

Appendix 3 – Counselling Questionnaire

REVERSE MORTGAGE PROGRAMME COUNSELLING QUESTIONNAIRE

Part A – Details of the counselling session

Date and time of counselling session: _____

Place of counselling session: _____

Name of intending borrower(s) and
HKID Card number(s):

_____ HKID Card no.:

_____ HKID Card no.:

_____ HKID Card no.:

Name of other attendee(s) (if any): _____

Part B – Matters to be explained to the intending borrower(s)

Section 1 – Purpose of counselling

- Purpose** To allow the Reverse Mortgage Counsellor (**Counsellor**) who is an independent person to explain to you (i.e. the intending borrower(s)) the general features of a reverse mortgage loan, your legal rights and obligations as well as the legal consequences of taking out a reverse mortgage loan.
- Role of Counsellor** Counsellor is **only to** explain the general features and legal implications of a reverse mortgage loan in accordance with this Counselling Questionnaire.
- Counsellor is **not** to:
- (a) express any view as to whether you should take out a reverse mortgage loan;
 - (b) advise you on any specific reverse mortgage transaction which you may enter into with your lender; or
 - (c) provide you with any financial advice, analysis or information or legal advice relating to your particular circumstances (such as estate planning or tax issue).
- Counsellor only acts for you but not any of the other attendee(s) who is / are present at this counselling session. Any such other attendee(s) should consider obtaining independent legal advice if a reverse mortgage loan taken out by you is going to affect them in any way.
- Counsellor will issue a counselling certificate to you if satisfied that you understand the points explained to you. The counselling certificate is needed if you wish to proceed further with your reverse mortgage loan application.

- Independent legal advice and other independent professional advice** You should seek independent legal advice to understand the legal implications of your reverse mortgage loan. You should also seek other independent professional advice on matters such as financial, estate planning and tax to understand other implications of your reverse mortgage loan. The Counsellor explaining this Counselling Questionnaire to you will not be able to act for you in relation to your reverse mortgage loan, but can advise you under a separate retainer on other matters beyond the scope of this Counselling Questionnaire such as estate planning, tax, enduring power of attorney.

Remarks: _____

Section 2 – General features

- Nature of a reverse mortgage loan** Reverse mortgage loan comprises a loan and one or more security transactions. Under the arrangement, your lender commits to lend you a sum each month (each such payment is called a **monthly payout**) for a fixed period of 10, 15 or 20 years or for your entire life (each such period is called a **payment term**) until:
- (a) you have at any time borrowed a **lump-sum payout** up to the maximum amount then available to you from your lender; or
 - (b) a **Maturity Event** happens (*see Section 3 below for details*).
- Total amount you owe your lender** The total amount you owe your lender under your reverse mortgage loan grows as you borrow more in receiving payout(s) from your lender. You also pay interest and expenses on your reverse mortgage loan and these interest and expenses are added to your reverse mortgage loan. Section 4 below explains these interest and expenses in more detail.
- Property as security** You or a local private limited company wholly and directly owned by you (**Mortgagor**) mortgages a property as security for your reverse mortgage loan.
- The Mortgagor may mortgage more property(ies) as security for your reverse mortgage loan. Please note that such property(ies) should be held by the Mortgagor as sole legal and beneficial owner or (where there is more than one person) as joint tenants. Unless the context otherwise requires, **property** means any property or properties (including each and every part of it) owned by the Mortgagor. Your lender will decide whether the property is eligible as security by reference to certain criteria. Please consult your lender and refer to the *Information Pack* for details.
- Determination of monthly payout amount** Your lender will determine the fixed amount of the monthly payout that you can borrow and receive each month at the time you take out your reverse mortgage loan. In general, the older you are and the shorter the payment term, the higher the amount of the monthly payout. Also, the scale of the amount of monthly payout receivable by two borrowers is lower than the scale for a single borrower for the same reverse mortgage loan.

- If the Mortgagor provides your lender with a property as security for your reverse mortgage loan, the fixed amount of each monthly payout to be made by your lender will be determined by reference to the aggregate appraised value of the property (i.e. the aggregate value of the property as confirmed by an independent valuation, but which may be subject to adjustment if there is more than one property mortgaged under your reverse mortgage loan and any of them is released before the termination of your reverse mortgage loan) and other factors (such as the length of your payment term and your entry age). You may, however, choose to specify a value, generally referred to as the **specified property value**, which is lower than the aggregate appraised property value for the payout calculation and, hence, lowers the amount of each monthly payout. While there is no limit on the number of properties which may be mortgaged as security, the aggregate appraised value of all properties taken for the purpose of the payout calculation may be subject to downward adjustment based on and capped at the prescribed maximum amounts of the specified property value. *The Information Pack contains an illustration showing the respective maximum amounts of the specified property value (lesser amounts may, however, be selected) for payout calculation purpose. Please consult your lender and refer to the Information Pack for details.*

- While the monthly payout is intended to be a fixed amount for the entire payment term, such amount could be varied if you take out a lump-sum payout during the payment term, change the payment term or arrange for a refinancing of the property with a higher appraised property value which may result in an increase in the specified property value.

Determination and change of payment term

- You choose your payment term at the time you take out your reverse mortgage loan, but you can, subject to a handling charge, choose to switch to another payment term at any time during the then current payment term. Please note that this may change the amount of the subsequent payout(s).

Lump-sum payout

- In addition to monthly payouts, you may borrow a lump-sum payout when you take out a reverse mortgage loan, and / or at any time during the payment term for certain purposes specified by your lender. Such purposes may include repayment of your existing property mortgage (applicable at the start of the payment term), payment for property repairs, medical expenses, purchase of interment right in columbarium and cemetery, funeral expenses and professional fees for preparing an enduring power of attorney (each applicable at any time during the payment term). Please consult your lender and refer to the *Information Pack* for details.

- The maximum amount of the lump-sum payout will be specified in the facility letter (as supplemented or amended) (**facility letter**). You should note, however, that each time you borrow a lump-sum payout, the amount of each subsequent monthly payout will be reduced. You should carefully consider your financial needs and check with your lender for further details when you apply for a lump-sum payout.

Remarks: _____

Section 3 – Other important features

Early termination

- Generally, you cannot prepay only part of your reverse mortgage loan, other than for the purpose of early release of any mortgage of the property (only if there is more than one subsisting property mortgage under your reverse mortgage loan), and in which case any subsequent payouts may be adjusted accordingly, as determined by HKMC Insurance Limited (**HKMCI**), a wholly-owned subsidiary of The Hong Kong Mortgage Corporation Limited that operates the Reverse Mortgage Programme. However, you may terminate your reverse mortgage loan early at any time by repaying your reverse mortgage loan in full.

Suspension Events, Maturity Events and ensuing consequences

- As soon as a **Suspension Event** has happened and remains uncured for 3 months, your lender has the right to suspend payment to you of any monthly payout(s) and lump-sum payout(s) until the Suspension Event is cured. After lifting of the suspension, your lender will pay you all monthly payout(s) and lump-sum payout(s) (if any) withheld during the suspension period.
- Please refer to the *Important Notice* for a full list of the Suspension Events, which include, among other things: (a) breach of Government Lease or Deed of Mutual Covenant, (b) non-payment of management fees, rates and government rent, (c) non-submission of the required **annual declaration**, and (d) creation of any security or interest in favour of any third party in respect of the property.
- When a Maturity Event happens, your lender has the right to stop paying you any monthly payout(s) and lump-sum payout(s), and you will be required to repay your reverse mortgage loan in full. Also, your lender may enforce the mortgage on the property and when that happens, all occupants of the property will be required to move out.
- Please refer to the *Important Notice* for a full list of the Maturity Events, which include, among other things: (a) the property or any part thereof is subject to any subsisting tenancy without your lender's written approval, (b) the passing away of you (or all of you where there is more than one of you), (c) termination of Government Lease in respect of the property, (d) voluntary surrender of the property to your lender, (e) substantial or total collapse of the property or the building in respect of the property, (f) Governmental resumption of the property, (g) conversion of an uncured Suspension Event into a Maturity Event, (h) completion of forced sale of the property by law, (i) severance of the joint tenancy ownership in the property, and (j) the Mortgagor (being a company wholly and directly owned by you) ceases to be wholly and directly owned by you.
- If more than one property has been mortgaged as security under your reverse mortgage loan, any Suspension / Maturity Event in relation to any one of the properties will be a Suspension / Maturity Event for the whole of your reverse mortgage loan.
- If you have any doubt about the Suspension Events, the Maturity Events and their respective ensuing consequences, you should speak further with your lender or its solicitors. But if you decide to take out a reverse mortgage loan, it is recommended that you engage your own solicitors in the reverse mortgage transaction.

Remarks: _____

Section 4 – Fees, expenses and other figures

Fees and charges for entering into a reverse mortgage

- You need to pay certain fees and charges in relation to your reverse mortgage loan, such as the counselling fee for this counselling session, legal and other fees for the preparation, execution and registration of the loan and security documents. You may use your reverse mortgage loan to finance such fees and charges.

Reimbursement of mortgage insurance premiums

- Your lender takes out a reverse mortgage insurance cover from the HKMCI to recover the shortfall which it may suffer if the proceeds from the property are insufficient to repay your reverse mortgage loan in full on the happening of a Maturity Event. For such insurance cover, your lender pays mortgage insurance premiums to the HKMCI, and will require you to reimburse it for the payment of these mortgage insurance premiums by adding the total amount of these premium payments to your reverse mortgage loan. The HKMCI charges the following two types of mortgage insurance premiums:
 - Upfront mortgage insurance premium** is charged at a specified rate on the specified property value of the property at the time the property is mortgaged to your lender. You need to reimburse your lender for such upfront mortgage insurance premium which is spread over 7 equal annual instalments starting from the 37th monthly payout date. Please refer to the *Information Pack* for details.
 - Generally, if your reverse mortgage loan is terminated, you need to reimburse your lender immediately for all the then unreimbursed payments (if any) for the upfront mortgage insurance premiums and such accelerated reimbursement amounts will be immediately added to your reverse mortgage loan. Should there be a request for the release of any property mortgage before the termination of your reverse mortgage loan, your lender must be reimbursed immediately for all of the then unreimbursed payments (if any) for the upfront mortgage insurance premium attributable to such property mortgage (which the HKMCI may determine at its absolute discretion by reference to the percentage of the specified property value attributable to such released property immediately before such release), and such accelerated reimbursement amounts will be immediately added to your reverse mortgage loan.
 - Monthly mortgage insurance premium** is charged at a specified rate on the total amount from time to time you owe your lender under your reverse mortgage loan on a monthly basis. The monthly mortgage insurance premium will continue to be charged to your reverse mortgage loan on a monthly basis even after expiry of the fixed payment term (10-/15-/20-year payment term) and generally, until the earlier of (a) your reverse mortgage loan is fully repaid; and (b) all security under your reverse mortgage loan (which security document has not been released before occurrence of a Maturity Event) is realised. Please refer to the *Information Pack* for details.

Interest on compound basis

- You pay interest each month on your reverse mortgage loan on compound basis. In other words, **you pay interest on interest**. You have to pay interest on the monthly payout(s), lump-sum payout(s) (if any), as well as on all fees, charges and mortgage insurance premium reimbursements, which have been added to your reverse mortgage loan.

[To Counsellor: Please read out the relevant figures in the Indicative Loan Schedule for explanation of the following section to the intending borrower(s).]

Indicative Loan Schedule(s)

- As shown in the *Indicative Loan Schedule* provided by your lender, if you apply for a reverse mortgage loan alone / jointly with other borrower(s) with the following details:

- (i) specified property value HK\$ _____
- (ii) lump-sum payout at first drawdown HK\$ _____
- (iii) payment term 10 / 15 / 20 years / for life

then each monthly payout amount will be HK\$ _____.

- Further, at the 10th / 15th / 20th / 40th anniversary of your reverse mortgage loan:

- (i) monthly payouts received HK\$ _____
- (ii) accrued interest (on compound basis) HK\$ _____
- (iii) upfront mortgage insurance premium reimbursed HK\$ _____
- (iv) monthly mortgage insurance premium reimbursed HK\$ _____

These figures are calculated on the assumptions that:

- (a) there is no change in the interest rate during the whole duration of your reverse mortgage loan;
- (b) you do not borrow any lump-sum payout throughout the payment term except the lump-sum payout (if any) at first drawdown; and
- (c) you do not borrow any amount to cover your legal, counselling, building inspection fees and / or any handling charges.

- The *Indicative Loan Schedule* provided by your lender only gives you a general idea of the relevant amounts and does not represent the actual amounts due to many factors such as:

- (a) the actual value of the property may be different when you apply for your reverse mortgage loan;
- (b) lump-sum payout(s) may be borrowed from time to time; and
- (c) interest rate may change.

Lender charges, legal fees and other costs

- As with a conventional mortgage, your lender may charge you or require you to bear administration fees, as well as costs and expenses relating to the release and / or enforcement of the reverse mortgage.

Remarks: _____

Section 5 –On-going obligations

- No tenancy** Unless your lender otherwise agrees, the property or any part of it should not be leased so long as your reverse mortgage loan remains outstanding, and such requirement continues even after the payment term ends (though you may have opted for the 10- / 15- / 20-year payment term and not the entire life term). Please note that representatives of your lender and / or the HKMCI may visit the property to confirm satisfaction of this no tenancy requirement.
- Annual Declaration** Each year, you or one of you (if there is more than one borrower) need to sign an annual declaration to confirm that there is no breach of any of the terms set out in the facility letter and / or the security documents, and also, that the property or any part of it had not been leased without your lender’s approval etc. Please note that failure to provide the annual declaration will constitute a Suspension Event.

Remarks: _____

Section 6 – Legal and other implications

- Enduring power of attorney** You may consider arranging for your own enduring power of attorney so that in the unfortunate event where you have become mentally incapacitated, your attorney will be able to help you sign the annual declaration and make other decisions for you on your reverse mortgage loan. You will need to engage the services of a solicitor and a medical practitioner to prepare and witness your execution of the enduring power of attorney.
- Enforcement of security** Where there is more than one borrower, no Maturity Event will have happened due to the passing away of only one of the borrowers and the other living borrower(s) will continue to receive payout(s).
- Following the happening of a Maturity Event, you (or your personal representative or family member(s) if you have passed away) or the Mortgagor may arrange for repayment of your reverse mortgage loan in full to avoid enforcement of the reverse mortgage through sale of the property by your lender. The repayment needs to be made normally within 9 months (in the case of your passing away) or 3 months (in the case of any other Maturity Event). However, if you (or your personal representative or family member(s)) or the Mortgagor elects not to do so or makes no indication when asked by your lender, your lender may proceed with the sale of the property once the relevant grace period has lapsed, and apply the sale proceeds to repay your reverse mortgage loan. Please note that your lender has the absolute discretion to shorten or extend the relevant grace period as your lender considers appropriate.
- Your lender will sell the property in accordance with usual banking practice on enforcement of security. Any balance left after repaying your reverse mortgage loan in full will be paid by your lender to the Mortgagor (or, if applicable, its personal representative).

- Effect on probate**
- If the property is owned by you, on your passing away, your property will, subject to your reverse mortgage, pass to your inheritors or to the last living borrower.
 - Hence, the benefit which your inheritors may receive under the property on your passing away could be substantially reduced depending on the amount you owe your lender under your reverse mortgage loan. This means that your reverse mortgage loan could vary your inheritance arrangement. This may possibly lead to disputes and conflicts among your inheritors. Therefore, it is recommended that you seek independent financial and legal advice in order to understand the legal and financial implications which your reverse mortgage loan may have on your inheritance arrangement.
- Tax implication**
- You need not pay tax on any monthly payout or lump-sum payout you receive, since they are in the nature of a loan. However, the interest you pay on any monthly payout or lump-sum payout is not deductible for tax purposes.
- Impact on social welfare**
- The Social Welfare Department considers any monthly payout and lump-sum payout as “income” under the income test for eligibility to any benefit under the Comprehensive Social Security Assistance (CSSA) Scheme. In other words, any monthly payout and lump-sum payout will be taken into account for calculation of your income, and thus may affect your entitlement to CSSA. You should consider this carefully before you take out a reverse mortgage.
- Effect on other occupant(s) of the property and / or other person(s) who may have an interest in the property**
- When your lender sells the property, any person residing in the property will be required to move out. In addition, although the Mortgagor owns the property, there could be circumstances where other person(s) may have an interest in the property. When you take out your reverse mortgage loan, your lender will ask for a declaration to confirm if there is any person (a) residing in the property and / or (b) having an interest in the property. If so, your lender will ask any such person(s) to sign an undertaking to agree to move out of the property when your lender sells the property and disclaim / waive his / her interest or confirm to subordinate his / her interest in the property to your lender’s mortgagee interest in the property under the reverse mortgage deed. Please alert any such person about these consequences and suggest that he / she seeks independent legal advice, if necessary.

Remarks: _____

Part C – Confirmation by the intending borrower(s), the other attendee(s) (if any) and the Counsellor

I / We, the undersigned, being the intending borrower(s) under a proposed reverse mortgage loan, hereby confirm that:

- (1) I am / we are the person(s) named in this Counselling Questionnaire as the intending borrower(s);
- (2) I / we have proceeded with the counselling session freely, voluntarily and without any pressure from any person;
- (3) I / we have been provided with the Important Notice, the Information Pack, the Information Sheet and the

Indicative Loan Schedule, and have read them in advance of the counselling session;

- (4) the points contained in Part B above have been explained to me / us by the Counsellor in clear terms [and in a language which I / we understand] / [through an interpreter], and that I / we fully understand those points;
- (5) in particular, I / we understand that the Counsellor is required to explain to me / us only the points contained in Part B above, and I / we confirm that the Counsellor has done so, and that the Counsellor is not required to provide and has not provided any advice other than those contained in Part B above, or any financial advice, analysis or information, and is not required to express and has not expressed any opinion as to whether or not I / we should take out a reverse mortgage;
- (6) I / we have been advised to seek independent legal, financial and other relevant professional advice in connection with the reverse mortgage transaction which may ensue after this counselling session; and
- (7) I / we have been provided with a copy of this Counselling Questionnaire for record.

Signed by intending borrower(s)

_____	_____	_____
Name:	Name:	Name:
Date:	Date:	Date:

I / We, the undersigned, being the other attendee(s) who is / are present at this counselling session, hereby confirm that the Counsellor has informed me / us of the fact that (a) the Counsellor does not act for me / us and (b) I / we should seek independent legal, financial and other relevant professional advice if the proposed reverse mortgage loan may in any way affect me / us.

Signed by the other attendee(s)

_____	_____	_____
Name:	Name:	Name:
Date:	Date:	Date:

I, the undersigned, being the Counsellor of this counselling session, hereby confirm that: (a) I have satisfied all the eligibility requirements for providing counselling service as set out in the Reverse Mortgage Programme Counselling Protocol issued by the HKMCI; and (b) I have explained the points contained in Part B above to the above-named intending borrower(s).

Signed by the Reverse Mortgage Counsellor

Name:

Date: