

Elderly Commission
Minutes of the 72nd Meeting

Conference Room 4, G/F., Central Government Offices,
2 Tim Mei Avenue, Tamar, Hong Kong
2:30 p.m., 18 October 2012 (Thursday)

Present:

Chairman

Prof CHAN Cheung-ming, Alfred, BBS, JP

Vice-chairman

Dr LAM Ching-choi, BBS, JP

Members

Dr CHAN Hon-wai, Felix, JP

Mrs CHAN LUI Ling-yee, Lilian

Dr CHENG Kam-chung, JP, MH

Dr CHEUNG Moon-wah

Dr CHONG Ming-lin, Alice

Mr MA Kam-wah, Timothy, JP

Mr MA Ching-hang, Patrick, BBS, JP

Mr SHIE Wai-hung, Henry

Mr WONG Fan-foung, Jackson, MH

Mr WU Moon-hoi, Marco, SBS

Mr YAU How-boa, Stephen, BBS, JP, MH

Miss TAM Kam-lan, Annie, JP Permanent Secretary for Labour and Welfare

Mr NIP Tak-kuen, Patrick, JP Director of Social Welfare

Miss TSE Siu-wa, Janice, JP Deputy Secretary for Food and Health (Health)

Mr. LEE Kwok-wing, Albert, JP Deputy Director of Housing

Dr LEUNG Sze-lee, Shirley Assistant Director of Health

In attendance:

Ms YOUNG Bick-kwan, Irene, JP Deputy Secretary for Labour and Welfare

Mrs CHAN NG Ting-ting, Elina Principal Assistant Secretary for Labour and Welfare

Miss LI Yuen-wah, Cecilla	Assistant Director of Social Welfare
Mr LO Chun-hang, Simpson	Assistant Secretary for Labour and Welfare
Mr. WONG Yick-hang, Martin	Assistant Secretary for Labour and Welfare
Ms LEE Kai-ying, Iris	Assistant Secretary for Labour and Welfare
Miss MOK Tik-shan, Elizabeth	Chief Executive Officer Labour and Welfare Bureau
Miss HO Wing-wa, Vitinie	Executive Officer Labour and Welfare Bureau

Agenda Item 3

Mr Stanley Chan	Senior Vice President (Operations) The Hong Kong Mortgage Corporation Limited
Ms Angela LEUNG	Vice President (Marketing & Business Development) The Hong Kong Mortgage Corporation Limited

Agenda Item 4

Mr. CHEUNG Kin Chung, Matthew, GBS, JP	Secretary for Labour and Welfare
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Absent with apologies:

Ms CHAN Man-ki, Maggie, MH	
Ms FUNG Yuk-kuen, Sylvia	
Mrs WONG WONG Yu-sum, Doris	
Dr TUNG Sau-ying	
Dr DAI Siu-kwan, Daisy	Chief Manager (Primary & Community Services) of the Hospital Authority

Secretary

Mrs CHAN CHOY Bo-chun, Polly	Principal Assistant Secretary for Labour and Welfare
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Prof Alfred CHAN Cheung-ming, the Chairman, welcomed Members to the meeting.

2. The Chairman reminded Members to make a declaration of interest when they had a potential conflict of interest with the matters to be discussed.

Agenda item 1: Confirmation of the minutes of the 71st meeting

3. As Members had not proposed any amendments to the Chinese and English versions of the draft minutes issued by the Secretariat on 8 August and 15 October this year respectively, the minutes were confirmed.

Agenda item 2: Matters arising

Paragraph 26 of the minutes of the 71st meeting

4. The Chairman said that Mr Timothy MA Kam-wah, Chairman of the Working Group on Active Ageing (WGAA), would report under agenda item 5 the issue concerning the collaboration between this Commission and the Hong Kong Jockey Club (HKJC) in promoting “Age-friendly City”.

Agenda item 3: Enhancements to the Reverse Mortgage Programme

5. With the aid of a powerpoint presentation, Mr Stanley CHAN, Senior Vice President (Operations) of The Hong Kong Mortgage Corporation Limited (HKMC), briefed Members on the enhancements to the Reverse Mortgage Programme (RMP).

6. Mr CHAN said that three enhancements to the RMP would be introduced by end-2012, which included: (1) increasing the maximum specified property value for payout calculation from \$8 million to \$15 million; (2) lowering the minimum age of borrowers from 60 to 55; and (3) increasing the maximum lump-sum payout amount from 50% of the actuarial value of the reverse mortgage to 90%.

7. After the briefing, Members raised the following questions and views:

- (a) Was the property pledged by a borrower required to be a self-occupied one?
- (b) Could a property purchased in the name of a limited company be used as a pledged asset?
- (c) Why was the payout for single borrowers higher than that for joint borrowers?
- (d) Could the amount of payout received by borrowers be linked with inflation?
- (e) What was the administrative cost for each application?
- (f) Would a borrower who applied for re-financing his/her property be charged penalty interest?

- (g) It was a substantial rise for the maximum specified property value for payout calculation to be increased from \$8 million to \$15 million in two years. What were the determining factors for the adjustment? Was there any mechanism to review this maximum value and adjust it regularly?
- (h) The maximum amount of lump-sum payout would be increased from 50% to 90% of the actuarial value of the reverse mortgage in one go. Was the possibility of shortfall in property price being taken into account in case of investment loss of the lump-sum payout on the part of the borrowers?
- (i) Apart from the three enhancements to be implemented, would there be any enhancements for borrowers in respect of interest charge in future?
- (j) It was suggested that HKMC should revalue the mortgaged properties on a regular basis and advise the elders on re-financing their properties when there was a rise in the property value, so that the elders could benefit from a higher payout.
- (k) It was suggested that participating elders should be invited to share their experience through the media in order to give elderly members of the public a better understanding of the benefits from participating in the Programme.

8. Mr CHAN responded as follows:

- (a) The pledged property of a borrower must be a self-occupied one.
(Post-meeting supplementary information: The borrower's pledged property for the RMP application must be occupied by the borrower as his/her principal residence in Hong Kong and must not be rented out.)
- (b) The RMP was currently not accepting applications made in the name of a company.
- (c) In the case of joint borrowers, if one of the borrowers passed away, the surviving borrower could continue to receive the payout, resulting in a generally longer term of payout than that of single borrowers. Because of the above reason, joint borrowers would normally receive a lower amount of payout than single borrowers.
- (d) Simple means of calculation of the payout amount were adopted under the RMP. In case of a rise in property value, the borrowers might apply for re-financing their properties in order to receive a higher amount of payout.

- (e) There was no application fee charged by the bank. Interest and mortgage insurance premiums were the main charges under the RMP.
(Post-meeting supplementary information: Similar to traditional mortgage, borrowers were required to settle legal fees arising from the preparation and execution of mortgage documents. Also, borrowers were required to pay the reverse mortgage counselling fee. However, interest, mortgage insurance premiums and the reverse mortgage counselling fee could all be financed by the reverse mortgage loan.)
- (f) No penalty would be charged against borrowers who arranged for re-financing their properties. However, borrowers should make full-repayment of the last mortgage loan before applying for the new mortgage. If borrowers applied for re-financing within five years, they would be offered a preferential mortgage insurance premium.
(Post-meeting supplementary information: A preferential insurance premium credit may be offered to a re-financing case in which the last reverse mortgage has been drawn down for not more than 5 years, and provided that the re-financing case is for the same borrower and the same property. The new reverse mortgage must be drawn down within 1 month of the full repayment of the last reverse mortgage loan.)
- (g) HKMC had been communicating with banks and non-governmental organisations, etc. with a view to better understanding the market demand and assessing the risk profile so as to review the maximum specified property value.
- (h) In general, borrowers could only apply for a lump-sum payout for three specific purposes, namely full repayment of the existing mortgage on the underlying property, meeting medical expenses, and payment of property repairing and maintenance costs. Supporting documents must be submitted together with the application. Borrowers were not liable for shortfall in the underlying property price as HKMC would bear the shortfall.
- (i) The interest rate charged to borrowers remained to be P-2.5%. HKMC would review it annually.
(Post-meeting supplementary information: Interest was charged at Hong Kong Prime Rate (as determined by HKMC) minus 2.5%, and the current interest stood at 2.75%.)
- (j) Since the reverse mortgage was a wealth management product, HKMC was not revaluing the mortgaged properties on a regular basis for the

participating elders. However, in case of a rise in property value, the participating elders might apply for re-financing their properties in order to receive a higher amount of payout.

- (k) HKMC had invited some borrowers to participate in promotional activities, but most of them refused to do so because they did not want to come under the spotlight.

9. The Chairman thanked Mr CHAN for the briefing. He hoped that HKMC could continue to enhance the RMP so that it would become an effective source of income for retirees.

Agenda item 4: Old Age Living Allowance

10. Mr Matthew CEHUNG Kin-chung, Secretary for Labour and Welfare, gave a briefing on the proposed Old Age Living Allowance (OALA) to be introduced under the Social Security Allowance Scheme with the aid of a powerpoint presentation,.

11. After listening to the briefing, Members put forward their views highlighted as follows:

- (a) The Government's plan to introduce OALA for poverty alleviation was welcomed. It was believed that the new allowance could effectively supplement the living expenses of Hong Kong elders aged 65 or above who were in need of financial support.
- (b) Since OALA aimed at alleviating poverty, a mechanism for the declaration of income and assets was necessary to identify elders in need, so that the Government's resources could be directed to help them. If no mechanism for the declaration of income and assets was put in place, the Government might need to raise taxes in future to cope with the colossal cost incurred by OALA and other welfare items, thereby bringing a heavy tax burden to future generations.
- (c) It was pleased to note that the Government could formally launch OALA in March 2013 at the earliest, and it was estimated that more than 400 000 elders would benefit from the scheme in the initial period. It was also glad to know that the Government had devised a set of simplified and convenient application procedures for different types of elders.

12. Members also endorsed the issue of the following statement at the meeting:

“All Members of the Elderly Commission who attended the meeting today unanimously resolved to request the Government to implement as soon as possible the Old Age Living Allowance for poverty alleviation, and agreed that there should be a mechanism for declaration of income and assets, adopting the corresponding limits of the existing Normal Old Age Allowance, in order to ensure that limited public resources could target helping elderly people in need. The Elderly Commission appealed to the Finance Committee of the Legislative Council to approve the funding proposal as soon as possible, for the benefit of over 400 000 elderly people.”

Agenda item 5: Any other business

Work progress of the Working Group on Long Term Care Model (WGLTCM)

13. The Vice-chairman, Dr LAM Ching-choi, who was also the Chairman of WGLTCM, said that at the meeting held on 27 September this year, the Social Welfare Department briefed the working group on various types of subsidised community care services. Members of WGLTCM also expressed concern at the meeting whether there were enough premises for providing long term care services in the long run. In addition, the Vice-chairman also gave a brief account of this Commission’s visit to community services and health facilities for elders on 22 August.

Work progress of WGAA

14. Mr Timothy MA Kam-wah, Chairman of WGAA, said that the task force on institution visit under WGAA had visited a total of 13 participating organisations of the Pilot Neighbourhood Active Ageing Project between August and October this year. Another task force on promotion of active ageing was also established under WGAA. The first meeting was convened on 10 August to initially discuss the publicity plans for promoting active ageing and the positive image of elders, etc.

15. Mr MA further said that WGAA members met with HKJC representatives in August to discuss the co-operation between this Commission and HKJC in promoting “Age-friendly City” and in encouraging elders to participate in volunteer service, etc. The Secretariat would explore with relevant government departments on the ways to implement these proposals. The Secretariat was also planning a visit to New York of the United States in the second quarter of 2013 for members of this Commission to learn about the work on “Age-friendly City” there. The Secretariat would invite Members to join the delegation in due course.

Work progress of the Committee on Elder Academy Development Foundation (the Foundation Committee)

16. Mrs Polly CHAN, Secretary of this Commission, said that the Vetting Sub-committee under the Foundation Committee had scrutinised the six applications in the first round of funding applications for 2012-13 at its meeting held on 12 July 2012. Approval was given to four of the applications, including three applications for establishing elder academies at secondary schools, as well as the application from Yan Chai Hospital for organising the Elder Academy Athletics Meet 2012 on 18 November this year. The Vetting Sub-committee also examined the application from the Open University of Hong Kong (OUHK) for providing elder academy courses in 2012-15 at its meeting held on 5 October. The Sub-committee considered that the proposal of OUHK was mainly on the provision of tailor-made courses for elders and online courses, which was not in line with the objective of the Elder Academy Scheme in promoting inter-generational harmony, hence the application was not approved.

17. Mrs CHAN said that the Foundation Committee was inviting the second round of funding applications for 2012-13 and the closing date for application was 31 October this year.

Date of the next meeting

18. The next meeting was tentatively scheduled for 29 January 2013.

Time of adjournment

19. The meeting was adjourned at 4:40 p.m.

November 2012