



Growth Investors: Don't Miss Out on This Massive Opportunity

Description

One simple investing method is to invest in obvious opportunities before the rest of the market wakes up to them.

You might scoff at how easy this seems to be, but the fact is it often works. Look at the marijuana stocks a few years ago. Everyone knew legalization was coming, yet [share prices have skyrocketed](#) since.

Such an opportunity is happening today in a niche part of the financial services industry, with two Canadian companies poised to benefit in a very big way. Let's take a closer look at how you can play this exciting trend.

Enter reverse mortgages

In a time when Canadian banks are struggling with new mortgage loan growth, one part of the market is absolutely booming. In fact, reverse mortgages are expanding by approximately 25% per year.

First off, what exactly *is* a reverse mortgage? It's a special kind of loan only available to homeowners with a paid-off house over the age of 55. A reverse mortgage allows homeowners to access their equity by receiving a lump-sum payment from the bank.

The homeowner isn't required to make a monthly payment; rather, the loan slowly compounds until the owner moves out and the house is sold.

The advantages of such a loan are easy to see. It allows homeowners with the majority of their assets tied up in their house to access home equity, use the proceeds for retirement, and not have to pay back a nickel until the house sells.

And if real estate values keep marching higher, these folks are still looking at a significant windfall when it's finally time to sell.

Critics argue there are a few major things wrong with these loans. The first is the interest rate; the typical reverse mortgage has an interest rate of approximately double that of a conventional mortgage.

They also question the logic of getting seniors into debt, and lament the impact of a long-term reverse mortgage on the average person's finances. Compound interest is a wonderful thing, but not when it's working against you.

Ultimately, these criticisms are largely being ignored. Seniors are using reverse mortgages in a big way, with the market growing ever bigger. It's creating one heck of an investment opportunity.

How you can play it

The reverse mortgage market isn't terribly big today. It's worth a little over \$3 billion right now. What should get investors excited is the growth potential. **Equitable Group** ([TSX:EQB](#)), one of the Canadian banks in the industry, sees that part of the market growing by 25% annually.

The leader in the reverse mortgage space in Canada is HomeEquity Bank, which is owned by Birch Hills Equity Partners, a private equity firm out of Toronto. HomeEquity offers the CHIP Reverse Mortgage, which is likely only reverse mortgage product you've heard of.

It would be nice to invest in HomeEquity bank directly, but that can't happen until Birch Hills decides to sell the company.

Equitable Bank is a more recent entrant into the market; it has a mere \$10.1 million worth of reverse mortgages on the books. But the company is in the midst of planning a big push into the market, including recently launching the product in Quebec.

It also plans to work with mortgage broker and financial advisor partners to further grow the reverse mortgage business.

The good news is reverse mortgages aren't Equitable's only growth avenue. The company's non-prime loans continue growing at a nice pace, and its conventional mortgage program is seeing year-over-year loan improvements of close to 50%. Equitable also recently expanded into the equipment leasing business via an acquisition.

Together, all these expansion efforts boosted Equitable's net earnings per share 31% in its most recent quarter. That's some impressive growth.

The bottom line

Equitable's reverse mortgage division is just one part of a [rapidly growing bank](#) that really deserves to be a part of your portfolio. The company is poised to take some serious market share before its competition wakes up to this terrific growth opportunity.

It also trades at a great valuation and is poised to increase its quarterly dividend by 20-25% annually over the next five years. What's not to like?

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:EQB (EQB)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date

2025/08/15

Date Created

2019/10/03

Author

nelsonpsmith

default watermark

default watermark