

Leaders in Action: Asia School of Business

SKIM SARAAN BERKAGAR BY CAGAMAS (CAGAMAS REVERSE MORTGAGE SCHEME)

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National Mortgage Corporation of Malaysia

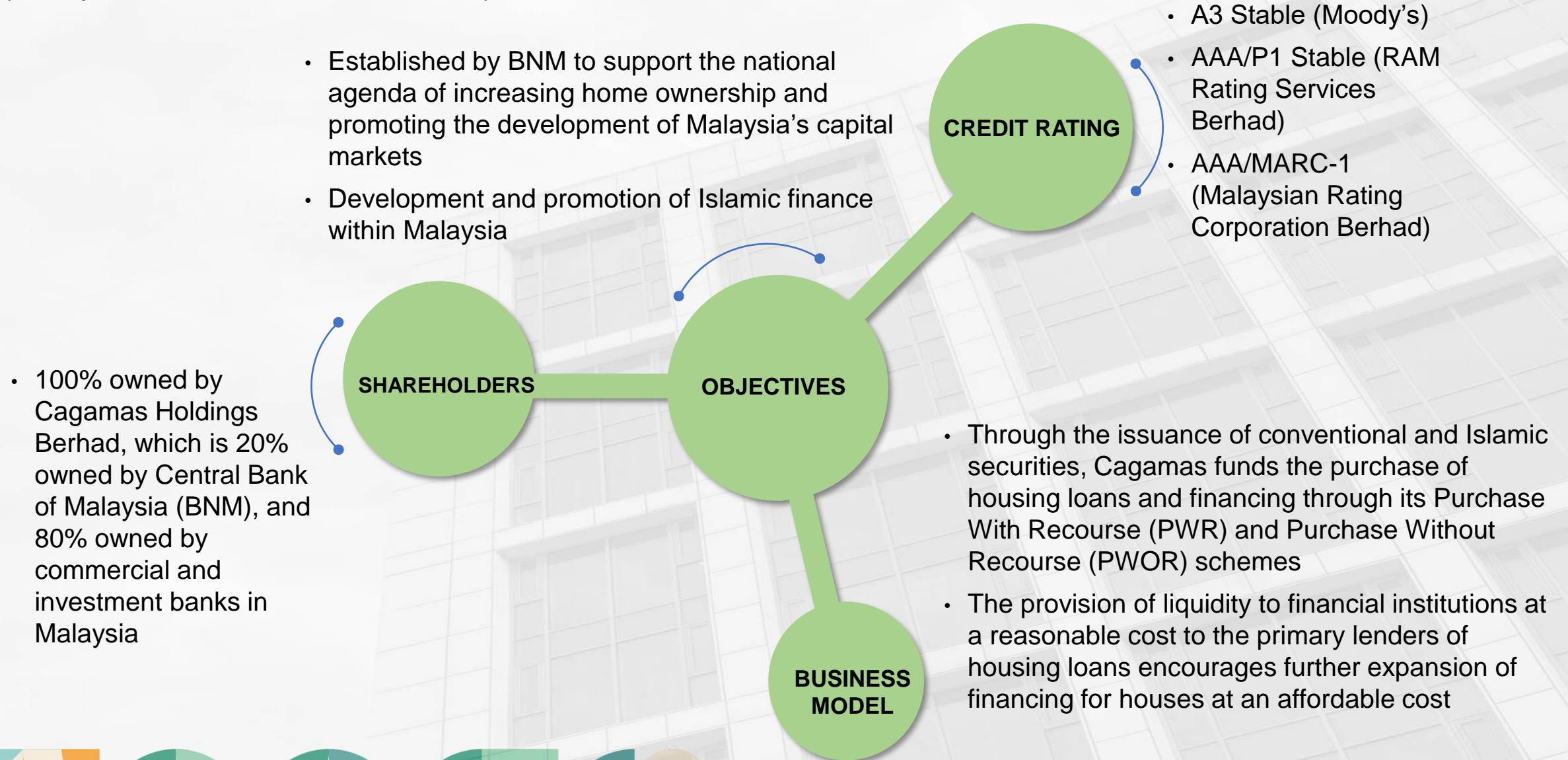


SECTION 1: CAGAMAS OVERVIEW



CAGAMAS BERHAD AT A GLANCE

(incorporated 2nd December 1986)



THE OBJECTIVES

Catalyst for the Government's and Central Bank's initiatives for the economy and financial sector

4 key areas for Cagamas

- Promotion of home ownership/home accessibility and affordability in Malaysia
- Enhance and support in the stabilization of the financial sector in Malaysia
- Development of the Malaysian Capital Market
- Development of the Islamic Financial Sector



IMPACT OF CAGAMAS' ESTABLISHMENT

Supporting sustainable housing finance system in the primary market

Reducing maturity mismatch

Contribute to greater financial stability by reducing the maturity mismatch in banking system.

Enhance liquidity

Enhance liquidity to the financial sector including during times of liquidity crunch

Development of Capital Market

Spurring development of Corporate Bonds/ Sukuk market in Malaysia

Funds at reasonable cost

Providing Financial Institutions with funds at reasonable cost through its ability to generate high investor demand for its issuances

Issuances of quality papers

Enhancing the quality of the Malaysian capital market from issuances of quality credit papers

Innovative Sukuk

Providing innovative sukuk to cater for the growth in Shariah compliant instrument in Malaysia

SECTION 2

WHY DID CAGAMAS EMBARK ON REVERSE MORTGAGE?



Conditions for a viable Reverse Mortgage Market in Malaysia

MARKET SIZE

Demographic Trend



- According to United Nation, Malaysia is officially classified as an aged nation, with a population of people age 65 years and older constituting 7.3% of the total population
- The growth of older population, 65 years and above is projected to triple from 2.4 million today to 6 million by 2040

Source : Department of Statistics Malaysia

Potential target market

DEMAND

Financial Status



- 2 out of 3 retirees aged 55 years have retirement savings of less than RM50,000 that could last only 4½ years
- 50% of retirees with savings above RM200k will exhaust their savings in five years
- 70% of retirees who withdraw their retirement funds at age 55 use up their savings less than a decade after retiring
- Based on the latest data as of Dec 2022, 51.5 % or a total of 6.67 million of EPF's members under the age of 55 had savings below the RM10,000 level

Source : Employee Provident Fund

Potential demand due to insufficient savings for retirement

FEASIBILITY

Property Ownership

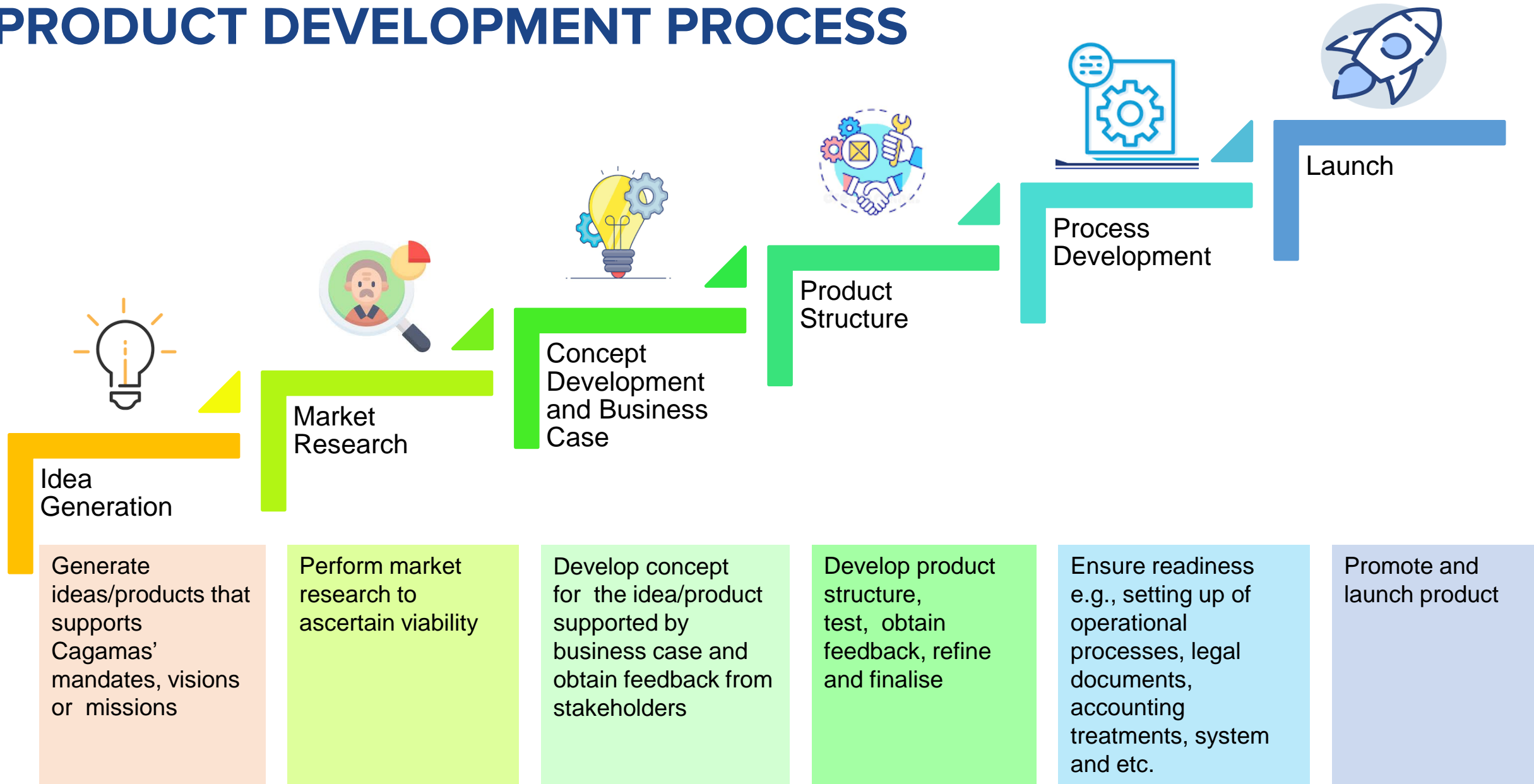


- In Malaysia, real estate constitute the largest single asset for majority of household, irrespective of financial status.
- Malaysia has high home ownership rate of about 77%.
- Property prices have substantially increased over the past 10 years

Source : Khazanah Research Institute (KRI); National Property Information Centre (NAPIC)

High property ownership and sustainable property price

PRODUCT DEVELOPMENT PROCESS



SECTION 3

SKIM SARAAN BERKAGAR

Cagamas' Reverse Mortgage Scheme



What is Skim Saraan Bercagar (SSB)

A type of loan that allows elderlies or retired homeowners to **convert the equity in their residential property into a fixed monthly stream of income throughout their lifetime.**



No repayment is required during their lifetime. Settlement only occurs upon the demise of the homeowner or surviving spouse (joint borrower), whichever is later, by selling off the residential property to settle any outstanding loan amount. Surplus, if any, will go towards the deceased's estate.



Home ownership is retained, allowing them to stay in their home throughout the lifetime tenure of the loan.



SSB | Benefits to home owners



Lifetime tenure

Retirees will have a fixed monthly source of income throughout their retirement years.



Repayment happens later

Retirees don't have to worry about repayment during their lifetime as it will only happen when they or the last surviving joint borrower passes away.



Home sweet home

Retirees are able to reside in their own home throughout their retirement years.



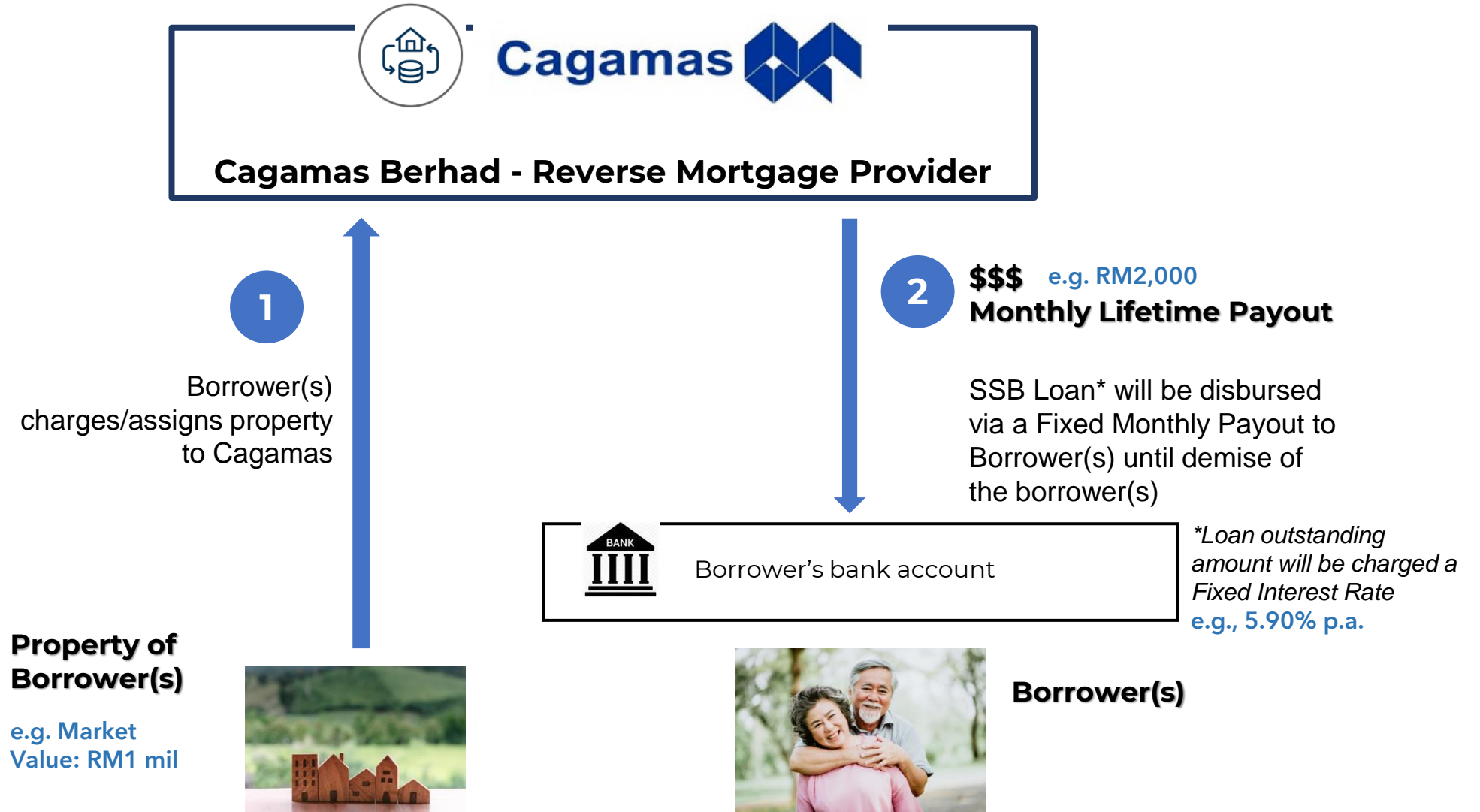
A non-recourse loan

If the eventual sale proceeds of the property is less than the outstanding loan amount, the family or estate will not be responsible for the shortfall to settle the Skim Saraan Bercagar Loan.



LOAN INCEPTION & THROUGHOUT LOAN TENURE

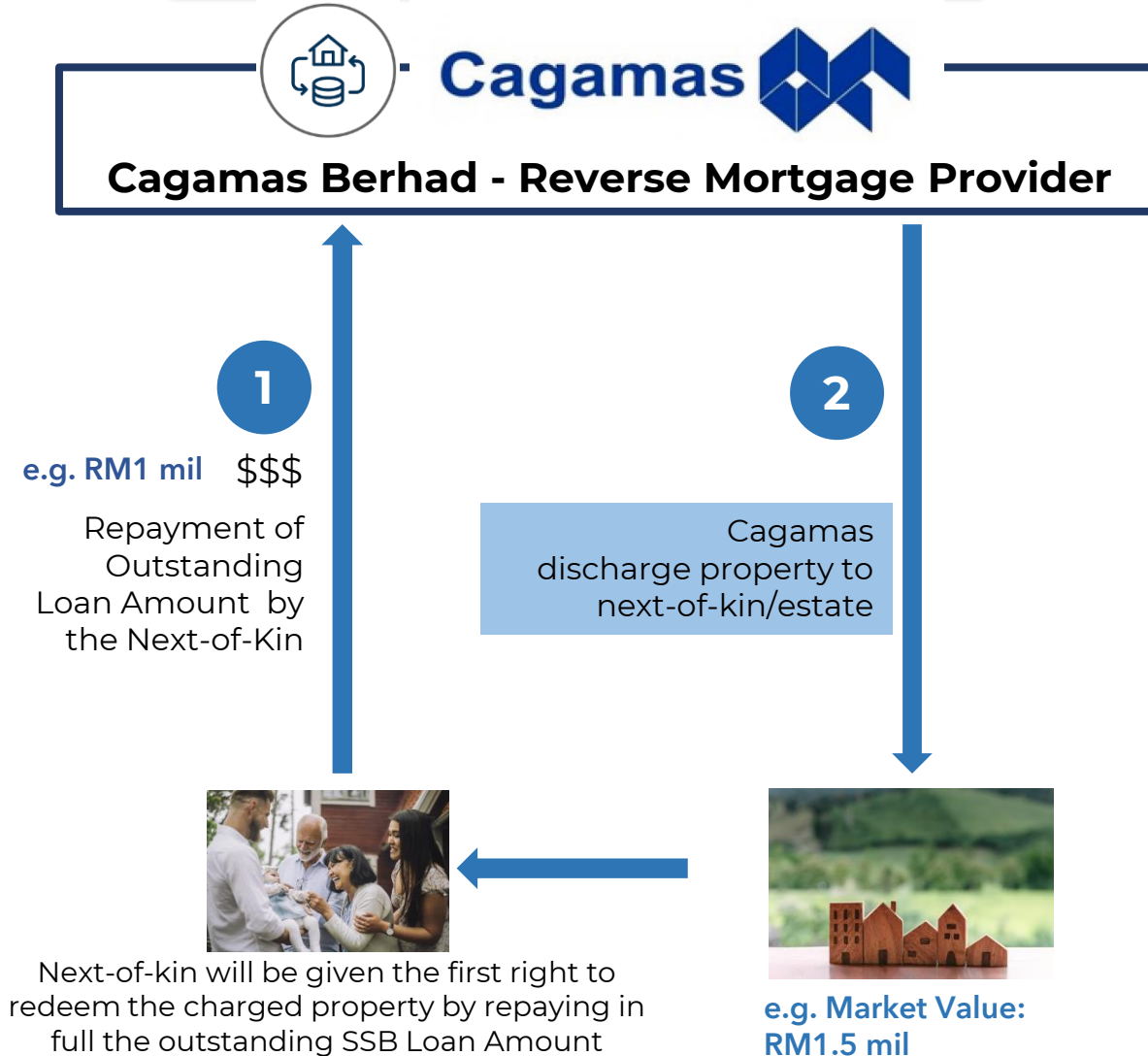
– Year 0 and onwards



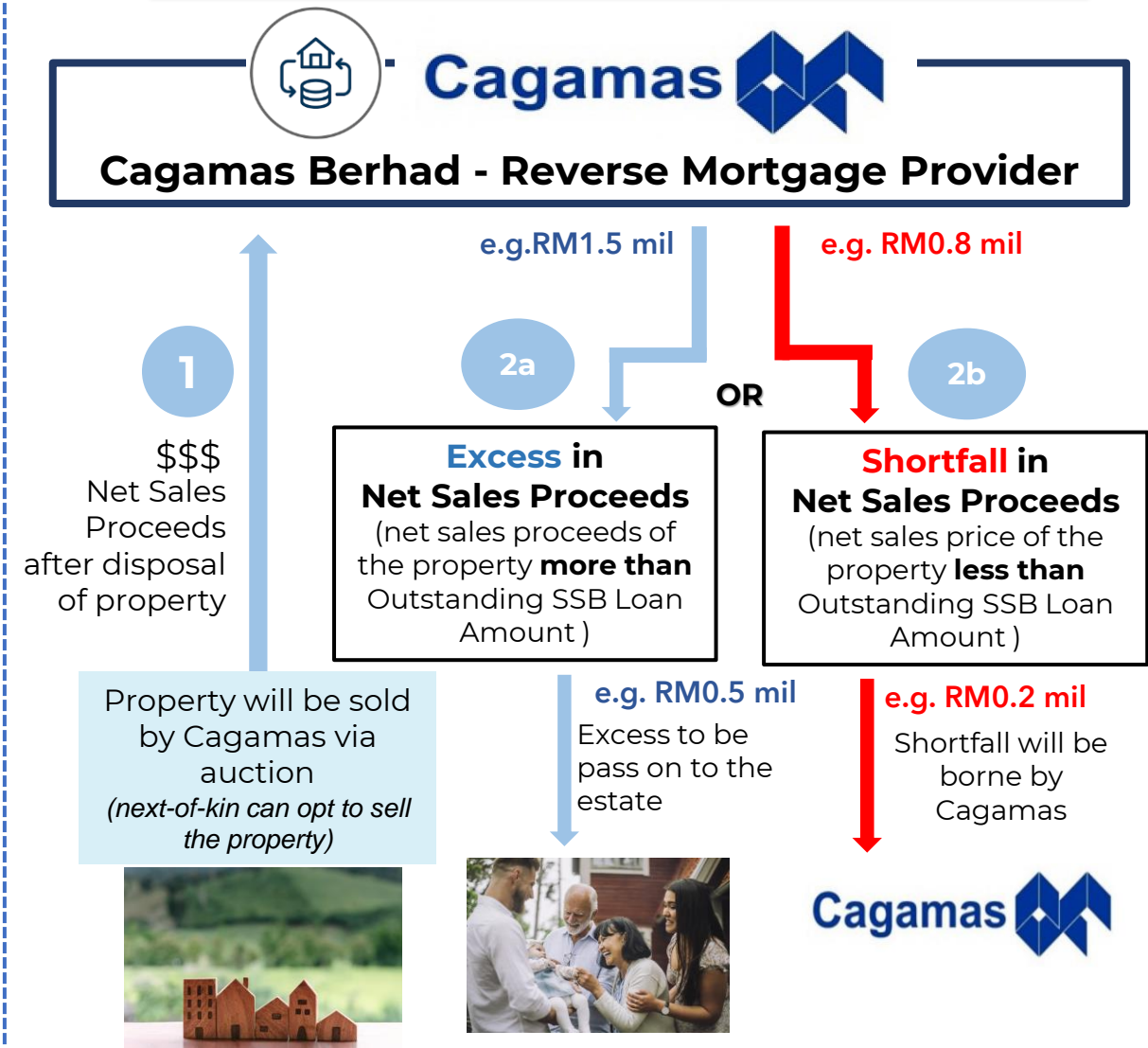
LOAN TERMINATION :

Outstanding SSB Loan Amount RM1 million
- Demise of Borrower(s)

Option 1 : Loan Settlement by Next-of Kin



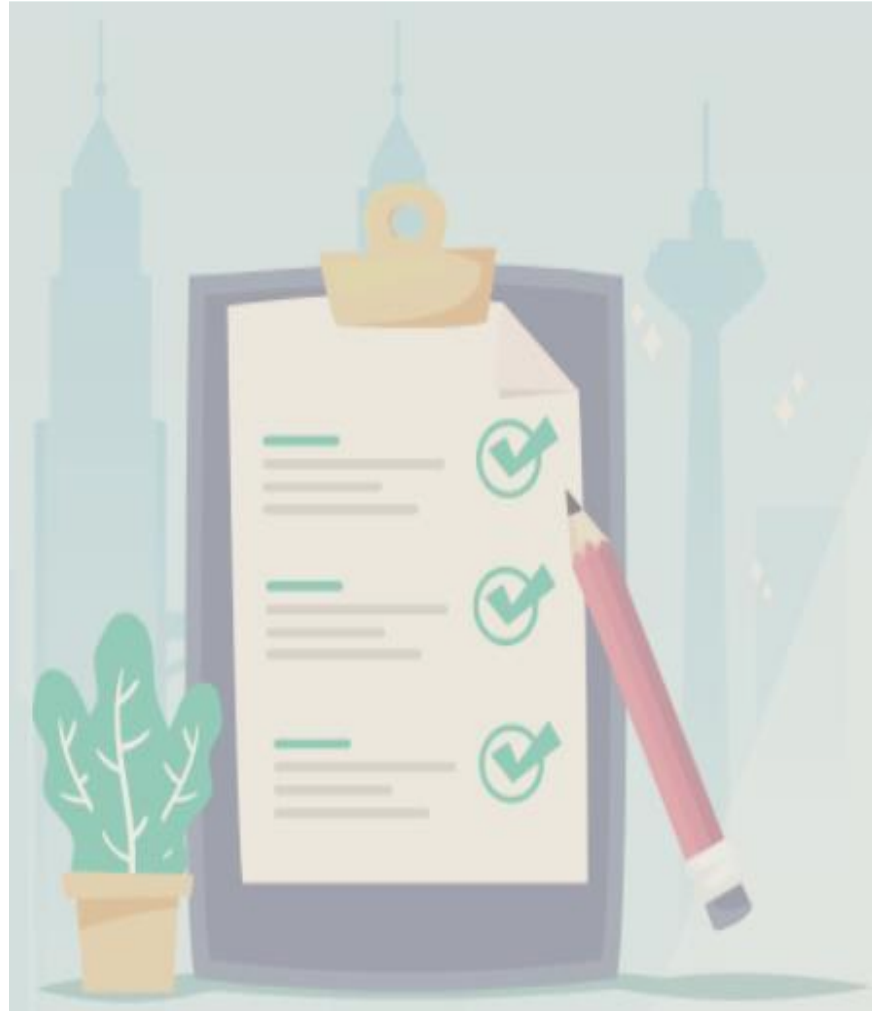
Option 2 : Loan Settlement Through Sales of Property



SSB | Eligibility Criteria

BORROWER/ JOINT BORROWERS

- ✓ Malaysian
- ✓ Age 55 years old and above
- ✓ Sole owner or joint-owners of a residential property
- ✓ For joint applicants (limited to 2 names), not only confined to the spouse but includes parent, sibling or child, subject to minimum eligible age.



PROPERTY

- ✓ Residential property in Malaysia held in Customer's name (joint ownership for joint applicant)
(Current accepted locations : Klang Valley, Penang Island, Johor Bahru, Ipoh, Seremban & Malacca City)
- ✓ Freehold and Leasehold (not less than 90 years of remaining lease period)
- ✓ Primary place of residence and owner occupied
- ✓ Unencumbered, mortgage free and not subjected to any Hibah (gift)



SSB | Product Features (1)

Features		Description
1	Facility Tenure	Lifetime Tenure (For SSB Islamik : Up to 120 years of age)
2	Maximum Property Value for Pay-out Calculation	<ul style="list-style-type: none"> • RM3.0 million for landed properties • RM1.5 million for high-rise properties <p>For clarity, property value can exceed RM3.0 million (landed) RM1.5 million (high-rise), however, calculation of pay-out will only be based on maximum property value above</p>
3	Monthly Payout	<ul style="list-style-type: none"> • Fixed monthly amount disbursed throughout the lifetime
4	Option for Lump Sum Initial Disbursement	<ul style="list-style-type: none"> • Lump Sum Initial Disbursement is available and the maximum amount would be assessed upon application • Only one time lump sum withdrawal at inception is allowed. • Withdrawal of the lump sum is limited to the following usage: <ul style="list-style-type: none"> (1) payment for medical expenses (2) to settle any outstanding mortgage on the Property to be charged the RM Loan and (3) refurbishment and renovation to upkeep the Property
5	Initial Expenses	<ul style="list-style-type: none"> • One-time Recourse Waiver fees of 1.75% of property value • Customer to incur the initial expenses such as property valuation, legal fee, stamp duty, and/or fire and home insurance (about 2% of property value) coverage of the charged/assigned Property. • Such initial expenses can be added to the approved disbursement amount if the customer chooses to have it financed.
6	RM Loan Interest Rate	<ul style="list-style-type: none"> • Fixed rate throughout the RM loan tenure – e.g., 5.90% effective November 2022



SSB | Product Features (2)

Features	Description
7 Repayment of loan by the Borrower(s)	<ul style="list-style-type: none"> • No payment during the loan tenure. • Loan repayment only due when <ol style="list-style-type: none"> (1) The Customer dies (or in the case of joint-borrowers, when the last surviving Customer dies) (2) The Property is sold by the Customer (3) Early Settlement by the Customer or (4) Event of default– for example, Bankruptcy/ Breach of Contract
8 Non-recourse to the estate - Upon demise of the borrower(s)	<ul style="list-style-type: none"> • The estate is not responsible for any Shortfall amount should the sale proceeds of the property be insufficient to settle the outstanding amount.in the SSB account • Any shortfall will be borne by Cagamas • Only upon demise of the borrower(s); However, borrower(s)/ their estate remained <u>liable for the shortfall</u> if property is sold during the loan tenure, early settlement and/or termination of loan due to default declaration.
9 Collateral/Security	<ul style="list-style-type: none"> • The Property will be charged/assigned as collateral/security for the amounts owed by the Customer under SSB/SSB Islamik.
10 Fire insurance policy	<ul style="list-style-type: none"> • Customer must maintain a fire insurance policy throughout the loan tenure. • Cagamas can purchase on behalf of the Customer (with customer's consent). • For the first fire takaful/insurance policy, the contribution/premium will become part of the financing amount. For subsequent renewal, Cagamas will deduct from month payout to pay for fire takaful contribution /insurance premium on yearly basis should the customer fails to renew the fire insurance/Takaful policy

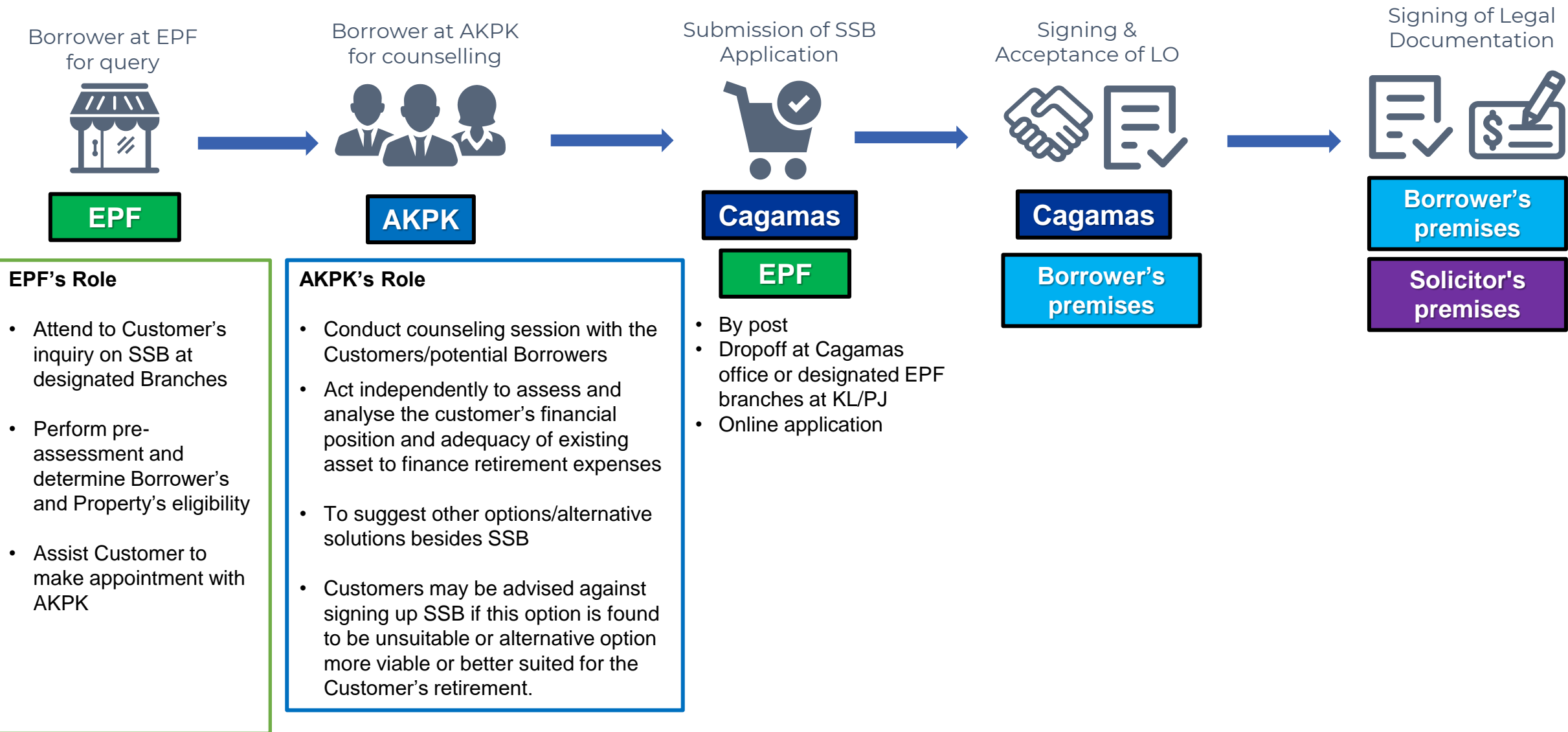


SSB | Product Features (3)

Features		Description
11	Customer Reside in Home	<ul style="list-style-type: none">• Customer is able to age-in-place• <u>Consideration to move out</u> from their home may be granted by Cagamas under specific circumstances (e.g., due to medical/health conditions, special care requirements, mobility challenges etc,• Flexibility to rent out their home thereafter.
12	Customer's responsibility	<ul style="list-style-type: none">• Property to be well maintained• Timely payments to settle quit rent, assessment, maintenance fee and other fees related to maintaining the property.• Not to move out from the property unless due to medical conditions (consent from Cagamas is required)• To appoint a Nominee (can be anyone) and obtain acknowledgement from the nominee of the appointment• To inform Cagamas of any change in contact details and nominee
13	Role of Nominee	<ul style="list-style-type: none">• As <u>contact point</u> for Cagamas upon death of the borrower• Inform Cagamas upon death of the borrower• Receive letters/notices sent by Cagamas upon death of borrower



SSB | Customer Journey





Question & Answer





THANK YOU

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