

Cagamas retirement product gaining ground

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INVESTMENT

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PETALING JAYA: Since the launch of Skim Saraan Bercagar (SSB) and Skim Saraan Bercagar Islamik (SSB-i) last year, there has been a total of 26 approved loans with a number still being processed, says Cagamas chief executive officer Datuk Chung Chee Leong.

“The take-up rate is within our expectations. Given that this is a new concept for the local market, we expect the momentum to pick up as the target population becomes more aware and educated on SSB

He added SSB is a reverse mortgage product that specifically caters to retired homeowners who require a supplemental monthly income and is not a mass market product for everyone.

On this note, Chung said the uptake rate indicates the scheme run by the national mortgage corporation has been well received by the target market as an alternative or complementary retirement product despite being relatively new in the country.

“Having said that, our journey compares well with the experiences of our counterparts in South Korea and Hong Kong who also had to overcome cultural barriers and continuously enhance public awareness of the benefits of the reverse mortgage product,” he said.

Recall in January 2022, Cagamas introduced SSB for retired homeowners, 55 years old and above, to convert their residential property asset into a fixed source of monthly income.

The scheme aims to provide elderly homeowners with financial security via a fixed source of monthly income throughout their retirement years.

Despite its launch in January last year, the reverse mortgage loan for retired homeowners only saw its first applicant in March 2022.

In October 2022, Cagamas also introduced SSB-i, to assist senior citizen homeowners in funding their retirement in compliance with syariah principles.

Based on a sale-based commodity transaction, the said facility will enjoy similar stamp duty exemption as SSB until the end of this year.

Initially, SSB was only available to eligible homeowners in the Klang Valley.

However, both SSB and SSB-i were open for applications from senior homeowners in Johor Baru and Penang Island as well in October last year before enlarging its scope to cover Ipoh, Seremban and Melaka from December 2022.

Data released by Cagamas showed the bulk of the applicants or 95% were from the Klang Valley and the remaining 5% from Penang.

It was also revealed that more than half of the applicants were between 61 and 70 years old, while 46% of the applicants were Chinese, 36% Malays and 9% Indians.

“Given that the pilot programme was launched in the Klang Valley in January 2022 and rolled out to

In line with reports that suggest retirees who withdraw their retirement funds at the age of 55 or 60 will exhaust their savings in less than a decade, the main type of property mortgaged under SSB and SSB-i, as reflected in 45% of the total applications, were terrace houses, he added.

“In terms of disbursement, SSB and SSB-i offer two options, a monthly disbursement or a lump sum and monthly disbursement combination.

“Based on the data, the monthly disbursement option is preferred, further validating previously published reports of income insecurity,” Chung said.