

# INDUSTRY SUBMISSION

An Australian Consumer Law  
Fair Markets - Confident Consumers

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# Background

## Senior Australian's Equity Release Association of Lenders (SEQUAL)

SEQUAL is comprised of the major financial institutions offering Reverse Mortgages. Since its inception as the peak industry body for the Australian Equity Release market, SEQUAL has worked in the interest of the community by imposing high standards of professionalism on those who design and distribute Equity Release products for Senior Australians.

**SEQUAL's main objectives can be found at [www.sequal.com.au](http://www.sequal.com.au)**

In addition to their regulatory and legal obligations, SEQUAL Members must comply with the **SEQUAL Code of Conduct and Guidelines for Application of the Code**. The Code and Guidelines cover members' dealings with borrowers, borrowers' families and borrowers' advisers. Failure to comply with the SEQUAL Code of Conduct could result in a lender being expelled from SEQUAL membership.

SEQUAL has also established an Industry Accreditation protocol in order to raise the professional standards of the Brokers, Planners, Accountants and Lawyers that assist consumers to make informed decisions about Reverse Mortgages. Market practitioners that achieve Industry Accreditation through SEQUAL gain the designation of **Reverse Mortgage Consultant ("RMC")**. The RMC designation forms an important part of SEQUAL's commitment to assisting consumers to easily identify properly-trained market practitioners.

SEQUAL is committed to the development of an ethical and efficient Seniors Equity Release market in Australia.

## Funding Retirement -Equity Release Strategies

There is good reason to explore the options provided through equity release and the family home is now an intrinsic part of the planning process.

The strategies for Equity release through the use of Reverse Mortgages are diverse. For some retirees they are an effective means to supplement income or to provide access to capital. For others, they can be a tool to help manage market volatility. For frail retirees with poor health, it can provide them with choices for accessing the care they need and provides the ability to pay the aged care fees.

When used effectively, Reverse Mortgages can help a retiree to access the significant wealth they have accumulated in an illiquid asset in order to more effectively live the life that they choose.

The availability of Reverse Mortgages is a critical factor for many Senior Australians now approaching retirement with the expectation of living longer than any generation before them and the intention of living well.

## **The Australian Reverse Mortgage Market**

The most recent Deloitte SEQUAL Reverse Mortgage Study found that the Australian Reverse Mortgage market, as at 30 June 2008, consisted of more than 36,600 reverse mortgage loans with total outstanding lending of \$2.3 billion. This represents almost 14% growth over the six months to June 2008 and 27% growth over the 12 months from 30 June 2007.

Whilst demand for Reverse Mortgages is likely to continue to grow due to a number of compelling factors including demographic shift, the supply of Reverse Mortgages has been adversely impacted by the current global financial crisis. This market disruption has constrained the ability of some Reverse Mortgage providers to access funding with the effect that a number of SEQUAL Members have either withdrawn from the market or have significantly scaled-back their participation.

Given the vital public interest issues associated with the existence of a viable Seniors Equity Release market, Government clearly has an important role to perform in encouraging the efficient operation of Australia's financial markets and in particular, ensuring robust competition in the Reverse Mortgage market.