The changing role of housing equity as a source of retirement finance

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Outline

- Key changes taking place in the equity release market
- What opportunities and risks do these bring?
- How can we create better consumer outcomes?
- Future challenges
Equity Release products

- A distinct category of home finance product offered exclusively to older consumers.
- Offer ability to access housing equity without having to sell up and move out, or make repayments by instalment.
- Debt is discharged upon sale of the property, typically after death or movement into long-term care.
Size and shape of the UK equity release market

The typical equity release consumer:

- 70 years old
- Living as part of a couple
- Owns a home above average UK house price
- Releases approximately 30% of value of home

Source: Equity Release Council Market Report, Spring 2017
Size and shape of the UK equity release market

- Currently 11 providers of equity release plans

- The UK market is primarily comprised of lifetime mortgages. Home reversion plans now account for less than 1% of sales

- 27,500 plans sold in 2016

- Lending for 2016 exceeded £2bn for first time
What’s driving this demand?

- Restrictions on access to mainstream/residential mortgage finance
- Pension freedoms
- Secured and unsecured debt
- Intergenerational financial support
- New product developments and flexibilities
What opportunities do these changes bring?

- Overcoming demand-side barriers to wider uptake of equity release

- Meeting the needs and preferences of an increasingly diverse consumer population

- Greater flexibility for meeting changing needs and circumstances throughout retirement
What are the risks?

- Greater product choice increases decision-making complexity – implications for information and advice

- Borrowers getting younger – implications for long-term impact of equity release

- Consumer vulnerability
Supporting better consumer outcomes

- A more joined-up approach to advice and guidance
- Consumer protection beyond information and advice
- Greater understanding of changing consumer needs and preferences
Future challenges

- The shame and stigma of equity release
- Paying for care
- Lower levels of home ownership