



Hong Kong Mortgage Corporation



Effectiveness of Reverse Mortgage Programme

27 November 2017

Objectives and Key Product Features



- ❖ The HKMC launched the Reverse Mortgage Programme (RMP) in July 2011. To better meet the market demands, the HKMC reviews the RMP on a timely basis. A few rounds of enhancements were introduced to the RMP in the past few years with a view to bringing greater flexibility and benefits to borrowers
- ❖ The reverse mortgage enables the elderly aged 55 or above to use their residential properties and life insurance policies as collateral to borrow from banks, in return for a stable stream of monthly payouts over a fixed period or over the remainder of their lifetime. The borrowers may also borrow lump-sum payouts for specific purposes when needed
- ❖ The borrowers can continue to stay in their home for the rest of their lives and do not need to repay the loans during their lifetime
- ❖ Upon the death of the borrowers, their inheritors can choose to repay the loans or the banks could repossess and dispose the underlying properties for repayment of the loans
- ❖ The HKMC acts as insurer to provide mortgage insurance to the banks. The inheritors are not liable for any shortfall incurred upon property disposal, but can recoup the surplus if the sale proceeds of the properties exceed the loan balance

Eligibility Criteria



Eligible borrower(s)	Aged 55 or above with residential properties
Maximum number of borrowers	3 (can be spouse, siblings or unrelated parties) The annuity payment will depend on the age of the youngest borrower when there is more than 1 borrower
Property status	All owners (as joint tenants) of the property must join in as mortgagors and borrowers under the reverse mortgage while all borrowers under the RM must be the owners of the property
Maximum property value for calculation of the loan amount	For properties above HK\$8 million, a discount of the property value will be applied. For properties valued at HK\$25 million or above, the maximum specified property value for payout calculation will be capped at HK\$15 million
Property age at loan origination	50 years (Properties of over 50 years will be considered on a case-by-case basis)
Pre-application counselling	Borrowers must take part in the pre-application counselling
Cancellation period	6 months (If the borrower terminates the RM during the cancellation period, he can be given a refund or waiver of the insurance premium when he repays the loan)
Life insurance policy	The policy must be denominated in Hong Kong Dollars or United States Dollars with the premium fully paid up and have accrued a cash surrender value which is non-decreasing for the remaining term. The policy must not be associated with any investment features

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Key Statistics



- ❖ As at 31 October 2017, a total of 2,200 applications were received. Supported by intensive and all-round publicity campaign (**Annex**), there recorded a significant year-on-year growth in the number of drawn down cases, with an increment of 155% in the first ten months of 2017 as compared to the corresponding period in 2016
- ❖ Key Statistics of RMP (Cumulative figures as at 31 October 2017):

Total number of applications	2,200	
Type of applications	Single borrower: 63.9% Three borrowers: 0.2%	Two borrowers: 35.9%
Payment terms	10-year: 27% 20-year: 12%	15-year: 17% Life: 44%
Age of borrowers	Average at 69 years old	(Range: 55 – 103 years old)
Appraised property value*	Average at HK\$5.1 million	(Range: HK\$0.8 million – HK\$51 million)
Monthly payout	Average at HK\$15,100	(Range: HK\$0 – HK\$160,000)
Property age	Average at 30 years	(Range: 1 – 61 years)

* For properties above HK\$8 million, a discount of the property value will be applied. For properties valued at HK\$25 million or above, the maximum specified property value for payout calculation will be capped at HK\$15 million

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New Initiatives



- ❖ In November 2012, the HKMC introduced the following enhancements to the RMP to provide more flexibility and benefits to the borrowers:
 - increasing the maximum specified property value for payout calculation from HK\$8 million to HK\$15 million
 - lowering the minimum age of borrowers from 60 to 55
 - increasing the maximum lump-sum payout amount

- ❖ In March 2015, the HKMC introduced the following enhancements to the RMP to provide more flexibility to the borrowers:
 - allowing more than one residential property as security under a reverse mortgage loan
 - such properties are no longer required to be the borrower's principal residence
 - increasing the maximum number of joint borrowers from two to three
 - accepting assignment of life insurance policy to the bank as additional security under the RMP

- ❖ In response to The 2016-17 Budget, the HKMC introduced a new enhancement in October 2016 to extend the RMP to subsidised sale flats with unpaid premium

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Thank you

Annex: Publicity and Promotion



- ❖ Multi-faceted publicity campaigns were rolled out to promote the new enhancement in the past few years. Advertisements were placed in local newspapers and on public transportation, and the RMP commercial was broadcasted on major television and radio channels, and put on online media platforms such as YouTube, to reach the wider public
- ❖ To promote public awareness and understanding of the RMP, the HKMC produced a microfilm named "Sweet Home", the theme of which was on how the RMP could help provide a financial solution to modern families and foster family bonding between different generations. The microfilm was a first-ever attempt of the HKMC to promote its business programmes by way of an online movie
- ❖ The RMP commercial was also broadcast on in-train televisions of the Mass Transit Railway with the aim to effectively reach the target segments along the routes largely surrounded by subsidised housing estates to better promote the public awareness of the recent new enhancement
- ❖ The HKMC also organised roving exhibitions under the theme of "The Mortgage You Paid Supports Your Retirement" at seven selected major shopping malls close to the subsidised housing estates on Hong Kong Island, Kowloon and the New Territories
- ❖ To reach out to a wide spectrum of stakeholders, the HKMC has undertaken joint initiatives with banks, counterparties, professional bodies and non-governmental organisations, including seminars and talks and/or participating in public conferences/forums to promote the RMP. By the end of October 2017, more than 280 seminars had been arranged

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