

**Report on**

**A Study on Reverse Mortgage**

**Commissioned by the**

**The Hong Kong Mortgage Corporation Limited**

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## Chapter One Introduction

### 1.1 Background of Study

1. The recent Census and Statistics Department(C&SD)'s population projection has alarmed the local community of the upcoming challenges of an increasingly aging population in Hong Kong. It was projected that by the 2030's nearly one quarter of our Hong Kong residents would be people aged 65 or above. Accompanying the growing number and proportion of elderly people in society, there is also longer life expectancy, i.e. 83.7 for male and 90.1 for female (C&SD, HKSARG, 2010), coupled with a dramatic decline in the birth rate, 1,042 of live births per 1,000 women (C&SD, HKSARG, 2010).
2. Within the elderly population, there are subtle changes in their socio-economic characteristics. In terms of education level, for those aged 45 to 54 and 55 or above, only 11.1% and 6.1% attended post-secondary level in 1996 respectively; but such percentages have respectively increased to 15.0% and 8.4% in 2006 (C&SD, HKSARG, 2006). Also, more people do not marry. From 1996 to 2006, the percentage of never married increased from 6.8% to 10.9% for those aged 45-49; and the percentage increased from 4.4% to 7.7% for aged 50-54 (C&SD, HKSARG, 2006). From the result of by-Census 2006, the proportion of aged 65 or above elders with secondary and higher education had doubled from 3.2% in 1996 to 6.6%; ratio of occupation of Managers and Administrators, and Professionals had also increased from 10.8% in 1996 to 29.8% in 2006. The percentage of singleton elderly or elderly couple households increased from 27.7% in 1996 to 32.8% in 2006. These changed profiles of the elderly population might have implications on the changing patterns of consumption, including those related to retirement planning and housing. Thus, it might also have indirect implications on the feasibility of introducing reverse mortgage (RM) for the elderly homeowners in Hong Kong in the future.
3. There are various challenges related to an aging population, including, amongst others, health, financial security and accommodation. Due to historical legacy, Hong Kong has long been in lack of a viable retirement protection scheme, not until the establishment of the Mandatory Provident Fund (MPF) in the year 2000. However, with the low contribution rate,

it is anticipated that the replacement rate of the MPF might not be entirely satisfactory, especially for the low-income people.

4. As Hong Kong's property market is vibrant and the resultant land / flat prices have soared high, securing an accommodation is basically a prime concern of most of the people. Thus property ownership has been a life goal for many people.
5. Amongst the population, elderly home owners may be a special group that should be looked into more specifically. It is because, as revealed in the overseas experience, the engagement in RM may be one of the possible means whereby elderly homeowners can secure a better retirement protection plan.
6. As aforementioned, due to the lack of a viable retirement protection scheme for a long time, there are currently a group of "asset-rich-income-poor" elderly homeowners who may want to secure liquidity by taking out a loan against their home as collateral. Thus, the provision of RM may probably provide a solution for these elderly homeowners. On the other hand, even for those who have better preparation for retirement, RM may also provide an alternative for them to more flexibly utilize their financial resources. Thus, there is a need to gauge public opinion to ascertain whether there is a potential market for RM in Hong Kong.
7. The following depicts the scenario of homeownership amongst elderly people in Hong Kong at various times. In 2000, some 24.1 % of older adults owned their self-occupied properties in 2000 (C&SD, HKSARG, 2001). According to the 2001 Population Census, as in 2001, there were about 140,000 elderly-headed households with elderly aged 60 or above who owned their self-occupied properties free of mortgage (C&SD, HKSARG, 2002). Unfortunately, no data are available about the value of the self-occupied properties owned by these older and middle-aged adults free of mortgage. Amongst these elderly homeowners, some 42,300 of them had monthly household income of HK\$4,000 (about half of the median income) or below. These older adults have been characterized as "house-rich-cash-poor" (Chou, Chow & Chi, 2006). The Business Professional Federation estimated that there were 72,341 elders aged 65 or above who were owner-occupier without mortgage at 2006. Also, among these elders, 67,168 are income-poor empty nesters who would likely be potential users of RM

(Business Professional Federation, 2008). In 2008, 27 % of older adults (aged 60 or above) residing in domestic household owned their self-occupied properties (C&SD, HKSARG, 2009).

## 1.2 The State of Art of RM in Hong Kong

8. As of today, RM is not yet available in Hong Kong. Even though there have recently been some discussions on RM plan for older adults, many Hong Kong people are still unaware of or unfamiliar with this plan. There have also been only a handful of studies conducted by academics or think-tanks in the past years.
9. In 2001, the government's Census & Statistics Department (2002) study revealed that only about 3% of older homeowners (aged 60 or above) would consider this option for extra income<sup>1</sup>. In that study, the RM plan was only briefly described: "the elderly only needs to mortgage his/her property to the bank, the bank will give the elderly living expenses every month (the length and the amount of money are subject to the deal between the bank and the elderly). When the elderly has passed away, the debt owed to the bank can be paid off through selling that property or by his/her family". Also, only the attitudes of potential users were obtained - "If there are banks introducing such "RM" plan, would you apply for it" and the choices of the answers include "definitely would", "probably would", "may / may not", "probably not" and "definitely not".
10. In the same year of 2002, local academic Chan (2002) reviewed overseas practices and experiences in RM but his report, which was submitted to the government's Elderly Commission, was not an empirically based study. The report provided some practical reference for Hong Kong in learning from the experiences of such other countries as UK, USA, France and Singapore.
11. Chou and his colleagues (Chou, Chow, & Chi, 2006) conducted secondary data analysis on data provided by the Census and Statistics Department that was based on a representative random sample of middle-aged adults (aged between 45 and 59) in 2001 in Hong Kong. Their study found that approximately 11% of those middle-aged home-owners definitely or probably would consider applying for such plan if it was available in Hong Kong. It was also

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<sup>1</sup> Data obtained from C&SD.

found that childlessness and possession of stocks, bonds or funds were positively related to the willingness to consider applying for the plan while the amount of financial asset (excluding their self-occupied properties) was negatively associated with that willingness.

12. In 2005, the first ever empirically based study was conducted by the present author of this proposed study, Chui, and his colleagues (Chui, 2005, unpublished report), which used territory-wide random sampling with household survey on 1,001 respondents from two age groups: elderly people (aged 60+) and the “soon-to-be-old” (aged 45-59) homeowners of private residential housing. It was found that there could be potential market amongst the homeowners who a) would like to remain in their original residence, b) who are not in immediate need of a large lump sum of cash, c) have middle to upper ranks of property, i.e. those above HK\$3 million. In the 2005 study, there were about 10% of respondents indicating interest in the “base scenario” in which RM payment is calculated based on 30% of property value.
13. Recently, two think-tank organizations respectively published their research reports on the topic to suggest that there could be a potential market for RM in Hong Kong (Business Professional Federation (BPF), 2008; Bauhinia Research Foundation, 2009). The BPF projected that in 2006, there could be some 120,000 homeowners aged 50 or above who did not live with their children would be the potential users of RM; and this would even rise to 260,000 by 2036. However, local banks’ response appeared to be only lukewarm at most, if not entirely disinterested (Sin, 2009). This is also revealed in the Bauhinia’s study.
14. Nonetheless, notwithstanding these varied views, there is yet no definitive conclusion as to whether RM is desirable and feasible to be introduced in Hong Kong as a measure to address the challenges posed by an increasingly aging population. Thus, the present proposed study is timely to shed further light on this issue.

### **1.3 RM – Its Background and Recent Developments in the Global Scene**

15. An RM is a loan against property owned by the debtor and the loan becomes repayable when the borrower dies or leaves their residence permanently. The borrower may receive cash in a number of ways including a lump-sum payment, term plan (monthly payment for a fixed

period of time), tenure plan (monthly payment for the remaining lifetime of the borrower), a credit-line payment (up to a maximum amount that can be paid at various times) or a combination of these several options. It may be an attractive option for the elderly homeowners who consider turning their fixed asset into cash.

16. There can be a variety of factors affecting the viability of an RM market in general and in Hong Kong in particular. Such factors pertain to both the “supplier / provider” and “user” sides. For the supplier side, the lenders may be subject to many risks such as cross-over risk (the loan exceeds the value of the property), tenure risk (the borrower lives longer than expected), home-value risk (the value of property depreciates faster than expected), maintenance risk (the borrower does not properly maintain the property as expected), and the risk related to the fluctuation of the interest rate (Boehm & Ehrhardt, 1994). For the users or borrowers, they may have to take the risk of the uncertainty in life span and health (Case & Schnare, 1994). Nonetheless, if provided with viable strategies of insurance and risk diversification for both the creditors and debtors, RM might still be a plausible option for addressing issues of retirement protection for elderly homeowners. For instance, studies in the USA have suggested that RM could contribute to alleviating elderly poverty (Kutty, 1998). In fact, RM has also been tried out in some Asian countries such as Singapore (Addae-Dapaah & Leong, 1996; Hayashida & Sasaki, 1986), India (Star Union Dai-ichi, n.d.) and Korea (Hee, 2010).
17. In Hong Kong, there is considerable extent of elderly poverty (Chui & Ko, 2010a, 2010b) and even for the homeowners, some of them may only be “asset-rich-income-poor”, and some are even only having old, dilapidated flats in poor quality and thus not attractive to the providers of RM. Furthermore, some elderly people might still be disposed to traditional normative notions of leaving estate in the form of housing properties to their descendants.
18. Nonetheless, in view of the recent financial crises related to the sub-prime mortgage market and overall financial sector, there is a need to cast extra caution in examining the experiences of RM in various countries.
19. In USA, the Home Equity Conversion Mortgage (HECM) is Federal Housing Administration (FHA)'s RM program which enables an elderly person to withdraw some of the equity in his

home. Before the borrowers join the RM program, they should undergo the process of counseling. The certified HECM counselors will provide consultation on the eligibility requirement, financial implications and alternatives to obtaining to a HECM. (HUD, 2010). The aim of the consultation is to help the borrowers (elders) understand the risk and dangers of applying RM. Also, the HUD insures the mortgage as the loan is funded by a lending institution (HUD, 2010).

20. In USA, more than 100,000 seniors used RM to tap more than \$17 billion in home equity during 2008. Within the mortgage industry, RM continues to grow despite the economic downturn, with volume more than doubling between 2005 and 2008 (NCLC, 2009). In 2009, about 130,000 Home Equity Conversion Mortgages (HECMs), the only RM insured by the US Government, were recorded. Feedback from borrowers has been largely positive (Guttentag, 2010). In a 2006 survey of borrowers by AARP, 93% said that their RM had had a mostly positive effect on their lives, compared to 3% who said the effect was mostly negative (AARP, 2007). In the USA, it was found that older people who were older, single, and childless were more likely to enter into RM (Venti & Wise, 1990; cited in Chou et al, 2006).
21. In Singapore, RM loans were firstly introduced by an insurance firm, NTUC Income, in January 1997 and OCBC Bank had become the first bank to offer loans upon this type of property years later (Yee, 2006). NTUC restricted provision of loan for those property owners aged 70 or above with 3-room and 4-room flats, and the maximum tenure of the loan is 20 years. The OCBC Bank only accepted private properties with two loans options, which were term-based (monthly payout up to 25 years) and annuity linked (lower amount of payout till the end of life). The amount of monthly advance is determined by factors such as the age of the homeowner, the valuation of the property, the loan period and the interest rate fluctuations. With those several restrictions on the system and over-estimation of the demand of the actual market, the RM market in Singapore had remained thin and therefore both NTUC Income and OCBC Bank had ceased issuing the loans by mid-2009. Since the inception of the instrument, the NTUC income had about 350 RM policy-holders for private properties. The average loan size for private property was over SGD\$350,000, compared to less than SGD\$200,000 for public housing (Chia & Tsui, 2009).



22. In India, the RM loans were firstly launched in 2008. Subsequently, Central Bank of India, a commercial bank, and Star Union Dai-ichi Life Insurance jointly launched an enhanced product known as “RM Loan-enabled Annuity” product in 2009, which contains an element of “life annuity plan” as an alternative to the conventional RM in the market so as to improve the product popularity. The elders aged 60 or above are eligible to join the RM schemes. The available payment methods include lump sum payment option and regular payment options of which the installments can be delivered either yearly, half-yearly, quarterly or monthly (Star Union Dai-ichi, 2009; Central Bank of India, 2009).
23. In Korea, RM loans offered by banks are guaranteed through a RM guarantee program known as “JooTaekYeonKeum” (“JTYK”) launched by Korea Housing Finance Corporation (HF) in 2007. To enhance the popularity of the JTYK program, HF has lowered the entry age from 65 to 60 and made a number of enhancements to the product features in recent years. Currently, the program targets those elders aged 60 or above, possessing only one property with property price not exceeding KRW 900 million. There are several kinds of payment methods including: i) fixed monthly payments, ii) lump sum withdrawals at 30% or 50% of the loan limit with the remaining amount paid out in equal monthly installments, ii) step-up or step-down monthly payments at an annual rate of 3%. Causes for termination of the mortgages include death of the owners, loss of the ownership, and the borrowers having resided in the house for less than one year (Hee, 2010).
24. Furthermore, there had been warnings about the possibility that the growth of the RM market in the US might resemble the growth of the subprime market that could lead to the same kind of “financial fiasco” (NCLC, 2009). It was argued that RM is costly and complicated and the seniors cannot understand how it works. For example, the seniors may not clearly know that they have to keep the house in good condition and pay such necessary expenses like maintenance fees, property taxes and insurance; otherwise, the mortgage provider may foreclose on them (Weisbaum, 2010). Moreover, seniors are susceptible to deception or even threats by dishonest salesperson, who might mislead the elders into entering a RM policy.
25. On the other hand, those who support the RM market argued that subprime loans differ from RM ones in terms of repayment obligations on borrowers. The subprime loan financial

crisis was actually precipitated due to the borrowers' inability of payments which led to defaults and foreclosures. In the RM case, the elderly homeowners would not default on their mortgage because the obligation to make payments under an HECM is the lender's, not the borrower's; and there have been no RM foreclosures recorded (Guttentag, 2010).

#### **1.4 Significance of the Study**

26. Given the trend of aging population and the upcoming challenges of providing viable retirement protection for the elderly people, and the potential merits of RM in providing alternative funding sources and schemes in serving this purpose, it is important to assess how well this plan would be accepted by the public, especially the house-rich but cash-poor elderly-headed households in Hong Kong. However, it should be noted that RM plan is still not available to Hong Kong people in 2010. As a result, the best we could do is to assess the willingness to consider applying for the RM plan if and when it is available in Hong Kong.
  
27. It is timely to conduct a study to explore the various related issues thoroughly and systematically from three perspectives: the demand side, the supply side, and the government. In this study, the focus is mainly on the demand side and the findings of this study will provide valuable data and recommendations for the policy makers, financial institutions, and other relevant bodies that may contribute to alleviate elderly poverty among the house-rich but cash-poor elderly households, and develop a new financial product in Hong Kong. This information include: (1) a thorough understanding of attitudes (i.e. pros, cons, and barriers) to RM among elders in Hong Kong; and (2) what possible roles the government can play on this issue. This information will be very helpful to: (1) develop appropriate, timely and adequate RM schemes which are more acceptable to the elderly home-owners; (2) make recommendation to agencies or departments concerned for regulation and rules related to RM; (3) diminish barriers to consider applying RM in old age; and (4) ultimately improve the cash-money for older adults, reduce public expenditure on social security for older adults, and alleviate the poverty amongst the elderly population.

## **1.5 Specific Objectives**

28. The overall objective of the proposed project is to investigate the feasibility of implementing RM scheme for house-rich-cash-poor older adults in Hong Kong. The specific objectives are to:

- i. assess the receptivity amongst older persons (aged 60 or above) towards the RM;
- ii. examine the factors affecting the older persons' considerations of taking up the RM.

## **Chapter Two    Research methodology**

### **2.1 Household Surveys**

29. Face-to-face interviews with respondents at their domestic residence had been conducted by means of a detailed questionnaire that lasted for an hour.

### **2.2 Target Population**

30. The target population of the study covers old persons aged 60 or over who are residing in Hong Kong at the time of the survey and mortgage-free owner occupiers. According to the Census & Statistics Department, the percentage of population aged 60 or above, as at mid 2009, was 17.5%.
31. According to the Thematic Household Survey Report No. 40 published by Census and Statistics Department, of those 1,129,000 older persons aged 60 or above, the majority of them were living with spouse and/or children, and about 12.7% were living alone, and about 3.6% living with people other than spouse or children. Among them, about 27.0% had self-occupied properties.

### **2.3 Sample Design**

32. A 2-stage stratified replicated sampling design for the survey was adopted. For the first stage, a random sample of addresses (or all households in the addresses sampled) was selected, with the stratification factor being type of housing and district. This arrangement ensures that the respondents living in different housing types and districts are sampled. Replication will be used to facilitate control of the effective sample size.
33. The sampling frame used was the Frame of Quarters maintained by the Census and Statistics Department. This frame is the most complete and up-to-date register of residential addresses in Hong Kong. It is updated by administrative returns on buildings constructed or demolished, and regular surveys conducted by the Census & Statistics Department.

34. For the second stage, a person aged 60 or above in each of the households sampled was interviewed. When there were two or more persons aged 60 or above in a household, one of them was selected randomly for the interview, using the birthday or Kish grid method.

## **Chapter Three Findings**

### **3.1 Introduction**

35. The survey was conducted during October to mid November 2010. A total of 35,250 quarters were randomly sampled from the Register of Quarters. Excluded those were non-domestic, vacant or demolished, non-Chinese speaking and incomplete address, there was a remaining of 32,032 quarters. Also, a total of 22,678 quarters were successfully enumerated, representing a 70.8% (while 14.8% were refusal and 14.4% were non-contacts). Out of these 22,678, only 1,005 were found to have respondents aged 60 or above who are owner occupiers or joint ownership with spouse.

### **3.2 General Findings**

36. Among the 1,005 respondents 541 (53.8%) aged 70 or above and two third (n=675, 67.5%) of them were married. Also, 161 (16.0%) of the respondents lived alone, 309 (30.7%) lived with spouse only and the remaining 535 (53.2%) lived with other family members in different combinations, such as spouse and children. For the education level, 414 (41.2%) attained primary school level and 160 (15.9%) were even having no schooling or illiterate.

37. For the ownership of the property, 575 (57.2%) were sole owners and 430 (40.8%) shared with spouse. Also, a great majority (n=744, 94.0%) of the respondents' properties were mortgage free.

38. For the value of the property, over half (n=533, 54.0%) ranged from 1.00 to 1.99 million. In terms of flat size, nearly half were mainly 501 to 750 sq.ft (n=487, 48.5%). Also, most of the property were old, over 60% (n=626, 62.3%) were 30 years or above.

39. With respect to other property attributes, a great majority (n=925, 92.0%) of the respondents' building had owners' corporation and 686 (68.3%) had renovations.

40. In the financial condition, only one third (n=338, 33.6%) had retirement security and 775 (77.1%) had financial support from children or grandchildren. Also, 850 (84.6%) of the respondents had HK currency saving and a quarter (n=270, 26.9%) of them had investment on stocks, bonds or funds, etc. Besides the cash, less than 5% (n=43, 4.3%) had more than one residential properties.
41. In response to the question whether there was need to introduce the RM in Hong Kong, the respondents were asked to rank from 0 to 10 (0 indicates “totally no need” and 10 “very much needed”). 339 (33.7%) respondents replied “no need” (0-4), 204 (20.3%) were neutral (5), 444 (44.2%) agreed there was need to introduce RM and 18 (1.8%) refused to answer.
42. For the payment method, monthly payment was the most popular option, almost 60% (n=599, 59.6%) opted for it and followed by upfront lump sum (n=218, 21.7%). Life-long loan period was more attractive to the respondents, nearly half (n=491, 48.9%) opted for this choice.
43. No matter whether the respondents were interested in RM or not, 646 (64.3%) of them would leave the property to their spouses or descendants.
44. The amount of the monthly payment level depended on the age of the borrower and the loan period, the detail of the basic payment level is as below:

Monthly Payment Examples (Reference Only)

(Based on every single application on every \$1 million property value)

Age of the applicant

(if joint application with shared ownership,  
the age of the youngest one will be considered)

<u>Loan Period</u>	<u>aged 60-64</u>	...	<u>aged 65-69</u>	...	<u>aged 70 or above</u>
10 years	\$2,600	...	\$3,200	...	\$3,900
15 years	\$2,000	...	\$2,500	...	\$3,000
20 years	\$1,800	...	\$2,200	...	\$2,600
Life-long	\$1,500	...	\$1,900	...	\$2,400

45. 219 (21.8%) of the respondents were interested in applying for RM at the basic payment level. There were 229 respondents (22.8%) showed interest when 10% was added to the basic level. 234 respondents (23.3%) showed interest when 20% was added. When up to 30% was added to the basic level, 253 respondents (25.2%) showed interest. The reference of the cash payments of four levels is listed in Appendix 1. The detail of the descriptive statistics of the survey is presented in Appendix 2. Also, in the following section, the analysis mainly is based on the respondents who indicated interest on RM.

### **3.3 Further Analysis for Those Who Showed Interest in RM (N=219)**

46. In the following section, analysis will be focused on those 219 respondents who showed interest in RM at the “basic payout level”.

#### *3.3.1 Age group*

47. There were 968 respondents reported their ages and were grouped into 3 groups, 60-64, 65-69 and 70 or above. There were 263, 181 and 524 in these three groups respectively. Among these three groups, 23.6% (n=62) of the youngest group, 27.1% (n=49) of the second group and 20.6% (n=108) of the oldest group showed interest in the RM and they made up of 219 respondents who showed interest in RM at the basic payout level.

#### *3.3.2 Living arrangement*

48. Among the 219 respondents who showed interest in RM at the basic payout level, 46 (21.0%) lived alone (singleton), 69 (31.5%) lived with spouse only (couple) and 104 (47.5%) lived in other arrangements (e.g. living with spouse and other relative, or living with others but not spouse).

49. Also, amongst the three groups, the singletons were oldest, 58.7% of the singletons were aged 70 or above, while there were 55.1% for the couples and 41.3% for the others who were aged 70 or above (chi square  $\chi^2$ , 10.722,  $p=0.029$ ).



50. For the 46 singletons, 44 (95.7%) of them were the sole owners of the property, the other two shared with spouse or others. For the couples, 21 (30.4%) of the respondents were sole owners and 48 (69.6%) shared the property with their spouses. For the others, 59 (56.7%) were sole owners and 42 (40.4%) shared with spouse and 3 (2.9%) shared with children.

### 3.3.3 *Financial Issue*

51. For the monthly income, as a whole 29.7% had household income between \$5,001 and \$10,000. However singletons were poorer in income: 56.5% of the singletons had household income below \$5,000, 49.3% of the couples had income between \$5,001 and \$10,000 and 35.6% of the “others” had household income between \$10,001 and \$20,000 (chi square  $\chi^2$ , 90.014,  $p < 0.0005$ ).

52. Amongst these three groups, fewer singletons (43.5%) had financial support from children or grandchildren since 28.3% of them did not have children or grandchildren (chi square  $\chi^2$ , 39.541,  $p < 0.0005$ ). When comparing the couples group and others, fewer couples had that source of income (72.5% for couple and 83.7% for others). For the 157 (71.7%) respondents with support from children or grandchildren, 100 (63.7%) of them considered the amount of such support was enough. On the other hand, among the 219 interested respondents, 88 (40.2%) of them had retirement security.

53. For the arrangement of the property, excluding those never married, for the singletons ( $n=40$ ), there were still 37.5% who would leave bequest to their spouse / descendant but it was the least among the three groups (chi square  $\chi^2$ , 12.544,  $p < 0.014$ ). There were 25.0% of singletons who would sell the property for cash for renting a flat and spending on other daily living expenses, there were only 13.0% for the couples and 5.0% for others (chi square  $\chi^2$ , 12.448,  $p < 0.0005$ ).

54. For the 46 singletons, 13 (28.3%) singletons would apply for the RM at once and all agreed that they could immediately get regular cash payments. Out of these 13 singletons, 3 (23.1%) replied that they had no other relative to undertake the property and 6 (46.2%) considered that they had no need to apply for CSSA if they could get cash payments from RM. On the

other hand, 7 out of the 46 singletons (15.2%) might apply for RM when they became older and among these 7, 6 (85.7%), might apply when in need.

55. For the 69 couples, only 13 (18.8%) would apply at once and 21 (30.4%) would apply when became older. For those 13 who would apply at once, 10 (76.9%) opined that applying for RM would enable them to get regular cash payments immediately and 3 (23.1%) respondents replied they did not need to rely on CSSA if having regular cash payments from RM. For those 21 couples who would apply later, 6 (28.6%) considered they could get more money in older age and 15 (71.4%) might apply when they were in need.
56. For the 104 others, only 21 (20.2%) would apply at once and 26 (25.0%) would apply when became older. Regular cash payment was also a great incentive to them, 18 of the 21 (85.7%) considered this factor and 5 (23.8%) thought they did not need to apply for CSSA. On the other hand, for the 26 others who would apply later, 6 (23.1%) respondents anticipated having higher amount of payout if they applied for RM at an older age and 22 (84.6%) might take the action when in need.
57. For those undecided yet (26 singleton, 35 couples and 57 others), more than 70% of them (76.9% of the singleton, 80.0% of the couple and 73.7 for the others) had not thought of RM before.
58. For the payment method, among the interested respondents, the majority (59.8%) preferred monthly annuity payment, 19.2% opted for Upfront Lump sum, and 16.0% opted for “mixture of both monthly and lump sum”. 23.9% of singleton, 13.0% of couple and 21.3% of others preferred this method.

#### 3.3.4 *Property attributes*

59. Almost two-third of the 219 respondents' properties were aged 30 years or above and the property's size was mainly less than 500 sq.ft. (n=102, 46.6%). For the value of the property, more than half (n=118, 53.9%) were in the range of 1 million to less than 2 million.

60. 90.0% of the respondents' buildings had owners' corporations and 163 (74.4%) respondents' properties had regular renovation. In terms of renovation, mostly were related to external walls of the buildings (66.3%), pipes outside the buildings (64.4%) and corridors (44.2%).

### **3.4 Reasons for Not Interested in RM (N=769)**

61. There were 567 respondents who did not show any interest in the RM (202 indicated "no opinion"), the most dominant reason was to leave the property to their families (n=363, 64.0%), the second one was the low price of the property and the monthly cash payment derived from RM was too low and the third one was "undecided".

### **3.5 Comparison of Interested and Not Interested Parties on Key Issues**

62. When compare the two groups i.e. those who were not interested, neutral or no opinion to apply for RM and those who were interested, the property value for those interested were higher (chi square  $\chi^2$ , 14.149,  $p=0.001$ ). Only 12.2% of the neutral/non-interested/no opinion group's property was 3 million or above and it was 21.5% for the second (interested) group.

63. Excluding those who did not know the floor area of the property, the flat size of those interested were smaller (chi square  $\chi^2$ , 9.472,  $p=0.009$ ): 48.3% for the interested group and 38.2% for the neutral/non-interested/no opinion group's property was 500 sq.ft or below.

64. For the age of the property, the flats of the interested group was older (chi square  $\chi^2$ , 9.951,  $p=0.019$ ). Only 5.5% of the interested respondents were living in properties which were 20 years or less and it was 12.7% for the non-interested group.

65. For the arrangement of handling the property, more respondents of the neutral/non-interested/no opinion group would leave for spouse and descendants (chi square  $\chi^2$ , 11.028,  $p=0.004$ ); it was 66.9% and 54.8% respectively for non-interested and interested groups. On the other hand, more interested respondents would sell the property for cash and for renting a flat and paying for other daily living (chi square  $\chi^2$ , 31.169,

$p < 0.0005$ ). It was 3.9% and 14.2% for the neutral/non-interested/no opinion group and interested group respectively.

## Chapter Four Discussion and Recommendation

### 4.1 Discussion

66. There were about one-fifth (21.8%) of the 1,005 respondents who showed interest in RM (at the base payout level designated in the questionnaire). This is comparatively higher than findings in 2005 (about 10% of respondents indicating interest in the “base scenario” in which RM payment is calculated based on 30% of property value)<sup>2</sup>. However, it should be noted that in the 2005 study, the respondents were not provided with detail information in terms of estimated payment level as in the present study and no direct comparison could be drawn. It could therefore be postulated that findings of the present study could be regarded as more accurate than those found in the 2005 study.

#### 4.1.1 Social Issue

67. Among the respondents, the living arrangement of nearly half (47.5%) of them were “others”. These might be a barrier for the owners to apply for RM as they might have to consider the remaining members living in the flat, who might be having different views as to whether to engage in RM or not; or whether those family members would have enough money to pay for the loan or not when the owner passed away, otherwise they would need to move out.

68. Also, the idea of leaving the asset to the descendants was the traditional Chinese culture and this was the main reason for those who did not show interest. Although the interested group also had this consideration, the percentage was lower than that of the neutral/non-interested/no opinion group. Apart from that the willingness of selling the property for cash for renting a flat and paying for other daily living was higher in the interested group. This might reflect that they had a higher motivation to get regular cash payments and thus were interested to apply for RM. Under the scheme of RM, they were

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<sup>2</sup> The University of Hong Kong research team (2005) Study of Reverse Mortgage for Old and “Soon-to-be Old” Property Owners.

not required to move out from the current property but still they could get monthly regular cash payments for daily living.

69. Also, only 21.5% for those interested respondents would apply for RM at once, 24.7% would apply later and more than half (53.9%) were undecided. For those who would apply later (n=54), the main reason was depending on the need (79.6%). Also, for those who did not decide yet, the core reason was they did not think about RM. These two findings showed that the immediate demand for RM was not particularly high.

#### 4.1.2 *Financial Issue*

70. On the other hand, the amount of the payment was also an important factor and this was affected by the value of the property. Since the property value for the interested group was higher, this might be a great incentive for them to apply for RM as they could have higher monthly payment. Age of the property might be an influencing factor to apply for RM or not. The property age of the interested group was older; the owners might predict that was a disadvantage in selling the property. It was because at the same value, the buyer might prefer a newer building; but under RM, this would not be a major concern.
71. For all the 1,005 respondents, 77.1% of them had financial support from the children or grandchildren and 67.1% (n=520) considered the amount was enough, so they might not have serious financial problem at this moment. However, this situation might change in the future in view of the low birth rate which might result in the dwindling of support from children.

#### 4.1.3 *Property attribute*

72. The properties of those showing interest in RM were mainly small in size, of relatively low value and old age. On the other hand, over 90% of the buildings had owners' corporations and two-third had renovation before. It might reflect that those buildings were relatively better managed and were in better condition. These two might be positive factors that encourage the elders to live in the same place and RM can be a source of regular cash payments for them.

## 4.2 Recommendations

### 4.2.1 *Implementation of RM*

73. With reference to the experience of implementing RM in USA, Singapore, India, and Korea, the USA's one can be a good and successful model for Hong Kong to learn from. For the one in Korea, the timely enhancements were essential to address the need of the borrowers so as to improve the popularity of the program. For the one in Singapore, there were too many restrictions and these resulted in the unsuccessful experience and subsequent termination in mid-2009. For the one in India in which life annuity policy is a key feature, the loan amount withdrawn from RM is used to purchase life annuity policy from insurance company. It may not be relevant to Hong Kong as the annuity market has not yet been well developed in Hong Kong.
74. Taking the reference of USA model, RM does not only involve the lenders and borrowers, there are also leader mortgage insurance and mandatory counseling. The insurance can protect the lenders by offsetting losses when the mortgagor is not able to repay the loan and the lender is not able to recover its costs after foreclosure and sale of the mortgaged property. This guarantee can attract more institutions to participate in the supply side.
75. In Hong Kong, the lenders can be banks, or other financial institutions which were financially trustworthy. Also, the lenders can collaborate with insurance companies which have experiences to assess the risk of mortgage. Hong Kong has a solid foundation of a healthy banking system with viable and effective government regulation and monitoring. This is a favorable precondition for Hong Kong in developing RM.
76. On the other hand, mandatory counseling is a crucial means of customer protection. Since the target of the RM is the elders (borrowers) who may probably be relatively less educated or informed, they may not be able to comprehend the complexity of the RM scheme, including the terms and conditions. As revealed from the profile of the interested respondents of the present study, more than half of them only attained primary or lower education level (11.9% no schooling and illiterate, 1.8% attended some classes with minimum

literacy and 42.0% had only primary education). Thus counseling service can provide a channel for the elders to understand about the RM. The counselors can explain the mechanism of RM, the role of different parties and the financial implications to the elders.

77. In the consideration of the provision of counseling service to the potential RM customers, there is the need to recognize that there might be conflict of interest. That is, if and when the banks happen to be the RM providers, and that they deploy their financial advisors as counselors, there might be the suspicion of having cross selling where these advisors may persuade the elderly homeowners to engage in other financial products. Furthermore if the counselors cannot provide adequate information to the borrowers, there might be a chance that they elders who engage in RM might eventually not have the ability to repay the loan and even lose the properties. As a result, the RM provider, based on the advice of their own counselors in selling the product to the elders, might consequently face into financial risk.
78. In order to avoid possible incidence of conflict of interest, the counseling service is better provided by an independent party which can help the borrowers to analyze the financial implication of applying for RM. The family members may also be invited to attend counseling session, so that they can also understand what RM is and thus support the elders in the decision making process.
79. As counseling for RM is a new service in Hong Kong, in order to monitor the standard of the counselors, supervision under prudential framework together with high standard of code of conduct is very important.
80. In a nutshell, mortgage insurance and mandatory counseling could be the two critical product features if Hong Kong is to consider implementing RM in the near future.

#### 4.2.2 *Social Issue*

81. Since there is quite a substantial portion of the respondents who appeared to be undecided on whether they would commit in RM, there seems to be a certain degree of uncertainty about the product nature. Thus, it follows that there is need to provide more publicity or



information to potential RM customers so as to enable them have a more holistic understanding of the produce.

82. For instance, the banks may work with counseling agencies to provide counseling to their elderly customers whose home mortgage approaches expiry (say, 2 years). There might be collaboration between the banks, the RM providers and counseling agencies in providing detailed information and financial planning service to these elderly homeowners, so that they could have a further choice in using their mortgage-free property to convert into regular cash payments, as an alternative to other retirement protection schemes.
83. In another instance, in the recent decade, there has been concern about the phenomenon of “gentrification” i.e. a process in which elderly and poor residents are displaced from their original residence by the influx of younger, middle-class or affluent people in the process of urban renewal. It might be due to the fact that there is a concentration of elderly homeowners in some of the old residential buildings; and that they do not have other alternatives but to sell their property to developers to convert into regular cash payments. If there is the availability of RM in Hong Kong, some of these elderly homeowners may probably have an alternative in ensuring regular cash payments while remain living in their own familiar home and community, thus avoiding the incidence of gentrification and physical and social dislocation. Thus, this may perhaps provide a further social justification for the introduction of RM in Hong Kong.
84. In the situation of Hong Kong, some elders rely on social security for daily living, such as Comprehensive Social Security Allowance (CSSA) and Normal Old Age Allowance (NOAA, for elderly aged 65-69); but these two allowances are means-tested. There could be an issue as to whether the cash payments derived from RM should be considered as “recurrent income” or not. This question was revealed from the fieldwork of the present study. This will be an essential factor for the elderly homeowners who are CSSA recipients in their consideration about RM. If the money is considered as “income”, this might be a barrier for the CSSA or NOAA owners to apply for RM as they need to withdraw from the social security net. It is particularly critical for those homeowners who are CSSA recipients as they derive other kinds of benefits under the CSSA system, such as free medical services. On the other hand, if the

monthly payment of RM is fixed, it might not be as “attractive” as the CSSA as the government would review and adjust the amount of CSSA payment according to inflation.

85. However, if the regular cash payment from RM is not considered as “income”, these might be public objection. It is because the elderly homeowners might be viewed as getting double benefit from CSSA and RM payment. Furthermore, if there is surplus upon the expiry of the RM (in the case of maturation, repayment of the loan or passing away of the elderly mortgagor), the owners or their family members may then get the surplus. In such a case, there might be the concern as to whether the elderly homeowners and/or their family members have benefited at the expense of the tax payers who actually pay taxes for financing the CSSA scheme.
86. From the experience of USA, Home Equity Conversion Mortgage (HECM) payments do not affect the mortgagors’ Social Security and Medicare benefits because those calculations are not based on the incomes and resources of the recipients (Fannie Mae, 2004). In the official website of the U.S. Social Security Administration, there is no specific or clear specifications on the relationship between Supplemental Security Income (SSI) and HECM or income from such conversion mortgage. Literally, Supplemental Security Income (SSI) does not count the home and the land currently occupied by the applicant as asset (U.S. Social Security Administration, 2007). One of the HECM advisory agencies, the Senior Lending, suggested that HECM proceeds are not considered as income (Senior Lending, 2011)
87. There are variations amongst the different states in their respective regulations for state-administered programs such as Medicaid, Aid for Dependent Children (AFDC), and food stamps. Therefore, applicants for RM are advised to consult a benefits specialist at local Area Agency on Aging or the local offices for these programs to determine how HECM payment may affect them in particular situations.

#### 4.2.3 *Financial Issue*

88. Another possible reason for the elderly respondents to be undecided is probably their reservation about the relatively low payment level offered. In view of the lack of a viable retirement protection scheme in Hong Kong, albeit the establishment of the MPF in 2000

which may not adequately protect the current cohort of elderly people, this is understandable that many elderly people are concerned about their financial security for daily living in the long run. Thus, their expectation of having a higher payment derived from the property is understandable. It is therefore perhaps necessary to develop more attractive packages for the elderly homeowners to consider taking up RM.

## Chapter Five Conclusion

89. As revealed from the present study, about 44% of the 1,005 respondents considered that RM should be available in Hong Kong. About a quarter of the respondents showed interest in the use of RM. This may not be a very significant figure; but is already much higher than 10% found in the 2005 findings. This could be attributable to the increased awareness and knowledge about RM in general and amongst the elderly people in particular.
90. If RM is to be interested in Hong Kong in the near future, there is need to institute two critical product features, firstly mortgage insurance as the last resort of guarantee for both the RM providers and the customers should there be any failure on either side of the transaction; secondly mandatory counseling provided to the elderly homeowners especially in view of the novelty of the RM product and the relatively low educational attainment found in the current cohort of elderly population in Hong Kong.
91. There should be more publicity and public education to pave way for the successful introduction of RM, to provide a viable alternative for providing financial security for an ageing population in Hong Kong.

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## Appendix 1

**Table 1. Basic Payment Level**

Monthly Payment Examples (Reference Only)  
(Based on every single application on every \$1 million property value)  
Age of the applicant  
(if joint application with shared ownership,  
the age of the youngest one will be considered)

<u>Loan Period</u>	<u>aged 60-64</u>	...	<u>aged 65-69</u>	...	<u>aged 70 or above</u>
10 years	\$2,600	...	\$3,200	...	\$3,900
15 years	\$2,000	...	\$2,500	...	\$3,000
20 years	\$1,800	...	\$2,200	...	\$2,600
Life-long	\$1,500	...	\$1,900	...	\$2,400

**Table 2. Basic Payment Level Increased by 10%**

Monthly Payment Examples (Reference Only)  
(Based on every single application on every \$1 million property value)  
Age of the applicant  
(if joint application with shared ownership,  
the age of the youngest one will be considered)

<u>Loan Period</u>	<u>aged 60-64</u>	...	<u>aged 65-69</u>	...	<u>aged 70 or above</u>
10 years	\$2,860	...	\$3,520	...	\$4,290
15 years	\$2,200	...	\$2,750	...	\$3,300
20 years	\$1,980	...	\$2,420	...	\$2,860
Life-long	\$1,650	...	\$2,090	...	\$2,640



**Table 3. Basic Payment Level Increased by 20%**

Monthly Payment Examples (Reference Only)  
(Based on every single application on every \$1 million property value)  
Age of the applicant  
(if joint application with shared ownership,  
the age of the youngest one will be considered)

<u>Loan Period</u>	<u>aged 60-64</u>	...	<u>aged 65-69</u>	...	<u>aged 70 or above</u>
10 years	\$3,120	...	\$3,840	...	\$4,680
15 years	\$2,400	...	\$3,000	...	\$3,600
20 years	\$2,160	...	\$2,640	...	\$3,120
Life-long	\$1,800	...	\$2,280	...	\$2,880

**Table 4. Basic Payment Level Increased by 30%**

Monthly Payment Examples (Reference Only)  
(Based on every single application on every \$1 million property value)  
Age of the applicant  
(if joint application with shared ownership,  
the age of the youngest one will be considered)

<u>Loan Period</u>	<u>aged 60-64</u>	...	<u>aged 65-69</u>	...	<u>aged 70 or above</u>
10 years	\$3,380	...	\$4,160	...	\$5,070
15 years	\$2,600	...	\$3,250	...	\$3,900
20 years	\$2,340	...	\$2,860	...	\$3,380
Life-long	\$1,950	...	\$2,470	...	\$3,120

## Appendix 2

**Table 1. Ownership of the Property**

	Not interested / Neutral / no opinion in RM		Interested in RM		Overall	
	Count	Percentage	Count	Percentage	Count	Percentage
Sole ownership	451	57.4%	124	56.6%	575	57.2%
Share with spouse	319	40.6%	91	41.5%	430	40.8%
Share with child	3	0.4%	3	1.4%	6	0.6%
Share with others	13	1.6%	1	0.5%	14	1.4%
<b>Total</b>	<b>786</b>	<b>100.0%</b>	<b>219</b>	<b>100.0%</b>	<b>1005</b>	<b>100.0%</b>

**Table 2. Value of the Property**

	Not interested / Neutral / no opinion in RM		Interested in RM		Overall	
	Count	Percentage	Count	Percentage	Count	Percentage
1.00-1.99M	427	54.3%	118	53.9%	545	54.2%
2.00-2.99M	261	33.2%	54	24.7%	315	31.3%
3.00M or above	98	12.5%	47	21.5%	145	14.5%
<b>Total</b>	<b>786</b>	<b>100.0%</b>	<b>219</b>	<b>100.0%</b>	<b>1005</b>	<b>100.0%</b>

**Table 3. Currently under mortgage**

	Not interested / Neutral / no opinion in RM		Interested in RM		Overall	
	Count	Percentage	Count	Percentage	Count	Percentage
Yes	24	3.1%	6	2.7%	30	3.0%
No	744	94.7%	201	91.8%	945	94.0%
Don't know/Refuse to answer	18	2.3%	12	5.5%	30	3.0%
<b>Total</b>	<b>786</b>	<b>100.0%</b>	<b>219</b>	<b>100.0%</b>	<b>1005</b>	<b>100.0%</b>

**Table 4. The need to introduce financial products such as RM into Hong Kong's market**

	Not interested / Neutral / no opinion in RM		Interested in RM		Overall	
	Count	Percentage	Count	Percentage	Count	Percentage
0 (Totally not needed)	23	2.9%	0	0.0%	23	2.3%
1	64	8.1%	1	0.5%	65	6.5%
2	97	12.3%	6	2.7%	103	10.2%
3	95	11.1%	11	5.0%	106	10.5%
4	34	4.3%	8	3.7%	42	4.2%
5	181	23.0%	23	10.5%	204	20.3%
6	118	15.0%	36	16.4%	154	15.3%
7	73	9.3%	50	22.8%	123	12.2%
8	59	7.5%	38	17.4%	97	9.7%
9	15	19.9%	21	9.6%	36	3.6%
10 (Very Needed)	14	1.8%	20	9.1%	34	3.4%
Don't know/Refuse to answer	13	1.7%	5	2.3%	18	1.8%
<b>Total</b>	<b>786</b>	<b>100.0%</b>	<b>219</b>	<b>100.0%</b>	<b>1005</b>	<b>100.0%</b>

**Table 5. The best mode to get the loan from the banks**

		Not interested / Neutral / no opinion in RM		Interested in RM		Overall	
		Count	Percentage	Count	Percentage	Count	Percentage
<b>Upfront Lumpsum payment</b>		<b>176</b>	<b>22.4%</b>	<b>42</b>	<b>19.2%</b>	<b>218</b>	<b>21.7%</b>
<b>Monthly payment</b>		<b>468</b>	<b>59.5%</b>	<b>131</b>	<b>59.8%</b>	<b>599</b>	<b>59.6%</b>
Mode of payment	<i>Fixed amount</i>	375	80.1%	97	74.0%	472	78.8%
	<i>Ascending, but at the beginning with lower amount</i>	69	14.7%	31	23.7%	100	16.7%
	<i>Don't know/Refuse to answer</i>	24	5.1%	3	2.3%	27	4.5%
<b>Combination of "Lump sum" and "Monthly"</b>		<b>83</b>	<b>10.6%</b>	<b>35</b>	<b>16.0%</b>	<b>118</b>	<b>11.7%</b>
Mode of payment	<i>Fixed amount</i>	41	49.4%	15	42.9%	56	47.5%
	<i>Ascending, but at the beginning with lower amount</i>	32	38.6%	18	51.4%	50	42.4%
	<i>Don't know/Refuse to answer</i>	10	12.0%	2	5.7%	12	10.2%
<b>Within a fixed credit limit, get how much you need</b>		<b>41</b>	<b>5.2%</b>	<b>8</b>	<b>3.7%</b>	<b>49</b>	<b>4.9%</b>
<b>Don't know/Refuse to answer</b>		<b>18</b>	<b>2.3%</b>	<b>3</b>	<b>1.4%</b>	<b>21</b>	<b>2.1%</b>
<b>Total</b>		<b>786</b>	<b>100.0%</b>	<b>219</b>	<b>100.0%</b>	<b>1005</b>	<b>100.0%</b>

**Table 6. Satisfaction on the amount of the payment**

	Satisfied		Neutral		Unsatisfied		No Opinion		Total	
	Count	Percentage	Count	Percentage	Count	Percentage	Count	Percentage	Count	Percentage
100% (Basic Payment)	165	16.4%	222	22.1%	615	61.2%	3	0.3%	1005	100.0%
110%	33	5.4%	19	3.1%	557	90.6%	6	1.0%	615	100.0%
120%	41	7.4%	33	5.9%	483	86.7%	0	0.0%	557	100.0%
130%	139	28.8%	80	16.6%	260	53.8%	4	0.8%	483	100.0%

**Table 7. Time of application when considering RM**

		Not interested / Neutral / no opinion in RM		Interested in RM		Overall	
		Count	Percentage	Count	Percentage	Count	Percentage
<b>Once reached 60 years old (or now)</b>		<b>48</b>	<b>6.1%</b>	<b>47</b>	<b>21.5%</b>	<b>95</b>	<b>9.5%</b>
Reason	<i>A fixed payment could be obtained at once</i>	28	53.8%	41	81.2%	69	72.6%
	<i>No other relatives could undertake the property</i>	1	2.1%	4	8.5%	5	5.3%
	<i>Don't need to apply CSSA</i>	5	10.4%	14	29.8%	19	20.0%
	<i>Others</i>	17	35.4%	6	12.8%	23	24.2%
<b>When become older</b>		<b>123</b>	<b>15.6%</b>	<b>54</b>	<b>24.7%</b>	<b>177</b>	<b>17.6%</b>
Reason	<i>Older age applicant could obtain more monthly cash payment</i>	30	24.4%	13	24.1%	43	24.3%
	<i>Believe the property price will rise few years later</i>	4	3.3%	1	1.9%	5	2.8%
	<i>Believe the bank interest will decrease few years later</i>	2	1.6%	1	1.9%	3	1.7%
	<i>Apply when need it</i>	81	65.9%	43	79.6%	124	70.1%
	<i>Others</i>	14	11.4%	6	11.1%	20	11.3%
<b>Undecided</b>		<b>612</b>	<b>77.9%</b>	<b>118</b>	<b>53.9%</b>	<b>730</b>	<b>72.6%</b>
Reason	<i>Don't know how to choose</i>	88	14.4%	16	13.6%	104	14.2%
	<i>Need to discuss with family</i>	295	48.2%	56	47.5%	351	48.1%
	<i>Didn't think about it</i>	419	68.5%	90	76.3%	509	69.7%
	<i>Think about it when become older</i>	71	11.6%	37	31.4%	108	14.8%
	<i>others</i>	50	8.2%	18	15.3%	68	9.3%
<b>Don't know/Refuse to answer</b>		<b>3</b>	<b>0.4%</b>	<b>0</b>	<b>0.0%</b>	<b>3</b>	<b>0.3%</b>
<b>Total</b>		<b>786</b>	<b>100.0%</b>	<b>219</b>	<b>100.0%</b>	<b>1005</b>	<b>100.0%</b>

**Table 8. The loan period**

	Not interested / Neutral / no opinion in RM		Interested in RM		Overall	
	Count	Percentage	Count	Percentage	Count	Percentage
10 years	118	15.0%	29	13.2%	147	14.6%
15 years	86	10.9%	19	8.7%	105	10.4%
20 years	40	5.1%	8	3.7%	48	4.8%
Life-long	133	16.9%	76	34.7%	209	20.8%
Undecided	406	51.7%	85	38.8%	491	48.9%
Don't know/Refuse to answer	3	0.4%	2	0.9%	5	0.5%
<b>Total</b>	<b>786</b>	<b>100.0%</b>	<b>219</b>	<b>100.0%</b>	<b>1005</b>	<b>100.0%</b>

**Table 9. Interest in applying RM**

	Satisfied	
	Count	Percentage
100% of Basic Payment	219	21.8%
110% of Basic Payment	10	1.0%
120% of Basic Payment	5	0.5%
130% of Basic Payment	19	1.9%
<b>Total</b>	<b>253</b>	<b>25.2%</b>

**Table 10. Reasons for not interest in RM at Basic Payment**

	Count	Percentage
Few monthly cash payment could be obtained due to low property price	47	20.9%
Plan to sell the property for cash when I am alive	6	2.7%
No matter what don't want to sell the property	34	15.1%
Plan to leave the property to families	122	54.2%
Objected by another homeowners	10	4.4%
Undecided yet, leave it to consider later	31	13.8%
Worry that it would affect the eligibility of receiving CSSA	2	0.9%

**Table 11. Area of the property**

	Not interested / Neutral / no opinion in RM		Interested in RM		Overall	
	Count	Percentage	Count	Percentage	Count	Percentage
500 square feet or below	284	36.1%	102	47.0%	386	38.4%
501 - 750 square feet	399	50.8%	88	40.6%	487	48.5%
751 square feet or above	60	7.6%	21	9.7%	81	8.1%
Don't Know	43	5.5%	8	3.7%	51	5.0%
<b>Total</b>	<b>786</b>	<b>100.0%</b>	<b>219</b>	<b>100.0%</b>	<b>1005</b>	<b>100.0%</b>

**Table 12. Age of the property**

	Not interested / Neutral / no opinion in RM		Interested in RM		Overall	
	Count	Percentage	Count	Percentage	Count	Percentage
20 yrs or below	100	12.7%	12	5.5%	112	11.1%
20-29 yrs	202	25.7%	65	29.7%	267	26.6%
30-39 yrs	266	33.8%	73	33.3%	339	33.7%
40 yrs or above	218	27.7%	69	31.5%	287	28.6%
<b>Total</b>	<b>786</b>	<b>100.0%</b>	<b>219</b>	<b>100.0%</b>	<b>1005</b>	<b>100.0%</b>

**Table 13. Subleasing of the property**

	Not interested / Neutral / no opinion in RM		Interested in RM		Overall	
	Count	Percentage	Count	Percentage	Count	Percentage
Yes	6	0.8	0	0.0%	6	0.6%
No	743	94.5	209	95.4%	952	94.7%
Don't know/Refuse to answer	37	4.7	10	4.6%	47	4.7%
<b>Total</b>	<b>786</b>	<b>100.0</b>	<b>219</b>	<b>100.0%</b>	<b>1005</b>	<b>100.0%</b>

**Table 14. Ownership of other property**

	Not interested / Neutral / no opinion in RM		Interested in RM		Overall	
	Count	Percentage	Count	Percentage	Count	Percentage
<b>Only this property</b>	<b>749</b>	<b>95.3%</b>	<b>207</b>	<b>94.5%</b>	<b>956</b>	<b>95.1%</b>
<b>Not only this property</b>	<b>32</b>	<b>4.1%</b>	<b>11</b>	<b>5.0%</b>	<b>43</b>	<b>4.3%</b>
<i>Self-accommodated</i>	23	71.9%	10	90.1%	33	76.7%
<i>For lease</i>	14	43.8%	5	45.5%	19	44.2%
<i>Leave empty</i>	0	0.0%	3	27.3%	3	7.0%
Don't know/Refuse to answer	5	0.6%	1	0.5%	6	0.6%
<b>Total</b>	<b>786</b>	<b>100.0</b>	<b>219</b>	<b>100.0%</b>	<b>1005</b>	<b>100.0%</b>

**Table 15. Maintenance or renovation of the residential property**

		Not interested / Neutral / no opinion in RM		Interested in RM		Overall	
		Count	Percentage	Count	Percentage	Count	Percentage
<b>Yes</b>		<b>523</b>	<b>66.5%</b>	<b>163</b>	<b>74.4%</b>	<b>686</b>	<b>68.3%</b>
<i>No of the years</i>	<i>5 yrs or below</i>	309	39.3	96	58.9%	405	59.0%
	<i>6-10 yrs</i>	135	17.2	31	19.0%	166	24.2%
	<i>11 yrs or above</i>	36	4.6	15	9.2%	51	7.4%
	<i>No opinion</i>	43	5.5	21	12.9%	64	9.3%
<i>Renovation items</i>	<i>In the flat</i>	31	5.9%	17	10.4%	48	7.0%
	<i>Lobby</i>	252	48.2%	64	39.3%	316	46.1%
	<i>Lift</i>	205	39.2%	64	39.3%	269	39.2%
	<i>Corridor</i>	266	50.9%	72	44.2%	332	48.4%
	<i>Staircases and other common areas</i>	249	47.6%	71	43.6%	320	46.6%
	<i>External wall of the building</i>	394	75.3%	108	66.3%	502	73.2%
	<i>Pipes outside the flat</i>	392	75.0%	105	64.4%	495	72.2%
	<i>Others</i>	39	7.5%	6	3.7%	45	6.6%
	<i>Don't know/Refuse to answer</i>	14	2.7%	9	5.5%	23	3.4%
<b>No</b>		<b>263</b>	<b>33.5%</b>	<b>56</b>	<b>25.6%</b>	<b>319</b>	<b>31.7%</b>
<b>Total</b>		<b>786</b>	<b>100.0%</b>	<b>219</b>	<b>100.0%</b>	<b>1005</b>	<b>100.0%</b>

**Table 16. Presence of Owner's Corporation**

	Not interested / Neutral / no opinion in RM		Interested in RM		Overall	
	Count	Percentage	Count	Percentage	Count	Percentage
Yes	728	92.6%	197	90.0%	925	92.0%
No	30	3.8%	11	5.0%	41	4.1%
Don't Know	28	3.6%	11	5.0%	39	3.9%
<b>Total</b>	<b>786</b>	<b>100.0%</b>	<b>219</b>	<b>100.0%</b>	<b>1005</b>	<b>100.0%</b>

**Table 17. Arrangement of the property**

	Not interested / Neutral / no opinion in RM		Interested in RM		Overall	
	Count	Percentage	Count	Percentage	Count	Percentage
Leave to spouse/ descendant	526	66.9%	120	54.8%	646	64.3%
Sell the property for cash and used to rent flat and other daily living	31	3.9%	31	14.2%	62	6.2%
Others	10	1.3%	4	1.8%	14	1.4%
Undecided yet	225	28.6%	66	30.1%	291	29.0%
Don't know/Refuse to answer	2	0.3%	1	0.5%	3	0.3%

**Table 18. Age**

	Not interested / Neutral / no opinion in RM		Interested in RM		Overall	
	Count	Percentage	Count	Percentage	Count	Percentage
60-64	208	26.5	62	28.3%	270	26.9%
65-69	145	18.4	49	22.4%	194	19.3%
70 or above	433	55.1	108	49.3%	541	53.8%
<b>Total</b>	<b>786</b>	<b>100.0</b>	<b>219</b>	<b>100.0%</b>	<b>1005</b>	<b>100.0%</b>

**Table 19. Gender**

	Not interested / Neutral / no opinion in RM		Interested in RM		Overall	
	Count	Percentage	Count	Percentage	Count	Percentage
Male	399	50.8%	121	55.3%	520	51.7%
Female	387	49.2%	98	44.7%	485	48.3%
<b>Total</b>	<b>786</b>	<b>100.0%</b>	<b>219</b>	<b>100.0%</b>	<b>1005</b>	<b>100.0%</b>



**Table 20. Marital Status**

	Not interested / Neutral / no opinion in RM		Interested in RM		Overall	
	Count	Percentage	Count	Percentage	Count	Percentage
Single	21	2.7%	10	4.6%	31	3.1%
Married	535	68.1%	140	63.9%	675	67.2%
Divorced	11	1.4%	10	4.6%	21	2.1%
Widowed	207	26.3%	53	24.2%	260	25.9%
Don't know/Refuse to answer	12	1.5%	6	2.7%	18	1.8%
<b>Total</b>	<b>786</b>	<b>100.0%</b>	<b>219</b>	<b>100.0%</b>	<b>1005</b>	<b>100.0%</b>

**Table 21. Occupation**

	Not interested / Neutral / no opinion in RM		Interested in RM		Overall	
	Count	Percentage	Count	Percentage	Count	Percentage
Manager & Administrator	9	1.1%	2	0.9%	11	1.1%
Professional	2	0.3%	1	0.5%	3	0.3%
Associate professional	3	0.4%	0	0.0%	3	0.3%
Clerk	8	1.0%	6	2.7%	14	1.4%
Service workers & shop sales workers	26	3.3%	6	2.7%	32	3.2%
Skilled agricultural & fishery workers	1	0.1%	0	0.0%	1	0.1%
Craft & related workers	2	0.3%	1	0.5%	3	0.3%
Plant & machine operators & Assemblers	12	1.5%	4	1.8%	16	1.6%
Elementary Occupations	15	1.9%	8	3.7%	23	2.3%
Home maker	167	21.2%	43	19.6%	210	20.9%
Retired person	530	67.4%	142	64.8%	672	66.9%
Others	2	0.3%	1	0.5%	3	0.3%
Don't know/Refuse to answer	9	1.1%	5	2.3%	14	1.4%
<b>Total</b>	<b>786</b>	<b>100.0%</b>	<b>219</b>	<b>100.0%</b>	<b>1005</b>	<b>100.0%</b>

**Table 22. Education attainment**

	Not interested / Neutral / no opinion in RM		Interested in RM		Overall	
	Count	Percentage	Count	Percentage	Count	Percentage
No schooling and illiterate	134	17.0%	26	11.9%	160	15.9%
Attended some classes with minimal literacy	20	2.5%	4	1.8%	24	2.4%
Primary level	322	41.0%	92	42.0%	414	41.2%
Secondary level	246	31.3%	69	31.5%	315	31.3%
Matriculation	15	1.9%	6	2.7%	21	2.1%
Degree or above	35	4.5%	15	6.8%	50	5.0%
Don't know/Refuse to answer	14	1.8%	7	3.2%	21	2.1%
<b>Total</b>	<b>786</b>	<b>100.0%</b>	<b>219</b>	<b>100.0%</b>	<b>1005</b>	<b>100.0%</b>

**Table 23. Living arrangement**

	Not interested / Neutral / no opinion in RM		Interested in RM		Overall	
	Count	Percentage	Count	Percentage	Count	Percentage
Living alone	115	14.6	46	21.0%	161	16.0%
Living with spouse	240	30.5	69	31.5%	309	30.7%
Others	431	54.8	104	47.5%	535	53.2%
<b>Total</b>	<b>786</b>	<b>100.0%</b>	<b>219</b>	<b>100.0%</b>	<b>1005</b>	<b>100.0%</b>

**Table 24. Financial support from children or grandchildren**

	Not interested / Neutral / no opinion in RM		Interested in RM		Overall	
	Count	Percentage	Count	Percentage	Count	Percentage
<b>Yes</b>	<b>618</b>	<b>78.6%</b>	<b>157</b>	<b>71.7%</b>	<b>775</b>	<b>77.1%</b>
<i>Share with spouse</i>	404	65.4%	99	63.1%	503	64.9%
<i>Enough amount</i>	420	68.0%	100	63.7%	520	67.1%
<b>They do not provide financial support to me</b>	<b>136</b>	<b>17.3%</b>	<b>40</b>	<b>18.3%</b>	<b>176</b>	<b>17.5%</b>
<b>I do not have children or grandchildren</b>	<b>27</b>	<b>3.4%</b>	<b>20</b>	<b>9.1%</b>	<b>47</b>	<b>4.7%</b>
<b>Don't know/Refuse to answer</b>	<b>5</b>	<b>0.6%</b>	<b>2</b>	<b>0.9%</b>	<b>7</b>	<b>0.7%</b>
<b>Total</b>	<b>786</b>	<b>100.0%</b>	<b>219</b>	<b>100.0%</b>	<b>1005</b>	<b>100.0%</b>

**Table 25. Retirement security**

	Not interested / Neutral / no opinion in RM		Interested in RM		Overall	
	Count	Percentage	Count	Percentage	Count	Percentage
<b>No</b>	<b>532</b>	<b>67.7%</b>	<b>131</b>	<b>59.8%</b>	<b>663</b>	<b>66.0%</b>
<b>Yes</b>	<b>250</b>	<b>31.8%</b>	<b>88</b>	<b>40.2%</b>	<b>338</b>	<b>33.6%</b>
<i>Pension</i>	64	25.6%	19	21.4%	83	24.6%
<i>Lump Sum</i>	85	34.0%	28	31.8%	113	33.4%
<i>Provident Fund</i>	52	20.8%	29	33.0%	81	24.0%
<i>MPF</i>	63	25.2%	13	14.8%	76	22.5%
<i>Insurance Premium</i>	25	10.0%	21	23.9%	46	13.6%
<i>Life Insurance</i>	49	19.6%	34	38.6%	83	24.6%
<b>Don't know/Refuse to answer</b>	<b>4</b>	<b>0.5%</b>	<b>0</b>	<b>0.0%</b>	<b>4</b>	<b>0.4%</b>
<b>Total</b>	<b>786</b>	<b>100.0%</b>	<b>219</b>	<b>100.0%</b>	<b>1005</b>	<b>100.0%</b>

**Table 26. Other financial status**

	Not interested / Neutral / no opinion in RM		Interested in RM		Overall	
	Count	Percentage	Count	Percentage	Count	Percentage
HK currency saving (incl. fixed deposits)	656	83.5%	194	88.6%	850	84.6%
Foreign currency savings (incl. fixed deposits)	118	15.0%	61	27.9%	179	17.8%
Stocks, bonds, funds etc.	179	22.8%	91	41.6%	270	26.9%

**Table 27. Household Income**

	Not interested / Neutral / no opinion in RM		Interested in RM		Overall	
	Count	Percentage	Count	Percentage	Count	Percentage
HK \$ 5 000 or below	153	19.5%	46	21.0%	199	19.8%
HK \$ 5 001-\$ 10 000	199	25.3%	65	29.7%	264	26.3%
HK \$ 10 001- \$ 20 000	163	20.7%	51	23.3%	214	21.3%
HK \$ 20 001- \$ 30 000	97	12.3%	24	11.0%	121	12.0%
Above HK \$ 30 000	53	6.7%	16	7.3%	69	6.9%
Don't know/Refuse to answer	121	15.4%	17	7.8%	138	13.7%
<b>Total</b>	<b>786</b>	<b>100.0%</b>	<b>219</b>	<b>100.0%</b>	<b>1005</b>	<b>100.0%</b>

**Table 28. Household Expenditure**

	Not interested / Neutral / no opinion in RM		Interested in RM		Overall	
	Count	Percentage	Count	Percentage	Count	Percentage
HK \$ 5 000 or below	167	21.2%	49	22.4%	216	21.5%
HK \$ 5 001-\$ 10 000	372	47.3%	109	49.8%	481	47.9%
HK \$ 10 001- \$ 20 000	174	22.1%	37	16.9%	211	21.0%
HK \$ 20 001- \$ 30 000	18	2.3%	10	4.6%	28	2.8%
Above HK \$ 30 000	6	0.8%	2	0.9%	8	0.8%
Don't know/Refuse to answer	49	6.2%	12	5.5%	61	6.1%
<b>Total</b>	<b>786</b>	<b>100.0%</b>	<b>219</b>	<b>100.0%</b>	<b>1005</b>	<b>100.0%</b>