

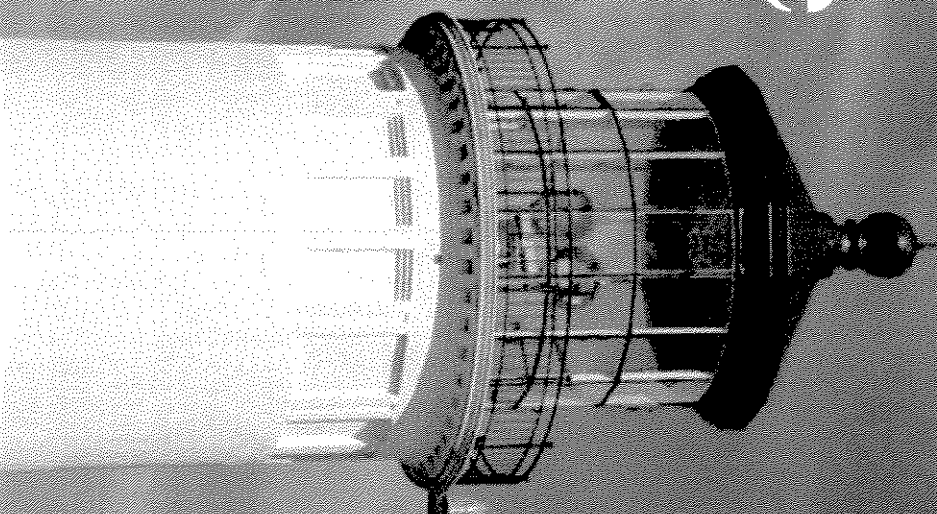
Trowbridge Deloitte

# SEQUAL Reverse Mortgage Statistics

20 October 2006

James Hickey

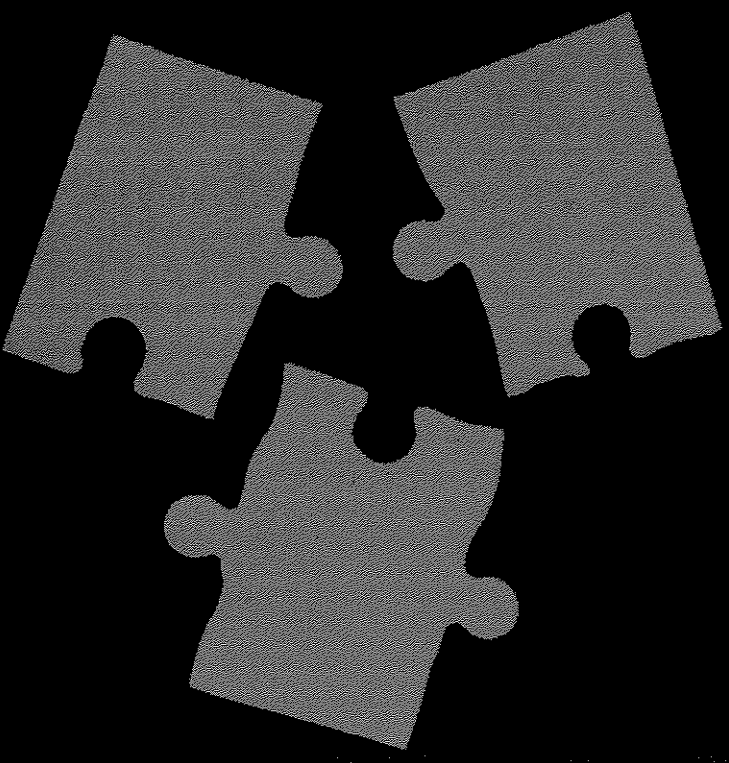
Kim Handley



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- Key Findings & Comments
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- Borrowers
- Future releases

# Key Findings & Comments



# Summary

<b>Key figures</b>	<b>Dec-04</b>	<b>Dec-05</b>	<b>Jun-06</b>
Size of market	\$459m	\$848m	\$1083m
Approved Facility Settlements	\$381m	\$519m	\$310m*
Avg loan size	\$217m	\$315m	\$210m*
# accounts	47,300	51,100	53,300
	9,700	16,600	20,300

\* 6 months only in June 2006

- Lump sum is the most popular draw down type, with income stream growing.
- Most loans are variable interest.
- Majority of new loans are still sold directly, but the broking channel is rapidly growing.
- Home improvement, income supplement and travel are the primary uses of funds<sup>1</sup>.
- NSW makes up almost 50% of the market, with VIC & QLD taking about 20% each.
- Couples are most common, followed by single females, with few single males.
- The average age is 74 for outstanding loans, but 72 for settlements in the 6 mths to June.
- There are 11 members of SEQUAL

<sup>1</sup>Data on uses is limited

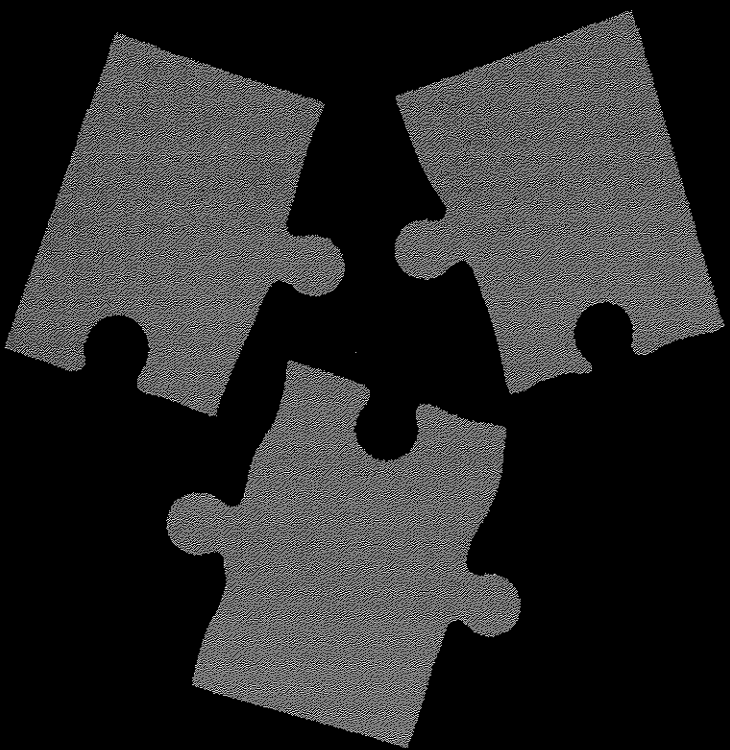
## Data

- We received data from 10 SEQUAL members.
- This was a strong initial response.
- This resulted in a reliable view of the reverse mortgage industry to date.
- We have not incorporated 1 due to limited data and multiple data issues.
- We have collected data over the period January 2004 to June 2006.
- Limited data from some providers in 2004. The more recent data is more reliable and trends over time are not as useful.

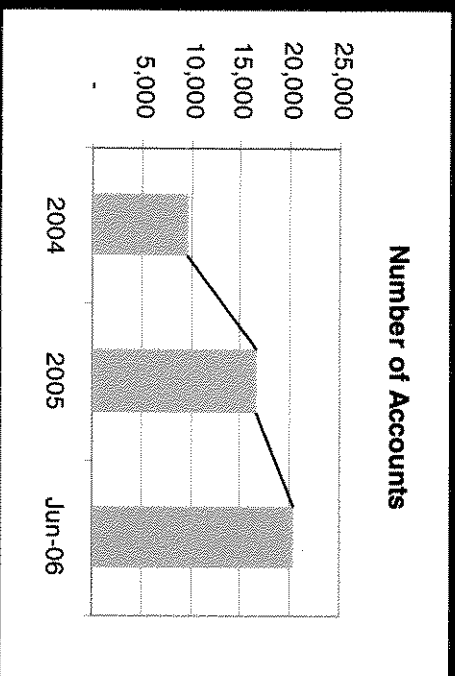
### Data Improvements Going Forward

- All questions were not answered by all members that submitted data.
- There were inconsistencies within data that was submitted by most members.
- Limited data was available from some providers over some time periods.
- Biggest data issue: many gave split by facility approved instead of amount drawn down.
- 6 monthly data updates going forward

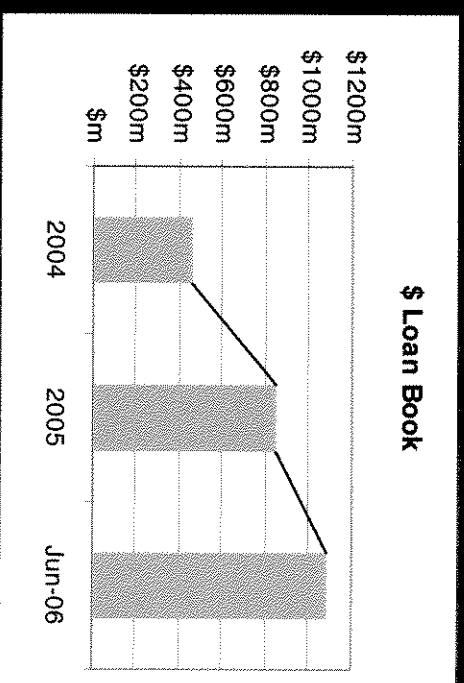
# Market Volumes & Mix



## Size of the market (30 June 2006) - Outstanding



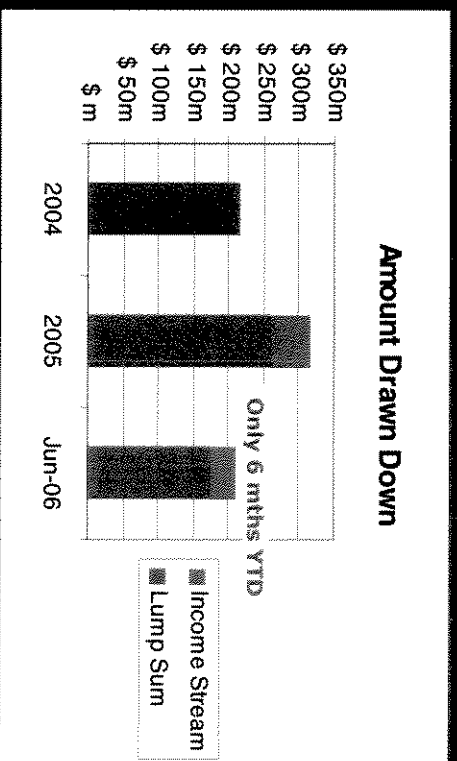
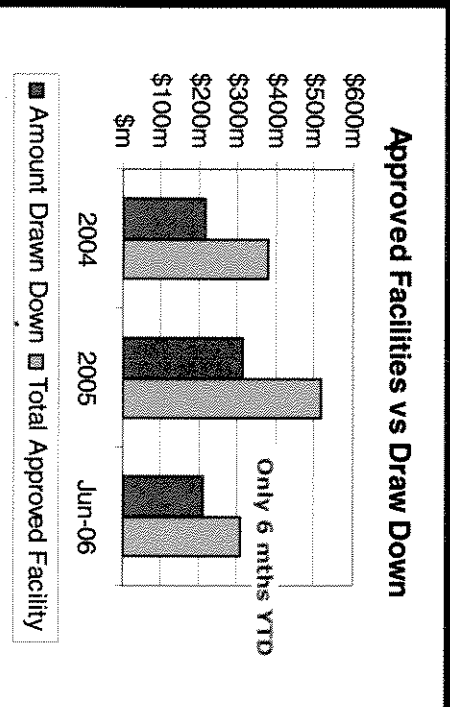
**2006: 47% pa growth**



**2006: 60% pa growth**

- There are currently over 20,000 reverse mortgages on issue by SEQUAL members.
- Total loan book size of \$1.1bn.
- Average loan size of \$53,300.
- Circa 50% annualised growth in YTD 2006

# Size of the market (30 June 2006) - Settlements

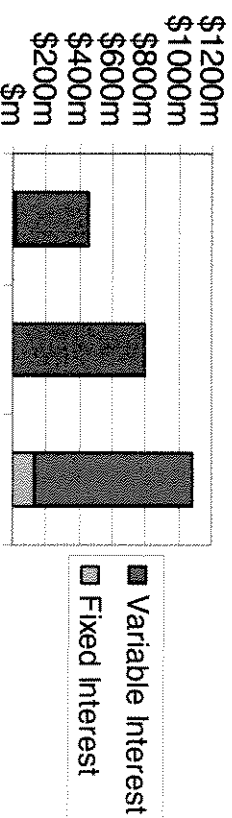


- Around 70% of loan facilities approved are drawn down in the period of settlement.
- Over 80% of loans are drawn down as lump sum payments.

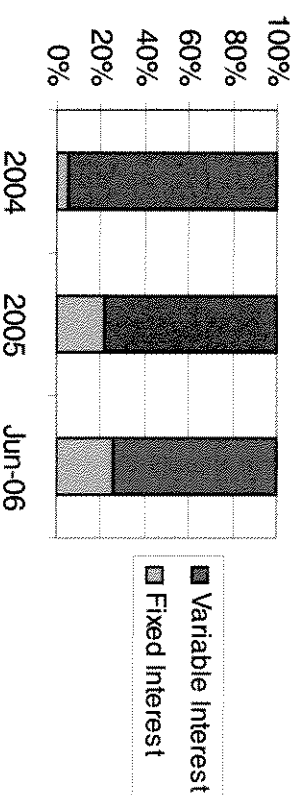
## Interest Rate Type

- 85%+ of all loans drawn are variable interest as at 30 June 2006.
- Borrowers appear to have similar sized loans under each interest type
- The proportion of new reverse mortgages being variable interest is decreasing. Only 74% of new settlement draw downs in the past 6 months were variable interest compared to:
  - 78% in 2005
  - 95% in 2004

**Outstanding: Draw Down by Interest type**



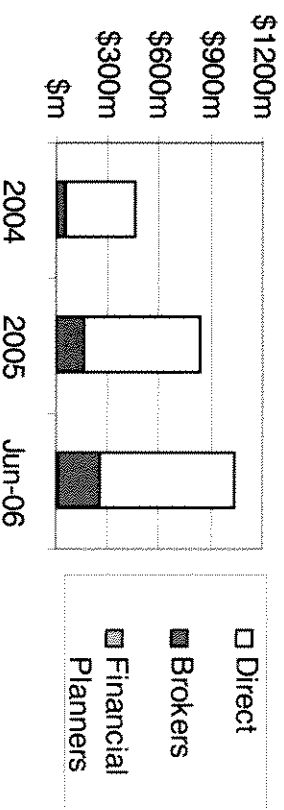
**Settlements: Draw Down by Interest type by draw down value**



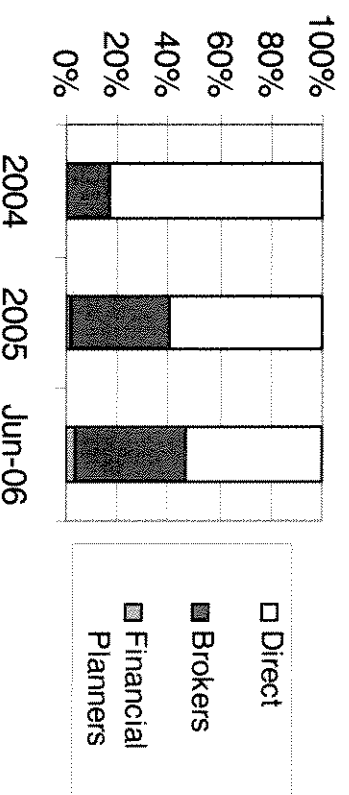
# Channel

- “Direct” is by far the most popular channel (75% of outstandings).
- **Broker** channel is increasing as new providers increasingly use brokers (25% of outstandings).
- The **financial planning** channel is still in its infancy.
- The **broker** channel makes up an increasing proportion of all sales.
  - 17% of 2004 settlements
  - 38% of 2005 settlements
  - 43% of settlements to 30 June 2006

**Outstanding: Draw Down by Channel**



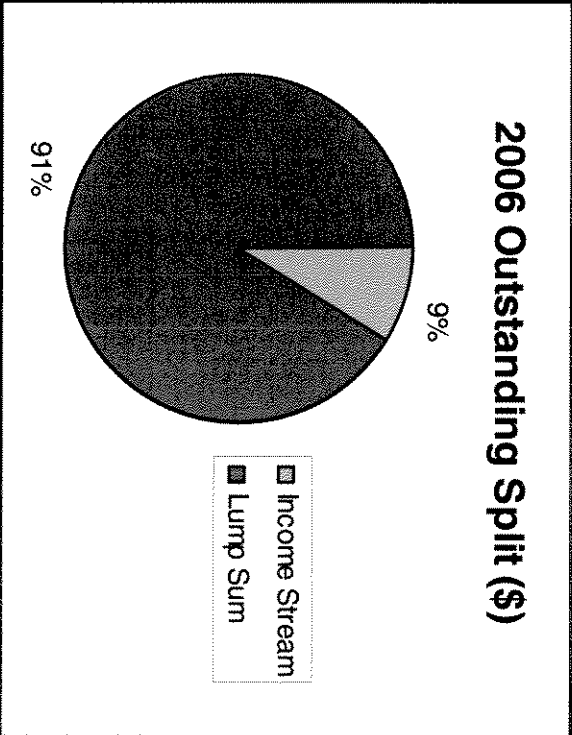
**Settlement: Draw Down by Channel**



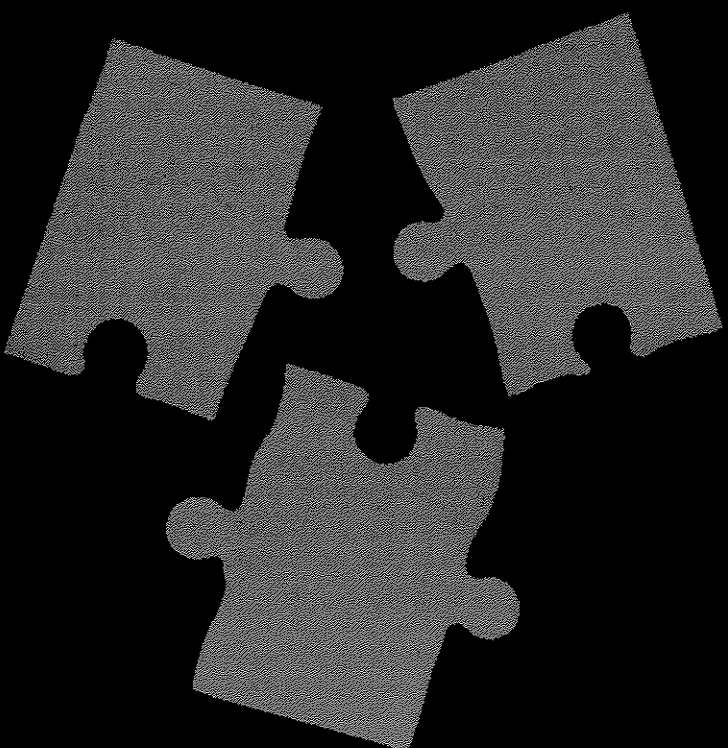
# Lump Sum vs Income Stream

- Income Stream only around 9% of outstanding (over \$95bn)
- Lump sum still most popular
- Income stream growing in popularity (doubled in the past year) – now 17% of new settlements

*Should  
not  
be  
in  
the  
table*



# Housing Splits



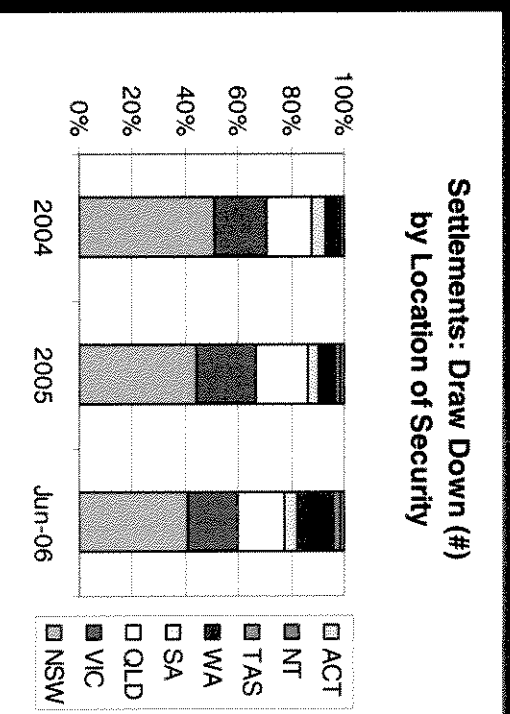
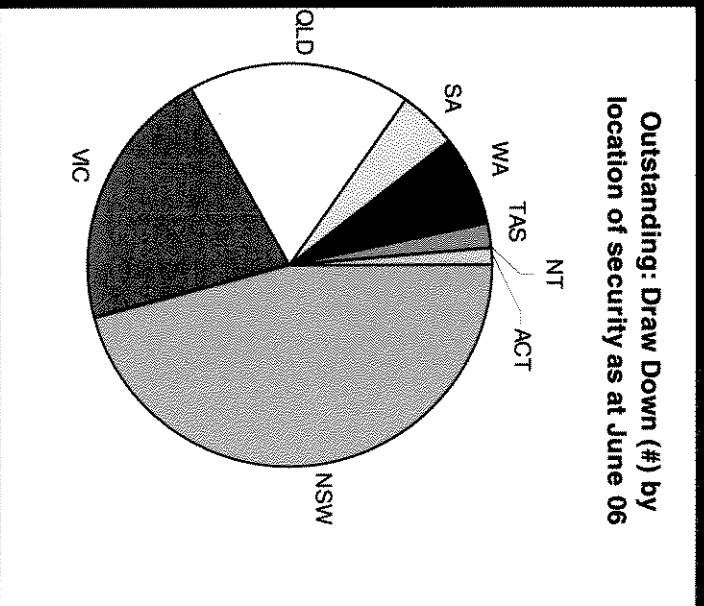
## Location: State

### Outstanding

- Most reverse mortgage business is sold in NSW (45%).
- VIC and QLD around 20% each
- WA 7%, SA 5%, other states adding to about 8%.

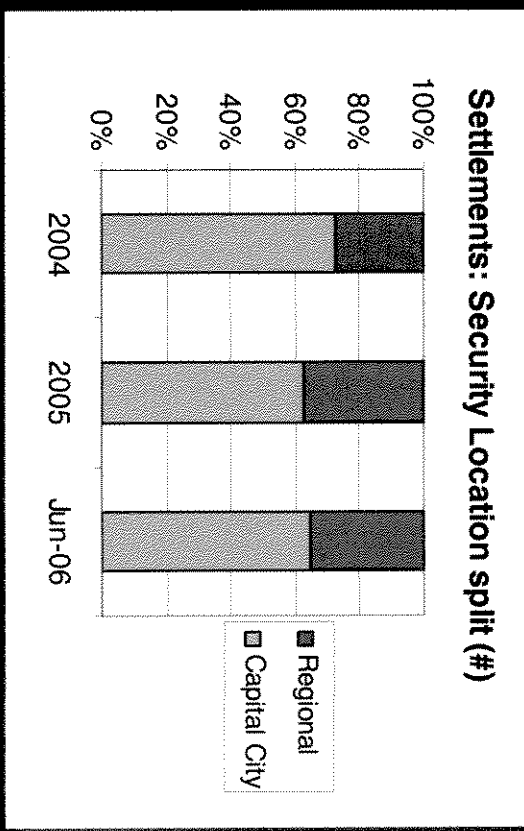
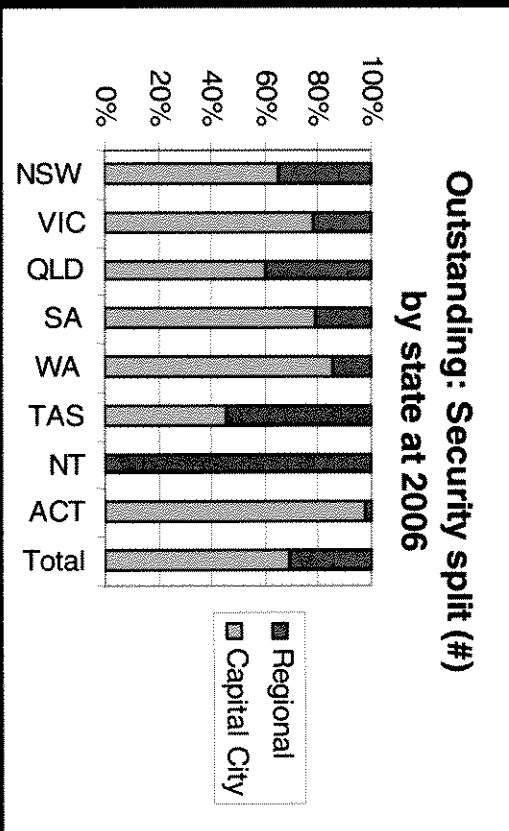
### Settlements

- Particularly strong growth in settlements over time has been seen in WA.
  - 4% in 2004
  - 6% in 2005
  - 14% to 30 June 2006
- SA is growing slower than the total reverse mortgage market.



## Location: Capital City vs Regional

- 70% of all outstanding loans are capital city.
- Up to 40% of loans in QLD and NSW are regional
- Regional makes up an increasing proportion of all new settlements (35%)



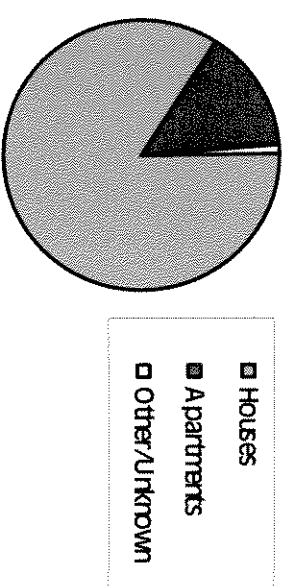
# Housing

- Most securities are in the form of a house (85%)
- This figure has remained relatively stable over time.

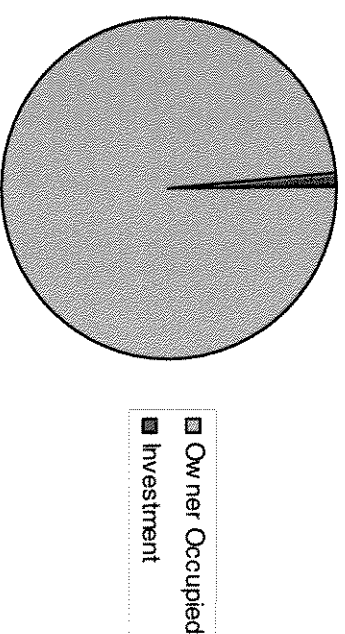
# Residence

- 99% of loans were to owner occupiers
- Half of the lenders had no investment properties as security, often because it is not allowed under their contracts.

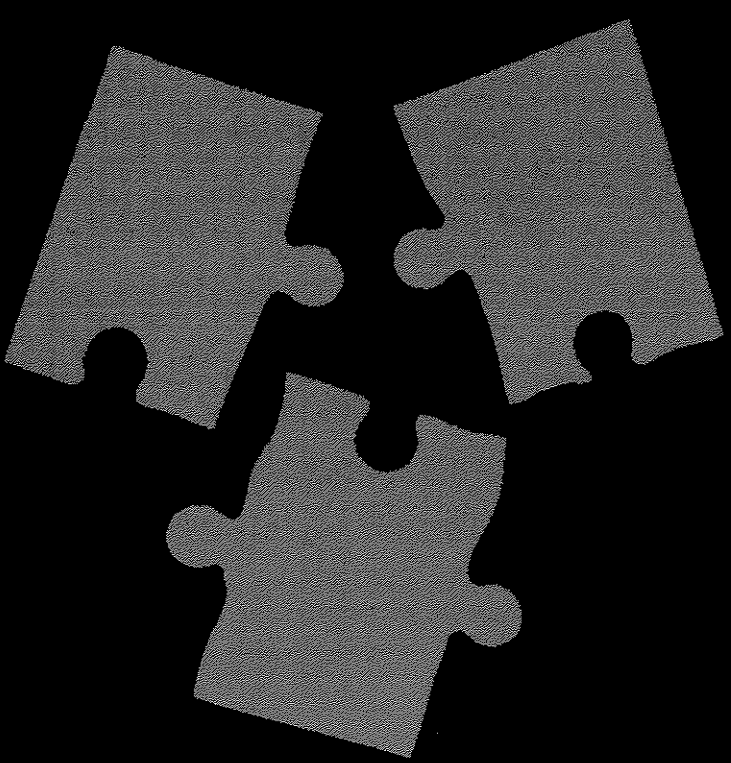
**Outstanding: Draw Down (#)  
by housing type as at June 06**



**Outstanding: Draw Down (#)  
by Residence as at June 06**

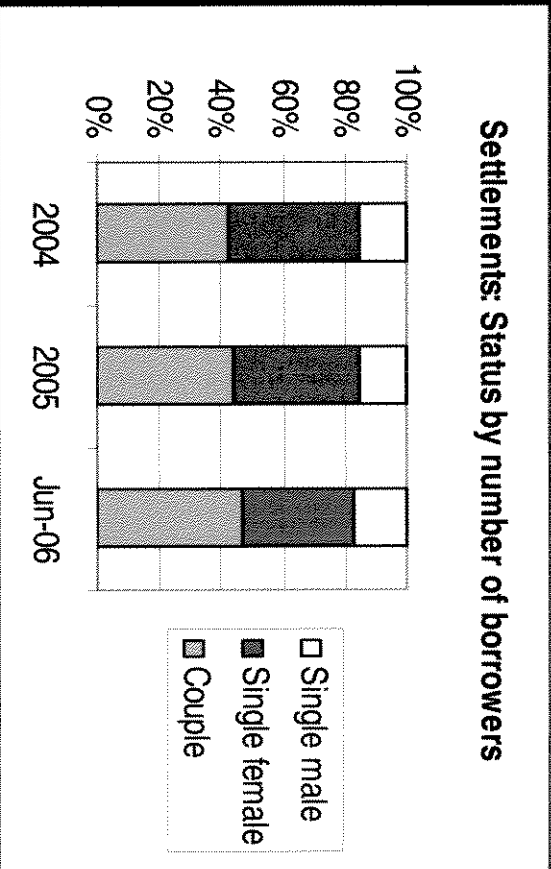
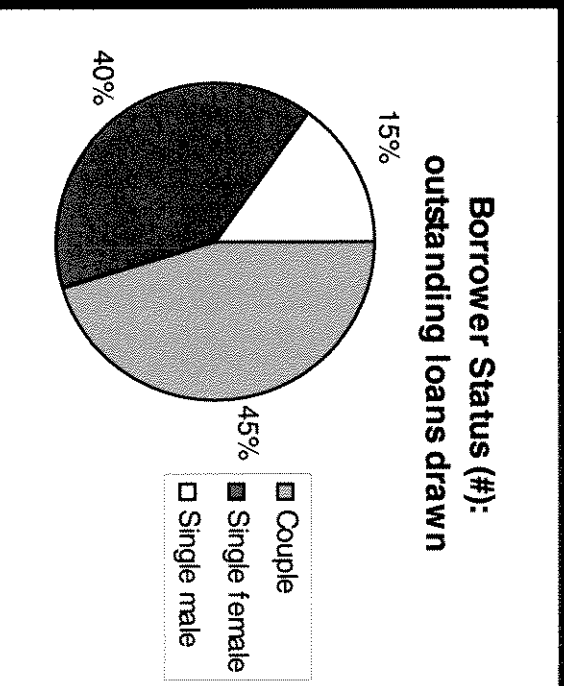


# Borrowers



# Borrower Status

- Reverse mortgage borrowers are mainly couples, closely followed by single females.



# Borrower Age Band

## Outstanding

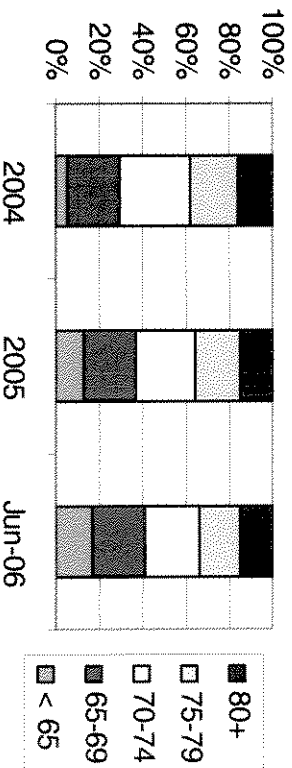
- People in their 70's make up over half the reverse mortgages outstanding.
- Average age of outstanding loans is 74 years.

Outstanding Loans (#)		
Age Band	%	Cumulative
< 65	9%	9%
65-69	21%	30%
70-74	28%	58%
75-79	24%	82%
80+	18%	100%
<b>Average age: 74 years</b>		

## Settlements

- Average age of outstanding loans is 72 years.
- The under 65 age band is the fastest growing segment. By settlements:
  - 5% of borrowers were under 65 in 2004
  - 13% of borrowers were under 65 in 2005
  - 17% of borrowers were under 65 to June 2006

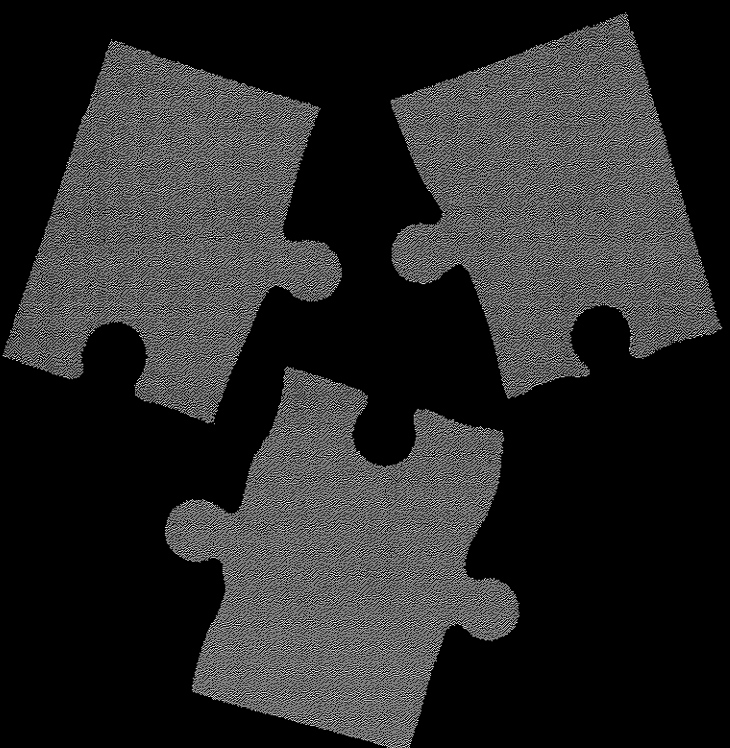
Settlements: Draw Down (#) by age band



## Use of Proceeds

- Less accurate information has been collected regarding use of proceeds.
- The data has been improving.
- Of what can be analysed the 3 main uses are:
  - Home Improvement
  - Income Supplement
  - Travel

# Future releases



## Anticipated Future Releases

- At least 6 monthly updates
- Trends
- Increasing financial planner channel information
- Greater split of income vs lump sum
- Greater split of usage



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