

Policy Reverse Mortgage Programme

Help you realise a fulfilling retirement life!



Life Promise Insurance Plan, Glorious Fortune (Single Premium)*, Glorious Fortune II (Single Premium), Regal Fortune Signature (Single Premium) and Glorious Fortune – Wealth are the eligible life insurance plans under Policy Reverse Mortgage Programme, providing you with a new financial planning option to secure a stream of steady cash flow for a carefree retirement.

What is a Policy Reverse Mortgage Programme?

The Policy Reverse Mortgage Programme (“PRMP”) is operated by HKMC Insurance Limited (HKMCI), a wholly-owned subsidiary of The Hong Kong Mortgage Corporation Limited, for people who are aged 55 or above to apply for policy reverse mortgage loans.

PRMP is a loan arrangement. It enables you being the policyholder (“You”, “you”, “your”) to use your life insurance policy as collateral to borrow from a lender. You can opt to receive monthly payouts from the lender either over a fixed period of 10, 15 or 20 years or throughout your entire life until the maturity of your life insurance policy. You may also borrow lump-sum payouts from the lender 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 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. For any application with the aggregate amount of death benefits exceeding such capped amount, such application will be considered on a case-by-case basis.

In most cases, your policy reverse mortgage loan will become due and payable when you pass away. The lender will enforce your life insurance policy within a specified timeframe to repay in full the outstanding loan amount. The amount recoverable from your life insurance policy to be used for repayment of your policy reverse mortgage loan will be the death benefits of your life insurance policy.

If the amount of the death benefits exceeds the outstanding loan amount under the policy reverse mortgage loan, the lender will pass the surplus to you (or your personal representative) after repaying the outstanding loan amount in full. If there is any shortfall, it will be borne by HKMCI under an insurance arrangement between the lender and HKMCI.

* New application of this plan is not available currently.

Who is eligible for a policy reverse mortgage loan?

You must:

- be aged 55 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 associated with any investment features (such as Investment-Linked Assurance Scheme 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

Furthermore, it is necessary that the beneficiary of your life insurance policy be yourself or your estate[#]. You are required to arrange with your insurance company to change the beneficiary as necessary.

[#] Please refer to the Important Notice of Policy Reverse Mortgage Programme for further information.

Key product features and benefits



Flexible payment term

You can choose to receive monthly payouts for either over a fixed period of 10, 15 or 20 years or throughout your entire life (until the maturity of your life insurance policy). You have the flexibility, at any time during your payment term, to apply to switch to another payment term[^].



Lump-sum payout

You may apply to borrow lump-sum payouts at the time of policy reverse mortgage loan application and/or at any time during the payment term you choose for the following purposes*:

- full repayment of your outstanding policy reverse mortgage loan or an outstanding policy loan on your life insurance policy (only applicable at the time of policy reverse mortgage loan application)
- settlement of unpaid premium of your life insurance policy (applicable only at the time of policy reverse mortgage loan application)
- repayment of the borrower's 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⁺
- payment for home improvement (including works aiming to improve the environmental friendliness of home/housing estate), repairs and maintenance of your property in Hong Kong
- payment for medical expenses (treatment outside Hong Kong is acceptable)
- payment for the fees payable to the relevant solicitors and medical practitioners in connection with the 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

You can contact the participating institution to find out the maximum amount of lump-sum payout that you can borrow, from time to time, under your policy reverse mortgage loan. The maximum amount of lump-sum payout is determined at the time of initial loan application and such amount decreases over the payment term.

The maximum lump-sum payout amount is 90% of the actuarial value of the policy reverse mortgage loan.

If you withdraw a larger lump-sum payout amount, there will be correspondingly a lower monthly payout amount. If you withdraw the maximum amount of lump-sum payout, you will not receive any monthly payouts thereafter.



Two options of mortgage plans

You can choose either 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.



No repayment during your lifetime

In general, you do not need to repay the outstanding loan amount during your lifetime, unless your policy reverse mortgage loan is terminated under specific circumstances. Please refer to the Important Notice of Policy Reverse Mortgage Programme for details.



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. However, you may not repay only a part of the outstanding loan amount.



Six-month cooling-off period

If you terminate your policy reverse mortgage loan for whatever reason, provided that you notify the lender within the first six months and repay in full the outstanding loan amount on the proposed repayment date, 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.

[^] A handling fee of HK\$1,000 will be charged for each successful application for change of payment term. Such handling fees will be debited to the outstanding loan amount.

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

⁺ 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.

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 higher is the death benefits of your life insurance policy, the higher will be the monthly payout amount. 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.

The mortgage plan you choose will also affect the amount of monthly payout. In general, the payout amounts offered under a fixed-rate mortgage plan are higher than those under a floating-rate mortgage plan.

In general, 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 amount (HK\$)

Age of borrower	65
Gender of borrower	Male
Death benefits of life insurance policy	\$2 million



Monthly payout amounts*

Payment term	10 years	15 years	20 years	Life
Floating-rate mortgage plan [^]	\$4,393	\$3,441	\$3,036	\$2,793
Fixed-rate mortgage plan ⁺	\$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.

[^] 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.

⁺ 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 (including interest) on a compound basis. Please refer to the Indicative Loan Schedules to see how interest builds up over time.

Mortgage insurance premium

to be posted to the outstanding loan amount.

- (i) **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.
- (ii) **Monthly Mortgage Insurance Premium** is payable on a monthly basis at the annual rate of 1% of the outstanding loan amount.

Please refer to the Indicative Loan Schedules to get an idea of the amount of mortgage insurance premium.

Handling fee

A handling fee of HK\$1,000 will be charged for each successful application for change of payment term or request for a lump-sum payout, after a policy reverse mortgage loan has been granted. Such handling fees will be debited to the outstanding loan amount.

Other fees and expenses

to be paid to the insurance company of the life insurance policy in connection with the assignment of the life insurance policy (if any).

Source: The Hong Kong Mortgage Corporation Limited Policy Reverse Mortgage Information Pack (January 2023 version)

Notes:

PRMP is operated by the HKMCI. Customers must meet all the eligibility requirements set out by the HKMCI before applying for a policy reverse mortgage loan under the PRMP. All mortgages under the PRMP are subject to relevant terms and conditions. For enquiries, please call the HKMC Retire 3 Hotline at 2536 0833 or send an email to hkmcretire3@hkmc.com.hk.

HKMC website: www.hkmc.com.hk

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