

# Media Release

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### Australia's equity release market – an opportunity being missed

**16 Sept 2013:** Professional Services firm Deloitte released its 11th comprehensive annual study of the Australian reverse mortgage sector today, revealing that the \$3.5 billion market clocked up more than 7% growth since 2012.

However with the tailwinds of the Baby Boomers retiring, and an increasing focus on post-retirement funding, Deloitte believes that the opportunities of the equity release market are in danger of being missed by the banks and other financial services organisations.

Commissioned by the Senior Australians Equity Release Association (SEQUAL), the Deloitte Actuaries & Consultants' study shows that at 31 December 2012 more than 42,000 senior Australian households had a reverse mortgage with total balances of \$3.5 billion.

James Hickey, the Deloitte financial services partner who led the study, said: "There is a clear potential for even greater growth in this market as the size of the senior Australian population is set to increase by more than 50% in the next decade.

"For many of these senior Australians their house will remain their primary asset in retirement.

"For banks seeking to grow their share of the lending market, and remain relevant to their customers as they move into retirement, products that help this constituency access the wealth tied up in their homes, such as reverse mortgages, are worthy of serious consideration," Hickey said.

He said the opportunity goes further than just the banks. "Equity release products should be on the radar of any financial services organisation with ageing members, including the large industry superannuation funds."

The Deloitte study provides detailed insights into the profile of more than 42,000 senior Australians with a reverse mortgage.

"Contrary to perception we are seeing a significant interest in the product from active retirees aged in their 60s and early 70s. These are senior Australians who want to travel and renovate their homes, as well as settle their debts and enjoy their new found freedom without having to significantly tap into their superannuation, or downsize their homes. These active seniors are finding real benefits in the flexibility offered by reverse mortgages," Hickey said.

At present there are less than five active lenders offering the product – having reduced from more than 15 pre the Global Financial Crisis.

Hickey explained that the primary reason for the reduction in lenders was not the lack of demand by senior Australians, but the inability of many of the former non-bank, second tier banks, and credit unions lenders that previously focused on equity release products, to find available funding supply.

He said that Deloitte believes that for those lenders with access to funding - that are seeking long term returns - a reverse mortgage product can be an economically attractive investment.

### A summary of 8 years of key Reverse Mortgage information

	Dec-05	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12
<b>Market size</b>	\$0.9b	\$1.5b	\$2.0b	\$2.5b	\$2.7b	\$3.0b	\$3.32b	\$3.56b
<b>Number of loans</b>	16,584	27,898	33,741	37,530	38,788	41,600	42,410	42,455
<b>Average loan size</b>	\$51,148	\$54,233	\$60,000	\$66,150	\$69,896	\$72,474	\$78,249	\$83,840
<b>Settlements</b>	\$315m	\$520m	\$466m	\$321m	\$264m	\$322m	\$317m	\$305m
<b>Facility (settlements)</b>	\$519m	\$714m	\$627m	\$426m	\$367m	\$449m	\$426m	\$385m
<b>Additional drawdowns</b>	n/a	n/a	\$125m	\$116m	\$126m	\$131m	\$135m	\$65m
<b>Discharges</b>	n/a	n/a	\$203m	\$253m	\$309m	\$354m	\$338m	\$350m

Source: Deloitte Actuaries & Consultants 2013

### Key findings

- Market by value of new lending has grown 7% in last 12 months to \$3.5 billion
- Variable rate loans were the most popular (88%)
- Full repayment rate of 10% p.a. is driven by sale of property and voluntary repayments
- Direct sales were the largest channel in 2012 at 63% followed by brokers 36%
- As proportions of outstanding loans by number:
  - NSW 37% of market
  - QLD 21%
  - VIC 19%
- The average size of each loan is \$84,000

SEQUAL Chairman John Thomas said that SEQUAL and its members are committed to appropriate product design, high standards of practice and responsible borrowing. He said, “The effective use of a combination of lump sum and income stream options enable borrowers to borrow what they want, when they need it. It is important that consumers make informed decisions and carefully consider how their needs may change over time.”

Thomas said that SEQUAL’s industry accreditation protocol raises professional standards above the minimum education requirements imposed by legislation and industry association membership. SEQUAL has established a national network of accredited Seniors Equity Release Consultants (SERC) which assist consumers make informed decisions about equity release strategies.

For more information about SEQUAL® approved lenders and reverse mortgages go to [www.sequal.com.au](http://www.sequal.com.au).

See Deloitte media releases and research at [www.deloitte.com.au](http://www.deloitte.com.au)

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#### **About SEQUAL**

Since its inception as the peak industry body for the Australian Seniors Equity Release market, SEQUAL has worked in the interest of the Australian community. The SEQUAL Mission is to ensure the professionalism of those who offer or distribute Equity Release products for senior Australians. SEQUAL is dedicated to maintaining professional standards of practice within the Australian Seniors Equity Release market.

The primary objectives of SEQUAL are:

1. To provide an industry forum for the collaborative development of an ethical and successful Equity Release market in Australia.
2. To provide effective consumer protection through a Code of Conduct by which members of SEQUAL are expected to comply.
3. To represent the constituent parts of the Australian Equity Release Market at the national level through a process of consultation with Government, Regulators and Consumer Agencies.
4. To provide a central resource of consumer information on Equity Release products and processes and to enable efficient access to SEQUAL members.

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