meet reasonable and immediate family living expenses.
2. On compassionate grounds (e.g. medical costs for serious illness, funeral expenses or to prevent foreclosure); and
3. In the case of permanent incapacity.

Frozen funds

Mortgage funds froze redemptions in October 2008. Operators can freeze funds in the interests of all members to prevent withdrawals from destabilising the funds. A freeze means that for a period, the operators have decided to delay redemptions until liquidity improves. A freeze does not necessarily mean that there has been a loss of asset value, and it does not necessarily mean that investors will not get their money back.

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