

# REVERSE MORTGAGE PROGRAMME

## IMPORTANT NOTICE

**Please read this notice carefully before you proceed with your application for a reverse mortgage loan. This notice only provides additional information about a reverse mortgage loan, and should be read together with the Information Pack and the other materials relating to the Reverse Mortgage Programme operated by HKMC Insurance Limited (HKMCI).**

**If you have any questions or require any further information regarding the reverse mortgage loan, please consult your lender and seek independent legal and financial advice as necessary.**

Before you proceed with counselling, we would like to highlight some important features of the Reverse Mortgage Programme for your consideration. If necessary, you should approach your lender for further information before engaging your counsellor.

### **BEFORE DRAWDOWN OF REVERSE MORTGAGE LOAN**

#### Age requirement

In general, you can apply for a reverse mortgage loan when you are aged 55 or above. If you would use your subsidised sale flat with unpaid land premium under a housing scheme operated by the Hong Kong Housing Authority or the Hong Kong Housing Society as security for your reverse mortgage loan, you should be aged 60 or above according to the specific age requirement as prescribed by such body.<sup>1</sup>

#### Initial costs

Before you submit your formal application for a reverse mortgage loan, you will incur cost for the required counselling service. In addition, if the property<sup>2</sup> purported to be offered as security is over 50 years of age, you will need to obtain at your own cost a building inspection report **at formal application stage**.

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<sup>1</sup> Where the application involves a lump-sum payout to be drawn for premium payment for a subsidised sale flat on drawdown date, the applicable minimum age requirement is 55 years old.

<sup>2</sup> Unless the context otherwise requires, “property” means any property or properties owned by you.

To avoid incurring any unnecessary costs and expenditures, you should approach your lender for further information before taking any action relating to your application for a reverse mortgage loan, such as changing the title of the property or conducting property inspection.

### Ownership of your property

Joint application for a reverse mortgage loan by up to 3 borrowers is allowed. You may also choose to mortgage more than one property as security under your reverse mortgage loan and such property must be held by all borrowers in joint tenancy.

If you acquired your property at an undervalue (e.g. you may have acquired your property by way of gift, for no consideration or for a consideration which is significantly less than the market value) within 5 years before the date of drawdown of the reverse mortgage loan you intend to apply for, your application will be considered by the HKMCI on a case-by-case basis. In order for your application to be eligible for initial assessment, at least one of the owners of your property must be the same before and after your acquisition of the property. The amount of monthly and lump-sum payouts to be approved under your reverse mortgage loan may be reduced (as compared to the standard levels under the Reverse Mortgage Programme) for the first 5 years from the date of the relevant legal instrument through which you acquired your property. You should also be mindful of these issues if you wish to change ownership of your property for the purpose of a reverse mortgage loan. Before you take any action or incur any costs and expenditure, you should approach your lender or your solicitors for advice.

### Undertaking by other occupant(s) of your property and / or any other person(s) who may have an interest in your property

If there is any person residing in your property or any other person who may have an interest in your property, your lender will ask such person(s) to sign an undertaking to agree to move out of your property in the event of the sale of your property upon enforcement of the reverse mortgage, and to disclaim / postpone their interests in your property to that of your lender under the reverse mortgage.

### The lender who grants you the reverse mortgage loan

The bank which you approach for making the pre-application and/or formal application for a reverse mortgage loan acts as either the lender or the referrer.

You may enquire with the bank if it is acting as the lender or the referrer in respect of your application for a reverse mortgage loan.

In the case that the bank acts as the referrer, the lender who grants you the reverse mortgage loan will be HKMC Mortgage Management Limited, which is a wholly-owned subsidiary of The Hong Kong Mortgage Corporation Limited. For enquiries, comments or complaints, you may contact the lender.

## **MONTHLY AND LUMP-SUM PAYOUTS**

### Effect on monthly payout after borrowing a lump-sum payout

The amount of monthly payout is determined by reference to a number of factors, including the amount of lump-sum payout you borrow. Generally, the higher the amount of lump-sum payout, the lower will be the subsequent amount of the monthly payout. If at any time you borrow a lump-sum payout up to the maximum amount available to you, you will not be entitled to any further monthly payout even if the payment term of your reverse mortgage loan has not yet expired. You should carefully consider your financial needs before borrowing any lump-sum payout.

### Lump-sum payout to fully repay an existing mortgage

While you may borrow a lump-sum payout to fully repay an existing mortgage before proceeding with your reverse mortgage loan, the maximum amount of such lump-sum payout is limited to the outstanding loan balance relating to the original purchase of your property or refinancing of a previous mortgage. If your existing mortgagee bank requires you to repay other amounts secured by the existing mortgage (such as any revolving credit facility granted to you) in order to discharge your existing mortgage, you are required to settle such other amounts using your own funds.

In addition, if you have borrowed any further advance under your existing mortgage within 12 months before the date of your application for a reverse mortgage loan, the original principal loan amount of such further advance will be deducted from the outstanding loan balance of your existing mortgage for determining the maximum amount of your lump-sum payout. You should approach your lender for details of the calculation of the relevant payouts.

## Lump-sum payout for columbarium, cemetery and funeral services

If you wish to borrow lump-sum payout for the purchase of interment right in columbarium, cemetery and/or for the expenses of funeral services, the HKMCI may consider such request on a case-by-case basis. Please note that any such purchase or services shall be for yourself and/or your spouse only and the HKMCI does not endorse the legality of the relevant columbarium and cemetery.

## **AFTER DRAWDOWN OF REVERSE MORTGAGE LOAN**

### Your on-going obligations

Reverse mortgage is a loan arrangement. After taking out a reverse mortgage loan, **you are still the owner of your property** and you will continue to be responsible for meeting all on-going expenses relating to your property, such as management fees, government rents, rates and maintenance costs. You must not rent out your property or any part of it unless with your lender's written approval. You are also required to make a declaration on an annual basis to confirm, among other things, that there is no subsisting lease or tenancy in relation to your property (other than any lease or tenancy approved by your lender).

### Redemption of property and partial prepayment

In general, you are not allowed to prepay only part of your reverse mortgage loan before it becomes due and payable. However, if you mortgage more than one property as security under your reverse mortgage loan, you may apply to your lender for the redemption of your property at any time by **partial prepayment** of your reverse mortgage loan. The appraised property value and specified property value of the property which remains subject to the reverse mortgage, as well as the amounts of any subsequent monthly and lump-sum payouts may be adjusted. The required amount of prepayment and the adjustment in such property values and payouts will be assessed and determined by the HKMCI on a **case-by-case basis**. For the avoidance of doubt, you will be responsible for the relevant fees charged by your lender and solicitors in connection with such property redemption.

## Suspension Events

If you fail to perform any of your on-going obligations in relation to your property or your reverse mortgage loan, or you breach the Government Lease, Deed of Mutual Covenant, or any loan documents you have entered into with your lender (each a Suspension Event), your lender will have the right to stop making any more monthly and lump-sum payouts to you if the relevant Suspension Event which is capable of being remedied is not remedied within 3 months. If more than one property has been mortgaged as security under your reverse mortgage loan, any Suspension Event in relation to any one of your properties will be a Suspension Event for the whole of your reverse mortgage loan. Please refer to Annex I for a full list of the Suspension Events.

## Maturity Events

In most cases, a reverse mortgage loan becomes due and payable when you pass away or, if you borrow a reverse mortgage loan together with other borrower(s), when all of you pass away. However, there are other circumstances under which your reverse mortgage loan may become due and payable. For example, if a Suspension Event which is capable of being remedied has occurred and is not remedied within **6 months**, your lender is entitled to terminate your reverse mortgage loan. Furthermore, the occurrence of certain events outside your control may also result in your reverse mortgage loan becoming due and payable. These events include:

- the resumption of your property by the Government or any competent authority such as the Urban Renewal Authority;
- the collapse of your property or the building in which your property is located (or a substantial part thereof), or where your property is certified to be no longer to be capable of being safely used;
- the completion of the sale of your property by operation of law (e.g. a sale under the Land (Compulsory Sale for Redevelopment) Ordinance); and
- the termination and non-renewal of the relevant Government Lease.

Under any of the above circumstances (each a **Maturity Event**), you (or your personal representatives) will have the preferential right to repay the outstanding loan amount of your reverse mortgage to your lender **in full**.

If the outstanding loan amount is not repaid **in full**, your lender is entitled to enforce your reverse mortgage and sell your property. If you have mortgaged more than one property as security under your reverse mortgage loan, your

lender will determine at full discretion the priority of enforcement among your property for the repayment of your reverse mortgage loan. If your property is resumed or sold by operation of law, has collapsed, is certified to be no longer to be capable of being safely used, or the relevant Government Lease is not renewed, then any compensation, sale proceeds or insurance claim which may become payable in respect of your property will be used to repay the outstanding loan amount. Under these circumstances, as applicable, you and any other person(s) residing in your property will need to **move out**. If more than one property has been mortgaged as security under your reverse mortgage loan, any Maturity Event in relation to any one of your properties will be a Maturity Event for the whole of your reverse mortgage loan. Please refer to Annex II for a full list of the Maturity Events.

### Financial crime compliance measures

Lenders and/or referrers are required to comply with all laws, regulations, policies and guidelines targeting financial crime including laws aimed at, among other things, detecting and preventing corruption, fraud, tax evasion, money-laundering, terrorist financing, provision of financial and other services to persons who are subject to sanctions and others (**financial crime compliance measures**). Accordingly, lenders and/or referrers are required to use the personal data which you provide them to screen your application and if you obtain the reverse mortgage loan, continually monitor your reverse mortgage loan. All rights and obligations under the reverse mortgage loan are subject to the financial crime compliance measures.

Where required by any regulator or law enforcement agency under any applicable financial crime compliance measures or in accordance with such measures, lenders may refuse to process any instruction from you, block any payment, demand repayment of the reverse mortgage loan, terminate the relationship with you or take other steps as detailed in the facility letter setting out the terms of the reverse mortgage loan (**Facility Letter**). If carried out, these steps may have the effect of a Suspension Event, Maturity Event or other effects as set out in the Facility Letter. The lenders bear no responsibility or liability to you or any third party for any loss which may be incurred or result in connection with the compliance with any financial crime compliance measure.

### Outstanding loan amount

When your reverse mortgage loan becomes due and payable, you are responsible for repaying the total amount outstanding under your reverse mortgage loan **in full**, and such outstanding amount **may exceed** the property value used for

calculation of the amount of monthly and lump-sum payouts.

If you (or your personal representatives) choose to redeem your property instead of letting your lender enforce the reverse mortgage and sell your property, you are required to repay the outstanding loan amount **in full**. In other words, your liability is not limited to the value of your property used for calculation of the amount of monthly and lump-sum payouts at the time of application, nor the then market value of your property when your reverse mortgage loan becomes due and payable.

However, if you (or your personal representatives) choose to let your lender sell the property to recover the outstanding loan amount or do not take any action to redeem your property before the expiry of the grace period (in general, **9 months** in the case of death of the borrower or **3 months** for other Maturity Events), your lender will dispose of your property in accordance with market practice (including the engagement of an independent qualified valuer to determine the fair market value of your property for reference) and pass any surplus to you (or your personal representative). Any shortfall between the sale proceeds from the property and the outstanding loan amount will be borne by the HKMCI under an insurance arrangement between your lender and the HKMCI.

## **TRANSFER/DISCLOSURE OF PERSONAL DATA**

### Personal data

Your personal data will be collected according to the purposes as set out in the Personal Information Collection Statement in relation to the Reverse Mortgage Programme. If you would use your subsidised sale flat with unpaid land premium as security for your reverse mortgage loan, your lender and the HKMCI may pass your personal data and property information (including information relating to the land register of your property) to the relevant authority for checking compliance of the applicable scheme rules, laws and regulations. In this regard, your lender will request you to provide written authority to allow release of such information by sending you an “Authorisation to Provide and Release Information” Form for signature and return and failing which, it may not be possible for any further action to be taken to process your application.<sup>3</sup>

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<sup>3</sup> “Authorisation to Provide and Release Information” Form is not applicable where the application involves a lump-sum payout to be drawn for premium payment for a subsidised sale flat on drawdown date.

**Suspension Events**

A **Suspension Event** happens when:

- (a) you breach the relevant Government Lease or Deed of Mutual Covenant;
- (b) you fail to pay management fees, rates and government rent etc.;
- (c) you fail to maintain insurance against fire risks and other serious damage affecting your property;
- (d) you fail to keep your property in good repair and condition;
- (e) you fail to comply with any laws, rules and regulations in relation to your property;
- (f) you fail to comply with any order and notice issued by any governmental authority or building manager in respect of your property;
- (g) you fail to provide an annual declaration containing certain confirmations relating to your property;
- (h) you create any charge or other interest in your property in favour of any person (other than the lender under the relevant reverse mortgage deed), unless your lender otherwise agrees in writing;
- (i) you do or omit to do anything which has a detrimental effect upon the value of your property, or which is prejudicial to the security created under the relevant reverse mortgage deed; or
- (j) you breach any of your obligations under the relevant facility letter or any security document, or provide any incorrect or misleading information to the lender in connection with your reverse mortgage loan.

Remark: If more than one property has been mortgaged as security under your reverse mortgage loan, any Suspension Event in relation to any one of your properties will be a Suspension Event for the whole of your reverse mortgage loan.



**Maturity Events**

**A Maturity Event** happens when:

- (a) your property is subject to any subsisting tenancy without your lender's written approval;
- (b) you have passed away, or if you borrow a reverse mortgage loan together with other person(s), all of you have passed away;
- (c) you, or any one of you (if you borrow a reverse mortgage loan together with other borrower(s)), is/are adjudged bankrupt or become(s) the subject of an individual voluntary arrangement;
- (d) a Suspension Event which is capable of being remedied has happened and you fail to cure it within 6 months after it has happened;
- (e) a Suspension Event which is not capable of being remedied has happened;
- (f) your property is resumed by the Hong Kong Government or any other competent authority;
- (g) the Government Lease in respect of your property is terminated and is not renewed;
- (h) a qualified person has advised in writing that your property can no longer safely be used;
- (i) your property or the building in which your property is located has collapsed or substantially collapsed;
- (j) you are being forced to sell your property by law and completion has taken place;
- (k) the joint tenancy ownership in your property has been severed; or
- (l) you voluntarily deliver vacant possession of your property to your lender.

Remark: If more than one property has been mortgaged as security under your reverse mortgage loan, any Maturity Event in relation to any one of your properties will be a Maturity Event for the whole of your reverse mortgage loan.