

## Senate Standing Committee on Economics

### ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

19 – 20 October 2011

Question No: SBT 811  
Topic: Debt-Free-equity Release Products#2  
Hansard Page: Wednesday 19 October 2011, Pg 119

Senator Cormann asked:

Senator CORMANN: But Treasury has not costed or assessed any specific scenarios that are recommended either in the Productivity Commission report or in the Access Economics report so far?

Mr Murphy: Not so far, but—

Ms Vroombout: What I can say is that in the credit enhancements bill that has been introduced to the parliament there are some provisions that deal with risks around reverse mortgages.

Senator CORMANN: I am not talking about reverse mortgages here.

Mr Murphy: That is what I was going to. You were talking about Delivering for Seniors?

Senator CORMANN: I am talking about debt free equity release products, which is quite a different proposition.

Mr Lonsdale: Without seeing the paperwork, I think we are familiar with the product that you mentioned. The way that we think about it, though, is in a very broad sense. This is one particular product among a suite of products that are out there to manage longevity issues. The way that we look at it in the Treasury is really top-down, in a sense. First of all, what are the longevity issues and what is the best way to handle them?

Senator CORMANN: What I am trying to find out, not to put too fine a point on it, is whether the debt free equity release products would be, from a policy point of view, a good additional component of how to manage longevity risks and so on in the future. If it is a positive thing and there are no significant issues attached to it, what sort of facilitation could the Commonwealth government appropriately provide to kick-start the thing along? That is what I am interested in. Of course, the Productivity Commission has made some recommendations along those lines and I want to understand where Treasury is at in relation to it. So it is a sincere question. If you could provide some feedback and your perspective on that on notice, it would be much appreciated.

Mr Murphy: Okay.

**Answer:**

The home reversion scheme provided by Homesafe Solutions Pty Ltd and currently marketed as a “debt-free equity release” product is being considered in the context of a broader review of the role of equity release products in retirement income planning and in the Government’s response to the Productivity Commission’s report into aged care funding. This response is not yet public.