WHAT IS A POLICY REVERSE MORTGAGE?

The Policy Reverse Mortgage Programme is operated by HKMC Insurance Limited (HKMCI), a wholly-owned subsidiary of The Hong Kong Mortgage Corporation Limited, for people who are aged 60 or above to apply for policy reverse mortgage loans.

Policy reverse mortgage is a loan arrangement. It enables you to use your life insurance policy as collateral to borrow from a lender. You will receive monthly payouts either over a fixed period of 10, 15 or 20 years or throughout your entire life (until the maturity of your life insurance policy), and you may also borrow lump-sum payouts for specific purposes when needed.

In general, you do not need to repay your policy reverse mortgage loan during your lifetime, unless your policy reverse mortgage loan is terminated under certain specified circumstances.

There is no limit on the number of policy reverse mortgage loans to be taken out by a borrower, but each loan can only have one life insurance policy as collateral. The aggregate amount of death benefits of all your life insurance policies assigned or to be assigned as collateral under the Programme is capped at HK$15 million. Otherwise, case-by-case approval will be required.

When your policy reverse mortgage loan is terminated, your lender will enforce your life insurance policy to recover the outstanding loan amount you owe. Any surplus after full repayment of the policy reverse mortgage loan will be passed to you (or your personal representatives). If there is any shortfall, you (or your inheritors) need not worry as the shortfall will be borne by HKMCI under an insurance arrangement between the lender and HKMCI.

AM I ELIGIBLE FOR A POLICY REVERSE MORTGAGE LOAN?

In general, you must:
• be aged 60 or above and a holder of a valid Hong Kong Identity Card
• not be an undischarged bankrupt or otherwise subject to bankruptcy petition or individual voluntary arrangement

In general, your life insurance policy must:
• be taken out by you as both the policyholder and the insured
• be issued by an authorized insurer in Hong Kong
• be denominated in Hong Kong Dollars or United States Dollars
• not be subject to any restrictions or deductions on the payment of death benefit by the life insurance company
• not be associated with any investment features (such as those products regulated by the Securities and Futures Commission Hong Kong under the Investment Linked Assurance Scheme)
• have the premium fully paid up
• be assignable and not contain any restriction on change of beneficiary

KEY PRODUCT FEATURES AND BENEFITS

1. **Flexible payment term** – You can choose to receive monthly payouts for either a fixed period of 10, 15 or 20 years or throughout your entire life (until the maturity of your life insurance policy).

2. **Lump-sum payout** – You may apply to borrow lump-sum payouts for specific purposes such as repayment of an outstanding policy loan on your life insurance policy, settlement of unpaid premium of your life insurance policy, repayment of your outstanding policy reverse mortgage loan, payment for home improvement, repairs and maintenance of your property in Hong Kong, medical expenses, fees payable to the relevant solicitors and medical practitioners in connection with the enduring power of attorney or the application for court order under Part II of the Mental Health Ordinance, purchase of interment right in columbarium and cemetery, as well as expenses for funeral services.

3. **Two options of interest rate plan** – Choice of floating or fixed interest rate which suits your financial needs. In general, a fixed rate plan offers higher payout amounts than a floating rate plan.

4. **No repayment during your lifetime** – You do not need to repay the outstanding loan amount you owe to your lender during your lifetime, unless the policy reverse mortgage loan is terminated under certain specified circumstances.

5. **No penalty for early full repayment** – You may fully repay the outstanding loan amount and redeem your life insurance policy at any time, and there is no penalty for such full repayment.

6. **Six-month cooling-off period** – If you terminate your policy reverse mortgage loan for whatever reason within the first 6 months, you will be given a refund and waiver of all mortgage insurance premiums. However, you still need to bear any accrued interest and financed fees in the outstanding loan amount and also the relevant legal fees relating to the termination of your policy reverse mortgage loan.

MONTHLY PAYOUT AMOUNT

The monthly payout amount of your policy reverse mortgage loan is solely determined by the HKMCI on a case-by-case basis, with reference to a number of factors including your age, gender, payment term and the death benefits of your life insurance policy at the time of loan application. In general, the older you are at the time of loan application and the shorter is the payment term, the higher will be the amount of the monthly payout. You may specify an amount lower than the death benefits of your life insurance policy (i.e. specified policy value) for the payout calculation.

In principle, the monthly payout amount will remain constant or increase over the payment term, depending on the annual review of the death benefits of your life insurance policy.
**Table: Examples of monthly payout amount (HK$)**

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<table>
<thead>
<tr>
<th>Age of borrower</th>
<th>65</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender of borrower</td>
<td>Male</td>
</tr>
<tr>
<td>Death benefits of life insurance policy</td>
<td>HK$2 million</td>
</tr>
</tbody>
</table>
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<table>
<thead>
<tr>
<th>Monthly payouts*</th>
<th>Payment term</th>
<th>10 years</th>
<th>15 years</th>
<th>20 years</th>
<th>Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>At floating rate</td>
<td></td>
<td>$4,393</td>
<td>$3,441</td>
<td>$3,036</td>
<td>$2,793</td>
</tr>
<tr>
<td>At fixed rate</td>
<td></td>
<td>$5,194</td>
<td>$3,998</td>
<td>$3,480</td>
<td>$3,157</td>
</tr>
</tbody>
</table>

*The above monthly payout amounts are based on a specific life insurance policy of a well-known insurance company and are for illustration purpose only. The actual monthly payout amount for individual life insurance policies may vary.

**COSTS**

1. **Interest** – to be charged on the outstanding loan amount on a compound basis.

2. **Mortgage insurance premium** – to be debited to the outstanding loan amount.

   (i) **Upfront Mortgage Insurance Premium** is 1% of the specified policy value, payable by 5 annual instalments starting from the 1st until the 5th anniversary. Each annual instalment is calculated at 0.2% of the specified policy value under the policy reverse mortgage loan.

   (ii) **Monthly Mortgage Insurance Premium** is payable on a monthly basis at the annual rate of 1% of the outstanding loan amount.

3. **Legal fees** – to be paid to the solicitors for the execution of the relevant legal documents.

4. **Other fees** – to be paid to the insurance company of the life insurance policy in connection with the assignment of the life insurance policy (if any).

You may choose to finance the above fees in your policy reverse mortgage loan.

**GENERAL APPLICATION FLOW**

**Step 1**

**Pre-assessment**

Please enquire at a bank direct which will provide you with details and conduct a preliminary eligibility assessment for you. You do not need to apply for a policy reverse mortgage loan through any intermediary (except banks).

**Step 2**

**Application**

After the completion of the preliminary assessment, you may make an application.

**Step 3**

**Execution of legal documents**

If your application is approved by the lender, you will be required to execute the relevant legal documents.

**ENQUIRY**

For further information, please refer to the Policy Reverse Mortgage Programme Information Pack. If you have any enquiries, please contact a bank or call the Policy Reverse Mortgage Programme Hotline for more information.

**Policy Reverse Mortgage Programme Hotline:** 2536 0136

**Website:** www.hkmc.com.hk

The programme is subject to relevant terms and conditions.