

Cagamas unveils Malaysia's first reverse mortgage scheme

▶ Programme is a significant move as retirees can unlock the equity value of their property

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PETALING JAYA: Cagamas Bhd yesterday launched a reverse mortgage financing solution scheme with an allocation of RM100 million to assist the elderly finance their retirement.

Under the market-first scheme, retirees aged 55 and above will be able to borrow against the value of their fully-paid home to convert it into a steady monthly payout throughout their lifetime to supplement their retirement.

Finance Minister Tengku Datuk Seri Zafrul Tengku Aziz welcomed the scheme and stated the ministry looks to develop the right policies and structural reforms in the future to ensure the independence of the ageing population, and to create a more inclusive society.

"We must realise that a healthy ageing population can participate in, and contribute to the nation's sustainable and productive growth. To that end, the Skim Saraan Bercahar is part of the country's broader efforts to provide a robust retirement plan that will allow senior citizens to continue leading a productive life in their golden years," he said at the launch of the Cagamas reverse mortgage.

On the matter of retirement, Zafrul highlighted the government and the Employees Provident Fund (EPF) has embarked on three withdrawal schemes during the Covid-19 pandemic to alleviate the burden of the people, which saw a total withdrawal of RM101 billion by 7.4 million members.

"Following the withdrawals, we discovered that 50% of members under the age of 55 have less than RM10,000 in their accounts, while 3.6 million members have less than RM1,000. As a result, nearly three-quarters of these members may not have sufficient funds to retire above the poverty line."

He believes the scheme is a significant move as it broadens the financing options available to retirees, who can now unlock the equity value of their property and convert it into a fixed monthly income stream throughout their life.

Cagamas chairman Datuk Bakarudin Ishak remarked the scheme represents the agency's continuous efforts to address financial gaps in the marketplace.

"This comprehensive and integrated solution focuses on retirees who might be affected due to a lack of savings and aims to help them maintain their standard of living," he said.

For the pilot period, he stated it has allocated RM100 million to assess the reception of Malaysians to the scheme.

"Should the scheme be received well by the market, Cagamas will increase the allocation according to the needs of the time," he said.

With the scheme, any sole or joint homeowner aged 55 years and above can apply for a reverse mortgage on their house of residence, in which they will be given a fixed monthly payment based on the projected value of their home and life expectancy for the rest of their life.

Upon demise, the borrower's next of kin has the option of repaying the reverse mortgage or not. Should they choose not to do so, Cagamas will put the property for sale and any excess proceeds from the sale will be given to the borrower's estate or next of kin, while if the sales proceeds could not cover the loan amount, the estate and next of kin will not be liable for the amount.

To execute the scheme, the EPF will lend their extensive branch network to Cagamas, acting as a point of contact for enquiries and submission for the public, while the Credit Counselling and Debt Management Agency will serve as an independent adviser to the applicants.

The reverse mortgage solution will be made available to qualified homeowners in the greater Klang Valley in mid-January followed by the rest of the country. The agency stated the interest rate charges, which will be revealed, when it is made available to the public.