Press Release

Enhancements to the Reverse Mortgage Programme

The Hong Kong Mortgage Corporation Limited (HKMC) today (Thursday) announced the introduction of three enhancements to the Reverse Mortgage Programme (RMP) to better meet the social needs. The enhancements are introduced having regard to suggestions from the public and will be implemented before the end of 2012 to offer greater flexibility and benefits to the users of the RMP. The enhancements are as follows:

(a) **increasing the maximum specified property value for payout calculation from HK$8 million to HK$15 million** so that borrowers with properties over HK$8 million can receive more payout (please refer to Annex A for details). For properties above HK$8 million, a discount of the property value would be applied to manage the risk of property price fluctuation;

(b) **lowering the minimum age of borrowers from 60 to 55** (please refer to Annexes B and C for the relevant monthly payout tables) in response to requests from potential applicants below the age of 60, e.g. early retirees and couples with one spouse younger than 60. The lower entry age of 55 has made reference to some reverse mortgage schemes overseas, e.g. in Canada and the UK; and

(c) **increasing the maximum lump-sum payout amount from 50% of the actuarial value of the reverse mortgage to 90%** while retaining the existing requirement on the minimum lump-sum payout amount and the specific purposes for lump-sum payout, i.e. full repayment of the existing mortgage on the underlying property,

major property repairs and maintenance, and medical expenses. For borrowers drawing a larger lump sum, there will be correspondingly a lowering of the monthly payout amount. If the borrowers withdraw the maximum amount of lump-sum payout, they will not receive any monthly payouts but they will be entitled to live in their property for the rest of their life. This enhancement is helpful to those looking for a larger lump-sum payout to meet immediate needs.

Mr Peter Pang, Executive Director of the HKMC and Deputy Chief Executive of the Hong Kong Monetary Authority, said, "We are pleased that the RMP has been well received by the public since its inception in July 2011. With the introduction of the new enhancements later this year, the RMP will better serve the needs of the elderly and allow more elderly people to enjoy the benefits of reverse mortgage and better financial planning."

The above enhanced features are also available to existing borrowers under the RMP. For enquiries, please call the Reverse Mortgage Programme Hotline: 2536 0136.

The Hong Kong Mortgage Corporation Limited
20 September 2012

Annex A

Maximum Specified Property Value for Payout Calculation

Appraised Property Value	Maximum Specified Property Value for Payout Calculation
≤ HK$8 million	100% of appraised property value (maximum HK$8 million)
> HK$8 million to ≤ HK$12 million	80% of appraised property value (HK$8 million – HK$9.6 million)
> HK$12 million to ≤ HK$16 million	70% of appraised property value (HK$9.6 million – HK$11.2 million)
> HK$16 million	60% of appraised property value (HK$11.2 million – HK$15 million*)

* For any property valued at HK$25 million or above, the maximum specified property value for payout calculation will be capped at HK$15 million.

Example 1:

Under the new arrangement, a 70-year-old single borrower with a HK$15 million property (maximum specified property value = HK$10.5 million) will receive a monthly payout up to HK$32,550 for a life-payment term, 31.25% up from HK$24,800 under the existing arrangement.

Example 2:

Under the new arrangement, a couple both aged 70 with a HK$28 million property (maximum specified property value = HK$15 million) will receive a monthly payout up to HK$69,000 for a 10-year payment term, 87.5% up from HK$36,800 under the existing arrangement.

Annex B

Table of Monthly Payout for Borrowers Aged 55 and 60

Payment Term	Monthly Payout Per HK$1 Million Specified Property Value			
	One Borrower		Two Borrowers	
	55 years old	60 years old	55 years old	60 years old
10 years	$3,200	$3,700	$2,800	$3,300
15 years	$2,400	$2,800	$2,150	$2,500
20 years	$2,050	$2,400	$1,800	$2,100
Life	$1,650	$2,000	$1,450	$1,800

Example 1:

A 55-year-old single borrower with a HK$4 million property* will receive a monthly payout of HK$6,600 for a life payment term

Example 2:

A couple both aged 55 with a HK$4 million* property will receive a monthly payout of HK$7,200 for a 20-year payment term

* HK$4 million is close to the average property price for Reverse Mortgage cases.

Annex C

Monthly Payouts for Borrowers Aged 55 with Different Property Values

Payment Term	10 Years		15 Years		20 Years		Life	
Specified Property Value (HK$)	One Borrower	Two Borrowers	One Borrower	Two Borrowers	One Borrower	Two Borrowers	One Borrower	Two Borrowers
$4 million	$12,800	$11,200	$9,600	$8,600	$8,200	$7,200	$6,600	$5,800
$8 million	$25,600	$22,400	$19,200	$17,200	$16,400	$14,400	$13,200	$11,600
$9.6 million	$30,720	$26,880	$23,040	$20,640	$19,680	$17,280	$15,840	$13,920
$11.2 million	$35,840	$31,360	$26,880	$24,080	$22,960	$20,160	$18,840	$16,240
$15 million	$48,000	$42,000	$36,000	$32,250	$30,750	$27,000	$24,750	$21,750