

WHAT IS A POLICY REVERSE MORTGAGE?

The Policy Reverse Mortgage Programme is operated by HKMC Insurance Limited (HKMCI), a wholly-owned subsidiary of The Hong Kong Mortgage Corporation Limited (HKMC), for people who are aged 60 or above to apply for policy reverse mortgage loans.

Policy reverse mortgage is a loan arrangement. It enables you to use your life insurance policy as collateral to borrow from a lender. You will receive monthly payouts either over a fixed period of 10, 15 or 20 years or throughout your entire life (until the maturity of your life insurance policy), and you may also borrow lump-sum payouts for specific purposes when needed.

In general, you do not need to repay your policy reverse mortgage loan during your lifetime, unless your policy reverse mortgage loan is terminated under certain specific circumstances.

There is no limit on the number of policy reverse mortgage loans to be taken out by a borrower, but each loan can only have one life insurance policy as collateral. The aggregate amount of death benefits of all your life insurance policies assigned or to be assigned as collateral under the programme is capped at HK\$15 million. Otherwise, case-by-case approval will be required.

When your policy reverse mortgage loan is terminated, your lender will enforce your life insurance policy to recover the outstanding loan amount you owe. Any surplus after full repayment of the policy reverse mortgage loan will be passed to you (or your personal representative). If there is any shortfall, it will be borne by the HKMCI under an insurance arrangement between the lender and the HKMCI.

AM I ELIGIBLE FOR A POLICY REVERSE MORTGAGE LOAN?

You must:

- be aged 60 or above 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, your life insurance policy must:

- be taken out by you as both the policyholder and the insured
- be issued by an authorized insurer in Hong Kong
- be denominated in Hong Kong Dollars or United States Dollars
- not be subject to any restrictions or deductions on the payment of death benefit by the life insurance company
- not be associated with any investment features (such as Investment-Linked Assurance Schemes regulated by the Securities and Futures Commission of Hong Kong)
- have the premium fully paid up
- be assignable and not contain any restriction on change of beneficiary

KEY PRODUCT FEATURES AND BENEFITS

1. **Flexible payment term** – You can choose to receive monthly payouts for either a fixed period of 10, 15 or 20 years or throughout your entire life (until the maturity of your life insurance policy).
2. **Lump-sum payout** – You may apply to borrow lump-sum payouts for specific purposes such as repayment of your outstanding policy reverse mortgage loan or an outstanding policy loan on your life insurance policy; settlement of unpaid premium of your life insurance policy; repayment of the borrower's personal loans (including revolving credit facilities or credit card balances); payment for home improvement; repairs and maintenance of your property in Hong Kong; medical expenses, fees for setting up an enduring power of attorney, or the purchase of interment right in columbarium and cemetery as well as expenses for funeral services.
3. **Two options of mortgage plans** – You can choose a floating-rate or fixed-rate mortgage plan. In general, a fixed-rate mortgage plan offers higher payout amounts than a floating-rate mortgage plan.
4. **No repayment during your lifetime** – You do not need to repay the outstanding loan amount during your lifetime, unless the policy reverse mortgage loan is terminated under certain specific circumstances.
5. **No penalty for early full repayment** – You may fully repay the outstanding loan amount and redeem your life insurance policy at any time without penalty.
6. **Six-month cooling-off period** – If you terminate your policy reverse mortgage loan for whatever reason within the first 6 months, you will be given a full refund and waiver of the relevant mortgage insurance premiums. However, you still need to bear any accrued interest and financed fees in the outstanding loan amount.

MONTHLY PAYOUT AMOUNT

The monthly payout amount of your policy reverse mortgage loan is solely determined by the HKMCI on a case-by-case basis, with reference to a number of factors including your age, gender, payment term and the death benefits of your life insurance policy at the time of loan application. In general, the older you are at the time of loan application and the shorter is the payment term, the higher will be the amount of the monthly payout. You may choose to use an amount lower than the death benefits of your life insurance policy (i.e., specified policy value) for the payout calculation.

In principle, the monthly payout amount will remain constant or increase over the payment term, depending on the annual review of the death benefits of your life insurance policy.

Example of monthly payout amounts (HK\$)

Age of borrower	65			
Gender of borrower	Male			
Death benefits of life insurance policy	\$2 million			
Monthly payout amounts*				
Payment term	10-year	15-year	20-year	Life
Floating-rate mortgage plan^α	\$4,393	\$3,441	\$3,036	\$2,793
Fixed-rate mortgage plan^β	\$5,194	\$3,998	\$3,480	\$3,157

* The above monthly payout amounts are based on a specific life insurance policy of a well-known insurance company and are for illustration purpose only. The actual monthly payout amount for individual life insurance policies may vary.

α The above monthly payout under the floating-rate mortgage plan is calculated at the interest rate as at 30 June 2021 (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.

β 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.

COSTS

- Interest Expense** – to be charged on the outstanding loan amount on a compound basis.
- Mortgage insurance premium** – to be posted to the outstanding loan amount.
 - Upfront Mortgage Insurance Premium** is 1% of the specified policy value, payable by 5 annual instalments on the 1st, 13th, 25th, 37th and 49th monthly payout dates respectively. Each annual instalment is calculated at 0.2% of the specified policy value under the policy reverse mortgage loan.
 - Monthly Mortgage Insurance Premium** is payable on a monthly basis at the annual rate of 1% of the outstanding loan amount.
- Other fees** – to be paid to the insurance company of the life insurance policy in connection with the assignment of the life insurance policy (if any).

GENERAL APPLICATION FLOW

Step 1: Pre-assessment

Please enquire with an institution which is participating in the Policy Reverse Mortgage Programme as a lender or referrer (participating institution), which will explain details of the programme and conduct a preliminary eligibility assessment. You do not need to apply for a policy reverse mortgage loan through other intermediaries.

Step 2: Application

After completion of the preliminary assessment, you may make an application for the policy reverse mortgage loan.

Step 3: Execution of legal documents

After your application is approved, you can execute the relevant legal documents with the lender.

ENQUIRY

For details, please refer to the Policy Reverse Mortgage Programme's Information Pack. Should there be any enquiries, please call the HKMC Retire 3^o Hotline or email us, or contact a participating institution.

HKMC Retire 3 Hotline: 2536 0833

Email: hkmcretire3@hkmc.com.hk

Website: www.hkmc.com.hk

^o 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.

The programme is subject to relevant terms and conditions.



Policy Reverse Mortgage
Enriches Your Retired Life