

Press Release

February 18, 2009

REVERSE MORTGAGE LOAN STIMULUS INITIATIVES

1. Background

Reverse Mortgage Loan was first introduced in Korea in July 2007. In the era of aging society with accelerating ratio of senior citizens amid the heightened economic downturn, the need to bolster the utilization of the loan as a way to generate cash income for elder homeowners has been in demand in the market.

In response, the Presidential Crisis Management Committee discussed the issue and decided on February 18, 2009 to pursue the stimulus initiatives for the Loan.

2. Key Measures

a. Expanded eligibility

The government has decided to lower **the current minimum age limit of 65 to 60** to be eligible for the reverse mortgage loan. With the expansion of the age limit, about 800,000 new families will be eligible.

b. Increased maximum loan amount from 300 million to 500 million won

c. Raised maximum LTV ratio: 30% → 50%

The Reverse Mortgage Loan users can get a loan up to the ceiling of either **30% or 90 million won**, whichever higher. This will be increased to **50% or 250 million won**.

d. Broadened tax incentives

To encourage eligible borrowers to take advantage of the Reverse Mortgage Loan, the government has offered tax exemptions (Taxes on Interest Bearing Assets and Property Tax)

Under the stimulus package, eligibility for such tax exemptions will be expanded.

Tax	Eligibility		Effective date
	Before	After	
Income Tax Return up to 2 million Won on RML Interest Expense	Properties worth 300 mil. KRW or lower	900 mil. or lower	From Feb.12, 2009
	annual income of 12 mil KRW or lower	Annulled	
25% exemption on property tax	Properties worth 300 mil. KRW or lower	900 mil. or lower	From 2010
	annual income of 12 mil KRW or lower	Annulled	
	Property size of 85m ² or smaller		

3. Following Steps

The Financial Services Commission revised the relevant decrees of the Korea Housing Finance Corporation Act in order to set up a legal basis based on which the expansion of eligibility for the loan and other types of enhancement in operating the loan service can be executed.

Policy coordination with other related ministries on the amendment of the decrees has been finalized and the new laws will go into effect some time between February 19 and March 11, 2009.

As for the amendments to related tax laws to allow announced tax benefits, *the Ministry of Strategy and Finance* and *the Ministry of Public Administration and Security* will jointly draft the decrees.