

# Federal Government urged to back reverse mortgages

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14 April 2009 | by Liam Egan

The **Senior Australians Equity Release Association of Lenders** (SEQUAL) is calling for the reverse mortgages (RM) sector to be included in the Federal Government's \$8 billion emergency support measures for the Australian financial system.

The call comes in a SEQUAL submission late last month to the Retirement Income Panel, part of the Federal Treasury's current Australia Future Tax System review, which was established last year on the initiative of Prime Minister Kevin Rudd.



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Kevin Conlon

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SEQUAL's submission to panel chairman Treasury secretary Ken Henry calls for an extension of the selection criteria for investment by the Australian Office of Financial Management (AOFM) in residential mortgage backed securities (RMBS) to "provide support for RM RMBS issuance".

On September 26 last year, the Treasurer announced that the AOFM would purchase residential mortgage backed securities (RMBS) to support competition in Australia's (forward) mortgage markets.

SEQUAL's submission also calls for the provision of a Government Guarantee to "stabilise bank provided funding (to the RM sector)", and for Federal government insurance of RM transactions.

On October 12 last year, the Government announced guarantee arrangements for deposits and wholesale funding of eligible authorised deposit-taking institutions (ADIs).

Director Kevin Conlon said SEQUAL wanted the Government to give consideration to expanding that definition of the RMBS-purchase scheme to the RM market, "particularly having regard to the current deteriorating circumstances of retirees".

"There's a need to apply existing Government initiatives for the forward mortgage market to the (\$2.3 billion) RM market to ensure it is able to remain competitive and stable through these difficult times."

He said it was "unfortunate" that the RMBS initiative did not provide the capacity for RM issuers to participate within its selection criteria, as the RMBS market "could be an important source of funds for RM providers".

"In the past, few RM providers accessed the RMBS market to fund their RM portfolios, as they've been readily able to access funding through bank-provided credit facilities.

"Recently, however, bank funding has tightened, constraining the ability of some RM providers to access funding.

"This has led to their withdrawal from the market of some providers or scaling back their operations significantly," he said.

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