

LICHF ready to launch reverse mortgage scheme

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PUBLIC sector home finance company LIC Housing Finance (LICHF) is awaiting the National Housing Bank's (NHB) tie-up with insurance companies before launching its reverse mortgage scheme for senior citizens.

"We have the product but we are waiting for certain clarifications on tax issues and the insurance tie-up. The taxation issue has been cleared and once the insurance tie-up is done, we will launch the product," LIC Housing Finance director and chief executive R R Nair said.

NHB is joining hands with insurance companies, including LIC, for restructuring of reverse mortgage.

Reverse mortgage is a financial product that enables senior citizens (60-plus) who own a house to mortgage their property with a lender and convert a part of the home equity into tax-free income without having to sell the house.

"We do not have any date fixed for launching as we do not know how much time this (insurance) tie-up will take," Mr Nair said, adding there was no upper limit in reverse mortgage as it was the percentage of property prices. The percentage depends on discounting and age of the owner (life-expectancy), amongst others, he said.

Reverse mortgage would prove very beneficial for those senior citizens residing in India but whose children were settled abroad, he said. "For an NRI, spending a few lakhs on a property which can help his parents live in comfort and with which they could also generate income was not a big thing."

Reverse mortgage would gather momentum as more and more young Indians were taking up jobs abroad and through this scheme they could help their parents get a regular income.

"Traditionally, Indians believe in passing on their legacy to the next generation. Besides, there were some taxation issues as well which were cleared only recently." The taxation issue has been resolved with the then finance minister P Chidambaram declaring that "reverse mortgage would not amount to transfer and stream of revenue received by senior citizen would not be (treated as) income."

"Precisely, reverse mortgage is a function of interest rates because there is a discounting principal involved in the income generation for that segment of people. If interest rate is low the person will get a lower income," he said. "Now, the product is for a 20-year term. If it has to be life-long, then there has to be some kind of interest... the NHB is working on it," Mr Nair said.

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