



Home Ownership Mortgage

Overview



中國銀行(香港)
BANK OF CHINA (HONG KONG)

Published by
Hong Kong Economic Times



Contents

Introduction

Live in contentment with smart choice of mortgage plans

There are two old Chinese proverbs, one says “With land comes wealth” and the other says “live in contentment with secured home”. Both proverbs reflect the deep-rooted Chinese belief in purchasing property for self-occupation or investment. In reality, however, potential property buyers have to take many issues into account before making up their minds, including: Is it the right timing? Does the property meet the family’s future needs? How about the development in the neighbourhood? Among all these things, financial planning is of foremost importance.

Nowadays, most property buyers get mortgage loans to purchase properties. With the suitable mortgage plan they can not only meet their financial needs, but also obtain a smoother cash flow.

Banks in Hong Kong offer various mortgage plans for property buyers. Facing myriads of mortgage plans, property buyers should consider their personal needs over the plan features, and choose mortgage plans of large-scale financial institutions that offer premier services.

This overview is intended to provide potential property buyers with the basic and practical knowledge of property purchase including: factors affecting purchasing decision, relevant expenses and procedures, and features of major mortgage plans.



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Planning and preparation

Budget planning before property purchase

Careful budget planning to avoid overspending

Buying property is a serious life-time decision. Potential property buyers are advised to consider various key factors thoroughly before making the purchase decision.

Budget of property purchase: Includes down payment, affordable mortgage loan amount and other relevant expenses.

Down payment: Disposable cash less reserves (e.g. living expenses for the coming half year) and relevant property purchase cost (includes agency commission, stamp duty, legal fee and renovation expense, etc).

Affordable mortgage loan amount: In general, the banks' decision on the mortgage loan amount is based on a less than 50% debt-to-income ratio of the monthly instalments of the mortgage and that of other loans over the potential property buyers' monthly salaries. Given the current low interest rates in the market, the potential property buyers' corresponding monthly instalments will rise with the increase of mortgage interest rate if a mortgage plan with floating rate is chosen. Hence, potential property buyers should be more conservative in determining their mortgage loan amounts. Also, they are advised to earmark no more than 40% of their monthly salaries to cushion the expected increase in mortgage interest rate in the future.

Affordable property price: Down payment + Affordable mortgage loan amount = Affordable property price of the potential property buyer

In addition to monthly instalments, potential property buyers should also be ready to settle other payment, such as property management fees, rates, government rents and property maintenance fees, etc.

Other factors for consideration

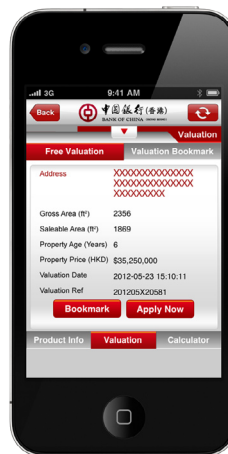
Besides careful budgeting, potential property buyers should also take their overall needs into account, or they may bear extra cost in purchasing properties in response to possible future changes in residential needs.

District	Is the transportation convenient for travelling to and from work? Do public facilities meet personal needs? What is the foreseeable residential supply in the district? What about the school network?
Surrounding environment	Will there be any large-scale infrastructural project? Will there be any change in advantages/disadvantages of the surrounding environment? Smart tips: Visit the statutory planning portal of the Town Planning Board at http://www.ozp.tpb.gov.hk to know more about the land use planning in the neighbourhood.
Condition of the property	Will there be any large-scale maintenance work in the near future? If so, how much will it cost? Is the owners' corporation running in the red?
Additional facilities	Do the additional facilities meet personal or family needs? Are management fees higher because of these additional facilities?
Unit area and partitions	Will extra room be needed for a newborn baby or domestic helper in the future?

Mortgage arrangement before signing agreement

Since mortgage loan amount is calculated on the basis of property price or appraised value (whichever is lower), potential property buyers are advised to consult their banks for preliminary mortgage advices and property valuations once they targeted the desired properties.

Property valuation comes first



BOCHK Mobile Application provides free instant property valuation services

Nowadays, many banks provide instant property valuation services for potential property buyers through their websites and mobile applications. Potential property buyers may refer to these property valuations before signing the Provisional Sales and Purchase Agreement, or they may have to make up any shortfall due to undervaluation.

Once the Provisional Sales and Purchase Agreements are duly signed, potential property buyers can apply for mortgage loans from banks. Generally speaking, they are requested to provide identity documents, proofs of income (e.g. tax demand notes and bank account records) and duplicates of the Provisional Sales and Purchase Agreements, etc. The banks will approve mortgage loan amounts based on the appraised property value and repayment capability of each potential property buyer.

Based on their financial needs, property buyers can choose a suitable mortgage plan from the various plans offered in the market. Simply put, Mortgage Insurance Programme is suitable for buyers without sufficient down payments, and Deposit-linked Mortgage Service is for those who are looking for flexible uses of funds.

90% mortgage ceiling for self-occupied property

According to the provisions published by the Hong Kong Monetary Authority in June 2011, the maximum loan-to-value (LTV) ratio for mortgage loan is 70% (with the loan amount capped at HK\$4,200,000) for the purchase of residential property with value of below HK\$7,000,000, and the maximum LTV ratio will be gradually scaled down for property with the value of HK\$7,000,000 or above. The maximum LTV ratio of 50% is applicable to residential property with the value of HK\$10,000,000 or above.

Potential property buyers who cannot afford down payments can apply for Mortgage Insurance Programme of the Hong Kong Mortgage Corporation Limited through the banks. The mortgage loan amount can be up to 90% of property price or appraised value (whichever is lower), given that the buyers have to pay for the insurance premium (which can be borrowed and apportioned among the monthly repayments of mortgage loan). However, potential property buyers should be aware that Mortgage Insurance Programme is only applicable to self-occupied residential property with the value of HK\$6,000,000 or below.



Planning and preparation

General procedure of residential mortgage loan application

Make initial mortgage enquiries with the bank
(Include property valuation, mortgage interest rate, special offer and estimated monthly instalment, etc.)



Sign the Provisional Sales and Purchase Agreement and pay the initial deposit



Submit duly completed and signed mortgage application form, along with proof of identity and income as well as a duplicated copy of the Provisional Sales and Purchase Agreement, etc.



Upon receipt of the mortgage loan application, the bank will then approve the mortgage loan based on the property price and appraised value, and repayment capability of the applicant



- Upon approval of the mortgage loan application, the bank will:
- Arrange for the borrower to sign a confirmation letter regarding the terms of the loan
 - Send a letter of notification to the borrower's solicitor for the preparation of Mortgage Deed



Once the property buyer has signed the complete set of deed, the solicitor will notify the bank. Then the bank will pay the loan to the seller through the solicitor on the completion date of the property transaction



The bank will send a repayment schedule to the borrower by post. The notice will state the detailed information about the monthly principal, interest repayable and the outstanding loan balance, etc.

Expenditure

Major expenses of property purchase

Agency commission

Generally speaking, both property sellers and buyers in the secondary market have to pay the respective commissions to their property agents. There is currently no regulation stipulating the amount of agency commission in Hong Kong, but it is a common practice to set commission at 1% of transaction price.

Stamp duty

Calculated according to the market value or transaction price of property (whichever is higher). Strictly speaking, there is no regulation in Hong Kong stipulating whether sellers or buyers should pay the stamp duty, but it is a common practice for buyers to pay as below:

Property value (HK\$)	Stamp duty (HK\$)
2,000,000 or below	100
2,000,001 - 2,351,760	100 + 10% of the amount in excess of 2,000,000
2,351,761 - 3,000,000	1.5% of property price
3,000,001 - 3,290,320	45,000 + 10% of the amount in excess of 3,000,000
3,290,321 - 4,000,000	2.25% of property price
4,000,001 - 4,428,570	90,000 + 10% of the amount in excess of 4,000,000
4,428,571 - 6,000,000	3% of property price
6,000,001 - 6,720,000	180,000 + 10% of the amount in excess of 6,000,000
6,720,001 - 20,000,000	3.75% of property price
20,000,001 - 21,739,120	750,000 + 10% of the amount in excess of 20,000,000
21,739,121 or above	4.25% of property price

Source: Inland Revenue Department

Date: 1 April 2010



Expenditure

Solicitor fees

Currently, solicitor fees are consolidated in one package in general, including solicitor fees for the Sales and Purchase Agreement, Assignment and Mortgage Deed, but no fixed rate is set.

Special stamp duty (SSD)

It is stipulated that any agreement on sale and purchase of residential property signed on or after 20 November 2010 will be subject to an SSD. SSD is calculated on the basis of 15%, 10% and 5% of the property transaction price for property resold within six months, more than six months but less than one year, or more than one year but less than two years, respectively. Because the government has not stipulated whether the sellers or the buyers should pay the SSD, and neither has the market set any practice in this respect, buyers are advised to negotiate payment responsibilities for the SSD before signing any agreement if the desired properties were held by the sellers for less than two years.

Source: Inland Revenue Department

Date: 20 November 2010

Insurance premium

The banks will generally require borrowers to buy fire insurance to protect the banks' interests if mortgage loans are applied. Fire insurance premium is usually determined by the mortgage loan amount offered or by the full reinstatement value of the property. Property buyers should also purchase home insurance policy and mortgage life assurance plan according to their needs in order to have insurance coverage on their household properties and the repayment of mortgage loans, etc.

Various deposits

Large housing estates will generally require management fee deposit. Additionally, decoration debris removal fee will be collected from first-hand residential property buyers. Other various deposits or account set-up fees required include utility services like water, electricity, gas supplies, broadband as well as telephone services.

Procedure

Procedure of property transaction

First-hand uncompleted property
(General procedure of property transaction)

Cash or immediate mortgage payment

- Sign the Provisional Sales and Purchase Agreement and pay the initial deposit
- Engage a representing solicitor firm
- Apply for mortgage loan from a bank



- Sign the Formal Sales and Purchase Agreement at the solicitor firm, and pay part of the property price and stamp duty (generally completed within 3 working days)
- Examination and approval of the mortgage application by the bank



- The buyer signs the Equitable Mortgage Deed, loan agreement and other legal documents at the solicitor firm
- The bank will pay the loan to the buyer's solicitor firm and the buyer will settle the balance of the property price, related legal fees as well as other miscellaneous fees (generally takes 45 to 60 days to complete the transaction)
- Timely repayment of mortgage loan



- Obtain Notice of Completion (depends on the completion date and the developer's construction progress)
- Sign the Assignment and Legal Charge (conversion of Equitable Mortgage Deed into Legal Charge) at the solicitor firm (generally completed within 14 days from receipt of Notice of Completion)
- Pay relevant legal fees and miscellaneous fees, and arrange for the handover of the property

Stage payment

- Sign the Provisional Sales and Purchase Agreement and pay the initial deposit
- Engage a representing solicitor firm



- Sign the Formal Sales and Purchase Agreement at the solicitor firm, and pay part of the property price and stamp duty (generally completed within 3 working days)



- Apply for mortgage loan from a bank when the date of completion is approaching
- Examination and approval of the mortgage loan application by the bank



- Obtain Notice of Completion (depends on the completion date and the developer's construction progress)
- Sign the Legal Charge, loan agreement and other legal documents at the solicitor firm (generally completed within 14 days from receipt of Notice of Completion)
- The bank will pay the loan to the buyer's solicitor firm and the buyer will settle the balance of the property price, relevant legal fees and other miscellaneous fees, and the buyer will arrange for the handover of the property



Procedure

Second-hand flat (General procedure of property transaction)

Both parties sign the Provisional Sales and Purchase Agreement and the buyer pays the initial deposit.
Engage a solicitor firm to draft the Formal Sales and Purchase Agreement



The buyer applies for mortgage loan from a bank



Both parties sign the Formal Sales and Purchase Agreement and the buyer pays further deposit at the solicitor firm (generally completed within 14 days)



The seller's solicitor will transfer the Assignment to the buyer's solicitor for review and examination of titles.
Should there be any doubt, the buyer is entitled to dissolve the agreement



The buyer's solicitor will formally stamp and seal (the "payable stamp duty") the Sales and Purchase Agreement that will be sent to the Land Registry for registration



Examination and approval of the mortgage loan application by the bank



The buyer signs the Legal Charge, loan agreement and other legal documents at the solicitor firm. The bank will then pay the loan to the buyer's solicitor firm and the buyer will settle the balance of the property price, relevant legal fees and other miscellaneous fees, and arrange for the handover of the property upon completion of the transaction (generally completed within 45 days)

Agreement

Introduction to the signing of Sales and Purchase Agreement

If the sale of property is transacted through a property agent, the agent will prepare a Provisional Sales and Purchase Agreement (the "Provisional Agreement") to be signed by the buyer and seller.

Generally speaking, other than the address of the transacted property, the identity of both parties, the transaction price and the completion date, the default clauses or the respective responsibilities of both parties may also be stated in the Provisional Agreement. Therefore, both parties should negotiate, agree on and sign the Provisional Agreement after careful perusal of its contents and relevant clauses.

After signing the Provisional Agreement, the seller will normally engage a solicitor to draft a Formal Sales and Purchase Agreement which will be sent to the buyer's solicitor for review. Both parties will then sign the Formal Sales and Purchase Agreement in consideration of relevant legal advice.





Reminder

Friendly reminder before property handover

Before property handover, buyers should note and prepare for the following:

Second-hand flat - Review property prior to the transaction to ensure that the flat is handed over in good condition

In general, property agents will clearly state in the Provisional Agreements that inspection of the property by the buyers before the completion of transactions is allowed. The buyers can take this opportunity to ensure that the properties are in good condition. Should there be any defect, the buyers can immediately consult the solicitors for legal advice. Upon inspection, the buyers can arrange for the handover of the property as scheduled if no defect is found. The buyers' solicitors will also arrange for the transfer of the balance of property price to the account of the sellers' solicitors on the completion date.

First-hand project - Appoint experts for inspection and acceptance of the new property

Although the buyers generally have no chance to inspect the property when purchasing property of first-hand projects, the sellers will often commit on the standard of the property during the process of selling property. These may include the brands of kitchen and toilet facilities, and building furnishings, etc. The buyers may consider appointing surveyors or eligible professionals for inspection and acceptance of the standard upon handover. If the condition of the property does not comply with the stated standard, the buyers can request the developer to rectify within a reasonable period.

Besides, the buyers can apply for the supplies of water, electricity, gas, residential telephone and broadband services before property handover. Currently, most major service providers accept online applications and the transfer or opening of accounts can generally be finished within a week. Buyers who anticipate large-scale renovations of the property can request water and electricity supplies starting from the date of property handover. Gas, telephone, broadband or paid TV services can be arranged when the renovation is almost completed.



Mortgage

Your mortgage partner

BOCHK Mobile Application



Please search for "BOCHK" at App Store or Google Play for free download of the application.

App Store

Google Play



BOCHK has launched applications on major mobile phone platforms like iOS and Android, providing a variety of information about mortgage loan services. Users can access the following mortgage information anytime, anywhere:

- Details of mortgage plans
- Mortgage loan instalment calculator
- Free instant property valuation
- DIY property valuation bookmark

A smart choice of mortgage plan

BOCHK offers flexible and comprehensive mortgage plans that cater for customers' needs at every stage of life.

Generally, property buyers can choose **Prime-based Mortgage Plan** (based on the Hong Kong Dollar Prime Rate) or **HIBOR Mortgage Plan** (based on the Hong Kong Interbank Offered Rate). As the prime rate is relatively stable, monthly payments for property owners also tend to be more stable. HIBOR, which is comparatively more fluctuating in nature, leads to changes in monthly instalments. Property owners opting for HIBOR Mortgage Plans, however, may take advantage of lower market rates for lower mortgage interest payments.

For first-time property buyers who are short of down payments, they can consider applying for **Mortgage Insurance Programme** to enjoy mortgage coverage of up to 90% of the property value.

Property owners with surplus funds can consider applying for **Deposit-linked Mortgage Service – "Smart" Mortgage Scheme** to enjoy deposit interest rate that is equivalent to mortgage loan interest rate^{*}. In addition, they can withdraw deposit flexibly. Moreover, BOCHK offers other customized mortgage plans, catering for the needs of investors in residential property, owners of industrial and commercial property and Home Ownership Scheme (HOS) property.

Property owners can also **refinance** their existing mortgages to BOCHK to save interest expenses, and they can also make **further advances** on their properties to obtain extra cash[†].

The elderly who hold properties can consider choosing **Reverse Mortgage Programme**, which allows them to reside in their homes while receiving monthly payouts for more flexible management of their assets.

^{*} The upper limit of deposit bearing a preferential interest rate is up to 50% of the total outstanding balance of the mortgage loan. This upper limit will be adjusted in line with the total outstanding balance of the mortgage loan. The interest rate for the part of deposit in excess of the upper limit will be subject to the tiered rate for Hong Kong Dollar Savings Account quoted by Bank of China (Hong Kong) Limited ("BOCHK") from time to time, according to the total credit balance of the Deposit Account.

[†] The maximum loan-to-value ratio is subject to the provisions published by the Hong Kong Monetary Authority from time to time and the approval of BOCHK.



Mortgage

Comprehensive mortgage plans offered by BOCHK ⁽¹⁾

Mortgage Plans	Benefits	Suitable Customer Type
Prime-based Mortgage Plan	<ul style="list-style-type: none"> ✓ Prime rate generally does not fluctuate to a large extent and monthly payment is comparatively stable ✓ Flexible repayment methods will suit your financial needs ✓ Loan tenor is up to 30 years 	<ul style="list-style-type: none"> ✓ First-time / Second-time homebuyers ✓ Refinancing / Further advance customers ✓ Business customers ✓ Investment customers
HIBOR Mortgage Plan	<ul style="list-style-type: none"> ✓ HIBOR follows more closely with the market movement and offers the potential of a lower interest rate ✓ Interest rate is capped for better financial planning ✓ Interest periods of 1, 3, 6 or 12 months at HIBOR base are available for your choice 	<ul style="list-style-type: none"> ✓ First-time / Second-time homebuyers ✓ Refinancing / Further advance customers ✓ Business customers ✓ Investment customers
90% Mortgage Plan ⁽²⁾	<ul style="list-style-type: none"> ✓ Down payment is only 10% ✓ Two mortgage interest rate bases (Prime and HIBOR) to choose from ✓ Fixed instalment⁽³⁾ is available for better budget planning 	<ul style="list-style-type: none"> ✓ First-time / Second-time homebuyers ✓ Refinancing customers
Deposit-linked Mortgage Service - "Smart" Mortgage Scheme	<ul style="list-style-type: none"> ✓ A deposit account is offered with same interest rate as the mortgage ✓ High deposit interest returns ✓ Great flexibility to deposit and withdraw 	<ul style="list-style-type: none"> ✓ First-time / Second-time homebuyers ✓ Refinancing / Further advance customers ✓ Business customers ✓ Investment customers
Deposit-linked Mortgage Service - "All-You-Want" Mortgage Scheme	<ul style="list-style-type: none"> ✓ All-in-one mortgage with current and payroll accounts under one roof ✓ Interest expenses to be saved and repayment period to be shortened by placing deposit into the mortgage loan account as if principal repayment ✓ Deposit can be withdrawn at any time 	<ul style="list-style-type: none"> ✓ First-time / Second-time homebuyers ✓ Refinancing / Further advance customers ✓ Business customers ✓ Investment customers

Comprehensive mortgage plans offered by BOCHK ⁽¹⁾

Mortgage Plans	Benefits	Suitable Customer Type
Government Housing Scheme Mortgage Plan	<ul style="list-style-type: none"> ✓ Homeowners of Home Ownership Scheme (HOS) property: Loan amount is up to 95% of the appraised property value or transaction price (whichever is lower) ✓ Tenants Purchase Scheme (TPS) property: Loan amount is up to 100%⁽⁴⁾ of the transaction price ✓ Loan tenor is up to 25 years 	<ul style="list-style-type: none"> ✓ Homeowners of HOS / TPS
Reverse Mortgage Programme	<ul style="list-style-type: none"> ✓ The Programme is applicable to homeowners aged 60 or above with self-occupied properties ✓ Monthly payout is available ✓ You can continue to reside in your property 	<ul style="list-style-type: none"> ✓ Elderly customers
Industrial and Commercial Mortgage Plan	<ul style="list-style-type: none"> ✓ The Plan is applicable to commercial and industrial properties and shops ✓ High loan amount ✓ Loan tenor is up to 20 years 	<ul style="list-style-type: none"> ✓ Business customers
Investment Mortgage Plan	<ul style="list-style-type: none"> ✓ The Plan is applicable to properties purchased by an individual or a company ✓ Residential, commercial and industrial properties and shops are accepted 	<ul style="list-style-type: none"> ✓ Investment customers

Remarks:

1. The above mortgage plans are subject to the relevant terms and conditions. For details, please refer to the relevant promotional materials or contact the staff of BOCHK.
2. Customers are also required to apply "Mortgage Insurance Programme" or "Smart Easy" Top Up Mortgage. For details, please contact the staff of BOCHK.
3. If the number of loan instalments exceeds its upper limit, BOCHK shall adjust the customer's instalment amount.
4. Excluding the deposit/ Intention Money paid to the Hong Kong Housing Authority.



Case study

Advanced mortgage service: Deposit-linked Mortgage Plan

Case 1: A Home for the newlyweds

Ms. Chan and Mr. Cheung, with monthly total income of HK\$60,000, are planning to purchase a property costing HK\$4,500,000 as their home after getting married. They intend to save about HK\$10,000 per month after deducting mortgage instalments and living expenses. Moreover, they would like to earmark HK\$300,000 cash for any unexpected need that may arise after the property purchase. Since the couple need to mobilise funds from time to time, it is not very convenient for them to lock up their money in time deposit. Therefore, they decide to choose the “Smart” Mortgage Scheme under Deposit-linked Mortgage Service of BOCHK. Starting with depositing a lump-sum of HK\$300,000, and subsequent extra monthly deposit of HK\$10,000 into their account, they can enjoy a preferential interest rate.

Example (For reference only)

Assume P = 5% p.a.

Annual interest rate of savings account: 0.01% p.a.

Mortgage loan amount: HK\$3,000,000

Loan tenor: 25 years (300 months)

The deposit amount of “Smart” Mortgage Deposit Account / general savings account upon loan drawdown date: HK\$300,000

Extra monthly deposit amount: HK\$10,000

(Assuming that no withdrawal of deposit is made until full repayment of the entire mortgage loan)

	“Smart” Mortgage Scheme	General Mortgage Plan
Annual mortgage loan interest rate [^]	2.7% (P - 2.3%)	2.5% (P - 2.5%)
Monthly repayment amount	HK\$13,763	HK\$13,459
Annual interest rate of Deposit Account [^]	2.7%	-
Annual interest rate of savings account ^{^*}	0.01%	0.01%
Total mortgage interest expense	HK\$1,129,876	HK\$1,038,509
Total interest income of deposit account	HK\$459,297	HK\$4,518
Total net interest expense [#]	HK\$670,579	HK\$1,033,991
Savings on interest expense	HK\$363,412 (Save 35%)	-

P is Hong Kong Dollar Prime Rate quoted by BOCHK from time to time

[^] Above interest rates are quoted for reference only

^{*} Savings interest rate may vary according to the daily account balance

[#] Total net interest expense = Total mortgage interest expense - Total interest income of deposit account

Double advantages of “high-yield deposit” and “flexible transfer”

BOCHK’s “Smart” Mortgage Scheme under Deposit-linked Mortgage Service enables property buyers to enjoy higher interest return while owning their dream houses. Unlike general mortgage plans that are based on the Prime Rate or HIBOR, “Smart” Mortgage Scheme combines a mortgage account with a preferential interest rate deposit account (the “Deposit Account”), resulting in advantages of “high-yield deposit” and “flexible transfer”. By placing deposit in the Deposit Account, property buyers can enjoy preferential deposit interest rate which is the same as the mortgage interest rate. In addition, they can withdraw deposit anytime for greater financial flexibility.



“Smart” Mortgage Scheme Vs General Mortgage Plan

	“Smart” Mortgage Scheme	General Mortgage Plan
Account type	Mortgage account + deposit account with a preferential interest rate	Pure mortgage plan with fixed monthly repayment schedule and amount
Deposit interest rate	The mortgage and deposit account share the same interest rate. For the latter one, interest is calculated based on daily deposit balance with monthly interest payment	General savings interest rate is lower than mortgage interest rate (at 0.01% now) with interest paid semi-annually
Withdrawal	Convenient withdrawal of deposit by cheque or via ATM anytime; access to BOCHK Internet Banking, Mobile Banking or Phone Banking for fund transfer	Cheque issuance via general savings account is not available



Case study

Feature of the “Smart” Mortgage Scheme under Deposit-linked Mortgage Service

Product feature	The deposit interest rate, which is equivalent to the mortgage loan interest rate, is higher than the general Hong Kong Dollar Savings Rate. Extra interest return from deposit can make up for part of the mortgage interest expenses, allowing greater flexibility in fund transfer.
Suitable customer type	<ul style="list-style-type: none"> ✓ Customers with ample funds ✓ Professionals or businessmen ✓ Investment customers ✓ Customers with saving habits; middle-class families ✓ Customers with corporate housing allowances
Applicable area	Mortgage or refinancing for first or second-hand private residential property or village property
Loan-to-value ratio	<ul style="list-style-type: none"> ✓ Mortgage coverage for self-occupied property is up to 90% of the appraised property value or transaction price (whichever is lower) ✓ If the loan-to-value ratio is above 70%, customers are required to apply for either the “Mortgage Insurance Programme” or the “Smart Easy” Top Up Mortgage ✓ The loan-to-value ratio of property that is not for self-occupation is up to 50% of the appraised property value or transaction price (whichever is lower)

Note:

• The upper limit of deposit bearing a preferential interest rate is up to 50% of the total outstanding balance of the mortgage loan. This upper limit will be adjusted in line with the total outstanding balance of the mortgage loan. The interest rate for the part of deposit in excess of the upper limit will be subject to the tiered rate for Hong Kong Dollar Savings Account quoted by BOCHK from time to time, according to the total credit balance of the Deposit Account.

Advanced mortgage service: Industrial and Commercial Mortgage Plan

Case 2: Business expansion

As smart phones become increasingly popular, the mobile apps design company operated by Mr. Lee enjoys prosperous business growth. He plans to move into a larger office and retain more apps designers and marketing staff in order to capitalise on the prime opportunity for business expansion, but is short of funds.

If Mr. Lee secures extra funds by applying for Industrial and Commercial Mortgage Plan of BOCHK, he will be able to expand his business while ensuring sufficient cash flow for daily operations.

BOCHK Industrial and Commercial Mortgage Plan provides businessmen with mortgage or refinancing services for first and second-hand properties to obtain extra cash for business expansion. Businessmen holding properties may choose further advance on their existing industrial and commercial premises or shops for extra cash flow to further expand their businesses.

Feature of Industrial and Commercial Mortgage Plan

Applicable area	Mortgage or refinancing for first or second-hand industrial or commercial properties or shops
Loan amount	Up to 50% of the appraised property value or transaction price* (whichever is lower)
Repayment tenor	Up to 20 years

* The maximum loan-to-value ratio is subject to the provisions published by the Hong Kong Monetary Authority from time to time and the approval of BOCHK.



Case study

Advanced mortgage service: Reverse Mortgage Programme

Case 3: Retirement with total contentment

Mr. and Mrs. Cheung wish to maintain a decent living standard after retirement. Since their son is getting married to establish his own family, BOCHK Reverse Mortgage Programme is without doubt the best choice for the couple who want to lessen their son's financial burden. The Reverse Mortgage Programme enables the retired to continue residing in their houses while receiving monthly payouts that lead to financial flexibility and contented retirement.

What is Reverse Mortgage Programme?

Reverse Mortgage Programme is a loan arrangement for people aged 60 or above, enabling borrowers to use their self-occupied residential properties in Hong Kong as a security for reverse mortgage loan applications. Borrowers remain as the owners of their properties and can continue to stay at the properties for the rest of their lives.

1. Monthly payout amount

- Borrowers can choose to receive monthly payouts over a designated payment term. Generally, the payout amount is subject to the age and the number of borrowers, the property value⁽¹⁾ as well as the choice of payment terms

Example: Monthly payout amount (per HK\$1 million of property value)

Entry age	60 years old		70 years old	
	1 borrower (HK\$)	2 borrowers (HK\$)	1 borrower (HK\$)	2 borrowers (HK\$)
10 years	3,700	3,300	5,100	4,600
15 years	2,800	2,500	3,800	3,500
20 years	2,400	2,100	3,300	3,000
Lifelong	2,000	1,800	3,100	2,800

2. Flexible payment term

- Borrowers can choose to receive monthly payouts for either a fixed period of 10, 15, 20 years or for their entire lives
- Borrowers can switch to another payment term option at any time during their existing payment terms

3. Lump-sum loan

- Borrowers may apply for lump-sum loans for the following purposes:
 - Full repayment of an existing mortgage on property (applicable only at the time of reverse mortgage loan application)
 - Payment for major repair and maintenance of property
 - Payment for medical expenses (including treatments outside Hong Kong)
- After drawdown of lump-sum loan, borrowers can still receive monthly payouts but the subsequent amount of which will be reduced

4. Residing in their own properties

- After drawdown of reverse mortgage loan, borrowers can continue to reside in their properties for the rest of their lives. In the meantime, they have to pay for the property maintenance as well as property rates, government rents, management fees and etc.

5. No repayment

- In general, borrowers do not need to repay the outstanding loan balance they owe the bank during their lifetime unless the reverse mortgage loan is terminated under certain specified circumstances

6. No penalty for early full repayment

- There will be no penalty for repaying the outstanding loan amount in full⁽²⁾ and borrowers can redeem their properties at any time

7. Six-month cancellation period

- If the borrower terminates the reverse mortgage loan for whatever reason within the first 6 months and repays in full the outstanding loan amount, he/she will be given a refund and waiver for all mortgage insurance premiums upon his/her request. However, he/she needs to bear the legal expenses for the release and discharge of the reverse mortgage loan

Eligibility criteria for Reverse Mortgage Programme

Borrower	<ul style="list-style-type: none"> Must be the holder of a valid Hong Kong Identity Card and aged 60 or above Must not be an undischarged bankrupt or otherwise subject to bankruptcy petition or individual voluntary arrangement
Property	<ul style="list-style-type: none"> Must be held in the borrowers' own name, or jointly held with another person as joint tenants (the other joint tenant must become a co-borrower under the same reverse mortgage) Must not exceed 50 years of age and must not be subject to any resale restriction (Property exceeding 50 years of age will be considered only on a case-by-case basis) Must not be rented out and must be occupied by borrowers as their principal residence in Hong Kong

Remarks:

- The upper limit of property value is HK\$8 million. If the property value exceeds this upper limit, the monthly payout amount will be determined as if the property is valued at HK\$8 million.
- Partial repayment of the outstanding loan amount is not accepted under Reverse Mortgage Programme.



Case study

Arrangement upon termination of reverse mortgage loan

- Borrowers (or their inheritors) have the preferential rights to redeem their properties by repaying the bank in full of the outstanding loan amount owed by borrowers when their reverse mortgage loans terminate. If borrowers (or their inheritors) choose not to exercise such rights, the bank will sell their properties to recover the outstanding loan amount that they owe under the Reverse Mortgage Programme
- If the sale proceeds from the property exceed the outstanding loan amount, the bank will return the surplus to borrowers (or their inheritors) after paying off any outstanding loan amount in full. However, if there is any shortfall, they (or their inheritors) need not worry as the shortfall will be borne by the Hong Kong Mortgage Corporation Limited ("HKMC") under an insurance arrangement between HKMC and the bank, and thus will not pose any burden to them (or their inheritors)

Benefits of BOCHK Reverse Mortgage service

Being attentive to individual needs, professional staff of BOCHK will be assigned to explain the Reverse Mortgage Programme in detail, and to arrange for in-person meetings.

Application procedures

Pre-application

Call **BOCHK Reverse Mortgage Hotline at 2278 3399**. The professional team will provide the customer with details about the Reverse Mortgage Programme and conduct a preliminary eligibility assessment for the customer



Counselling

Before making a formal application for reverse mortgage loan, the customer must first make an appointment with an eligible counsellor (who is an independent practicing solicitor) who can explain the general features of the Reverse Mortgage Programme, the major legal rights and obligations as well as the legal consequence upon drawdown of a reverse mortgage loan. The counsellor will issue a counselling certificate to the customer upon completion of the counselling session



Formal application

After obtaining the counselling certificate, the customer may proceed to make a formal application for reverse mortgage loan



Execution of legal documents

When the formal application is approved, the customer will be required to sign the mortgage documents in order to drawdown the reverse mortgage loan

Privilege

Privileges for mortgage customers of BOCHK

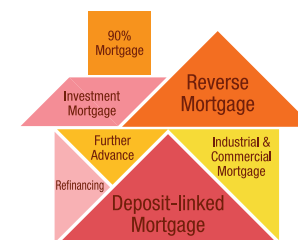
By choosing BOCHK's comprehensive mortgage plans, customers can enjoy a full range of exclusive privileges, including:

- **Fee waiver of instant property valuation and mortgage enquiries**
- **Discount on fire insurance premium**
- **Annual fee waiver of BOC Credit Card throughout the entire mortgage period**

Online appointment for mortgage loan application



For details, please call BOCHK Mortgage Hotline at **(852) 3669 3233** or visit any branch of BOCHK.



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- The above products, services and promotional offers are subject to the relevant terms and conditions. For details, please refer to the relevant promotional materials or contact the staff of Bank of China (Hong Kong) Limited ("BOCHK").
- BOCHK reserves the right to amend, suspend or terminate the above products, services and promotional offers and to amend the relevant terms and conditions at any time at its sole discretion without prior notice to customers. In case of any dispute(s), the decision of BOCHK shall be final.

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Mortgage Hotline **(852) 3669 3233**

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