

# Comparing Japanese and U.S. Housing Markets: Fundamentals for Reverse Mortgage Development

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# Presentation agenda

1. Comparing Housing Market Contexts at the Macro-Level
2. Similarities and Differences for Elderly Households
3. Global Reverse Mortgage Market Development
4. Potential for Strengthening Reverse Mortgages in Japan
5. Japan's Lender Landscape
6. Conclusions and Future Plans



# Housing market contexts in the United States and Japan

## Home Value for Existing Units

- Slightly higher for Japan stock

<b>United States</b>	\$250,000
<b>Japan</b>	\$295,000

## Property Price Trends

- Depreciation in Japan since 1980s (-3.53%);
- Appreciation in U.S.A. post 2008-09 (2.1%);
- Subnational regional and metropolitan trends

## Household Debt

- Mortgage is often only debt Japanese households possess (17.5% DTI);
- Other forms of debt common for U.S. households (~133% DTI)

## Senior Households (65+ years)

- Japan is the “forerunner of an aging society” (Kobayashi et al., 2017)

<b>United States</b>	24.6%
<b>Japan</b>	41.5%

# Elderly and housing in the United States and Japan

## Elderly Household Composition

- Inverted makeup (2016)

	One-Person	Two-Person
United States	65%	26%
Japan	25%	75%

## Life Expectancies

- Highest for Japan in the world (2014)

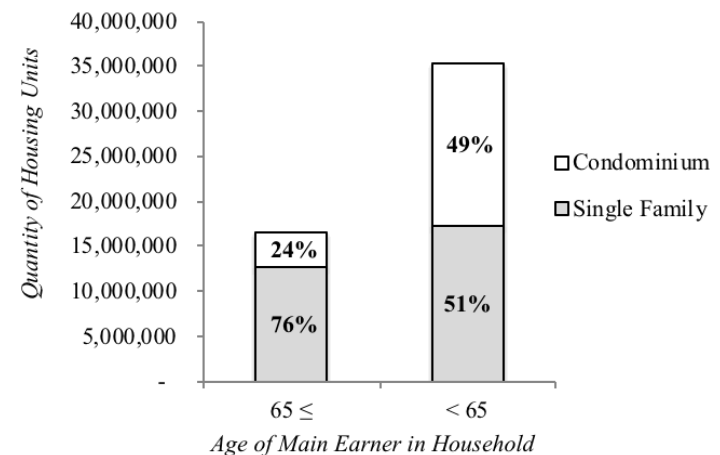
	Female	Male	Total
United States	81.2	76.4	78.8
Japan	86.8	80.5	83.7

## Senior Citizen Homeownership

- Comparable status (2015, 2013)
- ~ Four-fifths of households age 65 and older reside in owner-occupied housing in both countries

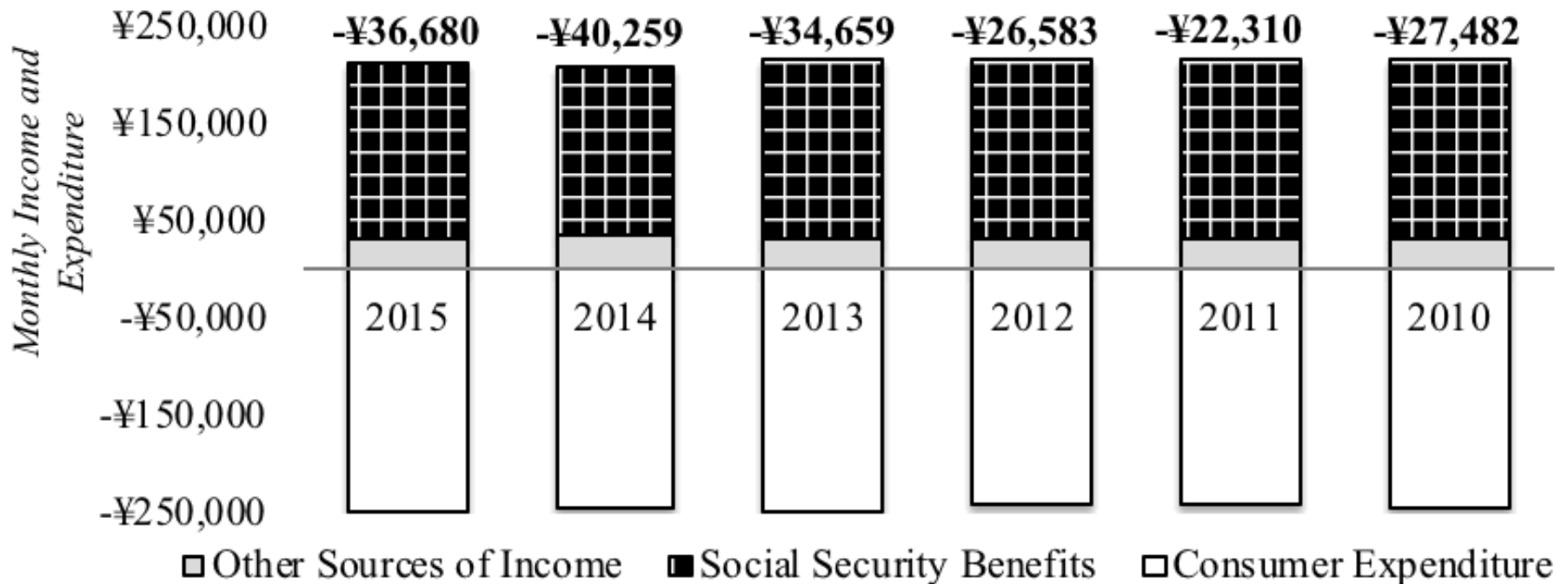
## Elderly Housing Tenure

- Comparable status (2015, 2013)



# Many Japanese households diminish their savings to maintain living standards.

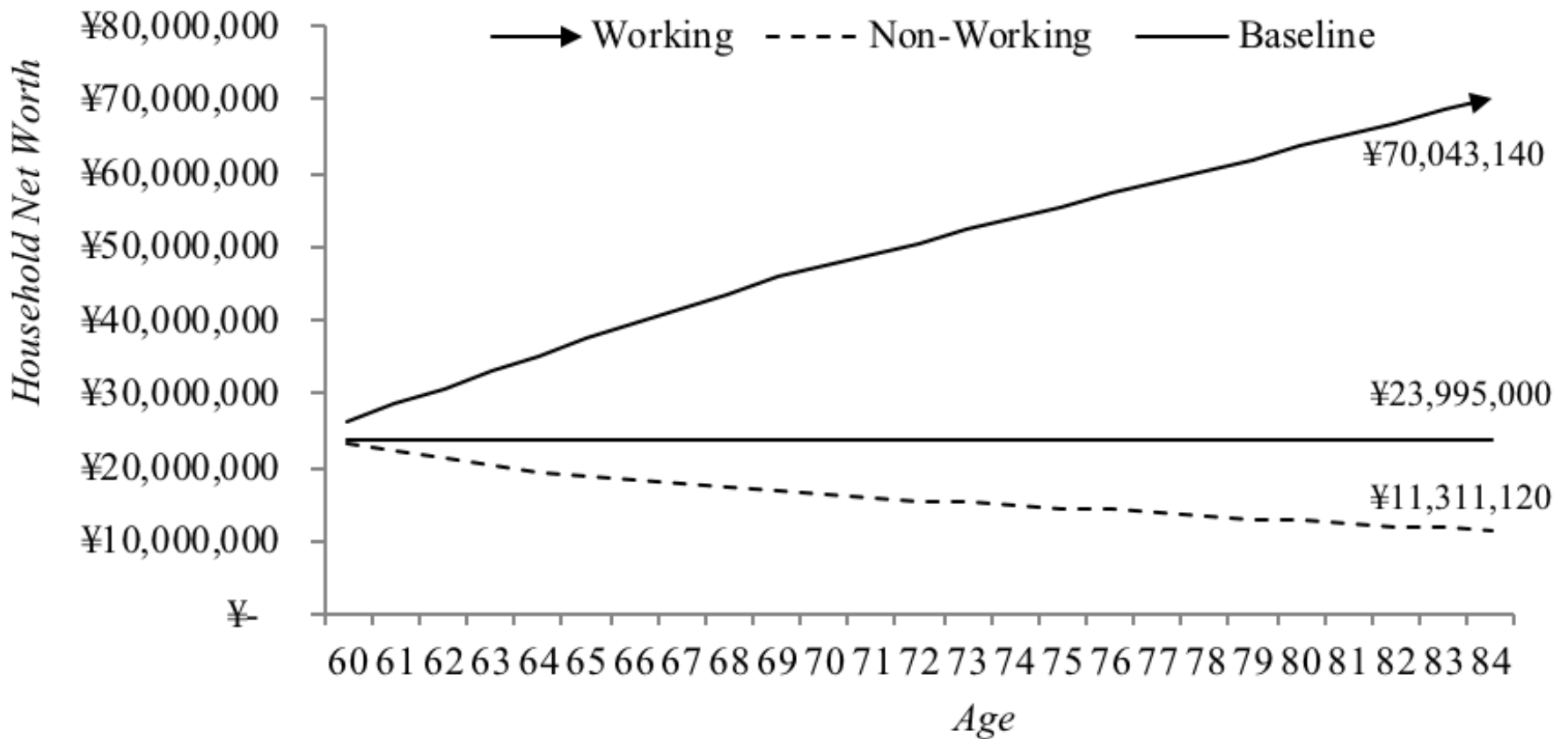
**Monthly Income Deficit for Non-Working Elderly Households with Two or More Persons in Japan, 2010–2015**



Sources: MIAC, 2010; 2011; 2012; 2013; 2014; 2015a

# The majority of Japanese households financially jeopardize their retirement security.

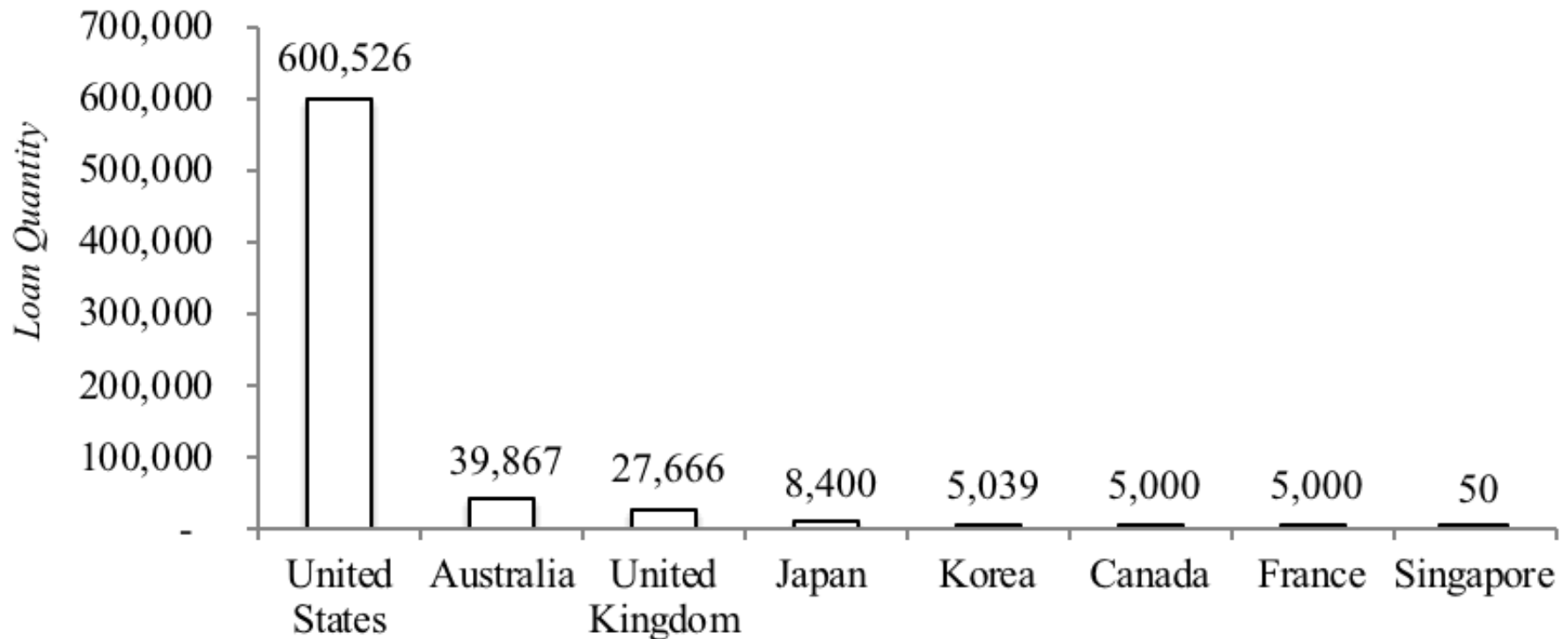
## Median Income, Savings and Spending for Elderly Working and Non-Working Households with Two or More Persons, 2015



Source: Author's calculations and estimations using data from MIAC, 2016b

# International reverse mortgage markets are relatively underdeveloped.

**Approximating Active Reverse Mortgages in Global Markets, 2010-2016**

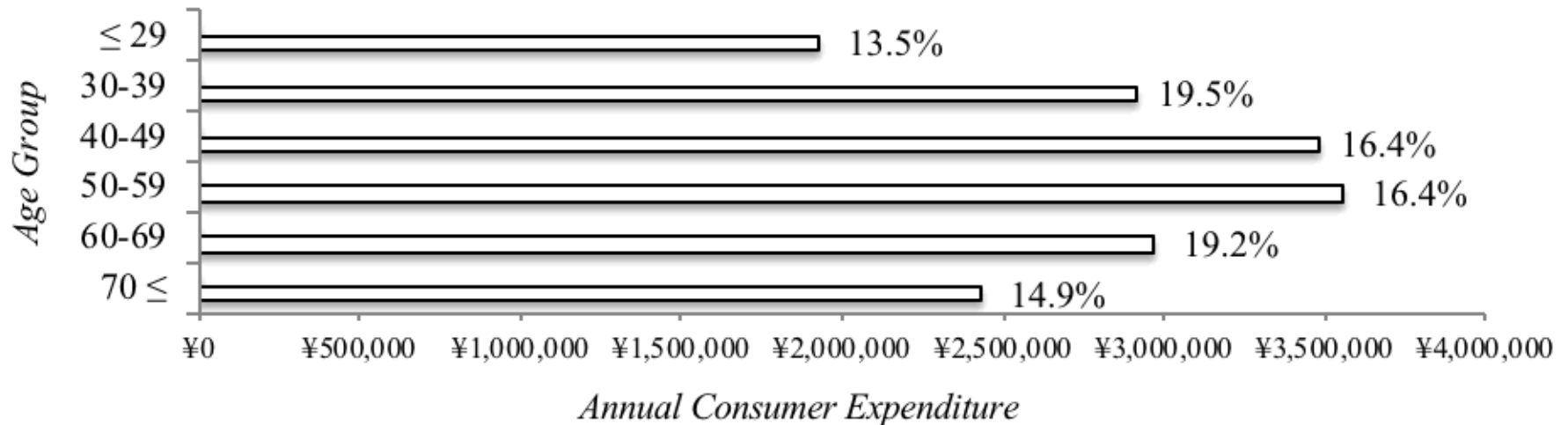


Sources: Author findings and estimates



# Reverse mortgages can help close the income deficit and stimulate economic consumption.

**Household Consumption Expenditure by Age and Percentage of National Population, 2015**



Source: MIAC, 2017

- Deflation can economically persist as Japan's population continues to age
- Reverse mortgages can provide supplemental income to counter savings raiding
- Further reverse mortgage can substantively contribute toward housing stock quality



# Japanese reverse mortgage lenders are active, yet diverge significantly on their products.

**Exhibit 8, Japanese Reverse Mortgage Trends by Lender Type, 2011-2017**

Lender Type	Age	Core Spending Restrictions	Interest Rate	Collateral	Loan Range	Loan-to-Value (LTV)	Disbursement	Interest Rate Repayment
<i>Government</i>	65 yrs. ≤	Living needs, Medical expenses & renovations	Fixed	Land & Property	¥15 million ≤	≤ 70% for Detached; ≤ 50% for Condo		Lump sum
<i>Major Bank</i>	57.5 yrs. ≤	Security deposit for retirement rental, Home construction purchase & Renovations	ARM	Property	¥10 - ¥200 million	50 or 60% Max., Min. property value ¥40 million average	Monthly annuity & Lump sum	Lump sum & Monthly
<i>Local Bank</i>	55-80 yrs.	Unrestricted	ARM	Deposit & Property	¥5 - ¥100 million	≤70%		Monthly

Sources: Author compilation with Kobayashi et al., 2017 and Mitchell and Piggot, 2011

Japan has strong demographic fundamentals that can lead to strengthened reverse mortgage market development, similar to that of the United States.

Challenges persist in Japan, whether borrower longevity or property price depreciation, that inhibit such development without housing finance innovations.



The forthcoming bilateral research on FHA's HECM mortgage insurance program and Ginnie Mae's HECM-backed security (HMBS) program can contribute towards the strengthening of both programs and accomplishing mutual respective interests with JHF's corresponding reverse mortgage insurance program.



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