

01/05/2009

Clip ID: 2680159

Author: AAP Newswire

More seniors sign for reverse mortgages for income, debt payment

By Alison Bell

MELBOURNE, May 1 AAP - More senior Australians are taking out reverse mortgages to pay down debt and secure an income in retirement, a study finds.

Reverse mortgages, whereby outright home owners borrow against the equity in their homes, were launched in Australia earlier this decade and are sold primarily through financial planners and brokers.

Chief executive of the Senior Australians Equity Release Association of Lenders (SEQUAL) Kevin Conlon said the funding of reverse mortgages was becoming more challenging given financial market conditions.

However, SEQUAL was backed by the major banks and non-bank lenders that were well placed to meet the funding demands for the sector, he said.

The \$2.5 billion market posted a 23 per cent increase in the number of reverse mortgages nationwide last calendar year to 37,500, said Deloitte Actuaries and Consultants.

Lump sum payments accounted for 97 per cent of drawdowns, with settlements reaching \$141 million in 2008, Deloitte said.

The average reverse mortgage size is now \$66,000, although that average rises to \$74,300 for single women.

Couples account for almost half of all new loans, with the average age of borrowers 74 years, Deloitte said.

Deloitte's spokesman James Hickey said debt repayment, home improvement and retirement income continued to be the top reasons for seniors taking out a reverse mortgage.

Buying a car was the next most common reason, followed by the need for funds to pay for aged-care services.

Fixed rate loans comprised 28 per cent of all settlements in the first half of calendar 2008 and dropped to 10 per cent by December 2008.

The past 12 months had seen a decline in the number of borrowers seeking a fixed rate mortgage in line with lower interest rates.

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