

## REVERSE MORTGAGE PROGRAMME

### IMPORTANT NOTICE

**Please read this notice carefully before you proceed with your application for a reverse mortgage loan. This notice only provides additional information about a reverse mortgage loan, and should be read together with the Information Pack and other materials relating to the Reverse Mortgage Programme operated by HKMC Insurance Limited (HKMCI).**

**If you have any questions or require any further information regarding the reverse mortgage loan, please consult an institution which is participating in the Reverse Mortgage Programme as a lender or referrer (participating institution) and seek independent legal and financial advice as necessary.**

Before you proceed with counselling, we would like to highlight some important features of the Reverse Mortgage Programme for your consideration. If necessary, you should enquire with the participating institution for further information before engaging your counsellor. The list of participating institutions is available on the website of The Hong Kong Mortgage Corporation Limited (HKMC).

### **BEFORE DRAWDOWN OF REVERSE MORTGAGE LOAN**

#### Age requirement

In general, you can apply for a reverse mortgage loan when you are aged 55 or above. If you would use your subsidised sale flat with unpaid land premium under a housing scheme operated by the Hong Kong Housing Authority or the Hong Kong Housing Society as security for your reverse mortgage loan, you should be aged 60 or above according to the specific age requirement as prescribed by such body<sup>1</sup>.

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<sup>1</sup> Where the application involves a lump-sum payout to be drawn for premium payment for a subsidised sale flat on drawdown date, the applicable minimum age requirement is 55 years old.

### Initial costs

Before you submit your formal application for a reverse mortgage loan, you will incur cost for the required counselling service. In addition, if a property purported to be offered as security is over 50 years of age, you may need to obtain at your own cost a building inspection report at formal application stage.

To avoid incurring any unnecessary costs and expenditures, you should approach your selected participating institution for further information before taking any action relating to your application for a reverse mortgage loan, such as changing the title of the property.

### Ownership of property

Any property to be offered as security under your reverse mortgage loan must be owned by (a) you as sole and beneficial owner or as joint tenants (if there is more than one borrower); or (b) a Hong Kong private limited company wholly and directly owned by you or all of you (if there is more than one borrower). Joint application for a reverse mortgage loan by up to 3 borrowers is allowed.

If the property offered as security for your reverse mortgage loan is acquired at an undervalue (e.g. it may be acquired by a deed of gift for no consideration or for a consideration which is significantly less than the market value) within 5 years before the date of drawdown of the reverse mortgage loan you intend to apply for, your application will be considered by the HKMCI on a case-by-case basis. In order for your application to be eligible for initial assessment, at least one of the owners of the property must be the same before and after acquisition of the property. The amount of monthly and lump-sum payouts to be approved under your reverse mortgage loan may be reduced (as compared to the standard levels under the Reverse Mortgage Programme) for the first 5 years from the date of the relevant legal instrument through which the property was acquired. You should also be mindful of these issues if you wish to change ownership of any property for the purpose of a reverse mortgage loan.

### Undertaking by other occupant(s) of the property and / or any other person(s) who may have an interest in the property.

If there is any person (other than the property owner) residing in the property or

any other person who may have an interest in the property, your lender will ask such person(s) to sign an undertaking to agree to move out of the property in the event of the disposal of the property upon enforcement of the reverse mortgage, and to disclaim / postpone their interests in the property to that of your lender under the reverse mortgage.

### The lender who grants you the reverse mortgage loan

The participating institution which you approach for making the pre-application and/or formal application for a reverse mortgage loan acts as either the lender or the referrer. You may enquire with the relevant participating institution if it is acting as the lender or the referrer in respect of your application for a reverse mortgage loan.

In the case that the participating institution acts as the referrer, the lender who grants you the reverse mortgage loan will be HKMC Mortgage Management Limited, which is a wholly-owned subsidiary of the HKMC. For enquiries, comments or complaints, you may contact the participating institution.

The borrower is required to complete a health questionnaire conducted by the HKMCI before closing. The result of the health questionnaire does not have a bearing on the approval terms of a reverse mortgage loan (e.g. monthly payouts, interest rate and insurance premium). However, the borrower must answer all the questions in the health questionnaire before drawdown of the reverse mortgage loan.

## **MONTHLY AND LUMP-SUM PAYOUTS**

### Effect on monthly payout after borrowing a lump-sum payout

The amount of monthly payout is determined by reference to a number of factors, including the amount of lump-sum payout you borrow. Generally, the higher the amount of lump-sum payout, the lower will be the subsequent amount of the monthly payout. If at any time you borrow a lump-sum payout up to the maximum amount available to you, you will not be entitled to any further monthly payout even if the payment term of your reverse mortgage loan has not

yet expired. You should carefully consider your financial needs before borrowing any lump-sum payout.

#### Lump-sum payout to repay the existing mortgage

You may borrow lump-sum payout to refinance an existing reverse mortgage or fully repay the outstanding balance of loans (including revolving credit facility or loan arrangement) currently secured by the existing mortgage of your property, which is to be offered as security at the time of reverse mortgage loan application. However, if you have borrowed any further advance under the existing mortgage of your property within 12 months before the date of your reverse mortgage loan application, the original principal loan amount of such further advance will be deducted from the outstanding loan balance of your existing mortgage for determining the maximum amount of your lump-sum payout. This requirement is not applicable to revolving credit facilities. You should approach your selected participating institution for details of the calculation of the relevant payouts.

For the avoidance of doubt, save for refinancing an existing reverse mortgage, lump-sum payout for repayment of outstanding mortgage loan is not applicable to property owned by a limited company.

#### Lump-sum payout for repayment of personal loans or indebtedness

You may borrow lump sum payout for repayment of your loans (including revolving credit facilities or credit card balances) which are originated by an authorized institution carrying on banking business under the Banking Ordinance, an authorized insurer carrying on insurance business under the Insurance Ordinance, or a licensed money lender under the Money Lenders Ordinance. The relevant loans must be made at least 12 months before the application date of lump-sum payout. However, this requirement is not applicable to revolving credit facilities or credit card balances.

In addition, you may borrow lump-sum payout for full repayment of indebtedness under an individual voluntary arrangement at the time of your reverse mortgage loan application.

#### Lump-sum payout for columbarium, cemetery and funeral services

If you wish to borrow lump-sum payout for the purchase of interment right in columbarium, cemetery and/or for the expenses of funeral services, such request may be considered on a case-by-case basis. Please note that any of such purchase or services shall be for yourself and/or your spouse only and the HKMCI does not endorse the legality of the relevant columbarium and cemetery.

## **AFTER DRAWDOWN OF REVERSE MORTGAGE LOAN**

### **Property Owner's ongoing obligations**

Reverse mortgage is a loan arrangement. After taking out a reverse mortgage loan, the **property owner** will continue to be responsible for all the ongoing expenses relating to the property, such as management fees, government rents, rates and maintenance costs. The property or any part of it must not be rented out unless with your lender's written approval. A declaration will also be required on an annual basis to confirm, among other things, that there is no subsisting lease or tenancy in relation to the property (other than any lease or tenancy approved by your lender).

### **Redemption of property and partial prepayment**

In general, you are not allowed to prepay only part of your reverse mortgage loan before it becomes due and payable. However, if there is more than one property mortgage under your reverse mortgage loan, you may apply to your lender for the redemption of the property at any time by **partial prepayment** of your reverse mortgage loan. The appraised property value and specified property value of the property which remain subject to the reverse mortgage, as well as the amounts of any subsequent monthly and lump-sum payouts may be adjusted. The required amount of prepayment and the adjustment in such property values and payout amounts will be assessed and determined by the HKMCI on a **case-by-case** basis. For the avoidance of doubt, you will be responsible for the relevant fees charged by your lender and solicitors in connection with such property redemption.

## Suspension Events

If any of the property owners' ongoing obligations in relation to the property or the reverse mortgage is not performed, or you breach any loan documents you have entered into with your lender under your reverse mortgage loan (each a Suspension Event), your lender will have the right to suspend payment of any subsequent monthly and lump-sum payouts to you if the relevant Suspension Event which is capable of being remedied is not remedied within 3 months. If more than one property has been mortgaged as security under your reverse mortgage loan, any Suspension Event in relation to any of these properties will be treated as a Suspension Event for the whole of your reverse mortgage loan. Please refer to Annex I for a full list of the Suspension Events.

## Maturity Events

In most cases, a reverse mortgage loan becomes due and payable when you pass away, or when all of you pass away if you borrow a reverse mortgage loan together with other borrower(s). However, there are other circumstances under which your reverse mortgage loan may become due and payable. For example, if a Suspension Event which is capable of being remedied has occurred and is not remedied within **6 months**, your lender is entitled to terminate your reverse mortgage loan. Furthermore, the occurrence of certain events outside your control may also result in your reverse mortgage loan becoming due and payable. These events include:

- the resumption of the property by the Government or any competent authority such as the Urban Renewal Authority;
- the collapse of the property or the building in which the property is located (or a substantial part thereof), or where the property is certified to be no longer capable of being safely used;
- the completion of the sale of the property by operation of law (e.g. a sale under the Land (Compulsory Sale for Redevelopment) Ordinance); and
- the termination and non-renewal of the relevant Government Lease.

Under any of the above circumstances (each a **Maturity Event**), your lender has the right to stop paying you monthly and lump-sum payouts and to demand repayment of the outstanding loan amount of your reverse mortgage loan **in full**. Such outstanding amount may exceed the specified property value used for calculation of the amount of monthly and lump-sum payouts.

You (or your personal representative) will have the preferential right to redeem the property by repaying the outstanding loan amount in full. If repayment of the outstanding loan amount is not made in full (in general, 9 months in the case of death of the borrower or 3 months for other Maturity Events), your lender is entitled to enforce the reverse mortgage and dispose of the property. If there is more than one property mortgaged as security under your reverse mortgage loan, your lender will determine at full discretion the priority of enforcement among the properties for the repayment of your reverse mortgage loan. If the property is resumed or sold by operation of law, has collapsed, is certified to be no longer capable of being safely used, or its relevant Government Lease is not renewed, any compensation, sale proceeds or insurance claim which may become payable in respect of the property will be used to repay the outstanding loan amount. Under these circumstances, all occupants of the property will need to move out. If more than one property has been mortgaged as security under your reverse mortgage loan, any Maturity Event in relation to any one of the properties will be treated as a Maturity Event for the whole of your reverse mortgage loan. Please refer to Annex II for a full list of the Maturity Events.

When enforcing the reverse mortgage, your lender will dispose of the property in accordance with market practice (including the engagement of an independent qualified valuer to determine the fair market value of the property for reference) and pass any surplus to the property owner (or his personal representative). Any shortfall between the sale proceeds from the property and the outstanding loan amount will be borne by the HKMCI under an insurance arrangement between your lender and the HKMCI.

## **FINANCIAL CRIME COMPLIANCE MEASURES**

Participating institutions are required to comply with all laws, regulations, policies and guidelines targeting financial crimes including laws aimed at, among other things, detecting and preventing corruption, fraud, tax evasion, money-laundering, terrorist financing, provision of financial and other services to persons who are subject to sanctions and others (**financial crime compliance measures**). Accordingly, participating institutions are required to use the personal data which you provide to screen your application and if you obtain the reverse mortgage loan, the lender will continually monitor your reverse

mortgage loan. All rights and obligations under the reverse mortgage loan are subject to the financial crime compliance measures.

Where required by any regulator or law enforcement agency under any applicable financial crime compliance measures or in accordance with such measures, lenders may refuse to process any instruction from you, block any payment, demand repayment of the reverse mortgage loan, terminate the relationship with you or take other steps as detailed in the facility letter setting out the terms of the reverse mortgage loan (Facility Letter). If carried out, these steps may have the effect of a Suspension Event, Maturity Event or other effects as set out in the Facility Letter. The participating institutions bear no responsibility or liability to you or any third party for any loss which may be incurred or resulted in connection with the compliance with any financial crime compliance measure.

## **TRANSFER/DISCLOSURE OF PERSONAL DATA**

### Personal data

Personal data will be collected according to the purposes as set out in the Personal Information Collection Statement in relation to the Reverse Mortgage Programme. If you would use your subsidised sale flat with unpaid land premium as security for your reverse mortgage loan, your lender and the HKMCI may pass your personal data and property information (including information relating to the land register of the property) to the relevant authority for ensuring compliance with the applicable scheme rules, laws and regulations. In this regard, you will be required to provide authorisation in written to allow disclose of such information by sending you an “Authorisation to Provide and Release Information” Form for signature. Failure to return the signed form may result in not being able to process your application for a reverse mortgage loan<sup>2</sup>.

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<sup>2</sup> “Authorisation to Provide and Release Information” Form is not applicable where the application involves a lump-sum payout to be drawn for premium payment for a subsidised sale flat on the drawdown date.

**Suspension Events**

A **Suspension Event** happens when:

- (a) the property owner breaches the relevant Government Lease or Deed of Mutual Covenant;
- (b) the property owner fails to fully and punctually pay the management fees, rates or government rent etc.;
- (c) the property owner fails to maintain valid and adequate insurance against fire risks and other serious damage affecting the property;
- (d) the property owner fails to keep the property in good repair and condition;
- (e) the property owner fails to comply with any laws, rules or regulations in relation to the property;
- (f) the property owner fails to comply with any order or notice issued by any governmental authority or building manager in respect of the property;
- (g) an annual declaration containing certain confirmation relating to the property is not provided to the lender duly completed and signed;
- (h) the property owner creates any charge or other interest in the property in favour of any person (other than the lender under the relevant reverse mortgage deed), unless the lender otherwise agrees in writing;
- (i) the property owner does or omits to do anything which has a detrimental effect upon the value of the property, or which is prejudicial to the security created under the relevant reverse mortgage deed;
- (j) you breach any of the obligations under the relevant facility letter or provide any incorrect or misleading information to the lender in connection with the reverse mortgage loan; or
- (k) the property owner breaches any of the terms and conditions of the relevant reverse mortgage, or provides any incorrect or misleading information to the lender in connection with the mortgaged property.

Remark: If more than one property has been mortgaged as security under your reverse mortgage loan, any Suspension Event in relation to any one of the properties will be treated as a Suspension Event for the whole of your reverse mortgage loan.

**Maturity Events**

A **Maturity Event** happens when:

- (a) the property is subject to any subsisting tenancy without the lender's written approval;
- (b) you have passed away, or all of you have passed away if you borrow a reverse mortgage loan together with other person(s);
- (c) you, or any one of you (if you borrow a reverse mortgage loan together with other borrower(s)), is/are adjudged bankrupt or become(s) the subject of an individual voluntary arrangement;
- (d) a Suspension Event which is capable of being remedied has happened and is not remedied within 6 months from the date of its occurrence;
- (e) a Suspension Event which is not capable of being remedied has happened;
- (f) the property is resumed by the Hong Kong Government or any other competent authority;
- (g) the Government Lease in respect of the property has been terminated;
- (h) a qualified person has advised in writing that the property can no longer be safely used;
- (i) the property or the building in which the property is located has collapsed or substantially collapsed;
- (j) the property owner is being forced to sell the property by law and completion has taken place;
- (k) if you own the property and there is more than one of you, your joint tenancy ownership in the property has been severed;
- (l) the property owner has voluntarily delivered vacant possession of the property, or a notice is received by the lender from the property owner terminating the reverse mortgage;
- (m) if the property is owned by a limited company wholly and directly held by you, the company ceases to be wholly and directly held by you (or if there is more than one of you, all of you);
- (n) if the property is owned by a limited company wholly and directly held

by you, a receiver or similar officer is appointed over any part of the business or assets of the company; or

- (o) if the property is owned by a limited company wholly and directly held by you, an order is made, or a resolution is passed, for the winding-up, administration or dissolution of the company.

Remark: If more than one property has been mortgaged as security under your reverse mortgage loan, any Maturity Event in relation to any one of the properties will be treated as a Maturity Event for the whole of your reverse mortgage loan.