

Partners take the lead on shared-equity mortgages

Ben Wilnot

Mortgage insurer PMI yesterday unveiled a strategic partnership with mortgage finance group Rismark International that will give the pair a leg up in the emerging market for shared-equity mortgages in Australia.

Rismark is a real estate funds management joint venture with Macquarie Bank. Its mortgages will give borrowers zero-interest finance in return for a proportion of the value of an owner-occupied property.

The borrower will repay the original loan amount plus a share of the property's future price appreci-

ation, or less a share of the property's future price depreciation, depending on how its value shifts.

PMI will develop mortgage insurance and credit enhancement products for Rismark to smooth the introduction of these revolutionary mortgages in Australia.

PMI is yet to finalise the pricing of its insurance but the mortgages will be available to consumers in the second half of 2006 through a number of lenders, including ING Bank and Adelaide Bank.

PMI chief executive Ian Graham said Rismark "has progressed much further than any of the others ...

they're way ahead of the pack".

Although the equity-finance mortgage could work without mortgage insurance, having it makes financing the mortgages much cheaper. Potential competitors of Ris-

"Rismark has progressed further than the others."

mark must now turn to Gemworth or offshore alternatives for backing.

PMI has the dominant position in the residential mortgage-backed securities market and Mr Graham said the products could be funded

through a securitised structure.

Rismark executive chairman Richard Facioni said he was pleased to have forged a strategic partnership with one of the world's largest mortgage insurers.

He also shrugged off concerns about the sluggish housing market.

"Rismark is of the opinion that there is a structural under-supply of housing on the east coast of Australia and we expect to see the property market rebound robustly within the next 12 to 24 months on the back of strong demand combined with growing supply deficiencies," Mr Facioni said.

The group would be a long-term

investor in the Australian residential real estate market with 25-year exposures. "We are, therefore, somewhat cycle-independent," he said.

Rismark will be the wholesale funder and portfolio manager of the mortgages, while licensing its intellectual property for use by banks. The Australian Patent Office recently awarded Rismark patents over its products and the methods by which mortgages are distributed and securitised.

"Rismark has a sophisticated, aggressive and cutting-edge patent strategy," Mallesons Stephen Jaques partner John Swinson said.