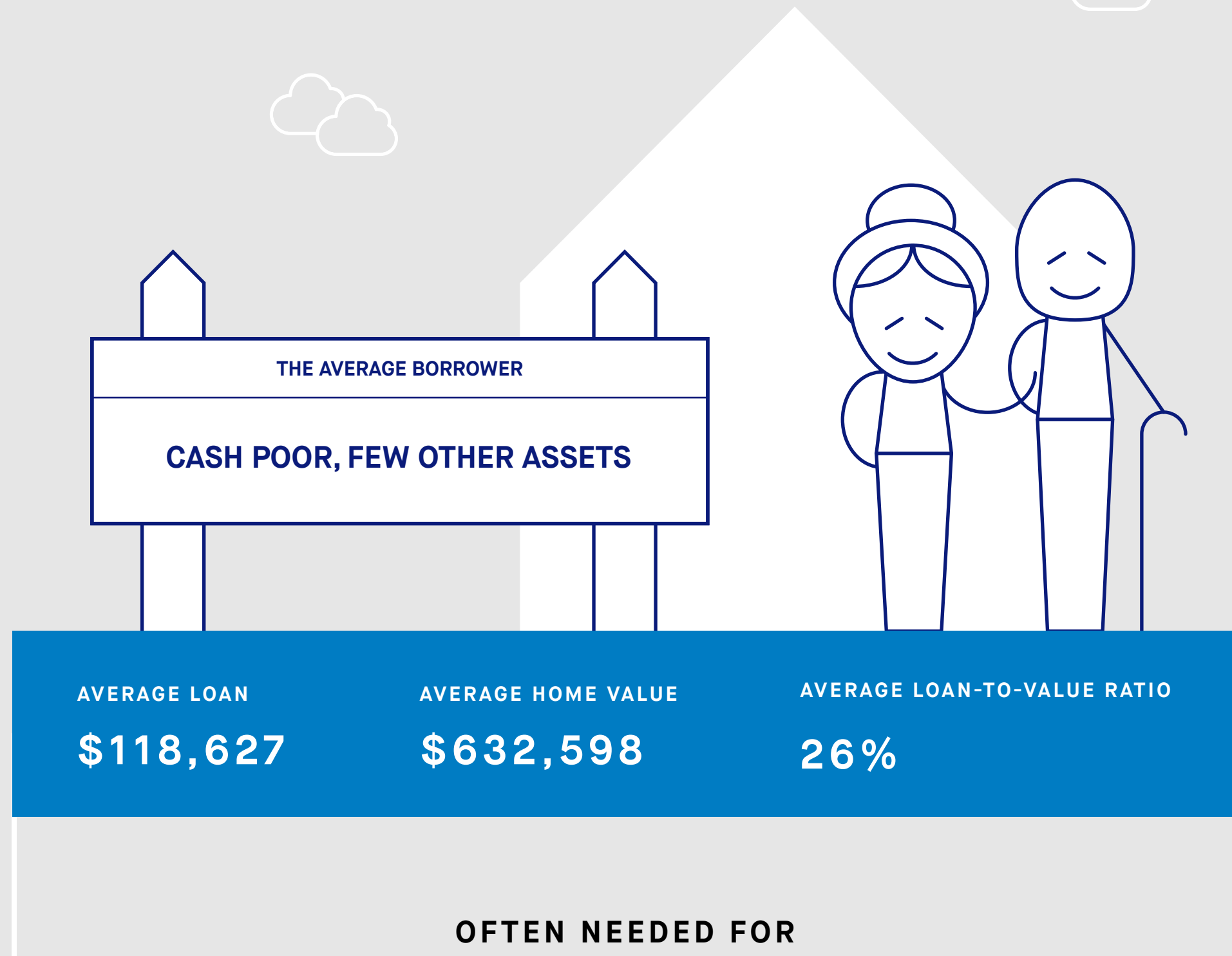
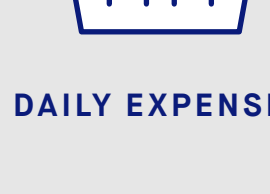


ASIC found that reverse mortgages helped people stay in their home, but there can be long term risks



OFTEN NEEDED FOR



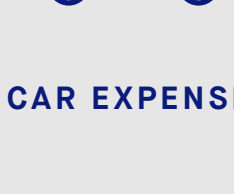
DAILY EXPENSES



BILLS AND DEBTS



HOME IMPROVEMENTS



CAR EXPENSES

In addition to an ageing population, many other factors are increasing the relevance of these loans for older Australians

\$500bn
Australian home equity held by consumers over 65

70%
of Australians aged 55-85 own their own home

An ageing population and other factors could influence demand for reverse mortgages

Borrowers had limited choices for reverse mortgages due to a lack of competition

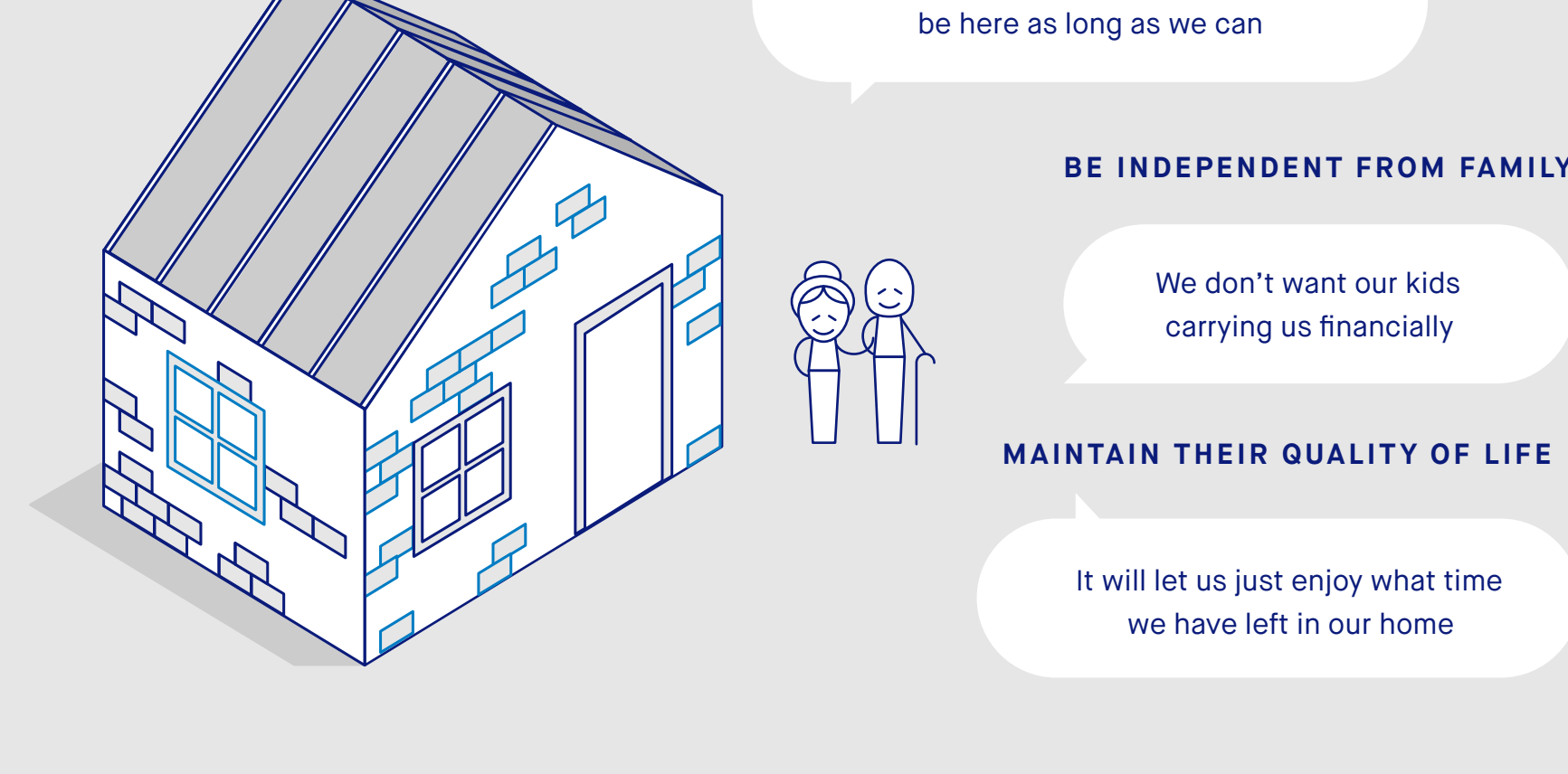
2
CREDIT LICENSEES

WROTE

80%
OF THE DOLLAR VALUE

OF NEW LOANS FROM 2013 TO 2017

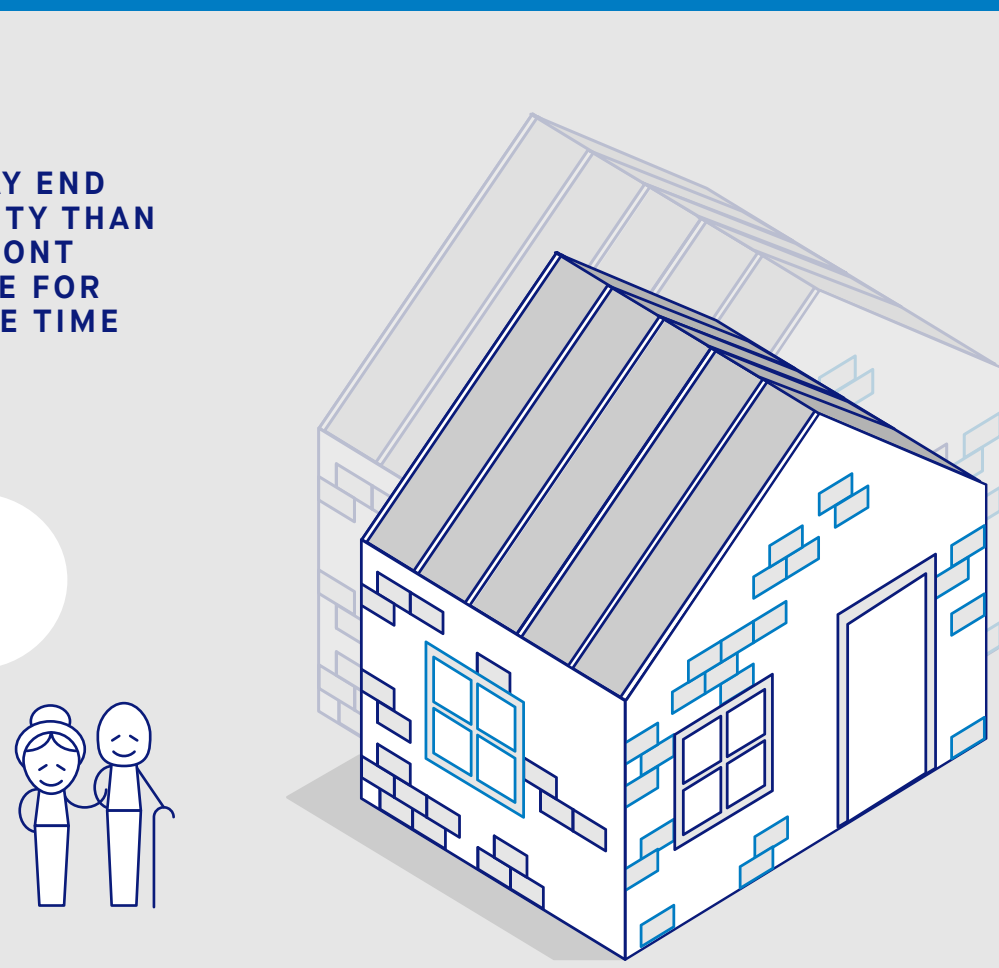
REVERSE MORTGAGES HELPED OLDER AUSTRALIANS ACHIEVE THEIR IMMEDIATE FINANCIAL GOALS



BORROWERS CAN STRUGGLE TO RECOGNISE THE LONG TERM RISKS OF THEIR LOAN

63% OF BORROWERS MAY END UP WITH LESS EQUITY THAN THE AVERAGE UPFRONT COST OF AGED CARE FOR ONE PERSON BY THE TIME THEY REACH 84

There might be risks, but we just live for today and not worry about tomorrow.



By taking a reverse mortgage, borrowers could face financial difficulty later in life

IF CONDITIONS STAY THE SAME

4%

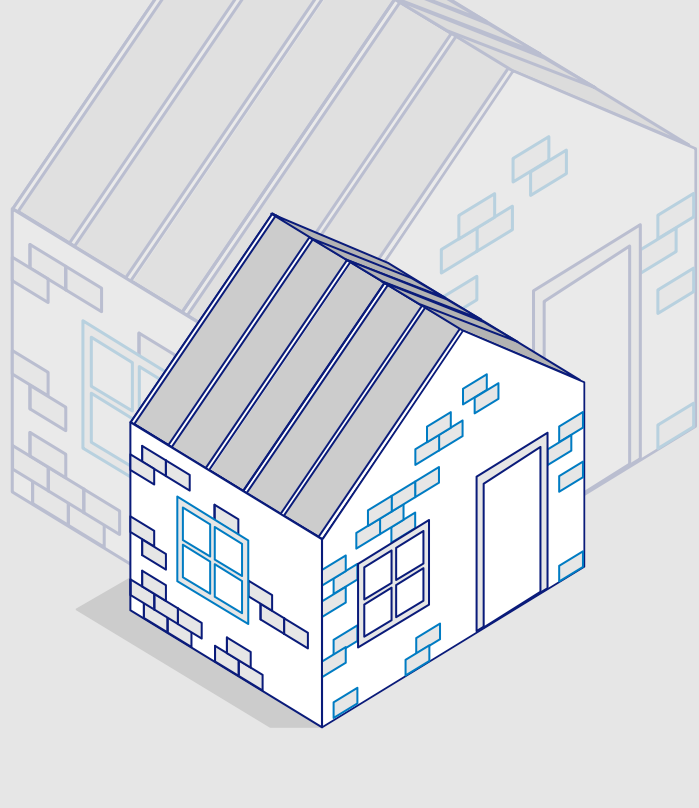
IF INTEREST RATES RISE BY 3%

10%

IF PROPERTY PRICES REMAIN STAGNANT

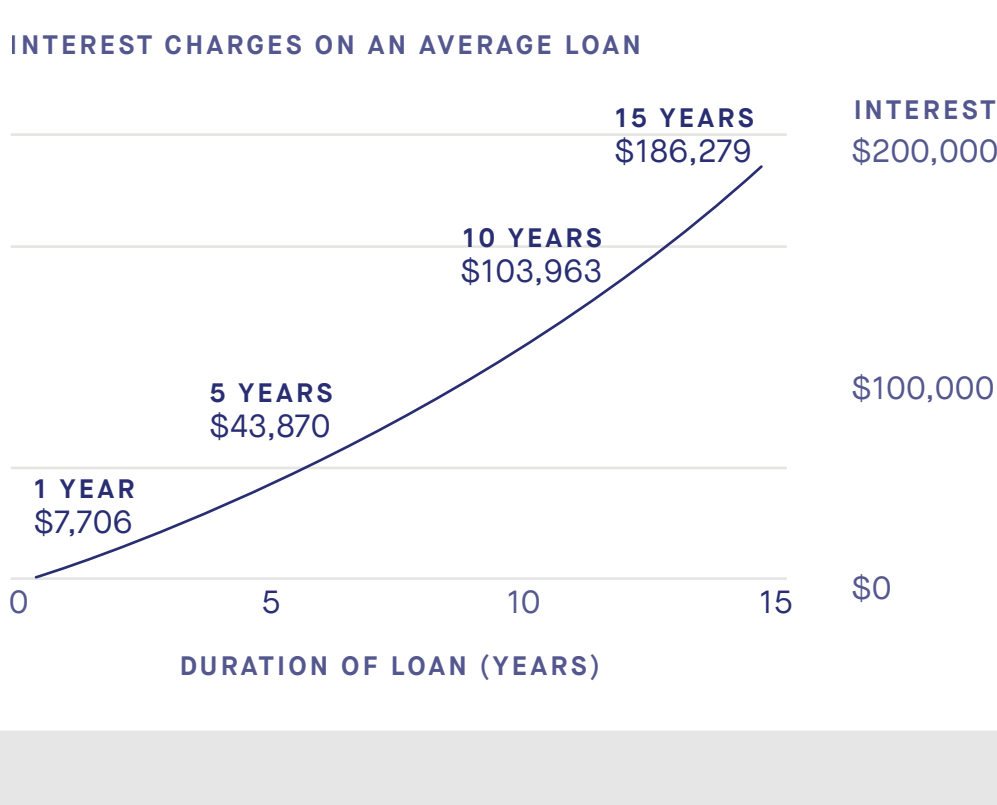
26%

of borrowers might have **less than \$200k** of remaining equity by the time they reach **84**



We could be left with less wealth than we imagined...

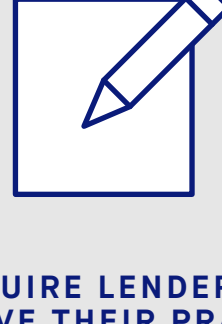
Due to the effect of compound interest over time



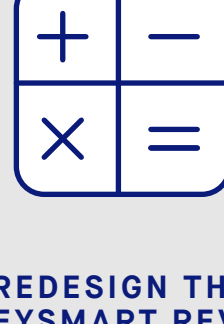
And changes in the growth of property prices can significantly affect how much equity borrowers will have at the end of their loan



ASIC WILL



REQUIRE LENDERS TO IMPROVE THEIR PRACTICES AND AMEND THEIR LOAN CONTRACTS



REDESIGN THE MONEYSMART REVERSE MORTGAGE CALCULATOR



MONITOR INDUSTRY INITIATIVES TO REDUCE THE RISK OF FINANCIAL ELDER ABUSE