



MEDIA RELEASE

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COTA Supports ASIC's call for Regulation of Mortgage Brokers

Council on the Ageing (COTA) Victoria welcomes ASIC's call for tough new laws to crack down on mortgage brokers, and the provision of credit.

"COTA is particularly concerned about lack of regulation of mortgage brokers in relation to reverse mortgage products and their potential impact on older people in their retirement," said Sue Hendy, Executive Director of COTA. "Although the financial industry has made some move to protect consumers through self regulation, not all providers are part of this scheme, and mortgage brokers who are the main avenue for selling of reverse mortgages are nothing more than salesmen, with many products having on-going profits to those who sell them."

"Reverse mortgages can be terrific for the right person, at the right time, for the right reasons," she said, "but COTA has undertaken a project on reverse mortgages which has confirmed our concerns about the hard sell and the potential vulnerability of many older people – a concern that has also been expressed by many financial and consumer watchdogs."

COTA's small but significant study, in which older people were asked about their attitudes to and experiences of reverse mortgages, indicated that many people had limited understanding of the products, and their knowledge was mainly derived from advertising.

"The way reverse mortgages are promoted and sold may not alert people to the future difficulties they may face if they lose equity in their homes, for example if they need to enter a residential facility or pay for home care," said Ms Hendy. "These products can and do work very well for some people, but those who are vulnerable may fall prey to unscrupulous practices, and COTA is calling for better protection for consumers."

COTA is concerned that advertising targeting older people has been prominent, persistent and convincing, on the validity and merit of spending house capital for reasons such as financing travel and grandchildren's schooling. This advertising has led to changing attitudes amongst older people about using their family home as a source of income. Almost all the people who participated in COTA's project saw it as an option if 'they had to'. These compelling circumstances were mainly centred on assisting their children.

"While some people will have adequate savings to maintain a good lifestyle during their retirement, many people facing retirement in the next 20 years will not have sufficient superannuation to enable to live the way they anticipate. For many people their home is the only asset they will have to fall back on," said Ms Hendy.

"A disturbing finding of the study was that advertising for these products is so influential that most people saw them as their only option to meet their financial needs. Many people were totally unaware of other mechanisms that may be available to them through Centrelink and other schemes."

COTA calls on the government to take action in relation to the following:

- Promotion and access to independent advice
- Better promotion of alternative credit and finance options
- Rating of products and development of checklists and other tools to assist consumers
- Regulation of finance and mortgage brokers
- Development and promotion of financial information and retirement planning programs or services

COTA, will work with other concerned organisations to raise these issues with government.

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