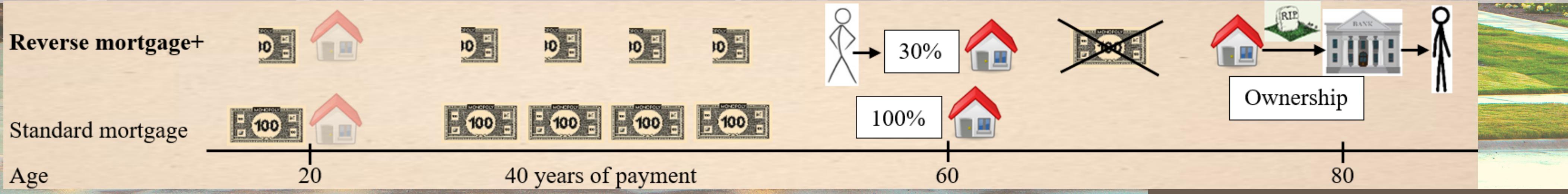


ABSTRACT

Employees nowadays are unable to afford a home because of the high threshold compared to the past years. The Covid-19 pandemic outbreak accelerated this situation due to the high unemployment rate. Therefore, our model, Reverse Mortgage+, is designed to suit the current market. By inserting information, Reverse Mortgage+ will illustrate the monthly installment, affordability, and when reverse mortgage kick in is available. Home buyers can plan to pass the loan to second generation too. Hence, it provides flexibility and motivation to them. The client only need to pay about 30% of the principle before age 60 to have a lifetime access of the house until death. No payment will be collected after age 60.



OBJECTIVES

- To provide alternative loan option to home buyers.
- To allow home buyers to secure a home for lifetime with minimum payments.
- To enable lower income home seekers to afford a home.
- To provide additional sources of profit to the bank.

METHODOLOGY

"Reverse Mortgage+" model building and designing using Excel UserForm.

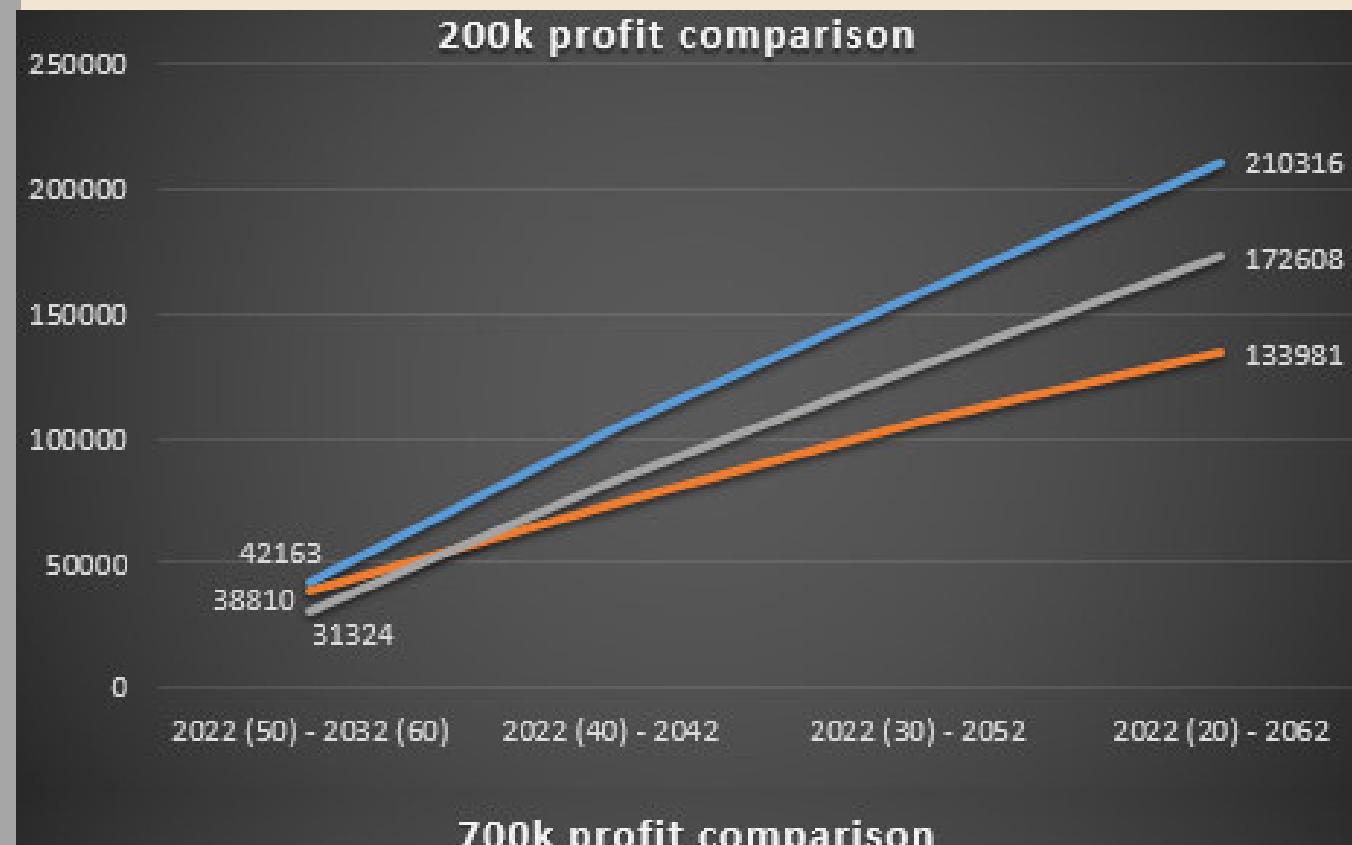
Construct amortization table to illustrate the loan repayment monthly installment for the model.

Scenario testing to test the sustainability and affordability of the Reverse Mortgage+ model.

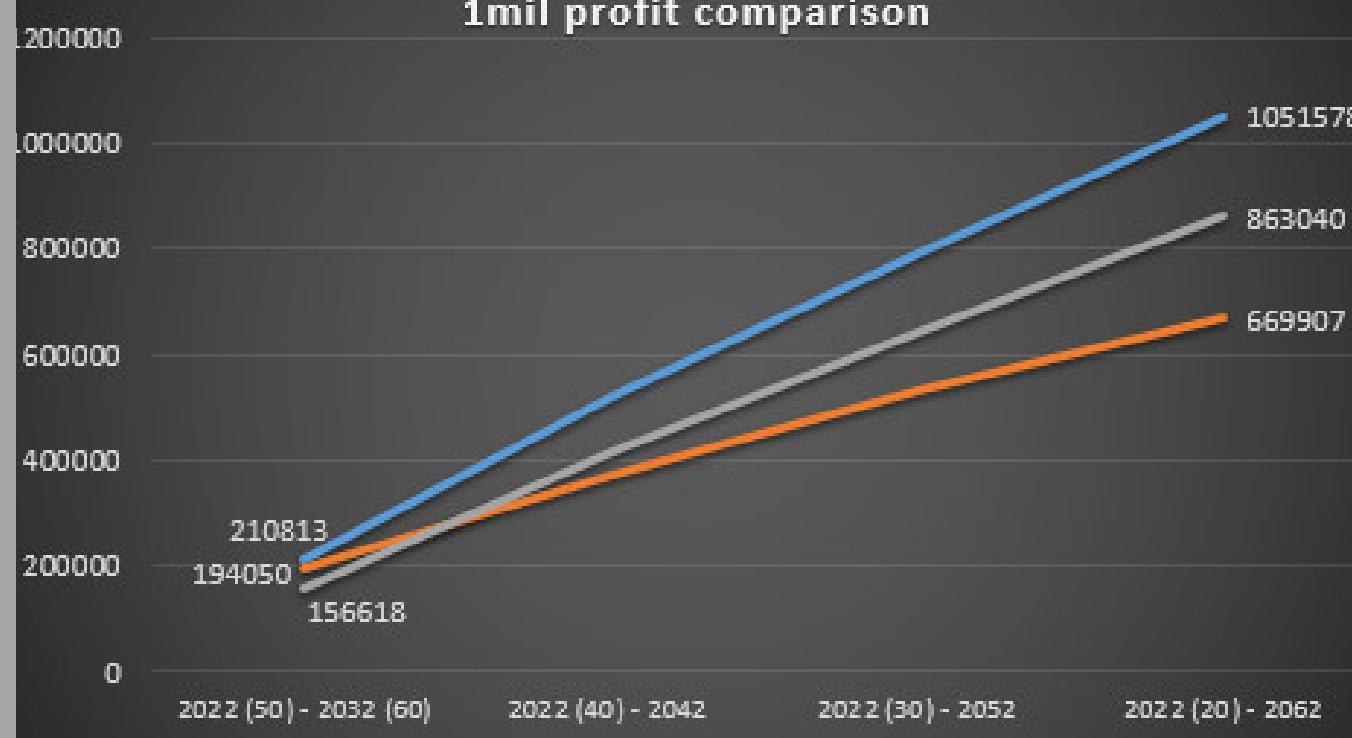
Stress-testing on the interest rate with different combination of principal needed to pay to ensure that the model is beneficial for both bank and user.

Comparison of the Reverse Mortgage+ model with the Standard Mortgage model to determine the best model in terms of bank's profitability and user's affordability.

Profitability



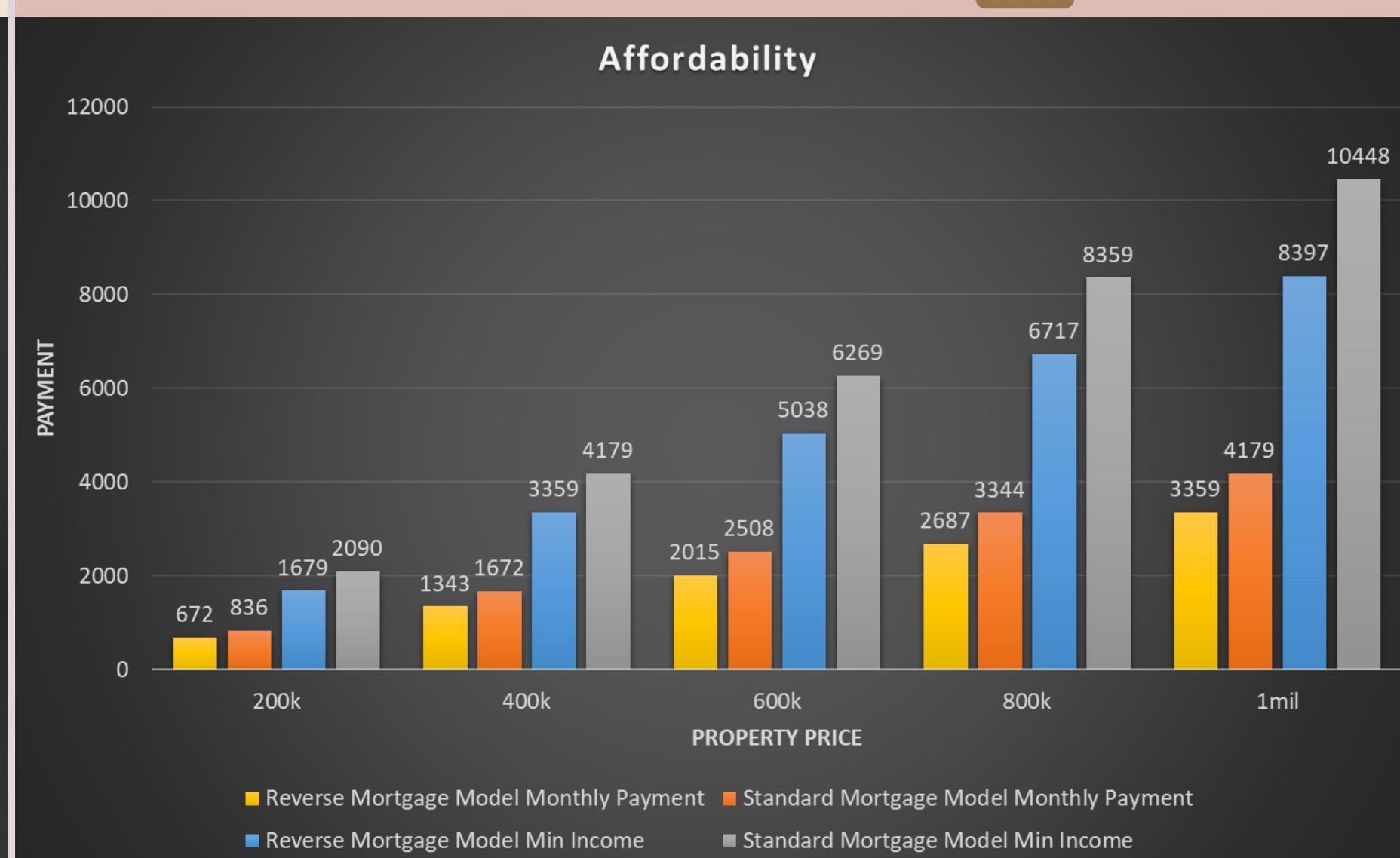
700k profit comparison



1mil profit comparison

RESULTS & DISCUSSION

Affordability



Income Classification	Income Threshold	40% of Income
B40	RM3,000 - RM6,275	RM1,200 - RM2,510
M40	RM6,276 - RM13,148	RM2,510 - RM5,259
T20	> RM13,149	> RM5,260

Based on the table above, we can see B40 family with a lower income can afford property with price RM200K - RM300K and some B40 family with higher income can even afford property with price up to RM700K. By comparing Reverse Mortgage+ and Standard Mortgage, for RM200K property, reverse mortgage every month will have a extra RM150 to be used. In short, we can conclude that Reverse Mortgage+ plan is suitable for B40, M40 and T20 family.

Profit comparison graph for property price of RM 200,000, RM 700,000 and RM 1,000,000 were selected to represent the profitability of Reverse Mortgage+ model as compared to Standard Mortgage model. Based on the graphs above, Reverse Mortgage+ model provide higher profitability overall in the scenarios of cheaper property price, average property price and luxurious property price. As shown in the graph, there is only one point for all three graphs, where the minimum profit is below the profit of Standard Mortgage model. But overall, Reverse Mortgage+ model prove to be at least as profitable as Standard Mortgage Model with 75% chance of gaining significant profit that surpass the profit benchmark from Standard Mortgage model.

CONCLUSION

"Home is the base where everything begins"

With Reverse Mortgage+, the expansion real estate market will be escalated. Home seekers that previously face difficulties to own their shelter of happiness due to income restriction will now be able to secure a home with income as low as RM 1679.33. While home seekers enjoying this brand new bargain, bank is also able to increase their source of profit with involvement of the potentially increment in property price.

Since Reverse Mortgage+ model illustrated a win-win situation, why consider it while you can implement it!