

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



投資者及理財教育獎  
Investor and Financial  
Education Award 2022

## Purpose

This Information Pack aims to provide interested parties with a general understanding of the Reverse Mortgage Programme. The information contained in this Information Pack is not comprehensive. Any person interested in applying for a reverse mortgage loan should obtain further details from an institution which is participating in the Reverse Mortgage Programme as a lender or referrer (participating institution).



## Reverse Mortgage Programme

**The Reverse Mortgage Programme is operated by HKMC Insurance Limited (HKMCI), a wholly-owned subsidiary of The Hong Kong Mortgage Corporation Limited (HKMC), which enables people aged 55 or above to use their residential properties in Hong Kong as security to obtain reverse mortgage loans from lenders. Although the property has been mortgaged in favour of the lender, the borrower remains as the owner of the property and is entitled to stay in the property for the rest of his life<sup>1</sup>.**

Under a reverse mortgage loan, the borrower can opt to receive monthly payouts either over a fixed period of 10, 15 or 20 years or throughout his entire life, and may also borrow lump-sum payouts for specific purposes when needed.

In general, the borrower does not need to repay the reverse mortgage loan during his lifetime, unless the loan is terminated under specific circumstances.

When a reverse mortgage loan is terminated, the property owner (or his personal representative) will have the preferential right to redeem the mortgaged property by repaying in full the outstanding loan amount, otherwise the lender will dispose of the mortgaged property to repay the outstanding loan amount. If there is any shortfall, it will be borne by the HKMCI under an insurance arrangement between the lender and the HKMCI. Any surplus will be passed to the property owner (or his personal representative).

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<sup>1</sup> The lender has the right to terminate a reverse mortgage loan under specific circumstances. If the reverse mortgage loan is terminated and the outstanding loan amount is not repaid in full, the lender is entitled to take possession of and dispose of the property, in which case all occupants of the property will need to move out. Please refer to the Important Notice for further information.



## Application Eligibilities and Application Flow

### What are the Eligibilities for Applying a Reverse Mortgage Loan?

**Joint application for a reverse mortgage loan by up to three borrowers is allowed<sup>2</sup>. The borrower must:**

- be aged 55 or above (or aged 60 or above for owners of subsidised sale flats with unpaid land premium) and a holder of a valid Hong Kong identity card; and
- not be an undischarged bankrupt or otherwise subject to bankruptcy petition or individual voluntary arrangement (except if the indebtedness under the relevant individual voluntary arrangement is to be repaid in full at closing by way of lump-sum payout).

**In general, the property offered as security for a reverse mortgage loan must:**

- be a residential property in Hong Kong (property acquired by deed of gift may be considered);
- be owned by:
  - (i) the borrower as sole and beneficial owner or as joint tenants (if there is more than one borrower); or
  - (ii) a limited company, incorporated in Hong Kong, wholly and directly owned by the borrower (or if there is more than one borrower, all borrowers);
- not exceed 50 years of age<sup>3</sup>;
- not be subject to any resale restrictions (except for the alienation restriction of subsidised sale flats<sup>4</sup> imposed by the relevant authority provided written consent from the relevant authority is obtained); and
- not be rented out.  
(The borrower may apply to rent out the mortgaged property<sup>5</sup> if it has been owned for at least one year and all the borrowers have:
  - (i) declared that they have retired; or
  - (ii) moved out to obtain elderly or medical care.)

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<sup>2</sup> All borrowers must satisfy the relevant eligibility criteria.

<sup>3</sup> Property exceeding 50 years of age will be considered on a case-by-case basis.

<sup>4</sup> For a subsidised sale flat with unpaid land premium, it must be under the Home Ownership Scheme, Private Sector Participation Scheme, Tenants Purchase Scheme and Green Form Subsidised Home Ownership Scheme of the Hong Kong Housing Authority (HA), the Flat-For-Sale Scheme, Sandwich Class Housing Scheme and Subsidised Sale Flats Projects of the Hong Kong Housing Society (HS), or any other subsidised housing schemes as accepted by the HKMCI from time to time.

<sup>5</sup> If the property is a subsidised sale flat with unpaid land premium, the borrower must obtain a written consent from the relevant authority for renting it out.

## What is the Application Flow?

### Step 1: Pre-application

- Any person who is interested in applying for a reverse mortgage loan should enquire with a participating institution which will explain details of the programme and conduct a preliminary eligibility assessment. The list of participating institutions is available on the website of the HKMC. There is no need to apply for a reverse mortgage loan through other intermediaries under any circumstances. Based on the information provided, the participating institution will prepare an Information Sheet which contains, amongst other things, the Indicative Loan Schedules showing the amount of monthly payouts, interest expenses and mortgage insurance premium under different payment terms based on the age of the interested person and the value of the property.
- The interested person should study the Information Sheet, the Important Notice and the Indicative Loan Schedules carefully and go through them with family and any persons whom he believes would assist in making an appropriate decision. For any queries, please contact the participating institution or call the **HKMC Retire 3<sup>6</sup> Hotline at 2536 0833**.

### Point to Note:

For subsidised sale flats with unpaid land premium, lenders have obtained approval from the HA or the HS for creation of mortgage under the Reverse Mortgage Programme. In other words, there is no need to apply for a separate consent from the relevant authority. However, the interested persons are required to sign and return the “Authorisation to Provide and Release Information” form to proceed with their application.

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<sup>6</sup> HKMC Retire 3 refers to the Reverse Mortgage Programme and the Policy Reverse Mortgage Programme operated by HKMCI and the HKMC Annuity Plan underwritten by HKMC Annuity Limited (HKMCA). The HKMCI and the HKMCA are the wholly-owned subsidiaries of the HKMC.

## Step 2: Counselling

- The interested person should make an appointment with an eligible counsellor, who is a practising solicitor, for a face-to-face counselling session before making a formal application for a reverse mortgage loan (please refer to the section below on Counselling).
- The purpose of counselling is to help the interested person better understand:
  - (i) the features of a reverse mortgage loan;
  - (ii) the major rights and obligations of a reverse mortgage loan borrower; and
  - (iii) the legal consequences of taking out a reverse mortgage loan.
- A Counselling Certificate will be issued by an eligible counsellor to the interested person who has successfully completed the counselling session.

## Step 3: Formal Application

- Any person who is holding a valid Counselling Certificate may approach a participating institution (which may be different from the one preparing the Information Sheet and Indicative Loan Schedules) to make a formal application.
- 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.
- After the formal application is approved, execution of the mortgage documents and other related legal documents will take place.

## Point to Note:

If there are any persons (other than the property owner) residing in the property or having an interest in the 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 lender and move out of the property in the event of enforcement of the reverse mortgage.

## Key Features and Benefits

### Flexible Payment Term

The borrower can choose to receive monthly payouts for a fixed period of 10, 15 or 20 years or throughout his entire life, and may apply to switch to another payment term after drawdown of a reverse mortgage loan.

The monthly payout amount will remain unchanged throughout the payment term. Once the amount is determined, it will not be affected by the property price, interest rate, inflation/deflation or any other economic factors. However, if the borrower takes out a lump-sum payout, the amount of the subsequent monthly payouts will be reduced subject to the lump-sum payout amount taken out.

### Lump-sum Payout

The borrower may apply to borrow lump-sum payouts at the time of reverse mortgage loan application and/or any time during the selected payment term for the following purposes<sup>7</sup>:

- refinancing of an existing reverse mortgage or full repayment of the existing mortgage of the borrower's property to be offered as security (not applicable to the property owned by a limited company) at the time of reverse mortgage loan application
- repayment of the borrower's other mortgage loans or personal 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<sup>8</sup>
- settlement of land premium payment for subsidised housing property

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<sup>7</sup> Supporting documents are required for each lump-sum payout application. Other purposes not listed above may be considered on a case-by-case basis.

<sup>8</sup> 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.

- payment for home improvement (including works aiming to improve the environmental friendliness of home/housing estate), repairs and maintenance of the property
- payment for medical expenses (treatment outside Hong Kong is acceptable)
- payment for fees payable to solicitors and medical practitioners in connection with an enduring power of attorney, or fees in connection with the application for a court order under Part II of the Mental Health Ordinance
- payment for estate planning expenses (such as fees on making wills and setting up trusts)
- purchase of interment right in columbarium and cemetery, as well as expenses for funeral services

Please contact the participating institution to find out the maximum amount of lump-sum payout that can be borrowed, from time to time, under a reverse mortgage loan. The maximum amount of lump-sum payout is determined at the time of reverse mortgage loan application and such amount decreases over the payment term. The maximum lump-sum payout amount is 90% of the actuarial value of the reverse mortgage loan.

If a borrower draws a larger lump-sum payout amount, there will be correspondingly a lower monthly payout amount. If the maximum amount of lump-sum payout has been withdrawn, the borrower will not receive any monthly payouts thereafter.

### **Flexible Arrangement to Rent out the Property under Specific Circumstances**

Rental income in addition to the monthly and lump-sum payouts of the reverse mortgage loan allows borrower to enjoy more financial security in planning the retirement life, especially when there is a need to pay for elderly or medical care services. More details are available on page 3.



## **Lifetime Home Residence**

After taking out a reverse mortgage loan, the property owner is still entitled to stay in the property for the rest of his life, even after the payment term (10, 15 or 20 years) is due. However, interest and mortgage insurance premium will be posted to the outstanding loan amount. The lender will have the right to terminate the reverse mortgage loan under specific circumstances. If the outstanding loan amount is not repaid in full, the lender will take possession of and dispose of the property to recover the outstanding loan amount, in which case all occupants of the property will need to move out.

## **No Repayment during Lifetime**

In general, the borrower does not need to repay the outstanding loan amount during his lifetime, unless the reverse mortgage loan is terminated under specific circumstances. Please refer to the Important Notice for details.

## **No Penalty for Early Loan Repayment**

Full repayment of reverse mortgage loan and redemption of mortgaged property can be made at any time without penalty. However, partial repayment is not accepted.

## **Six-month Cooling-off Period**

If the borrower decides to terminate the reverse mortgage loan for whatever reason within the first 6 months and the outstanding loan amount is fully repaid on the proposed repayment date, a refund and waiver of the relevant mortgage insurance premiums will be given. However, the borrower is still required to bear the accrued interest, financed fees (if any) and the relevant fees in relation to the termination of the reverse mortgage loan.

## Monthly Payout Amount

In general, the higher the property value, the higher the monthly payout amount will be. The older the borrower at the time of formal application and the shorter the payment term, the higher the amount of monthly payout will be. If there is more than one borrower, for example two borrowers, the scale of the monthly payout amount will be lower than that for a single borrower, and the entry age of the youngest borrower will be used for calculation of the monthly payout amount.

**Table 1 – Maximum amount of specified property value for payout calculation (HK\$)**

Appraised property value <sup>9</sup>	Maximum amount of specified property value for payout calculation <sup>10</sup>
\$8 million or less	100% of appraised property value <sup>11</sup>
Over \$8 million	Sum of \$8 million and 50% of portion exceeding \$8 million (capped at \$25 million) <sup>12</sup>

<sup>9</sup> For subsidised sale flats with unpaid land premium, the appraised property value is determined by the open market value minus the land premium amount.

<sup>10</sup> Determination of the maximum amount of specified property value is subject to the aggregate amount of appraised property value in case of more than one property as security under a reverse mortgage loan.

<sup>11</sup> For refinancing property, the maximum amount of the specified property value for payout calculation will be 80% of the appraised property value. (Note: This is not applicable to a borrower who is holding a Counselling Certificate issued before 1 May 2014.)

<sup>12</sup> For refinancing property, the maximum amount of the specified property value for payout calculation will be determined on the basis set out above or 80% of the appraised property value, whichever is lower. (Note: This is not applicable to a borrower who is holding a Counselling Certificate issued before 1 May 2014.)

## Two Options of Mortgage Plans

The borrower can choose either a floating-rate or a fixed-rate mortgage plan according to his financial need. In general, a fixed-rate mortgage plan offers a higher amount of monthly payout and maximum lump-sum payout than a floating-rate mortgage plan.

**Table 2 – Monthly payout amount under floating-rate mortgage plan<sup>13</sup> (HK\$) (per \$1 million of specified property value)**

Entry age	55 years old			60 years old			70 years old		
	One borrower	Two borrowers	Three borrowers	One borrower	Two borrowers	Three borrowers	One borrower	Two borrowers	Three borrowers
10-year	\$3,200	\$2,800	\$2,500	\$3,700	\$3,300	\$3,000	\$5,100	\$4,600	\$4,200
15-year	\$2,400	\$2,150	\$1,900	\$2,800	\$2,500	\$2,250	\$3,800	\$3,500	\$3,200
20-year	\$2,050	\$1,800	\$1,600	\$2,400	\$2,100	\$1,900	\$3,300	\$3,000	\$2,700
Life	\$1,650	\$1,450	\$1,250	\$2,000	\$1,800	\$1,550	\$3,100	\$2,800	\$2,400

**Table 3 – Monthly payout amount under fixed-rate mortgage plan<sup>14</sup> (HK\$) (per \$1 million of specified property value)**

Entry age	55 years old			60 years old			70 years old		
	One borrower	Two borrowers	Three borrowers	One borrower	Two borrowers	Three borrowers	One borrower	Two borrowers	Three borrowers
10-year	\$3,520	\$3,080	\$2,750	\$4,070	\$3,630	\$3,300	\$5,610	\$5,060	\$4,620
15-year	\$2,640	\$2,360	\$2,090	\$3,080	\$2,750	\$2,470	\$4,180	\$3,850	\$3,520
20-year	\$2,250	\$1,980	\$1,760	\$2,640	\$2,310	\$2,090	\$3,630	\$3,300	\$2,970
Life	\$1,810	\$1,590	\$1,370	\$2,200	\$1,980	\$1,700	\$3,410	\$3,080	\$2,640

<sup>13</sup> The above monthly payout under the floating-rate mortgage plan is calculated at the interest rate as at 30 November 2022 (i.e. the Hong Kong Prime Rate minus 2.5% p.a.), and is for reference only. The floating interest rate and the Hong Kong Prime Rate will be determined by the HKMCI and the HKMC from time to time respectively.

<sup>14</sup> The above monthly payout under the fixed-rate mortgage plan is calculated at the interest rate of 4% p.a. for the first 25 years and the Hong Kong Prime Rate minus 2.5% p.a. thereafter, and is for reference only. The fixed interest rate and the Hong Kong Prime Rate will be determined by the HKMCI and the HKMC from time to time respectively.

The selected payment term and the specified property value of the property will affect the calculation of the monthly payout amount. Table 4 below illustrates the calculation of the monthly payout amount for applications under different interest rate mortgage plans with different number of borrower(s), entry age, payment term and property value. Example 1 below shows an 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\$45 million is chosen to illustrate the requirement of an upper limit of HK\$25 million on the specified property value.

**Table 4 – Examples of calculation of monthly payout amount (HK\$)**

	Example 1	Example 2	Example 3
<b>Borrower(s) and entry age</b>	Person aged 70	Husband aged 70 and wife aged 60	Husband and wife both aged 70
<b>Payment term</b>	Life	10-year	20-year
<b>Property value</b>	\$2,500,000	\$6,000,000	\$45,000,000*
<b>Monthly payout amount (Floating-rate mortgage plan)</b>	$\$3,100 \times 2.5$ <b>= \$7,750</b>	$\$3,300 \times 6$ <b>= \$19,800</b>	$\$3,000 \times 25$ <b>= \$75,000</b>
<b>Monthly payout amount (Fixed-rate mortgage plan)</b>	$\$3,410 \times 2.5$ <b>= \$8,525</b>	$\$3,630 \times 6$ <b>= \$21,780</b>	$\$3,300 \times 25$ <b>= \$82,500</b>

\* Maximum amount of the specified property value for payout calculation is capped at \$25 million.

## Costs

### Interest Expense

Reverse mortgage is a loan arrangement and interest will be charged by the lender on the outstanding loan amount (including interest) on a 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 the lender and the HKMCI, the lender pays mortgage insurance premiums to the HKMCI for mortgage insurance cover and seeks reimbursement from the borrower. The mortgage insurance premium is divided into two parts and the amount payable by the borrower will be posted to the outstanding loan amount:

- (i) **Upfront Mortgage Insurance Premium** is 1.96% of the specified property value, payable by 7 annual instalments on the 37<sup>th</sup>, 49<sup>th</sup>, 61<sup>st</sup>, 73<sup>rd</sup>, 85<sup>th</sup>, 97<sup>th</sup> and 109<sup>th</sup> monthly payout dates respectively. Each annual instalment is calculated at 0.28% of the specified property value under the reverse mortgage loan.
- (ii) **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.

### Counselling Fee

The borrower is required to pay to the counsellor a fee for counselling service which may be financed in the reverse mortgage loan.

### Legal Fees

The borrower will be responsible for the legal fees for discharge of the existing mortgage, execution of the mortgage documents and other relevant legal documents. Such legal fees can be financed in 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, request for lump-sum payout or adding/releasing additional property as security after a reverse mortgage loan has been granted. Such handling fee will be debited to the outstanding loan amount.

### Other Fees and Expenses

If the age of the property exceeds 50 years, the borrower may need to obtain a building inspection report. The borrower may choose to finance such cost in the reverse mortgage loan.



## Counselling

### Finding an Eligible Counsellor

A counsellor is a practising solicitor whose role is to explain to an interested person the general features of a reverse mortgage loan, the major rights and obligations as well as the legal consequences of taking out a reverse mortgage loan.

The Law Society of Hong Kong maintains a list of solicitors who are eligible for providing counselling service. Those who are interested in applying for a reverse mortgage loan may contact these eligible counsellors to find out the fee chargeable for counselling service. The list of Reverse Mortgage Counsellors is available on the website of the HKMC.

### Getting Prepared for the Counselling Session

Once a suitable counsellor is identified, the interested person may need to provide the counsellor with preliminary information about himself and the property before scheduling for a counselling session.

If the interested person only speaks or understands a particular language/dialect or suffers from any physical disability, such information should be communicated to the counsellor before the counselling session for preparation of special arrangement, if needed. The counsellor may charge additional fees for any special arrangement.

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

## Attending the Counselling Session

The interested person is encouraged to bring along his spouse, children, other next of kin and any person who may be affected by the decision to obtain a reverse mortgage loan, including any occupant in the property, to the counselling session.

During the counselling session, the counsellor will go through a list of questions and statements with the interested person to help him better understand the major features of a reverse mortgage loan and explain the consequences of a reverse mortgage loan on him and his spouse. The counsellor will also highlight matters that must be considered carefully by the interested person before proceeding further to formal application of a reverse mortgage loan.

## After the Counselling Session

The counsellor will ask the interested person to sign on the list of questions and statements which have been explained. If the counsellor considers it appropriate, a Counselling Certificate will be issued on the same day of the counselling session evidencing the successful completion of counselling.

After obtaining the Counselling Certificate, the interested person may make a formal application for a reverse mortgage loan within six months after issuance of the Counselling Certificate.

## Enquiry

For enquiries, please call the HKMC Retire 3 Hotline or email us, or contact a participating institution or an eligible counsellor.

**HKMC Retire 3 Hotline: 2536 0833**

**Email: [hkmcretire3@hkmc.com.hk](mailto:hkmcretire3@hkmc.com.hk)**

**Website: [www.hkmc.com.hk](http://www.hkmc.com.hk)**