

## Reverse Mortgage Programme

The Reverse Mortgage Programme is operated by HKMC Insurance Limited (HKMCI), a wholly-owned subsidiary of The Hong Kong Mortgage Corporation Limited, which enables people aged 55 or above to use their residential properties in Hong Kong as security to obtain reverse mortgage loans.

Under a reverse mortgage loan, the borrower will receive monthly payouts over a fixed payment term or throughout his entire life. The borrower may also borrow lump-sum payouts for specific purposes. In general, the borrower does not need to repay the reverse mortgage loan during his lifetime, unless it is terminated under specific circumstances.

When a reverse mortgage loan is terminated, the property owner (or his personal representative) will have the preferential right to redeem the mortgaged property by repaying in full the outstanding loan amount, otherwise the lender will dispose of the mortgaged property to repay the outstanding loan amount. If there is any shortfall, it will be borne by the HKMCI under an insurance arrangement between the lender and the HKMCI. Any surplus will be passed to the property owner.

## Eligibility for Applying a Reverse Mortgage Loan

**Joint application for a reverse mortgage loan by up to three borrowers is allowed. In general, the borrower must:**

- be aged 55 or above (or aged 60 or above for owners of subsidised sale flats with unpaid land premium) and a holder of a valid Hong Kong identity card; and
- not be an undischarged bankrupt or otherwise subject to bankruptcy petition or individual voluntary arrangement.

**In general, the property offered as security for a reverse mortgage loan must:**

- be a residential property in Hong Kong (property acquired by deed of gift may be considered);
- be owned by:
  - (i) the borrower as sole and beneficial owner or as joint tenants (if there is more than one borrower); or
  - (ii) a limited company, incorporated in Hong Kong, wholly and directly held by the borrower (or if there is more than one borrower, all borrowers);
- not exceed 50 years of age (otherwise it will be considered on a case-by-case basis);
- not be subject to any resale restrictions (except for the alienation restriction of subsidised sale flats imposed by the relevant authority); and
- not be rented out
 

(The borrower may apply to rent out the mortgaged property if it has been owned for at least one year and all the borrowers have:

  - (i) declared that they have retired; or
  - (ii) moved out to obtain elderly or medical care.

If the property is a subsidised sale flat with unpaid land premium, the borrower must obtain consent from the relevant authority, in addition to the above requirement of property ownership.)

## Key Features and Benefits

1. **Flexible payment term** – Monthly payouts over a fixed period of 10, 15 or 20 years or throughout the borrower’s entire life.
2. **Lump-sum payout** – Lump-sum payouts for specific purposes such as refinancing of an existing reverse mortgage or full repayment of other existing mortgage of the borrower’s property which is used as security for the relevant reverse mortgage loan (not applicable to the property owned by a limited company), settlement of land premium for subsidised housing property, payment for home improvement, repairs and maintenance, medical expenses, fees for setting up an enduring power of attorney, purchase of interment right in columbarium and cemetery, as well as expenses for funeral services.
3. **Flexible arrangement to rent out property** – Mortgaged property can be rented out under specific circumstance for a higher income.
4. **Lifetime home residence** – Property owner is entitled to stay in the property for the rest of his life, even after the payment term is due (10, 15 or 20 years). However, interest and mortgage insurance premium will be debited to the outstanding loan amount.
5. **No repayment during lifetime** – No repayment of outstanding loan amount is required during the borrower’s lifetime, unless the reverse mortgage loan is terminated under specific circumstances.
6. **No penalty for early repayment of loan** – Full repayment of reverse mortgage loan and redemption of mortgaged property can be made any time without penalty.
7. **Six-month cooling-off period** – If a reverse mortgage loan is terminated for whatever reason within the first 6 months, a refund or waiver of mortgage insurance premiums will be given. However, the borrower is still required to bear the accrued interest, financed fees (if any) and the relevant fees in relation to the termination of the reverse mortgage loan.

## Monthly Payout Amount

In general, the higher the property value, the higher the monthly payout amount will be. The older the borrower and the shorter the payment term, the higher the monthly payout amount will be. If there is more than one borrower, the entry age of the youngest borrower will be used for calculation of the monthly payout amount.

**Table 1 – Maximum amount of specified property value for payout calculation**

Appraised property value <sup>®</sup>	Maximum amount of specified property value for payout calculation <sup>#</sup>
HK\$8 million or less	100% of appraised property value <sup>^</sup>
Over HK\$8 million to HK\$12 million	higher of 80% of appraised property value and HK\$8 million <sup>^</sup>
Over HK\$12 million to HK\$16 million	higher of 70% of appraised property value and HK\$9.6 million
Over HK\$16 million	higher of 60% of appraised property value and HK\$11.2 million (capped at HK\$15 million)

<sup>®</sup> For subsidised sale flats with unpaid land premium, the appraised property value is determined by the open market value minus the land premium amount.

<sup>#</sup> Determination of the maximum amount of specified property value is subject to the aggregate amount of appraised property value in case of more than one property as security under a reverse mortgage loan

<sup>^</sup> For any refinancing property with appraised property value at HK\$12 million or below, the maximum amount of the specified property value for payout calculation will be 80% of the appraised property value.

## Two Options of Mortgage Plans for Selection

### Floating-Rate Mortgage Plan

**Table 2 – Monthly payout amount (HK\$)  
(per \$1 million of specified property value)**

Entry age	60 years old			70 years old		
	One borrower	Two borrowers	Three borrowers	One borrower	Two borrowers	Three borrowers
10-year	\$3,700	\$3,300	\$3,000	\$5,100	\$4,600	\$4,200
15-year	\$2,800	\$2,500	\$2,250	\$3,800	\$3,500	\$3,200
20-year	\$2,400	\$2,100	\$1,900	\$3,300	\$3,000	\$2,700
Life	\$2,000	\$1,800	\$1,550	\$3,100	\$2,800	\$2,400

**Table 3 – Examples of calculation of monthly payout amount (HK\$)**

	Example 1	Example 2	Example 3
Borrower(s) and entry age	Person aged 70	Husband aged 70 and wife aged 60	Husband and wife both aged 70
Payment term	Life	10-year	20-year
Property value	\$2,500,000	\$6,000,000	\$28,000,000*
Monthly payout amount	\$3,100 x 2.5 = \$7,750	\$3,300 x 6 = \$19,800	\$3,000 x 15 = \$45,000

\* Maximum amount of the specified property value for payout calculation is capped at HK\$15 million.

### Fixed-Rate Mortgage Plan

Please enquire with the lender for the monthly and maximum lump-sum payout amounts under a fixed-rate mortgage plan. In general, a fixed-rate mortgage plan offers a **higher** amount in monthly payout and maximum lump-sum payout.

## Costs

- Interest** – to be charged on the outstanding loan amount on a compound basis.
- Mortgage Insurance Premium** – to be debited to the outstanding loan amount.
  - Upfront Mortgage Insurance Premium** is 1.96% of the specified property value, payable by 7 annual instalments starting from the 4<sup>th</sup> until the 10<sup>th</sup> anniversary. Each annual instalment is calculated at 0.28% of the specified property value under the reverse mortgage loan.
  - Monthly Mortgage Insurance Premium** is payable on a monthly basis at the annual rate of 1.25% of the outstanding loan amount.
- Counselling Fee**<sup>†</sup> – to be paid to the counsellor for counselling service.
- Legal Fees**<sup>†</sup> – to be paid to the solicitors for execution of mortgage documents and other relevant legal documents.

<sup>†</sup> Borrowers may choose to finance the fees in their reverse mortgage loans.

## General Application Flow

- Step 1 Pre-application** – Enquire with a bank which will explain details of the Reverse Mortgage Programme and conduct a preliminary eligibility assessment. Under any circumstance, there is no need to apply for a reverse mortgage loan through other intermediaries (except banks).
- Step 2 Counselling** – Make an appointment and meet with an eligible counsellor before making a formal application for a reverse mortgage loan. During the counselling session, the counsellor will explain the general features of a reverse mortgage loan, the major rights and obligations as well as legal consequences of taking out a reverse mortgage loan. The counsellor will issue a Counselling Certificate upon successful completion of counselling.
- Step 3 Formal application** – After obtaining the Counselling Certificate, a formal application can be submitted.
- Step 4 Execution of legal documents** – Once a formal application is approved, mortgage documents and other related legal documents will be executed.

## Enquiry

For details, please refer to the Reverse Mortgage Programme's Information Pack. Should there be any enquiries, please contact a bank, a counsellor or call the Reverse Mortgage Programme Hotline.

**Reverse Mortgage Programme Hotline: 2536 0136**  
**Website: www.hkmc.com.hk**

This programme is subject to relevant terms and conditions.

## Reverse Mortgage Brightens Up Your Retired Life

