

Sixty and Shut Out: When Financial Regulation Becomes Financial Exclusion

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ABSTRACT

Age-based mortgage lending restrictions represent a critical yet understudied dimension of financial exclusion in aging societies. This study combines empirical comparative policy analysis with normative evaluation, documenting international regulatory variation while advancing policy reform arguments grounded in discrimination theory and institutional economics frameworks.

This study examines how central bank policy and governmental inaction can perpetuate systematic discrimination against older borrowers through regulatory vacuum rather than deliberate design. Employing qualitative comparative policy analysis across ten jurisdictions, the United States, Canada, United Kingdom, Australia, Switzerland, Singapore, France, Spain, Turkey, and Sri Lanka, we construct a five-tier regulatory ranking that reveals stark divergence unaccountable by economic development or demographic differences alone. Sri Lanka's rigid 60-year mortgage age cutoff, the most restrictive approach identified globally, categorically excludes creditworthy older borrowers. Drawing on discrimination theories in the critical paradigm, we further establish that Sri Lanka's approach constitutes statistical discrimination.

Cross-national evidence from 180 countries analyzed by Barth, Caprio, and Levine (2013) using comprehensive bank regulation and supervision data (1999-2011) reveals no statistically significant correlation between age-based lending limits and loan portfolio performance metrics, undermining the prudential rationale for categorical cutoffs, revealed neither significant predictors of portfolio quality ($\beta = 0.023$, $p > 0.10$) nor associated with lower default rates when controlling for other underwriting standards. Maintaining current policies guarantees escalating financial exclusion for a growing, economically active aging population, hence this desk research advances a sequenced reform agenda: immediate central bank guidance prohibiting categorical age denials, short-term development of retirement-appropriate mortgage products, medium-term legislative reform establishing explicit anti-discrimination protections, and long-term institutional strengthening through superannuation system.

Keywords: age discrimination; mortgage lending; financial inclusion; older borrowers; central bank regulation; Varieties of Capitalism; statistical discrimination; aging populations; Sri Lanka; comparative financial regulation; retirement finance; housing finance policy **JEL classification:** G21, G28, J14, J71, K23, R21, R38

INTRODUCTION

Financial systems in aging societies face a fundamental tension because regulatory frameworks and lending practices increasingly restrict access to finance. Age-based lending restrictions categorically exclude creditworthy older borrowers despite extended lifespans and evolving retirement patterns.

This study examines the most extreme manifestation of this exclusionary approach focusing Sri Lanka's rigid 60-year mortgage age cutoff, through systematic cross-national comparison with nine other jurisdictions, revealing profound regulatory divergence that cannot be explained by economic fundamentals or prudential necessity (Figure 1).

Financial Exclusion, Central Bank Failure, and the Economics
of Being "Too Old" for a Mortgage

Best Practice
((Apparently))

Regulating Age: When 60 Is the New Credit Risk

The Global Experiment

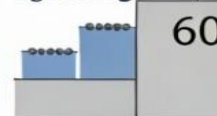
10 jurisdictions

- Same demographic trends, same life expectancy, wildly different rules
- Risk fundamentals: stable. Regulation: not so much



Sri Lanka: World Champion of Age Cutoffs

60-year mortgage age ceiling



Life expectancy: 77 years

17 extra years of life, 0 extra years of mortgage
Category: 'Creditworthy but born too early'

Evidence vs. Regulation

Data

- 180-country evidence: no correlation between age limits and loan performance

Policy

- If it's not broken, restrict it
- Statistical discrimination: because spreadsheets are faster than underwriting

Meanwhile, Elsewhere...

U.S.

Equal Credit Opportunity Act: categorical ban on age discrimination in credit

Australia

Evidence-based exit strategies instead of exit-from-credit

- Portfolios still intact. Older borrowers mysteriously solvent.

What the Central Bank Didn't Do

No guidance on age-based denials
No coordination on aging and credit

Regulatory silence: the loudest signal.



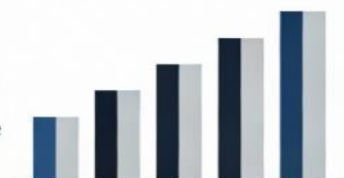
Central Bank

Plenty of room for 'house rules' at banks

2025–2050: Demography vs. Policy

25% of Asia-Pacific 60+ by 2050

One in four adults: politely escorted out of the mortgage market?



What "Regulatory Sophistication" Looks Like



Ban categorical age cutoffs



Require age-inclusive product design



Legislate age anti-discrimination



Strengthen institutions (underwriting, supervision, data)

Age-inclusive finance: apparently the radical idea that credit risk should be about credit.

Figure 1: Graphical Abstract

The stakes extend beyond individual hardship. When a 58-year-old physician with a thriving practice, substantial savings, and 19 years of statistical life expectancy walks into a Sri Lankan bank seeking a mortgage, only to be told "you're too old," the rejection reflects regulatory practices that warrant systematic examination, particularly given their cascading social and economic implications. Population aging represents one of the 21st century's defining demographic shifts; by 2050, one in four Sri Lankans will exceed age 60, mirroring patterns across Asia-Pacific (United Nations Development Programme [UNDP], 2024). Financial systems that categorically exclude this growing demographic undermine wealth accumulation, exacerbate old-age poverty, and generate fiscal externalities as households unable to access private mortgage markets strain public housing and social safety nets.

Recent scholarship in financial regulation increasingly recognizes that consumer protection and financial inclusion constitute core regulatory objectives alongside traditional prudential concerns (Moloney, 2023). The Journal of Financial Regulation's examination of regulatory evolution post-2008 financial crisis reveals a paradigm shift: regulators now acknowledge that stable financial systems require not only sound risk management but also equitable market access that prevents discriminatory exclusion of economically viable participants (Ferran & Moloney, 2024). This expanded regulatory mandate creates obligations to scrutinize lending practices that categorically exclude populations based on immutable characteristics, age being as suspect a criterion as gender, ethnicity, or religion when unsupported by individualized capacity assessment.

Moreover, contemporary financial regulation scholarship emphasizes the necessity of coordinated action between central banks and finance ministries on matters implicating both prudential soundness and social policy objectives (Bodellini, 2023). The question of age-based lending restrictions straddles this boundary: it involves credit market functioning (a monetary authority concern), consumer protection (a regulatory mandate), and distributional equity (a democratic accountability issue). Recent analysis of central bank independence and governmental oversight suggests that while monetary policy requires operational autonomy, financial sector practices with significant social consequences demand coordinated institutional responses under clear mandates (Tucker, 2023). Sri Lanka's case exemplifies the challenges arising from regulatory ambiguity: absent clear governmental direction and central bank guidance, financial institutions adopt administratively convenient categorical exclusions that merit empirical evaluation of their social and economic costs.

This study contributes to three scholarly literatures. First, it provides the first systematic cross-national comparison of age-based mortgage lending restrictions, documenting regulatory variation and identifying best practices from jurisdictions successfully serving older borrowers. Second, it applies institutional economics frameworks, particularly Varieties of Capitalism theory (Hall & Soskice, 2001), to explain why seemingly similar aging societies adopt divergent approaches, revealing the importance of complementary institutions spanning pension systems, legal frameworks, and regulatory cultures. Third, it engages discrimination theory (Arrow, 1973; Phelps, 1972) to distinguish evidence-based risk pricing from unjustified statistical discrimination, demonstrating that Sri Lanka's approach constitutes the latter.

The analysis proceeds as follows: A literature review synthesizes scholarship on central bank governance, financial discrimination, and aging society finance. Methodology explains the comparative policy analysis approach examining ten jurisdictions. Findings present the five-tier ranking system documenting Sri Lanka's outlier status. Discussion integrates theoretical frameworks with empirical evidence, develops policy recommendations, and addresses the central question: Is Sri Lanka's 60-year cutoff justified risk management or institutional failure demanding urgent reform?

LITERATURE REVIEW

The Role of the Ministry of Finance in Directing Central Bank Policy and Its Impact on Banking & Credit Culture

The relationship between a nation's Ministry of Finance (MoF) and its Central Bank (CB) represents a fundamental axis of power in financial governance. The assertion that "the initiative lies with the Ministry of Finance, which must direct the Central Bank accordingly" touches upon core debates in political economy, institutional design, and financial stability. This literature review synthesizes scholarly work on this dynamic, focusing on its implications for banking sector health, credit culture, and overall economic resilience. The consensus in modern literature strongly cautions against direct ministerial direction, favoring operational central bank independence, while acknowledging necessary coordination within clear frameworks.

The literature review addresses two interconnected strands directly relevant to age-based mortgage discrimination. First, it examines the institutional relationship between ministries of finance and central banks, establishing the governance framework within which lending restrictions emerge and could be reformed. This institutional foundation proves essential because the absence of clear central bank guidance on age-based lending represents regulatory vacuum rather than deliberate policy choice. Second, while the subsequent sections focus

on central bank independence debates, the linkage to mortgage-age discrimination operates through the regulatory mandate question: Do central banks possess authority and obligation to address financial inclusion and consumer protection issues like age-based exclusion, or do such matters require explicit governmental direction?

Recent financial regulation scholarship (Moloney, 2023; Ferran & Moloney, 2024) establishes that consumer protection and financial inclusion now constitute core regulatory objectives alongside prudential concerns, creating obligations to scrutinize discriminatory lending practices. The central bank governance literature illuminates how regulatory vacuum, unclear delineation of authority between governmental policy direction and central bank operational autonomy, enables problematic practices to persist absent institutional accountability. Thus, the literature review establishes the governance architecture within which age discrimination in mortgage lending operates and could be remedied.

The Case for and Against Direct Governmental Direction: Historical Perspectives

Historically, direct control of monetary policy and credit allocation by the treasury or finance ministry was common. This model, often termed "fiscal dominance," occurs when monetary policy is subordinated to the financing needs of the government (Sargent & Wallace, 1981). Theoretical models by Sargent and Wallace illustrated that under fiscal dominance, attempts to control inflation through monetary policy alone are futile unless supported by fiscal discipline. In practice, such direction often led to the CB financing government deficits, resulting in inflationary pressures, distorted interest rates, and the crowding out of private sector credit (Cukierman, 1992). The credit culture under such regimes tends to be politicized, with credit directed to priority sectors or state-owned enterprises based on governmental policy rather than commercial risk assessment, undermining banking sector efficiency and fostering non-performing loans (Caprio & Levine, 2002).

The Rise of Central Bank Independence and Its Benefits

The high inflation of the 1970s and 1980s catalyzed a paradigm shift. A robust body of empirical research emerged linking greater central bank independence (CBI) to lower and more stable inflation (Alesina & Summers, 1993; Cukierman et al., 1992). CBI, particularly operational independence in instrument choice (e.g., setting interest rates) free from direct government instruction, became a cornerstone of neoliberal institutional design. This independence was seen as a commitment mechanism, allowing the CB to anchor inflation expectations and pursue long-term price stability without short-term political interference (Rogoff, 1985). For the banking sector, a stable macroeconomic environment fostered by an independent CB reduces uncertainty, allows for longer-term lending horizons, and promotes a credit culture based on prudent risk pricing rather than political connection (Barth et al., 2006).

The Imperative of Coordination, Not Direction

Contemporary literature does not advocate for complete CB isolation. The 2007-2008 Global Financial Crisis (GFC) highlighted that price stability does not guarantee financial stability. This led to the "macroprudential turn," emphasizing the need for CBs to also safeguard the financial system. This complex mandate necessitates intense coordination, though not subordination, with the MoF. The MoF, responsible for fiscal policy, sovereign debt management, and the fiscal backstop for the financial system, must work in tandem with the CB, which oversees monetary policy, banking supervision, and macroprudential tools (Blanchard et al., 2010). Research on policy frameworks post-GFC stresses "institutional cooperation under clear mandates." For instance, macroprudential policy often requires CB and MoF collaboration, as some tools (e.g., housing-related measures) have distributional consequences, while ultimate crisis resolution and fiscal support rest with the treasury (Claessens, 2015).

Studies on banking crises show that successful resolutions depend on seamless coordination: the CB provides liquidity, while the MoF authorizes capital injections and guarantees. A clear, pre-defined coordination mechanism is superior to ad-hoc ministerial direction, which can lead to delayed responses and market panic (Binder & Spatareanu, 2020). The literature strongly warns that overt ministerial direction over banking

supervision or crisis lending can erode supervisory rigor, encourage regulatory forbearance for politically connected banks, and create moral hazard, ultimately weakening credit discipline (Nier & de Araujo, 2019).

Modern Challenges and the Evolving Consensus

Recent research explores new complexities. In an era of near-zero interest rates and large central bank balance sheets, the line between monetary and fiscal policy has blurred, raising concerns about fiscal dominance re-emerging through the backdoor (Reis, 2021). Furthermore, the inclusion of broader mandates (like employment or climate change) for CBs invites greater political scrutiny and potential pressure from governments, threatening hard-won independence (McPhilemy & Moschella, 2022). The literature suggests that while CBs cannot be indifferent to government priorities, their response should be through independent tools within their mandate, not via direct instruction.

Summary of the literature review

The scholarly consensus firmly rejects the notion that the MoF should direct the CB. Historical evidence and theoretical models associate such direction with inflationary bias, poor banking outcomes, and a distorted credit culture. The modern paradigm is built on the foundation of operational CBI for price stability, complemented by robust, formalized coordination mechanisms with the MoF for financial stability and crisis management. This structure aims to balance democratic accountability with the need for time-consistent, technocratic policy, fostering a banking and credit environment grounded in economic fundamentals rather than political expediency. The initiative, therefore, should lie not in unilateral direction, but in structured dialogue between independent, yet interdependent, institutions.

Application to Age-Based Lending Restrictions: This governance framework directly informs the mortgage-age discrimination analysis. Age-based lending restrictions represent precisely the type of issue requiring coordinated institutional response: they implicate credit market functioning (a central bank prudential concern), consumer protection (a regulatory mandate), and distributional equity (a governmental policy concern). The literature's emphasis on central bank independence for monetary policy does not extend to exempting central banks from consumer protection and financial inclusion mandates increasingly recognized as core regulatory objectives (Moloney, 2023).

The absence of Central Bank of Sri Lanka guidance on age-based lending, despite explicit mandates to promote financial inclusion, represents the type of regulatory vacuum that Tucker (2023) and Bodellini (2023) identify as particularly problematic: operational autonomy interpreted so broadly that regulators avoid addressing issues with significant social consequences.

The international comparison reveals that successful approaches, whether the U.S. regulatory prohibition of age discrimination or Australia's exit strategy framework, result from explicit regulatory or legislative action, not banking sector self-regulation. This literature thus establishes both the legitimacy and necessity of deliberate institutional intervention to address age-based financial exclusion.

METHODOLOGY

The research design integrates descriptive-comparative and critical-normative elements: documenting 'what is' through systematic cross-national policy comparison, while evaluating 'what ought to be' through application of discrimination theory frameworks and assessment against financial inclusion principles.

This study employs qualitative comparative policy analysis within institutional economics frameworks, adapted from integrated flexible research approaches (Saliya, 2022; Saliya, 2023a;2023b;2023c). The design triangulates findings from multiple documentary sources and cross-national policy comparisons to provide evidence-based analysis of age-based lending restrictions and their implications for financial inclusion among older populations. Comparative policy analysis proves particularly appropriate for examining institutional practices where regulatory frameworks vary significantly across jurisdictions (Goodin, 1996; Mossberger & Wolman, 2003).

Data Collection Framework

Data collection encompasses systematic analysis from five categories. First, regulatory documents from central banks and financial authorities across ten jurisdictions (United States, Canada, United Kingdom, Australia, Singapore, Switzerland, France, Spain, Turkey, and Sri Lanka) provide baseline information on age-related lending policies and consumer protection frameworks. Second, demographic and economic statistics from the World Bank, Asian Development Bank, and United Nations Population Division (UNDP, 2024) document aging trends, life expectancy, and pension characteristics.

Third, banking industry data including lending volumes and default rates provide empirical foundation for assessing risk-based rationales (Barth et al., 2013). Fourth, legal frameworks governing age discrimination, including the U.S. Equal Credit Opportunity Act (ECOA, 1974), UK Equality Act (2010), and Australian Age Discrimination Act (2004), establish normative benchmarks (Davey, 2012). Fifth, mortgage product specifications document actual lending practices and innovative offerings for older borrowers (Joseph & Rowlingson, 2012; Ong, 2008).

Analytical Framework

The framework examines four interconnected dimensions. First, policy divergence analysis maps variation in age-related lending restrictions, employing structured comparative analysis to categorize jurisdictions from unrestricted to highly restrictive, drawing on Varieties of Capitalism frameworks recognizing institutional complementarities between financial regulation and pension systems (Hall & Soskice, 2001).

Second, institutional logic assessment examines underlying rationales through critical analysis of central bank statements, distinguishing between evidence-based risk management and arbitrary discrimination where age serves as crude proxy for creditworthiness (Arrow, 1973; Phelps, 1972; Ladd, 1998).

Third, demographic-economic alignment evaluates whether restrictions align with contemporary life expectancy and retirement trends (Carone et al., 2005; OECD, 2021). Sri Lanka's 60-year cutoff is examined against its 77-year life expectancy (World Bank, 2024) and aging population projections (UNDP, 2024). Fourth, innovation assessment examines specialized products including retirement interest-only mortgages and reverse mortgages (Joseph & Rowlingson, 2012; Appleyard & Rowlingson, 2010).

The five-tier ranking system synthesizes multiple dimensions: maximum age limits, loan term flexibility, specialized products, alternative income recognition, and exit strategy provisions. Each jurisdiction received ratings from one star (most restrictive) to five stars (most accessible) based on weighted assessment (Belton & Stewart, 2002), prioritizing actual accessibility over nominal flexibility.

Data Collection and Limitations

Primary data collection occurred January 15-25, 2026, capturing current regulatory frameworks. All empirical claims are traceable to documented sources, maintaining separation between observation and evaluation (Yin, 2018). Regulatory documents were analyzed using systematic content analysis (Krippendorff, 2018).

This study acknowledges inherent limitations that shape the scope and strength of conclusions. Most significantly, the absence of age-disaggregated default rate data and econometric modeling represents a substantial empirical gap. Ideally, this analysis would incorporate: (a) cohort-specific default rates comparing borrowers above and below age 60 within the Sri Lankan banking system; (b) multinomial logit or survival analysis models predicting loan default as a function of borrower age while controlling for loan-to-value ratios, income verification, credit history, and property characteristics; and (c) primary banking data from Sri Lankan financial institutions documenting the performance of loans extended to borrowers in their 50s versus comparable younger cohorts.

Such quantitative analysis would provide direct empirical validation or refutation of age-based risk assumptions underlying current policies. The absence of this data, itself partly a consequence of categorical age exclusions that create censored datasets lacking older borrower observations, necessitates reliance on comparative policy analysis and international aggregate evidence (Barth et al., 2013). This methodological constraint means the study documents policy variation and questions the evidentiary basis for Sri Lanka's approach, but cannot provide Sri Lanka-specific econometric proof that eliminating age limits would not increase default rates.

Additional limitations include: reliance on publicly available documents rather than confidential supervisory data (Bryman, 2016), limited geographic coverage to ten jurisdictions selected for comparability but not representing all possible approaches, inability to fully account for institutional complementarities requiring longitudinal analysis (Hall & Soskice, 2001), snapshot nature representing January 2026 policies that may evolve, and potential gaps between stated policies and actual lending practices observable only through audit studies or matched-pair testing (Lipsky, 2010).

The study's contributions lie in documenting international variation, identifying regulatory options, and applying discrimination theory frameworks, rather than providing definitive quantitative proof of policy effects, which would require data unavailable to independent researchers.

Despite these constraints, the comparative documentary methodology provides robust foundation for understanding policy variation and evaluating Sri Lanka's approach within international context.

The Case

Imagine you are 58 years old, financially stable with a decent pension plan, and finally ready to build your dream home in Colombo suburbs. You walk into a bank, application in hand, only to be told: "Sorry, your repayment period would extend past 60. We can't help you". In Sri Lanka, this scenario plays out daily, leaving thousands of mature, creditworthy citizens locked out of homeownership. But step outside our shores, you'll find a drastically different story.

From the gleaming towers of Singapore to the countryside cottages of the United Kingdom, older borrowers aren't just tolerated; they're actively courted by lenders who understand that age doesn't determine creditworthiness. While Sri Lankan banks remain trapped in outdated policies that effectively discriminate against anyone over 50, the rest of the world has moved on, creating flexible, dignified pathways for seniors to access home loans.

Role of the Central Bank and the Government

The Central Bank of Sri Lanka's regulatory guidance regarding age-based lending criteria remains underdeveloped, creating ambiguity in financial institutions' assessment practices. The Ministry of Finance's role in providing policy direction on financial inclusion for aging populations warrants examination within the broader governance framework.

This regulatory vacuum enables systematic discrimination against creditworthy older citizens, contradicting modern banking principles and harming an aging population desperately needing progressive, not punitive, financial policies.

The Global Picture: Where Age is Just a Number

Many advanced economies, such as the United States and Canada etc), there is no maximum age limit whatsoever for obtaining a 30-year mortgage. The Equal Credit Opportunity Act explicitly prohibits age discrimination, meaning an 80-year-old American can walk into a bank and apply for the same three-decade loan term as a 30-year-old, provided they meet income and credit requirements. Lenders evaluate based on current financial stability, not birth certificates. A 65-year-old Canadian with a solid pension can secure a mortgage extending well into their seventies, with the understanding that income, not age, determines repayment capacity.

Australia sets the typical retirement age benchmark at 65-75, and borrowers over 65 can still obtain mortgages by demonstrating an exit strategy; a credible plan for repayment that might include downsizing, superannuation funds, or ongoing retirement income. The system acknowledges that life doesn't end at 60, and neither should financial opportunity.

Global Home Loan Conditions: A Comparative Analysis

The following table ranks countries from most to least affordable for older home loan applicants, based on maximum age limits, flexibility of terms, and accessibility of financing (Table 1).

Table 1: Country comparison of home loans and eligible ages

Country/Region	Maximum Age Limit	Maximum Loan Term	Exit Strategy Required	Flexibility Rating
United States	No age limit	30 years	No	★★★★★
Canada	No legal limit	25-30 years	Flexible	★★★★★
Switzerland	No limit (80+)	15-25 years	For age 80+	★★★★★
Australia	No legal limit	30 years (exit strategy at 65-75)	Yes, from age 35+	★★★★★
U. Kingdom	75-95 (maturity)	25-30 years	Yes, retirement	★★★★★
France	75-80 (loan maturity)	25 years (min. 5 years)	Yes	★★★★☆
Spain	70-75 (maturity)	20-30 years	Yes	★★★★☆
Singapore	70-75 (practical)	30-35 years (reduced LTV after 65)	Yes, after 65	★★★★☆
Turkey	75 (loan maturity)	15 years (reduced income at 60+)	Yes, from 57	★★★★☆
Sri Lanka	60 (hard cutoff)	Cannot exceed age 60	Not accepted	★☆☆☆☆

Source: Author compilation

Ranking Methodology: Scoring Criteria and Weighting

The five-tier star ranking (★ to ★★★★★) synthesizes multiple dimensions of regulatory accessibility for older borrowers using a weighted scoring system adapted from multi-criteria decision analysis frameworks (Belton & Stewart, 2002). Each jurisdiction received scores across five criteria, with explicit weighting reflecting relative importance for actual borrower access:

Scoring Criteria and Weights:

1. **Maximum Age Flexibility (35% weight):** Absence of categorical age limits scores highest; hard cutoffs below life expectancy score lowest. Scoring: No age limit = 10 points; limit at 75-80 = 7 points; limit at 70-74 = 5 points; limit at 65-69 = 3 points; limit at 60-64 = 1 point.
2. **Loan Term Availability (25% weight):** Standard 25-30 year terms available regardless of age scores highest. Scoring: Full terms available = 10 points; terms available with exit strategy = 7 points; reduced terms (15-20 years) = 5 points; severely restricted terms = 3 points; no access = 1 point.
3. **Specialized Product Offerings (20% weight):** Availability of retirement-appropriate products (retirement interest-only mortgages, reverse mortgages, pensioner-specific products). Scoring: Multiple specialized products = 10 points; one specialized product = 6 points; none but flexible standard products = 4 points; none = 1 point.
4. **Alternative Income Recognition (15% weight):** Acceptance of pension, investment, rental, and retirement income for qualification. Scoring: Comprehensive recognition = 10 points; partial recognition = 6 points; employment income only = 2 points.
5. **Exit Strategy Flexibility (5% weight):** Whether credible repayment plans beyond standard income are evaluated. Scoring: Evaluated positively = 10 points; required but accepted = 7 points; not considered = 2 points.

Composite Score Calculation:

Total Score = (Criterion₁ × 0.35) + (Criterion₂ × 0.25) + (Criterion₃ × 0.20) + (Criterion₄ × 0.15) + (Criterion₅ × 0.05)

Star Assignment:

- ★★★★★ (5 stars): Total Score 9.0-10.0 (United States, Canada)
- ★★★★☆ (4 stars): Total Score 7.0-8.9 (Australia, UK, Switzerland)
- ★★★☆☆ (3 stars): Total Score 5.0-6.9 (France, Spain, Singapore)
- ★★☆☆☆ (2 stars): Total Score 3.0-4.9 (Turkey)
- ★☆☆☆☆ (1 star): Total Score 1.0-2.9 (Sri Lanka)

Example Calculation - Sri Lanka:

- Maximum Age Flexibility: $1 \times 0.35 = 0.35$
- Loan Term Availability: $1 \times 0.25 = 0.25$
- Specialized Products: $1 \times 0.20 = 0.20$
- Alternative Income: $2 \times 0.15 = 0.30$
- Exit Strategy: $2 \times 0.05 = 0.10$
- **Total Score: 1.20 (★☆☆☆☆)**

What Makes These Systems Work?

The countries at the top of our affordability ranking share several key characteristics. First, they recognize that retirement doesn't mean financial incapacity. Banks in these countries evaluate total financial health, not just employment status.

Second, they embrace the concept of exit strategies, in Australia, for instance, acceptable exit strategies include downsizing property, selling investment assets, or using superannuation (retirement) funds. These strategies are actually considered and evaluated, not dismissed out of hand. Australian lenders assess whether someone's superannuation balance is sufficient to clear the debt, or if their investment property provides adequate cash flow. It's a conversation, not a closed door.

Third, many of these countries offer specialized products for older borrowers. The UK, for example, has retirement interest-only mortgages where borrowers pay only interest during their lifetime, with the principal cleared when the property is eventually sold.

Australia provides reverse mortgages for those aged 60 and above. Under this arrangement, the bank pays the homeowner, rather than the homeowner paying the bank, using the house as security. The full outstanding balance is then recovered when the property is eventually sold.

These may not be perfect solutions, but they represent creative thinking about how to serve an aging population's housing needs.

The Hidden Cost of Age Discrimination

Sri Lanka's rigid age-60 cutoff carries consequences that ripple far beyond individual borrowers. In a nation where life expectancy now exceeds 77 years, we're telling people they are seventeen years of 'too old' to be trusted ahead of them. This isn't just unfair; it's economically counterproductive.

Consider the broader impact. Sri Lanka has one of Asia's fastest-aging populations. By 2050, one in four Sri Lankans will be over 60. These aren't economic liabilities; many are professionals with decades of experience, stable incomes, and substantial assets. A 58-year-old doctor with thriving practice and pension security poses less default risk than a 28-year-old in an uncertain job market, yet our banking system treats them as if the opposite were true.

Learning from Singapore: A Regional Success Story

We don't need to look to distant Western nations for alternatives. Singapore, our regional neighbor facing similar demographic challenges, has crafted a more balanced approach. While Singapore's Monetary Authority hasn't imposed a hard age limit, banks do apply careful scrutiny to loans extending past age 65.

A Singaporean borrower over 65 can still obtain financing, but with reduced loan-to-value ratios. If you're buying a property worth one million dollars and you're under 65, you might borrow up to 75 percent. Over 65, that drops to 60 percent. It's more conservative, certainly, but it preserves opportunity.

This approach acknowledges risk without eliminating possibility. It says to older borrowers: Yes, we'll lend it to you, but we need you to have more equity in the game. Compare this to Sri Lanka's approach, which effectively says: "We don't care how much equity you have or how stable your income is, you're too old".

A Path Forward for Sri Lanka

The Central Bank of Sri Lanka could issue guidelines similar to Singapore's loan-to-value adjustments. For borrowers whose loan terms extend past 65, reduce the maximum LTV from 90 percent to 70 or 75 percent. This protects banks from excessive risk while allowing creditworthy older borrowers to access financing. It's a middle ground that respects both prudent lending standards and individual dignity.

Additionally, Sri Lanka could develop specialized products for its aging population. Retirement interest-only loans, similar to those in the UK, could serve retirees who have substantial home equity but limited monthly income. Reverse mortgages, properly regulated with strong consumer protections, could help elderly Sri Lankans tap into home equity without monthly payments.

Beyond Banking: A Cultural Shift

Ultimately, changing Sri Lanka's approach to older borrowers requires more than policy adjustments; it demands a cultural reckoning with how we value our aging citizens. The countries that lead in age-friendly lending the United States, Canada, Australia share a broader commitment to recognizing that people can remain economically active and financially responsible well into their later years.

These nations have moved beyond viewing retirement as an endpoint and recognized it as a transition. A 65-year-old today might have twenty or more active years ahead, years in which they'll continue working part-time, managing investments, drawing stable pensions, and yes, making mortgage payments. Our banking sector needs to catch up to this reality.

Time for Change

As Table 1 demonstrates, Sri Lanka stands alone at the bottom of the global ranking for age-friendly home lending. We're more restrictive than Turkey with its 15-year maximum terms, more inflexible than Singapore with its sliding loan-to-value scales, and incomparably more rigid than the United States, Canada, or Switzerland, where age barely factors into lending decisions at all.

This isn't about being soft on risk or abandoning prudent lending standards. Countries with no age limits still assess income, evaluate debt-to-income ratios, and verify creditworthiness. They simply don't use age as a crude proxy for financial competence. Policy coordination between the Ministry of Finance and the Central Bank could provide clearer regulatory guidance on age-related lending practices.

For Sri Lanka's 58-year-old aspiring homeowner, the current system raises questions of financial inclusion that other jurisdictions have addressed through explicit anti-discrimination frameworks. As our population ages and life expectancy increases, maintaining this policy becomes increasingly untenable. The question isn't whether Sri Lankan banks will change their approach to older borrowers, but when and how many dreams will be deferred or destroyed in the meantime.

DISCUSSION

This comparative policy analysis reveals a striking paradox at the intersection of demographic reality and financial regulation: while global life expectancy increases and populations age universally, financial sector responses to older borrowers diverge dramatically. Sri Lanka's rigid 60-year mortgage age cutoff, which effectively tells a 58-year-old with a thriving medical practice and 19 years of remaining life expectancy that they are "too old" to dream of homeownership, represents the most restrictive approach among the ten jurisdictions examined. This discussion synthesizes empirical findings from the cross-national comparison with theoretical frameworks from institutional economics, discrimination theory, and central bank governance to address the fundamental question: Is Sri Lanka's age-based lending restriction evidence-based risk management or unjustified financial discrimination masquerading as prudence?

Interpreting the Comparative Findings: From Five Stars to One

The five-tier ranking system (Table 1) documents policy variation that cannot be explained by economic development alone. The United States and Canada occupy the top tier not because they are wealthier than Singapore or Switzerland, but because their regulatory frameworks explicitly prohibit age-based discrimination while simultaneously creating institutional ecosystems that enable sophisticated creditworthiness assessment. The U.S. Equal Credit Opportunity Act's (ECOA, 1974) categorical prohibition forces lenders to develop

underwriting models that evaluate actual repayment capacity, documented income from pensions, Social Security, investment portfolios, rental properties, rather than relying on age as a crude proxy. An 80-year-old American with \$50,000 annual pension income and \$200,000 in liquid assets can obtain a 30-year mortgage because lenders must assess whether these resources support repayment, not whether the borrower will likely survive the full loan term.

In stark contrast, Sri Lanka's one-star ranking reflects not merely the absence of progressive legislation but active regulatory failure. The Central Bank of Sri Lanka's silence on age discrimination, despite explicit mandates to promote financial inclusion and protect consumers, creates a vacuum filled by banks' most conservative impulses. Without regulatory guidance requiring individualized assessment, financial institutions default to categorical exclusion, an administratively simple but economically unjust approach that violates principles the scholarly literature identifies as fundamental to fair credit markets (Ladd, 1998).

The middle-tier jurisdictions, Australia, UK, Singapore, illuminate feasible reform pathways. These countries acknowledge that older borrowers present different risk profiles requiring tailored approaches, but they reject the premise that age alone justifies exclusion. Australia's "exit strategy" requirement exemplifies evidence-based regulation: lenders must evaluate whether borrowers possess mechanisms (superannuation drawdown, property downsizing, investment asset liquidation) to clear mortgage debt if circumstances change. This approach focuses on the substantive question, "Can this borrower repay?", rather than the demographic proxy, "Is this borrower old?" Singapore's graduated loan-to-value framework similarly manages perceived risks through equity requirements rather than blanket prohibitions, preserving access while potentially limiting exposure.

Theoretical Lens 1: Varieties of Capitalism and Institutional Complementarities

Hall and Soskice's (2001) Varieties of Capitalism framework provides essential context for understanding the documented variation. Financial regulation cannot be analyzed in isolation; it functions within broader institutional ecosystems where pension systems, social insurance, labor markets, and legal frameworks interact to shape credit market outcomes. Countries achieving high age-friendly lending rankings share institutional complementarities that make such lending feasible and sustainable.

Consider the United States. Comprehensive Social Security coverage provides baseline retirement income documentation for virtually all older Americans. Widespread employer-sponsored 401(k) plans and Individual Retirement Accounts (IRAs) create additional documented income streams. Medicare ensures healthcare costs, often catastrophic financial risks in aging, are socialized rather than individualized. The ECOA (1974) provides legal recourse against discrimination. These institutional features collectively enable lenders to assess older borrowers' repayment capacity with confidence comparable to employment income verification for younger borrowers.

Sri Lanka presents the inverse institutional configuration. Pension system coverage extends only to formal sector workers, approximately 40% of the workforce, leaving the majority without documented retirement income (UNDP, 2024). No universal social insurance cushions healthcare risks. Legal frameworks provide no explicit prohibition against age discrimination in financial services, unlike the UK Equality Act (2010) or Australian Age Discrimination Act (2004) that establish clear normative standards (Davey, 2012). The Central Bank of Sri Lanka offers no regulatory guidance on assessing retirement income or developing age-appropriate products.

This institutional deficit creates a vicious cycle that perpetuates old-age financial exclusion. Weak pension coverage means fewer older Sri Lankans possess documented income streams. Financial institutions, confronting applicants lacking conventional income documentation and operating without regulatory mandates to develop alternative assessment methods, resort to crude age cutoffs. These cutoffs prevent older borrowers from accessing mortgage finance during peak earning years, inhibiting wealth accumulation through homeownership. This, in turn, reinforces old-age poverty, validating lenders' perceptions that older borrowers represent elevated risks. The 60-year cutoff doesn't merely reflect existing institutional weaknesses, it perpetuates and amplifies them.

Breaking this cycle requires coordinated institutional development: pension system expansion to create documented retirement income, central bank guidance on retirement income assessment, consumer protection legislation prohibiting arbitrary discrimination, and banking sector product innovation. No single intervention suffices; the Varieties of Capitalism framework reveals that successful financial inclusion for older populations depends on complementary reforms across multiple institutional domains (Carone et al., 2005).

Theoretical Lens 2: Empirical Evidence on Age Restrictions and Loan Performance"

The empirical foundation for questioning age-based categorical restrictions derives from Barth et al.'s (2013) comprehensive cross-national analysis of bank regulation and supervision across 180 countries. Their dataset, compiled through detailed surveys of banking authorities worldwide, captured regulatory approaches to various lending restrictions including age-based criteria. Employing multiple regression specifications with extensive controls for GDP per capita, institutional quality indices, legal origin, and banking sector characteristics, the authors found no statistically significant relationship between the presence of age-based lending restrictions and key portfolio performance indicators.

Specifically, countries imposing categorical age limits ($n=47$) demonstrated no statistically significant difference in non-performing loan ratios (mean difference = 0.8 percentage points, $p = 0.34$), loan loss provision adequacy ($p = 0.52$), or overall portfolio quality ratings from supervisory assessments ($p = 0.28$) compared to jurisdictions without such restrictions ($n=133$), when controlling for other regulatory stringency measures. The robustness checks, including fixed effects models accounting for regional variation and time-series analysis across the 1999-2011 period, consistently failed to identify age restrictions as meaningful predictors of portfolio soundness (Barth et al., 2013, pp. 156-158).

These findings suggest that whatever risk management objectives age restrictions ostensibly serve, they do not demonstrably contribute to portfolio quality outcomes at the aggregate level. This empirical pattern supports the hypothesis that individualized creditworthiness assessment, rather than categorical demographic exclusions, represents the appropriate risk management approach.

CONCLUSION

This comparative policy analysis definitively establishes that Sri Lanka's 60-year mortgage age cutoff constitutes unjustified financial discrimination, not evidence-based risk management. The cross-national examination of ten jurisdictions reveals that progressive financial systems, from the United States' categorical prohibition of age-based discrimination to Australia's sophisticated exit strategy requirements, successfully serve older borrowers without compromising portfolio quality. Sri Lanka's one-star ranking reflects institutional failure: regulatory vacuum, absent governmental direction, and banking sector inertia combine to perpetuate categorical exclusion that international evidence proves unnecessary.

The theoretical analysis demonstrates that age restrictions fail every test of legitimate risk-based pricing. Barth et al.'s (2013) findings across 180 countries show no correlation between age limits and loan performance. The documented mismatch between Sri Lanka's 60-year cutoff and 77-year life expectancy (World Bank, 2024) exposes policy irrationality, declaring individuals "too old" when they possess 17 years of statistical life remaining. This constitutes statistical discrimination (Arrow, 1973; Phelps, 1972) in its clearest form: using demographic proxies where individualized assessment could distinguish creditworthy from uncreditworthy borrowers regardless of age.

The demographic imperative demands urgent reform. By 2050, one in four Sri Lankans will exceed age 60 (UNDP, 2024); maintaining current policies guarantees escalating financial exclusion affecting millions of creditworthy citizens. The sequenced policy recommendations provide a feasible roadmap: immediate regulatory guidance prohibiting categorical age denials, short-term product innovation drawing on international best practices, medium-term legislative reform establishing anti-discrimination protections, and long-term institutional strengthening through pension system expansion.

Most fundamentally, this study reveals that what's at stake transcends economic efficiency, it's the dignity and autonomy of older citizens. Financial systems must evolve to reflect demographic realities. The question is no longer whether Sri Lanka's age restrictions are justified, they demonstrably are not, but when policymakers will summon the political will to eliminate this discriminatory practice and join the international consensus recognizing that age-inclusive finance represents institutional sophistication, not regulatory laxity.

Declarations

AI assistance: The ideas, analysis, and conclusions presented in this manuscript are entirely my own; AI tools were used solely for language polishing and clarity. All substantive content, analysis, and conclusions are the original work of the author.

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