Deloitte

Reverse Mortgage Survey
December 2013

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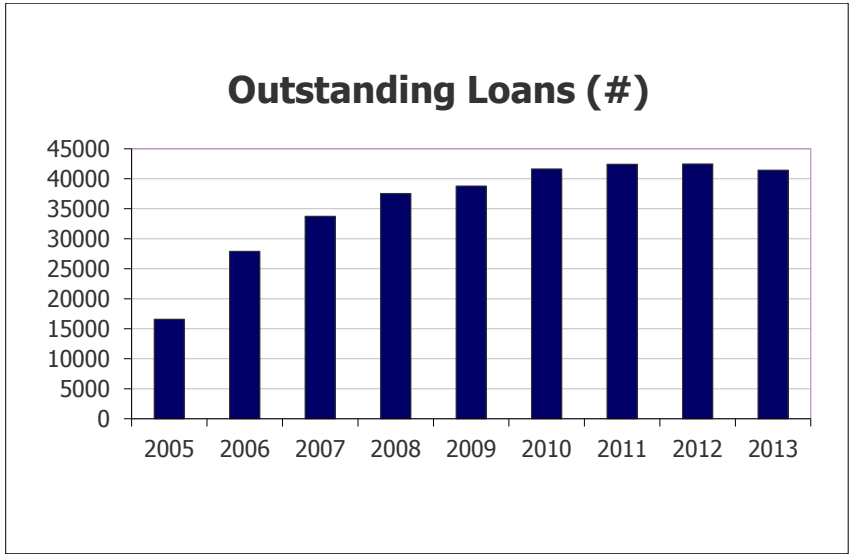
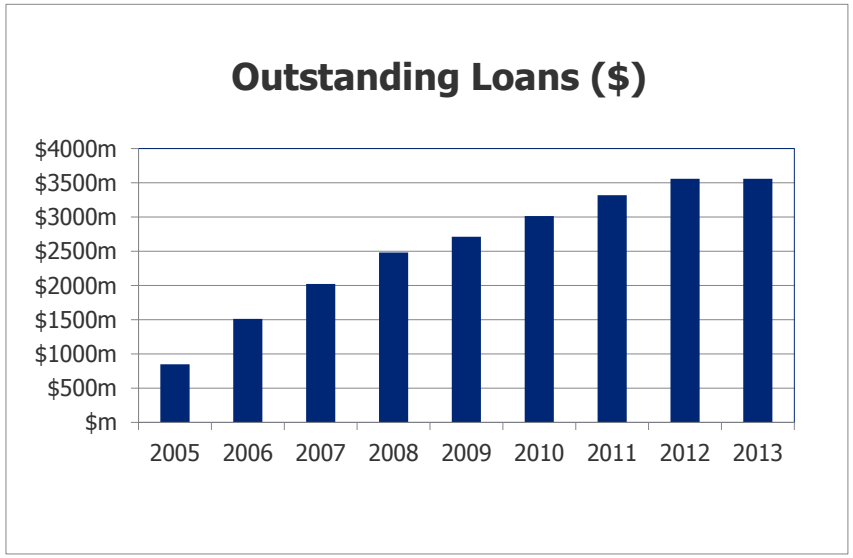
Market Volumes & Mix

Size of the market: Outstanding loans (31 December 2013)



- Currently over 40,000 reverse mortgages on issue in Australia



- Total loan book size of $3.6b
- Negligible growth in 2013
- Average loan size $86,000 (up from $84,000 in 2012)

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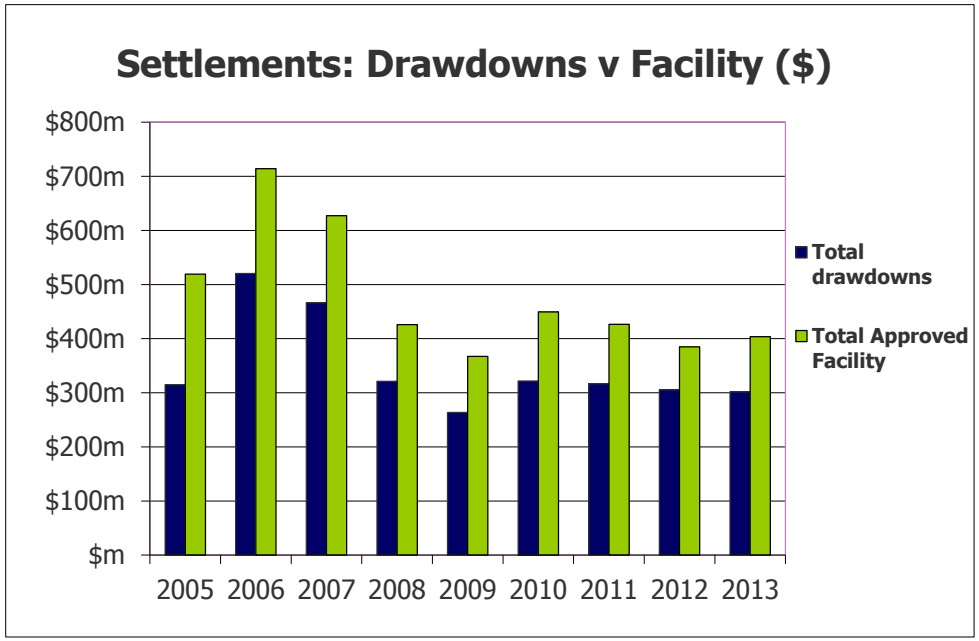
Size of the market: Settlements (12 mths to 31 December 2013)



- 2013 Settlements $302m
- 4,300 new borrowers in 2013
- Average settlement $71,000

This measures the volume of new lending written over 2013.
It shows both drawn funds from new advances as well as approved facility

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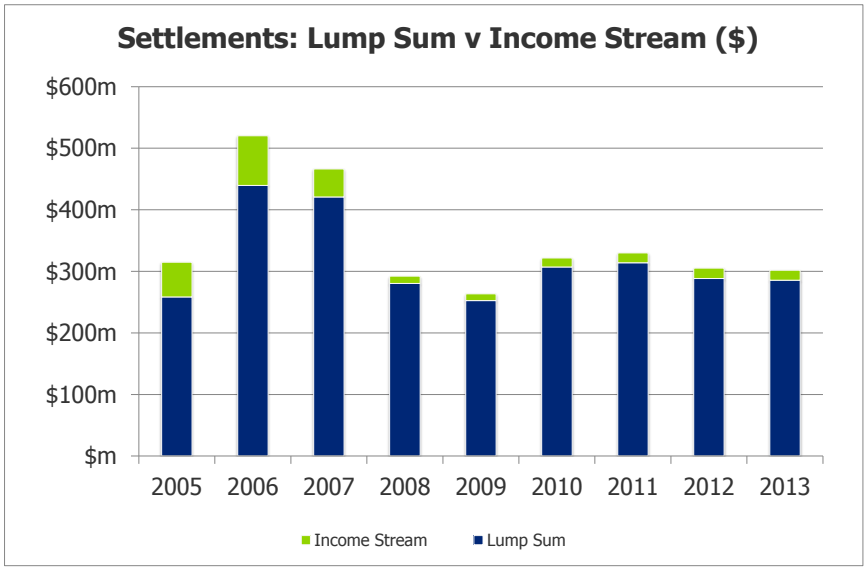
Settlements: Payment type – Lump Sum v Income Stream



- Of the $302m Settlements in 2013:
  - 94% were lump sum
  - 6% were income stream
- The proportions of lump sum and income stream settlements have been relatively stable since 2008

Note : Income Stream relatively low take up impacted is due to more flexible product options such as “line of credit” allowing discretionary income draws rather than contractual.

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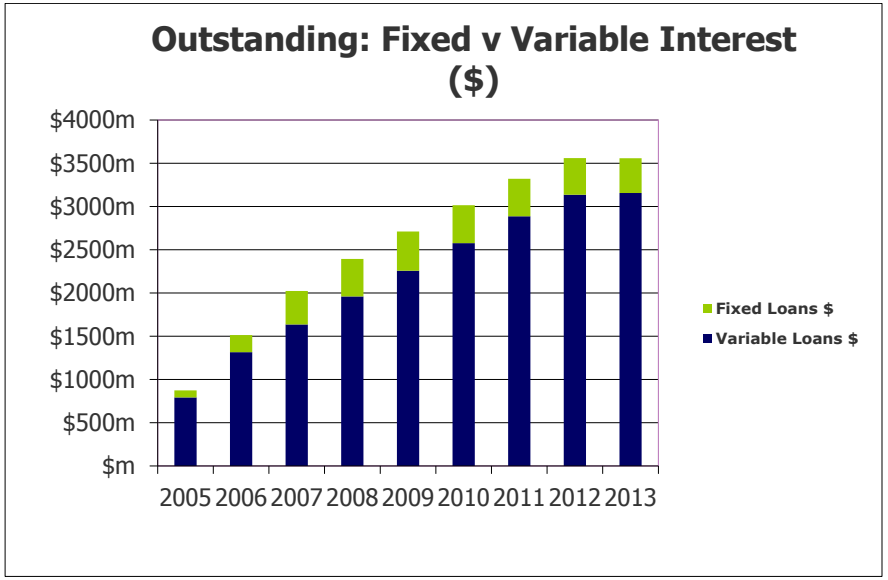
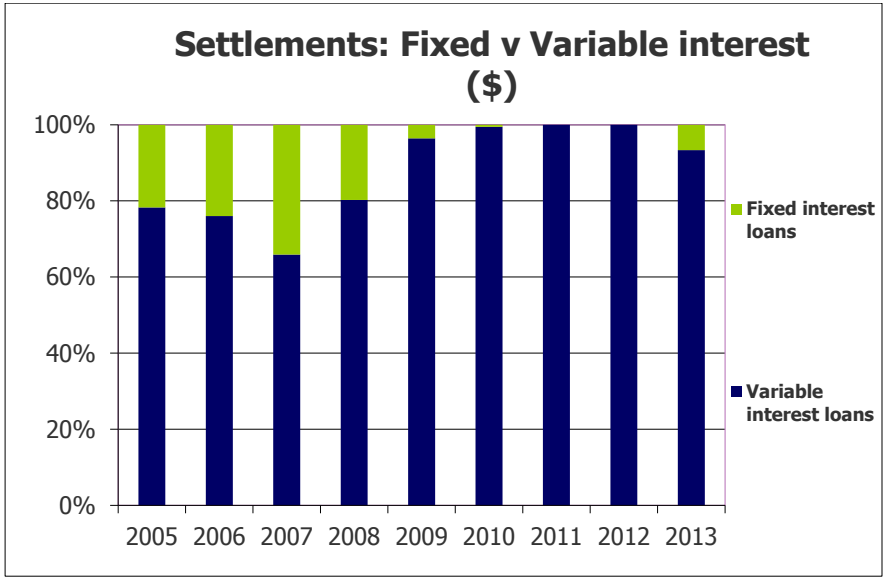
Interest rate type



Outstanding Loans

- 90% of all loans outstanding are variable interest
- Fixed interest loans are on average $14,000 more than variable loans



Settlements

- Vast majority of reverse mortgage lending has variable interest rate for the borrower
- Fixed interest reverse mortgage lending remains negligible. This is consistent with the settlement history since 2009

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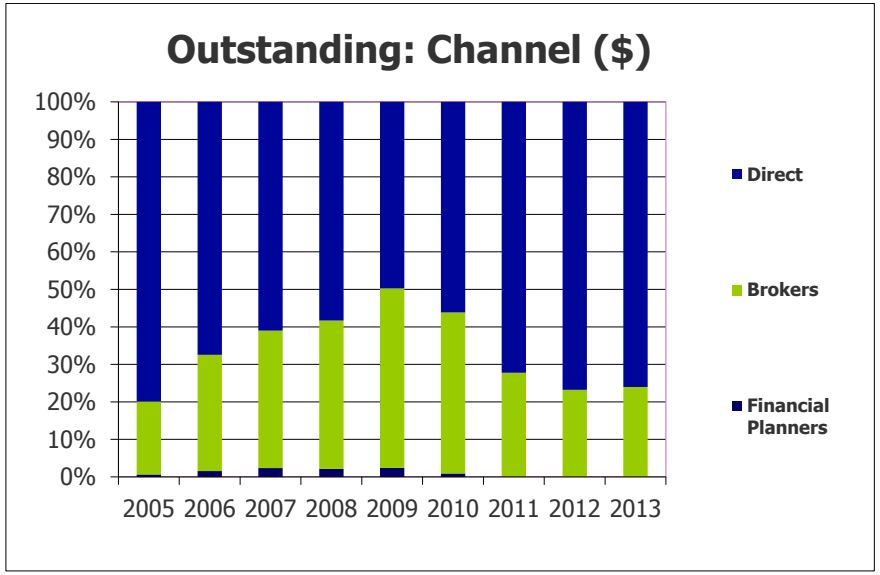
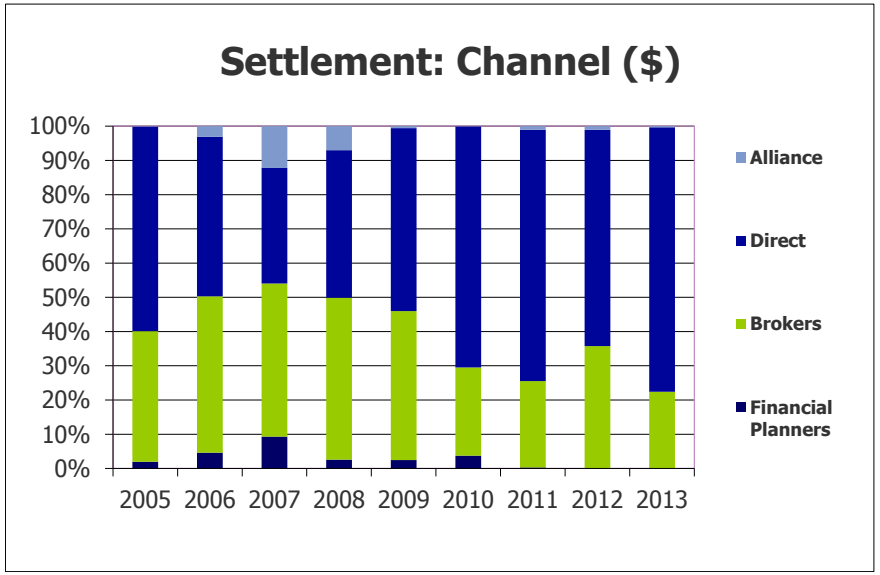
Channel



Outstanding Loans

- 73% of outstanding loans were written direct by lenders
- Broker channel peaked in 2009 at 50% and has reduced to only 25% since



Settlements

- Direct (including branch) lending – largest channel at 77%
- Average settlement size
  - $100,000 Brokers & Planners
  - $ 68,000 Direct

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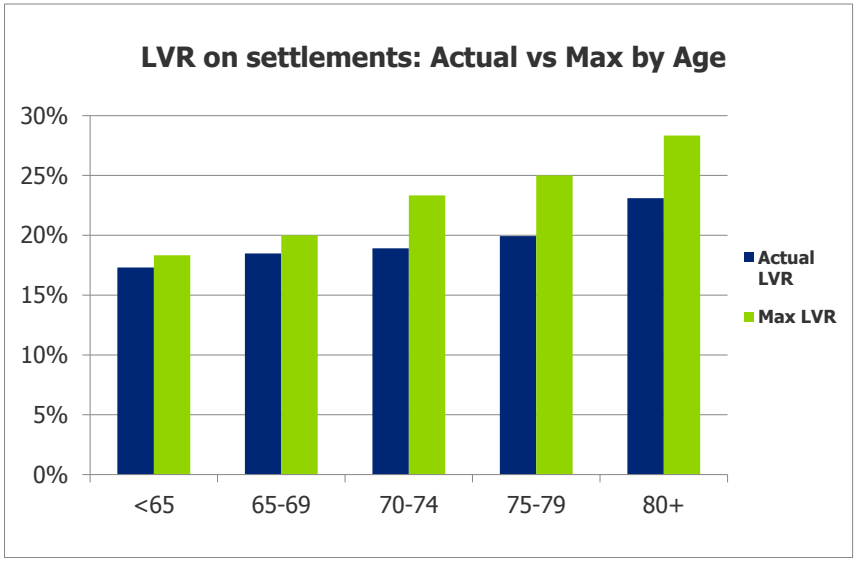
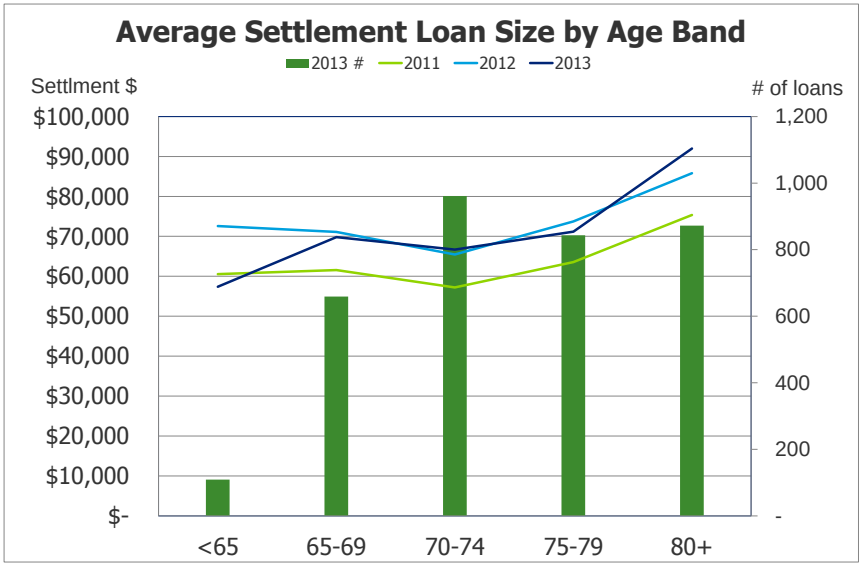
Loan-to-Valuation Ratio (LVR)





- Younger borrowers still utilising larger proportion of available facility
  - average of 17% LVR for those under 65 (close to maximum available)
  - average of 23% LVR for those over 80 (maximum available up to 35%)
- Average amount borrowed (for settlements) is similar across ages 65-80 with an increase for those over 80.

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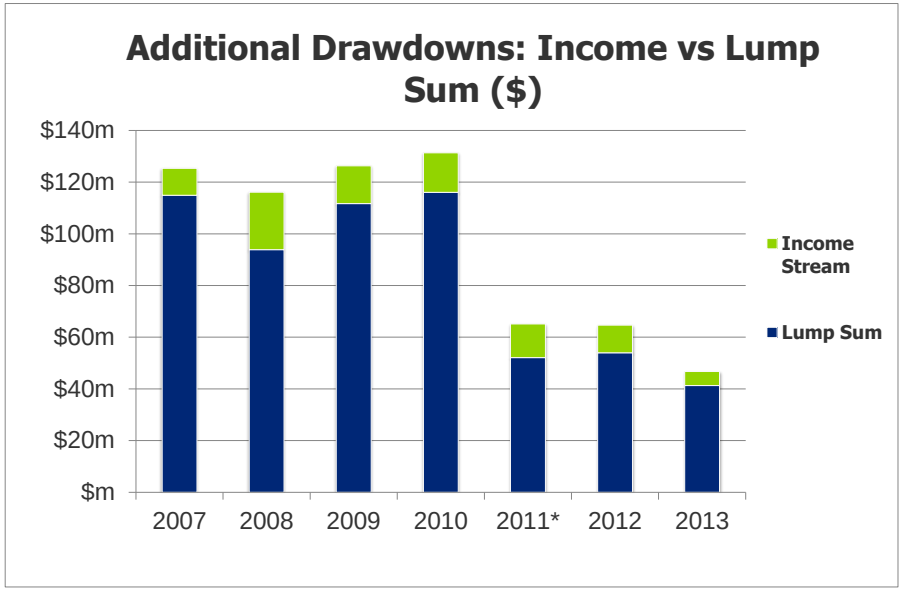
Additional Drawdowns



- 1 in 20 borrowers make additional draw downs on existing loans
- These additional drawdown (ADD) include both lump sum payments via line of credit and regular income instalments.

% Borrowers making ADDs (12 months)	5%
Average size of ADD (12 months)	$23,000
ADDs as % total $ outstanding loans	1% p.a. for 2013
Total ADDs in 2013	$47m

*Classification of Additional Drawdowns changed from 2011

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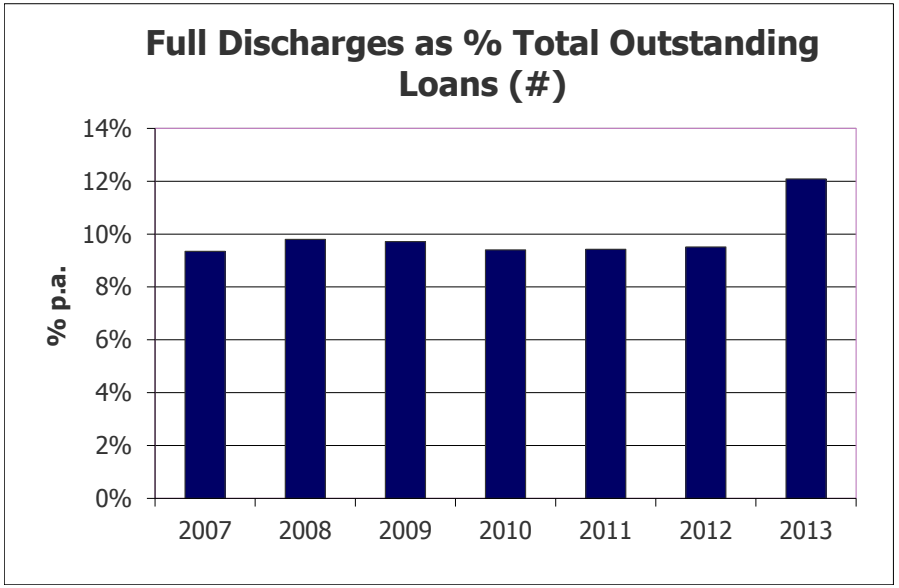
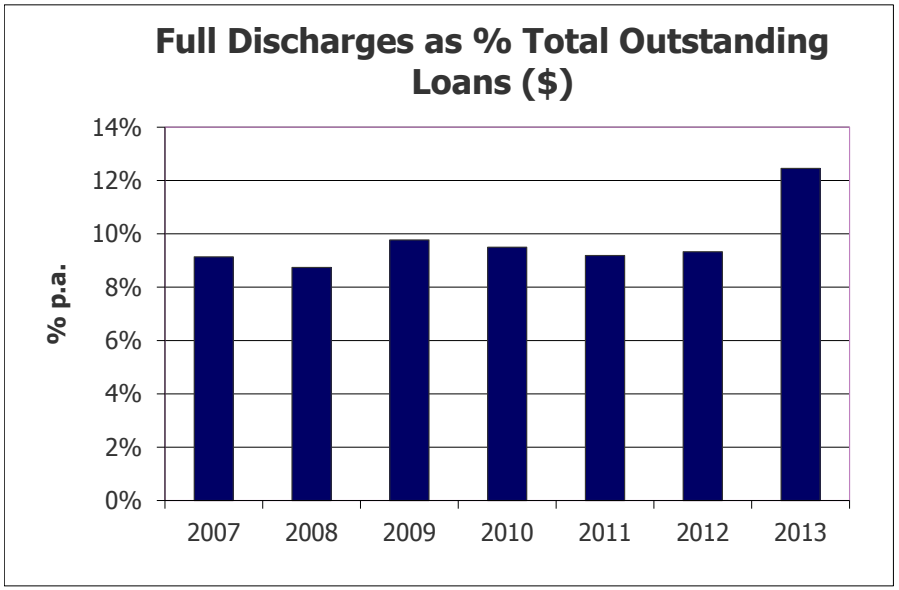
Discharges





By # borrowers

- Full discharge rate of 12.1%
- In addition to this, about 2.1% made partial discharges in 2013
- There was a noticeable increase in discharges across the board in 2013

By $ discharges

- Full discharges 12.5% p.a.
- Partial discharges 1.7% p.a.
- Average discharge size (2013):
  - Full discharges = $88,500
  - Partial repayments = $69,500

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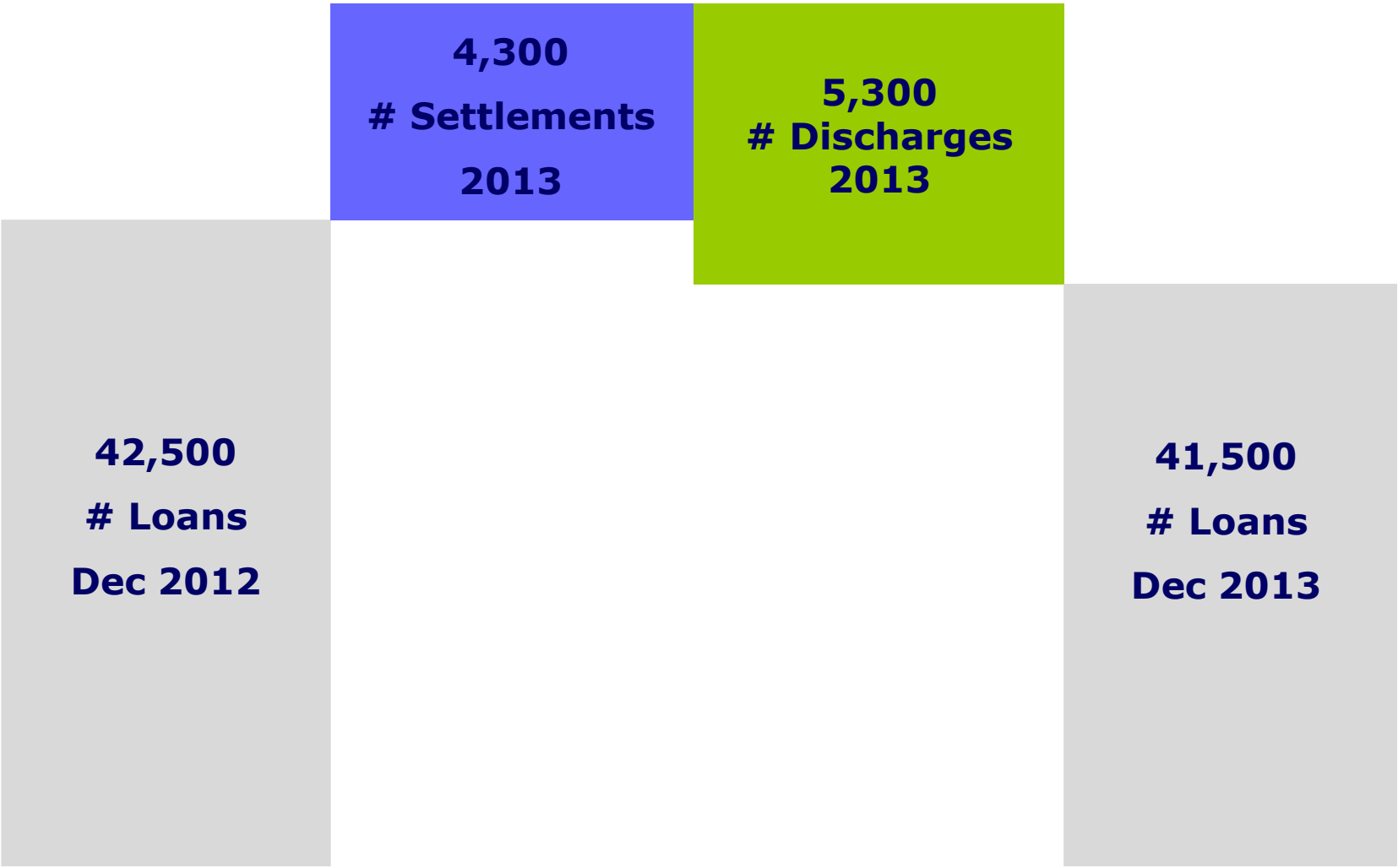
Market movers: by numbers



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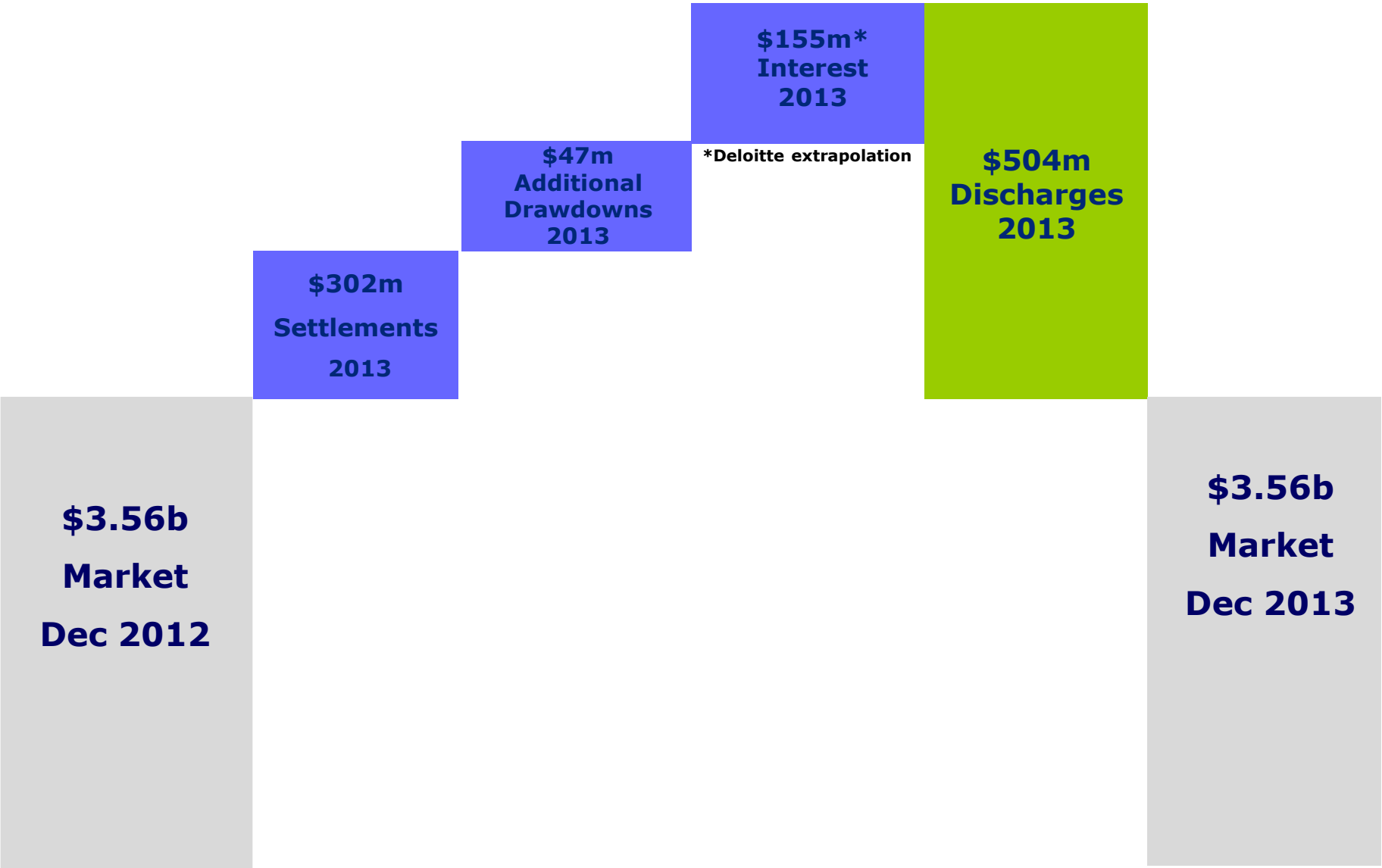
Market movers: by amounts



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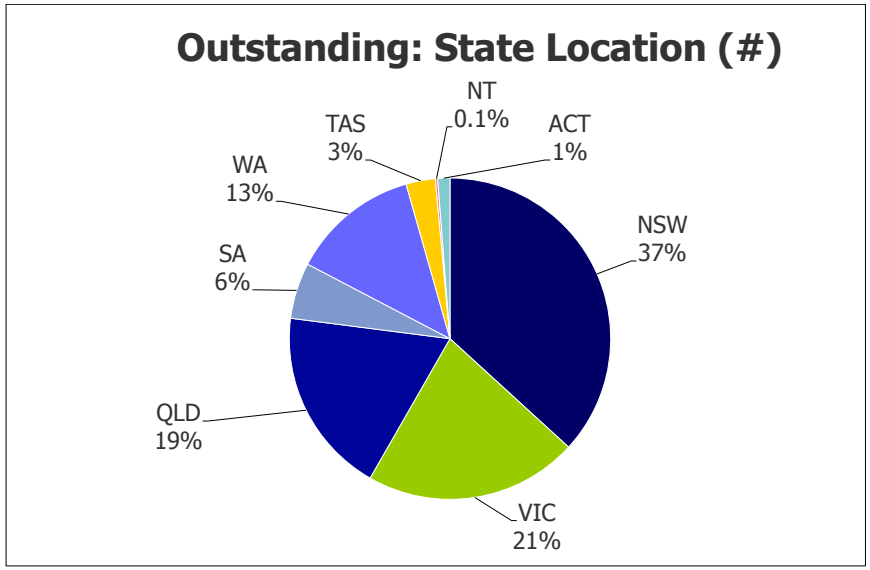
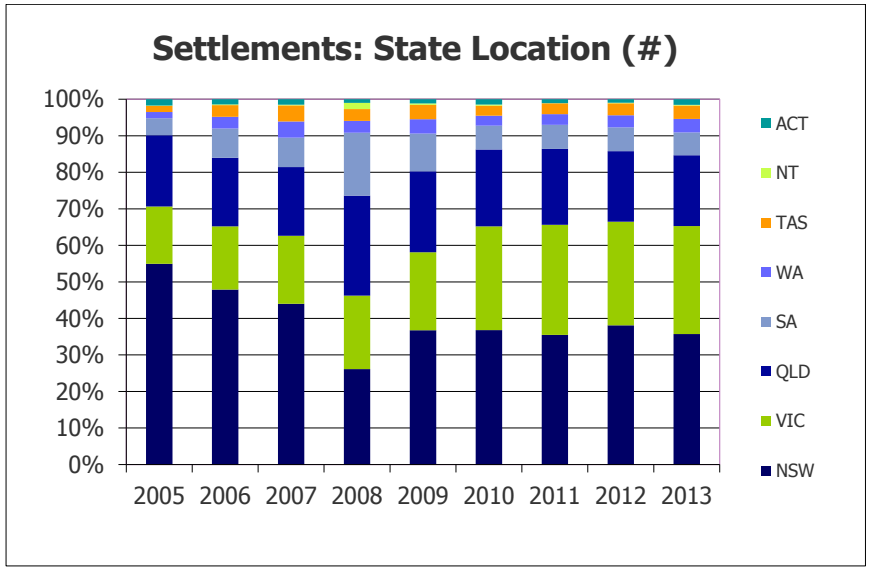
Housing splits

Location: State



Outstanding

- National presence
- Broadly aligned to population
- Most reverse mortgage business in NSW (37%), followed by VIC (21%) & QLD (19%)



Settlements

- NSW the largest (34%)
  - VIC (28%) & QLD (18%)
  - WA (8%)
  - SA (6%)

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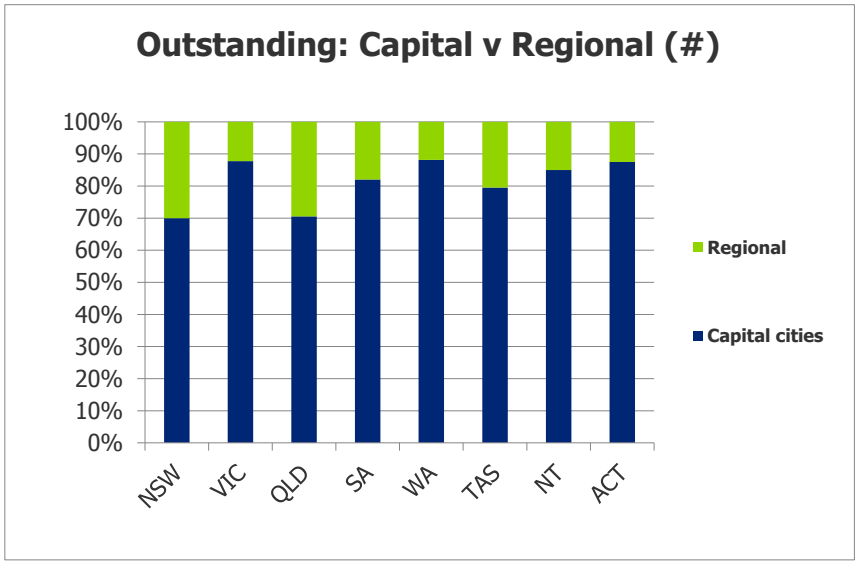
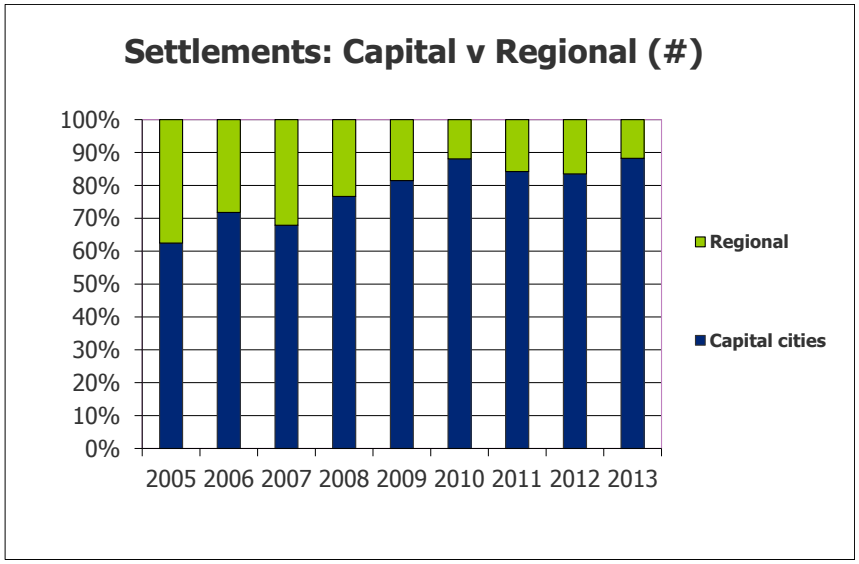
Location: Capital city v Regional





- Around 77% of loans outstanding are in capital cities
  - Larger regional areas in NSW and QLD led growth of non-metro lending
- However, recent settlements around 88% in capital cities

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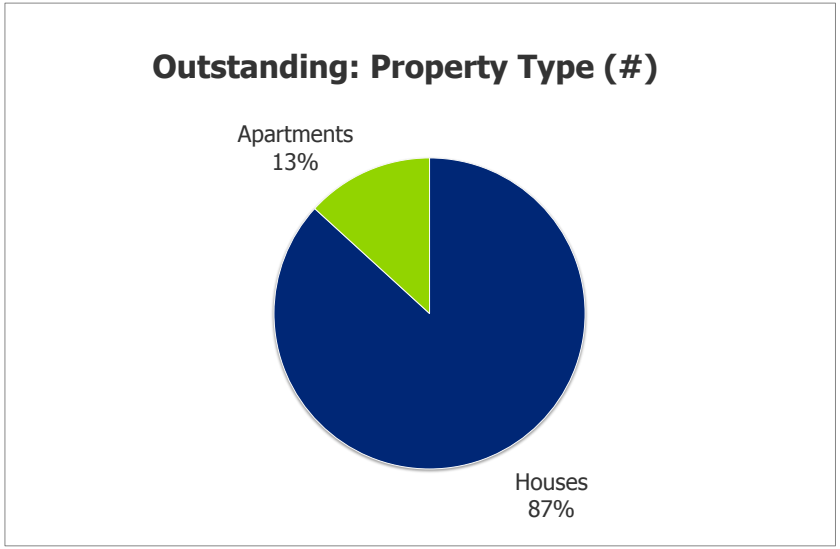
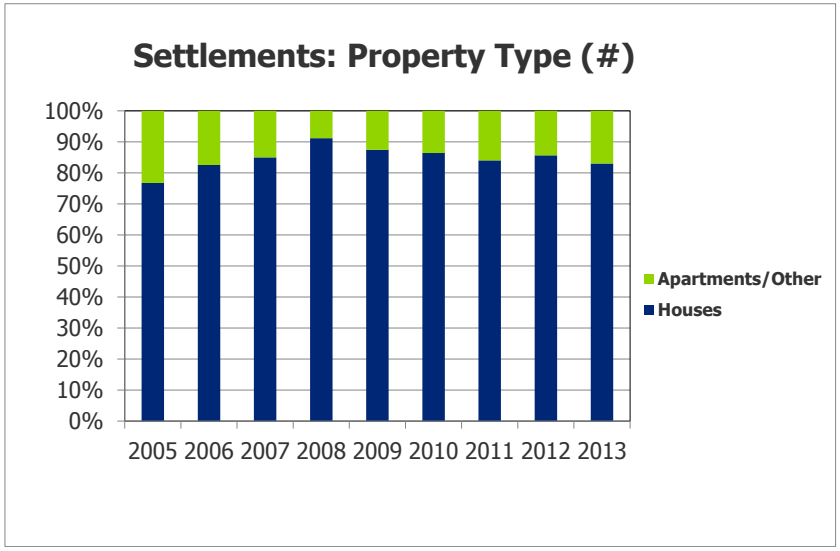
Housing



Outstanding

- Outstanding loans secured by houses remained most common
- 99% loans for owner-occupiers
  - (1% investment properties)



Settlements

- Houses made up 82% of settlements in 2013
- Lenders willing to accept units and other property types outside of stand alone dwellings in capital cities

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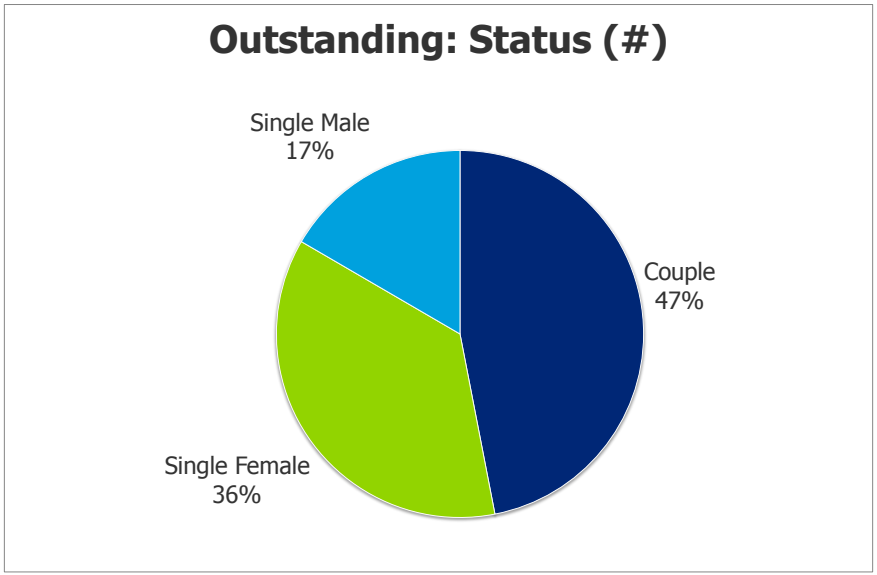
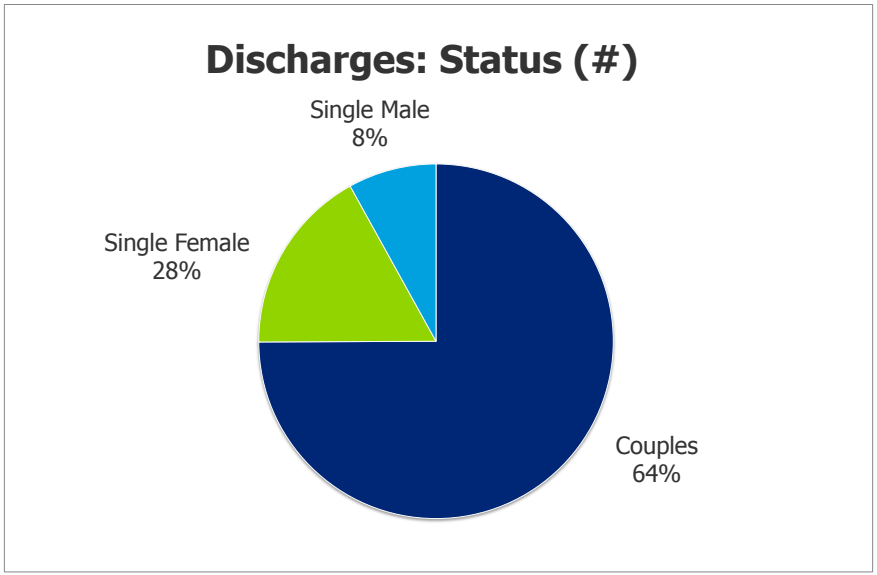
Borrowers

Borrower: status



Outstanding

- Couples remain the dominant segment followed by single female
- Average loan size consistent across all categories of borrower



Discharges

- Proportionately larger discharges by couples.
- Could imply greater use of the product for lifestyle reasons by younger, active couple retirees

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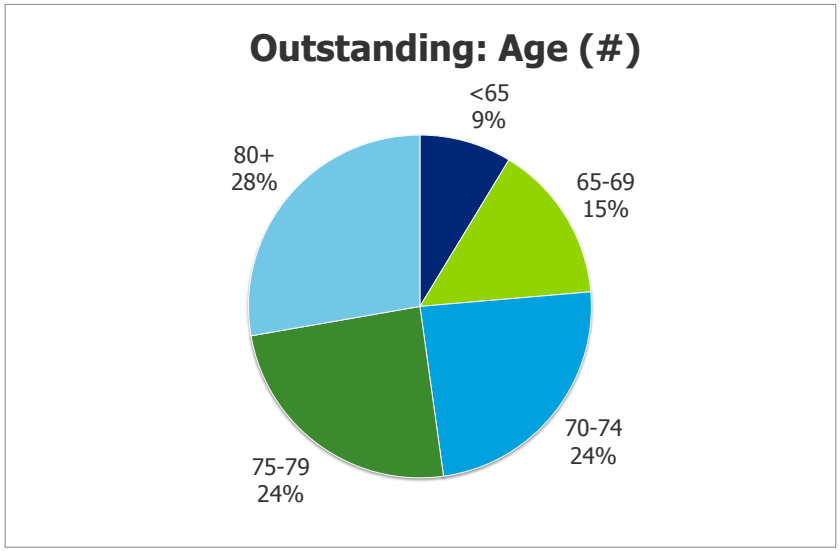
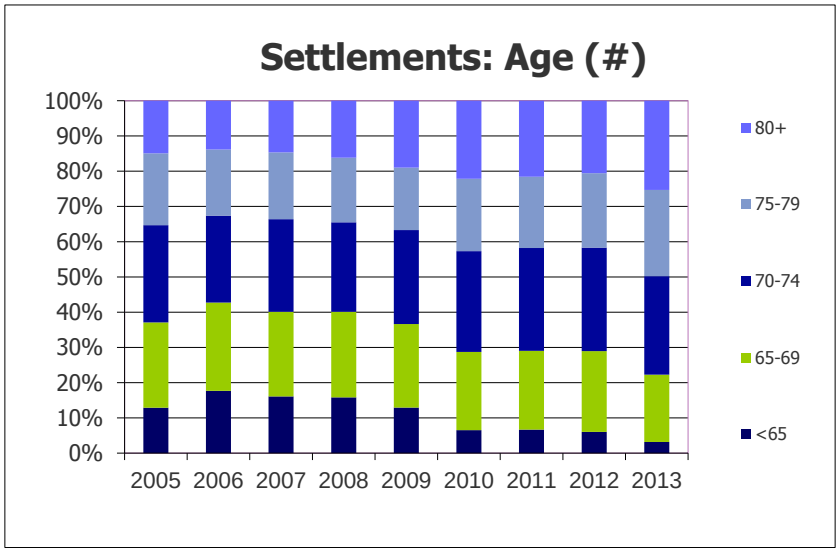
Borrower: age band



Outstanding

- Major age segment is 70-79 (48% of loans by #)
- Average age of existing borrowers is 75



Settlements

- Average age of new borrowers is 75
- Fewer under 65 year old borrowers since GFC
- Age profile stable since 2010

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Use of proceeds

- Consistently in the top 3 uses of settlements are regular income, debt repayment and home improvement
- Other uses are also popular (eg travel, car purchase), however these are often done in combination with one of the above.

Note: Figures still indicative due to lack of completeness of data

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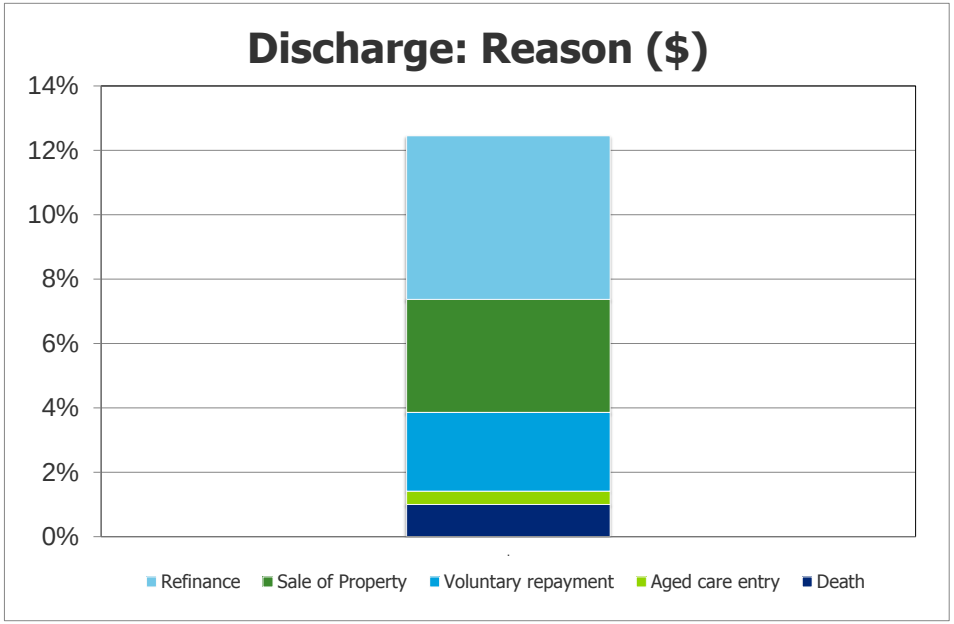
Discharges



Discharges v Reason

- Full discharges (by $) were 12.5% p.a.
- Of this:
  - Mandatory repayment 1% p.a. (i.e. death, move to aged care)
  - Voluntary repayments 2.5% p.a.
  - Sale of property 4.5% p.a.
  - Other (eg refinance) 4.5% p.a.

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Summary

	Dec 06	Dec 07	Dec 08	Dec 09	Dec 10	Dec 11	Dec 12	Dec 13
Outstanding market size	$1.51b	$2.02b	$2.48b	$2.71b	$3.01b	$3.32b	$3.56b	$3.56b
Number of loans	27,898	33,741	37,530	38,788	41,640	42,410	42,455	41,435
Average loan size	$54,233	$60,000	$66,150	$69,896	$72,474	$78,249	$83,840	$85,881
Settlements	$520m	$466m	$321m	$264m	$322m	$317m	$305m	$302m
Facility (settlements)	$714m	$627m	$426m	$367m	$449m	$426m	$385m	$404m
Additional drawdowns	N/A	$125m	$116m	$126m	$131m	$73m	$65m	$47m
Discharges	N/A	$203m	$253m	$309m	$354m	$338m	$350m	$504m

Key Statistics:

- Market (by $ outstanding) has remained flat in the 12 months to December 2013
- Some 4,300 new borrowers took out a reverse mortgage in 2013
- Full discharge rate of 12.1% p.a. (mainly sale of property and voluntary repayment)
- Additional Drawdowns approximately 1.3% of outstanding loans
- Lump sum most popular drawn down type
- Brokers & Planners settlements channel 22%, Direct channel 77%
- Proportions of Outstanding loans by #: NSW 37% of market, VIC 21% & QLD 19%

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