Press Release

Reverse Mortgage Pilot Scheme

The Hong Kong Mortgage Corporation Limited (HKMC) announced today (Thursday) certain enhancements to the Reverse Mortgage Pilot Scheme being developed by the Corporation. These enhancements are outlined below:

i. A single borrower applying for reverse mortgage will receive a higher monthly annuity than two joint borrowers (around HK$200 to HK$500 more a month per HK$1 million of property value). Details are in Annex A.

ii. Borrowers can make a lump-sum withdrawal of their annuity to meet certain specific expenditures, with consequential downward adjustment to the monthly annuity level. Details are in Annex B.

iii. A six-month rescission period is provided. If a borrower terminates and repays the reverse mortgage within the rescission period, the insurance premium will be waived.

iv. The fees and charges associated with reverse mortgage application, e.g. for pre-sale counselling and property valuation, will be reduced where possible.

Mr Peter Pang, Executive Director of the HKMC, said, "Given the ageing population, post-retirement financial planning is becoming more important. The Reverse Mortgage Pilot Scheme can provide one more alternative for the elderly to opt to receive a steady cash flow to improve their quality of life while staying

in their own homes during their life time. We will proactively discuss with banks to finalise the details and launch the scheme in mid-2011."

More details of the scheme are set out at Annex C.

The Hong Kong Mortgage Corporation Limited
24 February 2011

Annex A

Annuity Levels

For every HK$ 1 million of the property value, the monthly annuity payment levels for borrowers with entry age at 60 or 70 are as follows:

Term of Annuity Payment	Amount of Monthly Annuity Payment (HK$)			
	Singleton		Two Persons	
	60 years old	70 years old	60 years old	70 years old
10 years	3,700	5,100	3,300	4,600
15 years	2,800	3,800	2,500	3,500
20 years	2,400	3,300	2,100	3,000
Life annuity	2,000	3,100	1,800	2,800

Example:

Suppose a 70-year-old couple have a property of HK$2.5 million and they choose a life-annuity plan, they will receive a monthly annuity payment of HK$7,000. If the applicant is a 70-year-old singleton, he will receive a monthly annuity payment of HK$7,750.

Annex B

Details of Lump-Sum Loan

Purposes of the loan

1. To fully repay the existing mortgage of the property*
2. To pay medical expenses
3. To pay for major property repairs

Loan limit

Maximum loan amount: 50% of the residual actuarial value of the reverse mortgage

Minimum loan amount: 15% of the residual actuarial value of the reverse mortgage or HK$100,000, whichever is higher

If the residual actuarial value of the reverse mortgage is HK$1 million, the borrower can draw a lump-sum loan of up to HK$500,000 and not less than HK$150,000.

** The borrower draws a lump-sum loan to fully repay his existing mortgage, in order to take part in the reverse mortgage, and receives a lower amount of monthly annuity.*

Annex C

Key Product Features

Eligible borrower(s)	Aged 60 or above with self-occupied residential properties
Maximum number of co-borrowers	2 persons (can be spouses, siblings or unrelated parties) The annuity payment will depend on the age of the younger borrower when there are 2 borrowers.
Property status	All owners (as joint tenants) of the subject property must join in as mortgagors and borrowers under the reverse mortgage while all borrowers under the reverse mortgage must be the owners of the subject property.
Maximum property value for calculation of the loan amount	HK$ 8 million (For properties of over HK$ 8 million at origination, the relevant reverse mortgage loan will be calculated same as that for a property of HK$8 million.)
Property age at loan origination	50 years (Properties of over 50 years will be considered on a case-by-case basis.)
Pre-sale counselling	Borrowers must take part in the pre-sale counselling.
Rescission period	6 months (If the borrower terminates the reverse mortgage during the rescission period, he can be exempted from the insurance premium when he repays the loan.)