

13th October 2011

Committee Secretary
Parliamentary Joint Committee on Corporations and Financial Services
P O Box 6100
Parliament House
CANBERRA ACT 2600

To Whom It May Concern

Re: Inquiry into the consumer Credit and Corporations Legislation Amendment
(Enhancements) Bill 2011

Australian Seniors Finance Pty Ltd (“ASF”) appreciates the opportunity to provide feedback on the above inquiry. As the largest non bank Reverse Mortgage provider, currently offering new loans, we hope that our comments provide constructive feedback and insight into the practical implications of these amendments.

Our feedback is as follows:

1. Part 3-2D

Part 3- 2D of the Exposure Draft prescribes that “Before a Licensee makes a preliminary assessment of a Reverse Mortgage the licensee must “show the consumer in person projections””.

We understand the reason for the inclusion of this prescription, the presentation of an illustration is of paramount importance in borrowers understanding the impact of compounding interest, a key area of risk. We agree with ensuring its presentation is consistently delivered including procedurally mandating its use and also, use of the ASIC model for conservatism and consistency.

But we foresee material issues if a “face to face” presentation is mandated ***prior to an application being completed.***

Issues summarised:

- In a number of cases it will not be possible; Geographic location, disablement, and general difficulties in mobility are factors that can at times prohibit face to face meetings.
- Providers with wide branch networks would be significantly advantaged (large trading banks) meaning non-bank players, will have increased costs of doing business.

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- Some providers will be forced into engaging further with the broking community. We would argue, whilst this in many cases will be acceptable, you will see:
 - o Increased costs due to commission payment
 - o Limited mortgage broker interest in the product due to time taken to introduce product to this demographic (relatively low loan amounts and commissions)
 - o Reverse Mortgages are generally an area of specialisation for mortgage brokers and therefore not likely to be accessible in all geographic areas on a face to face basis
 - o Senior community generally not familiar with the third party intermediary model
 - o Removal of distribution options for seniors wanting to “shop around” with some form of anonymity
- It is difficult to personalise a loan illustration without relevant underwriting information, which means a more generic approach will by necessity need to be offered in the initial stages. This seems to make the prospect of face to face advice, less relevant and less effective especially when considering the additional costs.

ASF currently encourage all potential borrowers to seek independent advice, many do, a number don't consider it necessary and/or it is not practical to do so. In those cases we find a discussion with a specialist and expert in Reverse Mortgages over the phone is likely to be more effective than a face to face discussion with someone with limited understanding of Reverse Mortgages during the initial stages of consideration of the process.

We think it is appropriate to recommend/mandate all applications/information packs sent to potential borrowers **include an ASIC approved illustration** of the effects of compounding interest. Further once an application has been made and the details of the loan have been confirmed a more accurate personalised illustration **must** be provided as part of the loan documentation covered in the legal advice process.

2. Section 18A

“Provisions that must not be included in credit contract for reverse mortgage, specifically 3 (b) the debtor failing to give the credit provider evidence that the debtor, or another person nominated by the debtor to the credit provider, occupies or occupied the reverse mortgaged property”.

This exclusion as it stands seems to remove the requirement of borrowers and their beneficiaries from informing lenders that they no longer occupy the property, this is in contradiction to the essence of the trigger for repayment of Reverse Mortgages, that is death or moving into long term care of the surviving nominated resident. In practice this leaves lenders with no recourse if the resident has passed away and a beneficiary chooses not to inform the lender, this would greatly jeopardize the Negative Equity position.

Overall, we believe that the approach in the Enhancements Bill are positive and we remain supportive of the additional consumer protections, however, it is important to ensure that there are no unintended consequences that could jeopardise consumer access to a competitive market place and robust products.

Please contact me directly on _____ if you have any questions relating to this submission. We are more than happy to meet to discuss any of these issues or the Inquiry in general.

Yours sincerely

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