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**DRAFT CODE OF PRACTICE FOR MORTGAGE BASED HOME EQUITY  
CONVERSION SCHEMES**

The Investment Savings and Insurance Association (“ISI”) appreciates the opportunity to comment on the draft Code of Practice for Mortgage Based Home Equity Conversion Schemes (“the Code”), circulated on 14 February 2008.

The Investment Savings and Insurance Association (“ISI”) represents the views of the issuers and managers of life insurance, superannuation and managed funds in New Zealand. Some of our members are providers of home equity release products.

ISI provided a submission in November 2007, in response to the first draft of the Code, stating that we did not consider that the introduction of a code of practice at this point in time is the appropriate response to the concerns that you have identified. That is still our position, although we acknowledge that there are particular aspects of the provision of home equity release products that justify the provision of substantial consumer protection.

ISI supports many of the consumer protections in the draft Code but we do not agree that a Code is the appropriate means of providing that protection.

Most, if not all, home equity release products are currently covered by the Credit Contracts and Consumer Finance Act and provide the consumer protection of that Act (as well as other legislation such as the Fair Trading Act and Consumer Guarantees Act). Existing legislation already requires full disclosure of product features and a cooling-off period.

In addition, the legislation pending as a result of the Review of Financial Products and Providers will create a substantially more robust regime for the protection of financial services consumers. The Financial Service Providers (Registration and Dispute Resolution) Act and the Financial Advisers Act will, between them, require:

- All providers of home equity release products to be registered as financial service providers and to belong to an approved dispute resolution scheme
- All financial advisers to be registered and to belong to an Approved Professional Body and an approved dispute resolution scheme
- All financial advisers will need to comply with rigorous disclosure requirements.

In addition, there will be enhanced enforcement and remedies available.

### **Recommendations**

ISI recommends that further development of the draft Code should be deferred pending enactment of the Financial Service Providers (Registration and Dispute Resolution) Act and the Financial Advisers Act. An assessment should be made at that time as to whether a code is a needed.

Following that assessment, if the decision is made to proceed, we suggest that the draft Code could be rewritten as an enhanced disclosure requirement under the Credit Contracts and Consumer Finance Act, explicitly applicable to all home equity release products.

Regulations under that Act could be amended to require all applicants for home equity release products to be given a standard format disclosure document before they commit themselves to a contract, similar to Schedule 3D of the Securities Regulations 1983.

That document could bring together in one place the current disclosure requirements and certain features of the draft Code not already covered, such as whether or not there is the right of lifetime occupancy and a no negative equity guarantee (and the effect if there is not) and access to a mortgage calculator.

ISI would be available to discuss this submission with you if that would assist.

Yours sincerely

Vance Arkininstall  
**CHIEF EXECUTIVE**