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By Jill Fraser for [Lending Central](#)

Brokers and planners wrote more than half (52%) of new [reverse mortgages](#) during the last half of 2008 according to the latest six monthly study of the reverse [mortgage market](#) by Deloitte and SEQUAL. The figures indicate that the trend towards a preference for intermediated sales over direct sales continues.

(In 2004 brokers and planners wrote just 17% of reverse mortgages.)

SEQUAL CEO Kevin Conlon told Lending Central: “At the very early stage of the reverse mortgage market the broker channel took immediate and meaningful steps to ensure that brokers were well placed to provide reliable information to reverse mortgage clients.

“The easy hit for criticism of brokers is that they’re not regulated and in the absence of regulation the industry responded very effectively. Consumers are endorsing this by choosing to deal with brokers increasingly.”

Encouraged by the study’s data, which shows that people are making informed decisions about equity release, Conlon notes that reverse mortgage transactions are now being taken out on a needs-based motivation rather than a desire-based motivation.

“These transactions are not remunerative - there’s not a lot of money in reverse mortgages for brokers and planners - and this data debunks any suggestion that brokers and planners are motivated by trying to up-sell consumers,” he says.

In November 2005 ASIC brought out a report that characterized the reverse mortgage market in Australia as rapidly growing with “unfamiliar products” and “vulnerable consumers”.

In his then capacity as head of Education for the MIAA (now MFAA) Conlon introduced the Code of Proper Process and an obligation on MIAA members that if they wanted to be involved with reverse mortgages they had to undertake the SEQUAL course and maintain that status.

“Very early on the industry responded in a meaningful way and there was legitimate self-regulation of ensuring that these unfamiliar products and vulnerable people were served by people who knew what they were doing,” says Conlon.

In 2007 SEQUAL, headed by Conlon, introduced an industry accreditation process for brokers, lawyers, accountants and planners. There is now a network of 1400 SEQUAL accredited reverse [mortgage consultants](#) (RMCs) spread throughout Australia.

The Deloitte SEQUAL Reverse Mortgage Study found that the reverse mortgage market as at 31 December 2008 consisted of more than 37,500 reverse mortgage facilities with total outstanding funding of \$2.5 billion. This represents almost 8% growth over the six months from 30 June 2008 and 23% growth over the 12 months from 31 December 2007.

Although 2,600 new loans were written in the second half of 2008, this volume of settlements was down some 25% on the prior six-month period, which reflects the challenges faced in the global financial crisis.

There is anecdotal evidence that increasing numbers of senior Australians have asked about reverse mortgages in

the past four month but with credit lines drying up during the financial crisis, reverse [mortgage lenders](#) have found it more difficult to secure funding.

Conlon anticipates “moderate growth in real terms” over the next 12 months but says some important factors need to be addressed to ensure that the market continues to operate effectively.

Stating that the combination of banks and non-banks has delivered a healthy level of competition in the reverse mortgage market and resulted in innovative products, he stresses that it’s important that this continues.

“Reverse mortgages are not easy to fund at the best of times and against the backdrop of the current global financial crisis it is becoming increasingly difficult and SEQUAL has seen a number of members withdraw from active participation in the market,” says Conlon.

“I’m on the public record as having recently asked the Government to extend the reach of the \$8 billion package that they passed to the forward mortgage market to reverse mortgages.”

Asked if he is optimistic about this occurring Conlon says “we’re in close consultation with Treasury and confident that the Government understands the issues and is properly considering the significance of reverse mortgages, particularly in the broader context of social policy development in relation to [pensions](#) and declining revenues for government”.

“On that basis I’m confident that Government will make an informed decision on the request.”

In conclusion Conlon states that these six-monthly reports on the reverse mortgage market require a high level of co-operation between Deloitte Actuaries and Consultants and SEQUAL members.

“A lot of commercially sensitive information has to be divulged in order for these reports to be meaningful and the release of this sixth study is indicative of the commitment that SEQUAL members have to transparency and the provision of reliable data,” he says.