Press Release

Launch of the Reverse Mortgage Programme

The Hong Kong Mortgage Corporation Limited (HKMC) today (Monday) held a signing ceremony for its Reverse Mortgage Programme (RMP) which provides elderly people aged 60 or above with an additional financial planning option to enhance their quality of life.

A total of seven banks participated in the signing ceremony today as the first batch of pilot banks intending to offer reverse mortgage loans under the RMP. Wing Lung Bank, Bank of China (Hong Kong), Nanyang Commercial Bank, and Bank of East Asia will start receiving applications for the RMP product from today. Bank of Communications Hong Kong Branch, Standard Chartered Bank (Hong Kong) and Wing Hang Bank will be introducing the product very soon. The interest rate to be charged by banks on the loans will be the Hong Kong Prime Rate[1] minus 2.5% per annum.

At the signing ceremony, the Deputy Chairman of the HKMC and the Chief Executive of the Hong Kong Monetary Authority, Mr Norman T.L. Chan, said: "Reverse mortgage is a brand new loan product to serve the elderly people in Hong Kong. According to the projections of the Census and Statistics Department, the elderly dependency ratio in Hong Kong (i.e. the number of persons aged 65 or above relative to the number of persons aged between 15 and 64) will drop significantly from 1:5.6 to 1:2 thirty years later. This demonstrates the importance of the need for the elderly people to do financial planning. The HKMC will work with the banks and relevant elderly agencies to publicise the scheme and inform the elderly of this new choice that they will have. For those elderly persons who wish to make use of reverse mortgage, they should consult a

[1] The Hong Kong Prime Rate as announced by the HKMC from time to time

registered counsellor to understand the details of their rights and obligations so that they would be in a better position to make a considered decision."

In order to inform the public on the benefits and obligations associated with reverse mortgage loans, the HKMC has published a leaflet (Annex A) and a brochure with more details (Annex B), which will be available from participating banks, certain elderly services centres, and the HKMC website (www.hkmc.com.hk). The HKMC will also organise a series of public promotional activities, such as holding public seminars and broadcasting promotional videos, to introduce reverse mortgage to the elderly people.

Details of the RMP, including the product features and the list of registered counsellor, are available at the HKMC website (www.hkmc.com.hk). For public enquiries, please call the RMP hotline at 2536 0136.

The Hong Kong Mortgage Corporation Limited
11 July 2011



Photo caption: The Deputy Chairman of the Hong Kong Mortgage Corporation Limited and the Chief Executive of the Hong Kong Monetary Authority, Mr Norman T. L. Chan (fifth from left) took part in the Signing Ceremony for the Reverse Mortgage Programme with the representatives of seven banks

Table 2 - Calculation of monthly payout amount

	Example 1	Example 2	Example 3
Borrower(s) and entry age	Elderly person aged 70	Husband aged 70 and wife aged 60	Husband aged 70 and wife aged 70
Payment term	Life	10-year	20-year
Property value	$2,500,000	$6,000,000	$9,000,000*
Monthly payout amount (HK$)	$3,100 x 2.5 = **$7,750**	$3,300 x 6 = **$19,800**	$3,000 x 8 = **$24,000**

*There is an upper limit of HK$8 million on the property value. If the property value exceeds this upper limit, the monthly payout amount will be determined as if the property is valued at HK$8 million.

Costs

1. ***Interest*** - to be charged by your bank on the outstanding loan amount on compound basis.
2. ***Mortgage insurance premium***
   (i) Upfront Mortgage Insurance Premium is payable by 7 annual instalments starting from the 4th until the 10th anniversary. Each annual instalment is calculated at 0.28% of the property value.
   (ii) Monthly Mortgage Insurance Premium is payable on a monthly basis at the annual rate of 1.25% of the outstanding loan amount.
3. ***Counselling fee*** - to be paid to your counsellor for the counselling service.

General application flow

Step 1 ***Pre-application*** - Please enquire at a participating bank which will provide you with more details and conduct a preliminary eligibility assessment for you.

Step 2 ***Counselling*** - Before making a formal application for a reverse mortgage loan, you must first make an appointment with an eligible counsellor. The counsellor will explain to you the general features of a reverse mortgage, the major legal rights and obligations as well as the legal consequence of taking out a reverse mortgage loan. Your counsellor will issue a counselling certificate to you if you successfully completed the counselling session.

Step 3 ***Formal application*** - After obtaining the counselling certificate, you may approach any participating bank to make a formal application.

Step 4 ***Execution of legal documents*** - If your formal application is approved by the bank, you will be required to execute the mortgage documents.

Further assistance

If you have any enquiry, please contact any participating bank, your counsellor or the HKMC for more information.

Reverse Mortgage Programme Hotline : 2536 0136

HKMC Website : www.hkmc.com.hk

The programme is subject to relevant terms and conditions.

Reverse 安老 Mortgage 按揭



Reverse Mortgage Brightens Up Your Retired Life

香港按揭證券有限公司
The Hong Kong Mortgage Corporation Limited

July 2011

What is a REVERSE MORTGAGE?



The Reverse Mortgage Programme is launched by The Hong Kong Mortgage Corporation Limited (the ***HKMC***) to encourage banks to offer reverse mortgage to elderly people, just like you, who are aged 60 or above.

Reverse mortgage is a loan arrangement. It enables you to use your self-occupied residential property in Hong Kong as security to borrow from a bank. You will remain as the owner of your property and can continue to stay at your property for the rest of your life.

You will receive monthly payouts over a payment term of either a fixed period of 10, 15 or 20 years or your entire life, and you may also borrow lump-sum loan(s) for specific purposes when needed.

In general, you do not need to repay your reverse mortgage loan during your lifetime, unless you move out from your property permanently or the reverse mortgage loan is terminated due to other reasons.

When your reverse mortgage terminates, you (or your inheritors) have the preferential right to redeem your property by repaying to the bank in full the outstanding loan amount owed by you under the reverse mortgage. If you (or your inheritors) choose not to exercise such a right, the bank will sell your property to recover the outstanding loan amount you owe.

If the sale proceeds from your property exceed the outstanding loan amount owed by you, the bank will return the surplus to you (or your inheritors). However, if there is any shortfall, you (or your inheritors) need not worry as the shortfall will be borne by the HKMC under an insurance arrangement between the bank and the HKMC.

Am I eligible for a reverse mortgage loan?

You must :

- be the holder of a valid Hong Kong Identity Card and aged 60 or above
- not be an undischarged bankrupt or otherwise subject to bankruptcy petition or individual voluntary arrangement

Your property must :

- be held in your own name, or in the joint names with another borrower as joint tenants
- not exceed 50 years of age and must not be subject to any resale restrictions (Property exceeding 50 years of age will be considered only on a case-by-case basis)
- not be rented out and must be occupied by you as your principal residence in Hong Kong

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 your entire life according to your own needs.
2. ***Lump-sum loan*** - In addition to monthly payouts, you may also apply to borrow lump-sum loan(s) for specific purposes such as full repayment of an existing mortgage, payment for major repair and maintenance of your property and / or medical expenses.
3. ***Residing in your own home*** - After taking out a reverse mortgage loan, you are still entitled to continue to stay in your property for the rest of your life.
4. ***No repayment during your lifetime*** - You do not need to repay the outstanding loan balance you owe to your bank during your life, unless the 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 property at any time, and there is no penalty for such full repayment.
6. ***Six-month cancellation period*** - If you terminate the reverse mortgage loan for whatever reason within the first 6 months, you will be given a refund and waiver of all mortgage insurance premiums upon your request. However, you need to repay in full the outstanding loan balance and bear the relevant legal fee.

Monthly payout amount

In general, the older you are and the shorter the payment term, the higher the amount of the monthly payout. If there are two borrowers, the entry age of the younger borrower will be used for the calculation of the monthly payout amount.

Table 1 - Scale of monthly payout amount

For borrower(s) at the entry age of 60 and 70 (per HK$1 million of property value) :

Payment term \ Entry age	60 years old		70 years old	
	1 borrower	2 borrowers	1 borrower	2 borrowers
10-Year	$3,700	$3,300	$5,100	$4,600
15-Year	$2,800	$2,500	$3,800	$3,500
20-Year	$2,400	$2,100	$3,300	$3,000
Life	$2,000	$1,800	$3,100	$2,800

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Reverse Mortgage Programme Information Pack

Reverse Mortgage Brightens Up Your Retired Life

香港按揭證券有限公司
The Hong Kong Mortgage Corporation Limited

July 2011



Introduction

The Reverse Mortgage Programme is launched by The Hong Kong Mortgage Corporation Limited (the ***HKMC***) to encourage banks to offer reverse mortgage in Hong Kong.

The purpose of this Information Pack is to provide any elderly person, just like you, who is aged 60 or above and who may be interested in taking out a reverse mortgage loan, with a general understanding of reverse mortgage. However, the information contained in this Information Pack is not complete and you should not assume that you know everything you need to know about reverse mortgage simply after studying this Information Pack. You should obtain further detailed information about reverse mortgage for your specific case from banks and the HKMC if you wish to apply for a reverse mortgage loan.



What is a reverse mortgage?

Reverse mortgage is a loan arrangement. It enables you to use your self-occupied residential property in Hong Kong as security to borrow from a participating bank under the HKMC's Programme. Although you mortgage your property in favour of the bank, you remain as the owner of your property and can continue to stay at your property for the rest of your life[1].

You will receive monthly payouts over a payment term of either a fixed period of 10, 15 or 20 years or your entire life, and you may also borrow lump-sum loan(s) for specific purposes when needed.

In general, you do not need to repay your reverse mortgage loan during your lifetime, unless you move out from your property permanently or the reverse mortgage loan is terminated due to other reasons.

When your reverse mortgage terminates, you (or your inheritors) have the preferential right to redeem your property by repaying to the bank **in full** the outstanding loan amount owed by you under the reverse mortgage. If you (or your inheritors) choose not to exercise such a right, the bank will sell your property to recover the outstanding loan amount you owe.

If the sale proceeds from your property exceed the outstanding loan amount owed by you, the bank will return the surplus to you (or your inheritors) after paying off such outstanding loan amount **in full**. However, if there is any shortfall, you (or your inheritors) need not worry as the shortfall will be borne by the HKMC under an insurance arrangement between the bank and the HKMC.

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[1] You should however note that under certain specified circumstances, the bank has the right to terminate your reverse mortgage loan. If you are unable or otherwise choose not to repay the outstanding loan amount owed to the bank in full to redeem your property, the bank will take possession of and sell your property, in which case you can no longer stay in your property.

Am I eligible and how may I apply?

Am I eligible for a reverse mortgage loan?



To be eligible for a reverse mortgage loan, you must :

- be the holder of a valid Hong Kong Identity Card and aged 60 or above
- not be an undischarged bankrupt or otherwise subject to bankruptcy petition or individual voluntary arrangement

Your property, which is to be mortgaged to a participating bank, must :

- be held in your own name, or in the joint names with another person **as joint tenants**[2]
- not exceed 50 years of age[3] and must not be subject to any resale restrictions
- not be rented out and must be occupied by you as your principal residence in Hong Kong

How should I proceed if I am interested?

If you are interested in taking out a reverse mortgage loan, please enquire at a participating bank which will provide you with more details and conduct a preliminary eligibility assessment for you. Based on the information you provide, the bank will prepare an Information Sheet which contains your personal particulars, and Indicative Loan Schedules which show the estimates of monthly payouts, interest expenses and mortgage insurance premium under different payment terms based on your age and the value of your property.

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2 In this case, the other joint tenant must become a co-borrower under the same reverse mortgage, and must be able to satisfy the relevant eligibility criteria.

3 Property exceeding 50 years of age will be considered only on a case-by-case basis and subject to building inspection.

Please study the Information Sheet and the Indicative Loan Schedules carefully and go through them with your family and any persons whom you believe would assist you in making an appropriate decision for you. If you have any query, please contact the bank or call the **Reverse Mortgage Programme Hotline at 2536 0136**. It is important for you to fully understand the ramifications that a reverse mortgage has for you.

Before making a formal application for a reverse mortgage loan, you must first make an appointment with an eligible counsellor, who is a practising solicitor, for a face-to-face counselling session *(please see the section below on Counselling)*.

The purpose of counselling is to help you to better understand :

- the general features of a reverse mortgage
- your major legal rights and obligations under a reverse mortgage
- the legal consequence of taking out a reverse mortgage loan

Your counsellor will issue a counselling certificate to you if, in your counsellor's opinion, you successfully completed the counselling session. After obtaining the counselling certificate, if you would like to proceed further, you may approach any participating bank (which need not be the bank which prepares the Information Sheet and Indicative Loan Schedules for you) to make a formal application. However, if you believe that a reverse mortgage loan is not suitable for you, you should not apply.

If your formal application is approved by the bank, you will be required to execute the mortgage documents at the office of your bank's solicitors.

If there are any non-borrower occupants residing in your property or other persons having an interest in your property, they will be required to sign an undertaking before drawdown of the reverse mortgage loan to confirm their agreement to defer such interest to that of the bank and move out of your property in the event of enforcement of the reverse mortgage.

Key product features and benefits

Flexible payment term

You can choose to receive monthly payouts for a fixed period of 10, 15 or 20 years or for your entire life according to your own needs. You have the flexibility, at any time during your existing payment term, to apply to switch to another payment term.

Monthly payout amount

In general, the older you are and the shorter the payment term, the higher the amount of the monthly payout. If there are two borrowers, the scale of the monthly payout amount is lower than the scale for a single borrower, and the entry age of the younger borrower will be used for the calculation of the monthly payout amount. Table 1 below shows the scale of monthly payout amount (per HK$1 million of property value) under different payment terms for borrower(s) at the entry age of 60 and 70 respectively.

Table 1 - Scale of monthly payout amount (per HK$1 million of property value)

Payment term \ Entry age	60 years old		70 years old	
	1 borrower	2 borrowers	1 borrower	2 borrowers
10-Year	$3,700	$3,300	$5,100	$4,600
15-Year	$2,800	$2,500	$3,800	$3,500
20-Year	$2,400	$2,100	$3,300	$3,000
Life	$2,000	$1,800	$3,100	$2,800

The payment term you choose and the value of your property will affect the calculation of the monthly payout amount. Table 2 below illustrates the calculation of monthly payout amount for applications with different number of borrower(s), entry age, payment term and property value. Example 1 below shows a straightforward example of a single borrower;

whereas, under example 2 with two borrowers, the entry age of the younger wife is used for the calculation. Under example 3, the property value of HK$9 million is chosen to illustrate the requirement of an upper limit of HK$8 million on the property value *(please see footnote 4 below for details)*.

Table 2 - Calculation of monthly payout amount

	Example 1	Example 2	Example 3
Borrower(s) and entry age	Elderly person aged 70	Husband aged 70 and Wife aged 60	Husband aged 70 and Wife aged 70
Payment term	Life	10-year	20-year
Property value	HK$2,500,000	HK$6,000,000	HK$9,000,000[4]
Monthly payout amount (HK$)	HK$3,100 x 2.5 = HK**$7,750**	HK$3,300 x 6 = HK**$19,800**	HK$3,000 x 8 = HK**$24,000**

Lump-sum loan

In addition to monthly payouts, you may apply to borrow lump-sum loan(s) at the time of initial loan application and / or at any time during the payment term you choose for the following purposes[5] :

- full repayment of the existing mortgage on your property (applicable only at the time of initial loan application)
- payment for major repair and maintenance of your property
- payment for medical expenses (treatment outside Hong Kong is acceptable)

You can contact your bank for the maximum amount of lump-sum loan that you can borrow, from time to time, under your reverse mortgage loan. The maximum amount of lump-sum loan is determined at the time of initial loan application and such amount decreases over the payment term.

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[4] There is an upper limit of HK$8 million on the property value. If the property value exceeds this upper limit, the monthly payout amount will be determined as if the property is valued at HK$8 million.

[5] Supporting documents are required for each lump-sum loan application. Other purposes not listed above may be considered on a case-by-case basis.

The minimum amount for each lump-sum loan that you can borrow is the higher of HK$100,000 or 30% of the maximum amount of the lump-sum loan available at the time of each application. Each time you borrow a lump-sum loan, the amount of subsequent monthly payouts will be reduced.

Residing in your own home

After taking out a reverse mortgage loan, you are still entitled to continue to stay in your property for the rest of your life . However, if you move out of your property permanently (in other words, you do not treat your property as your principal residence in Hong Kong), the bank will have the right to terminate your reverse mortgage loan. If you are unable or otherwise choose not to repay the outstanding loan amount owed by you to the bank in full, your bank will take possession of and sell your property to recover the outstanding loan amount you owe.

No repayment during your lifetime

One important feature of a reverse mortgage loan is that you do not need to repay the outstanding loan amount you owe to your bank during your life, unless the reverse mortgage loan is terminated under certain specified circumstances.

No penalty for early full repayment

You may fully repay the outstanding loan amount and redeem your property at any time you wish, such as when you want to sell your property, and there is no penalty for such full repayment. However, you may not repay only a part of the outstanding loan amount.

Six-month cancellation period

If you wish to terminate the reverse mortgage loan for whatever reason, provided that you notify your bank within the first 6 months and repay in full the outstanding loan amount on the proposed repayment date, you will be given a refund and waiver of all mortgage insurance premiums upon your request. However, you need to bear the legal fee for the release and discharge of the reverse mortgage.

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[6] See footnote 1.

COSTS

Interest expense

Reverse mortgage is a loan arrangement and interest is charged by your bank on the outstanding loan amount (including interest) **on compound basis**. Please refer to the Indicative Loan Schedules to see how interest builds up over time.

Mortgage insurance premium

Under the insurance arrangement between your bank and the HKMC, the bank pays mortgage insurance premiums to the HKMC for mortgage insurance cover and in turn seeks reimbursement from you. The mortgage insurance premium is divided into 2 parts and the amount payable by you will be debited to the outstanding loan amount :

- Upfront Mortgage Insurance Premium is payable by 7 annual instalments starting from the 4th until the 10th anniversary. Each annual instalment is calculated at 0.28% of the property value.
- Monthly Mortgage Insurance Premium is payable on a monthly basis at the annual rate of 1.25% of the outstanding loan amount.

Please refer to the Indicative Loan Schedules to get an idea of the amount of mortgage insurance premium payable by you.

Counselling fee

You need to pay a counselling fee to your counsellor for the counselling service. If you decide to take out a reverse mortgage loan, you may choose to finance such counselling fee by the reverse mortgage loan.

Handling fee

A handling fee of HK$1,000 will be charged for each successful application for change of payment term or request for a lump-sum loan. Such handling fee will be debited to the outstanding loan amount.

Other fees and expenses

You will be responsible for the legal fee, just like conventional mortgage, for execution of the mortgage documents. Where a building inspection report is required (if your property age exceeds 50 years), you will also need to bear that cost.

Counselling

Finding your own counsellor

Counsellors are practising solicitors and they are independent from the participating banks. The role of the counsellor is to explain to you the general features of a reverse mortgage, the major legal rights and obligations as well as the legal consequence of taking out a reverse mortgage loan.

The Hong Kong Law Society maintains a list of the solicitors who are eligible for providing counselling service. You may contact these eligible counsellors to find out the counselling fee chargeable for provision of counselling service.

Getting prepared for your counselling session

Once you have identified a suitable counsellor for yourself, you may need to provide your counsellor with preliminary information about yourself and your property before actually scheduling for the counselling session.

If you only speak or understand a particular language / dialect or suffer from any physical disability, you should speak to your counsellor before the counselling session to see if any special arrangement needs to be made. Your counsellor may charge additional fee for any such special arrangement.

Please bring along this Information Pack, the Information Sheet and the Indicative Loan Schedules with you when you attend the counselling session.

Attending the counselling session

You are encouraged to bring along your spouse, your children, other next of kin, any person who may be affected by your decision to obtain a reverse mortgage loan, to the counselling session.

During the counselling session, your counsellor will go through a list of questions / statements with you to help you better understand the major

features of a reverse mortgage which may significantly affect your rights and obligations or those of your spouse, any other occupants residing with you in the property and your inheritors, and highlight to you matters which you must consider carefully before proceeding further with the reverse mortgage loan application.

After the counselling session

Your counsellor will ask you to sign on the list of questions / statements which he or she has explained to you, and you should sign only if you understand what you have been explained. If considered appropriate, you will be issued a counselling certificate on the same day as your counselling session evidencing the successful completion of counselling.

After obtaining the counselling certificate, you may then proceed to make a formal application of reverse mortgage loan with any participating bank within six months after issuance of the counselling certificate.

Further Assistance

If you have any enquiry, please contact any participating bank, your counsellor or the HKMC.

The HKMC maintains a hotline for public enquiries and its website also contains details of Reverse Mortgage Programme.

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

The programme is subject to relevant terms and conditions.