

Acercasa is a financial services company dedicated to making home ownership possible for middle income Colombians. Acercasa is a company that embraces innovation. As such, it plans to launch a new financial product to enhance the quality of life for seniors.

While Colombian citizens look forward to receiving their pension upon retirement, strict work requirements of 1,300 weeks make many ineligible to receive a pension. Most workers are not aware of their vulnerable economic situation until after they have retired. Even those who receive a pension often find they cannot cover their costs of living. At a national level, Colombia's aging population is growing rapidly: according to the United Nations (2015), Colombia's 55+ years population increased by 24% from 2010-2015. Consequently, the issue of how senior citizens reliably finance their final decades of life will intensify in the coming years.

While only 25% of retirees receive a pension in Colombia, 70% of senior citizens own their home. Acercasa recognized this high level of home ownership as an opportunity to solve the fiscal challenge faced by seniors. As a result, the Acercasa team developed a reverse mortgage product – the first ever in Colombia. The product allows seniors to receive regular fixed payments based on the equity of their home. Payments are structured to ensure clients can safely maintain a comfortable standard of living into retirement. In May 2015, Acercasa was awarded a Sustainability Innovation Grant of CAD \$19,560 alongside a CAD \$39,190 contribution by the company, to co-finance Acercasa's reverse mortgage. This will create a new product line with the aim to increase company revenue, while simultaneously allowing aging Colombians to cover living expenses through leveraging their home equity.

"I'm very bullish on Acercasa's initiative. The reverse mortgage has the capacity to transform the well-being of seniors in Colombia...We believe this product is not only novel but also operable...We estimate that 1% penetration of this market of investment is worth 4.5M USD." – Eduardo Michelsen, CEO, Kandeo

Progress to Date

Product research and development

With the support of consulting firm Advantis, Acercasa successfully developed the reverse mortgage product in-house. While the product was in development, the company addressed several legal and cultural obstacles through creative problem solving. For example, in Colombia there is social expectation that parents leave an inheritance for their children, often in the form of a home. Acercasa responded to this cultural barrier by restructuring the product from a reverse mortgage to a trust.

Identifying a suitable partner

Acercasa is a start-up founded in 2012 and as such does not have the market brand and reputation to distribute the new product on its own. Finding a suitable partner is critical to reaching the seniors market. Colombian pension funds, who have significant financial strength and the trust of elder citizens are an ideal partner. Acercasa has met with various pension funds who have expressed interest in the opportunity.

