

CHANGE IN REVERSE MORTGAGE RULES TO STRENGTHEN ENTITLEMENT AND EXPAND PROPERTY ELIGIBILITY

The government approved the amendments to the Enforcement Decree of the Korea Housing Finance Corporation Act during a cabinet meeting held on April 27. The revisions will go into effect from June 9, 2021.

Since its introduction in 2007, the reverse mortgage scheme has played a significant role in providing housing and income stability for the elderly,¹ as ten thousand or more households subscribe to the program each year. In December 2020, the law was amended to expand the property eligibility and introduce a trust-type reverse mortgage and seizure-protected account. The revised Enforcement Decree approved by the government today contains the following provisions.

(AUTOMATIC TRANSFER OF PENSION ENTITLEMENT) Upon the passing of the homeowner, the monthly pension entitlement can be automatically transferred to the spouse of the homeowner without having to obtain consent from all of their children, through a trust-type reverse mortgage program.

(EXPANDED ELIGIBILITY FOR DETACHED HOME PROPERTIES) Owners of detached housing properties who rent out part of their houses can sign up for a trust-type reverse mortgage program, which allows homeowners to receive monthly rents as well as monthly pension payments.²

(SEIZURE-PROTECTED ACCOUNT) Up to KRW1.85 million per month³ from monthly pension payments can be deposited in an account that is protected from seizure to guarantee a steady source of income for the elderly and protect their entitlement.

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¹ 55 years old or above

² In a trust-type reverse mortgage program, rent deposit is transferred to the Korea Housing Finance Corporation.

³ Legally recognized minimum amount needed to make a living under the Civil Execution Act