A STUDY ON REVERSE MORTGAGE SCHEME PROVIDED BY SBI WITH SPECIAL REFERENCE TO ERNAKULAM DISTRICT

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Abstract

This paper presents impact of Reverse Mortgage Loan provided by SBI. The main focus of this paper is to get more knowledge about the scheme, to analyse the utility provided by Reverse Mortgage Loan and to analysethe impact of Reverse Mortgagae Scheme. For the study Convenint Sampling Method was used and the sample size was 30. Simple percentage analysis was used for the analysis. It was found that Reverse Mortgage Loan is mainly taken for personnel purpose and it is performing in a better way and it can be made more popular through advertisement.

Keywords:Mortgage;Senior Citizens;Reverse Mortgage Loan;Residential House Property;

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1. Introduction

"State Bank of India Reverse Mortgage Loan" launched with effect from 12th October 2007. The RML scheme was formulated for the old age care of home owners, who do not have adequate income to support themselves. Under the scheme, the Bank makes payments to the borrower/ borrowers (in case of living spouse), against mortgage of his or their residential house property. Payment may be made either by way of:

i.   Periodic installments or

ii.   Lump sum payments

SBI offers reverse mortgage loan for its customers. Reverse mortgage is a loan available to senior citizen above the age of 60.   Senior Citizens are an increasing component of the Indian society and dependency in old age is increasing in the country. Most senior citizens have spent a life time working, providing and saving. They have built a home, brought up their children, often giving them the best possible education, got their children married and are now retired from service. While on one hand, there is significant increase in longevity and low mortality, on the other hand, cost of good health care facilities is spiraling and there is little social security service. As senior citizens head into their twilight years, they suddenly realize that they probably need more money per month, than what they had originally anticipated. Their current savings prove to be inadequate at this juncture and they require a regular cash flow stream for supplementing pension/other income and addressing their financial needs. In most cases parents expect their children to support them monetarily, if possible, which may or may not happen. This is a familiar situation in many Indian homes and this is where the reverse mortgage comes in handy.

2. Review of Literature

Short (1984) in his study found that savings pattern during retirement seemed to be an extension of savings and spending patterns developed during working years. Participants in the survey who were relatively high savers in the early years continued to save as they aged.

Hurd (1990) also points out that even those elderly, who spend their non- housing financial assets during retirement, apparently choose to maintain their housing equity. Studies by Skinner

(1989), Engelhart (1996) and Levin (1998) also observed that housing wealth does not seem to impact consumption and savings decisions of elderly homeowners.

To what extent one should consider housing equity as retirement savings depends on the extent to which elderly homeowners are willing to consume their housing wealth. Most seniors prefer staying in their homes for as long as they can. In a survey sponsored by the American Association of Retired Persons (2000), 95% of persons aged 75 and above agreed that they would like to stay in their current residence for as long as possible.

3. Objectives of the study

➢   To gain more knowledge about reverse mortgage loan.
➢   To know the popularity of reverse mortgage loan provided by SBI
➢   To analyze the utility provided by reverse mortgage loan.

4. Methodology of the study

The study makes use of both primary and secondary data.

The primary data collected from the customers of the bank. The responses of the customer are collected through the questionnaire to know the popularity towards this loan. Convenience sampling is used here and the secondary data collected from SBI's website, journals, magazines etc.

5. Analysis and discussions

For the purpose of analysis, percentage method was used.

Table 5.1

Age	No of respondents	Percentage
60-65	15	50
66-69	7	23
70-75	7	23

| Above 75 | 1 | 4 | **Classificati** |
| Total | **30** | **100** | **on** |

according

to age

(Source: Primary data)

It is inferred that majority of the respondents constituted in age category of 60-65 years and the least was from the age category above 75 years. There was an equal distribution of respondents in the age category of 66-69 years and 70-75 years.

Table 5.2

Classification according to years of dealings

Years of dealing	No of respondents	Percentage
Less than 3 years	16	53
3-5	8	27
5-10	2	7
Above 10 years	4	13
Total	**30**	**100**

(Source: Primary data)

It shows that 53 percent of respondents were dealing with the bank for less than 3 year, 27 percent of them fall within the range of 3-5 years,13 percent of them were dealing with the bank for more than 10 years., and 7 percent of them between 5-10 years.

Table 5.3

Classification according to awareness about reverse mortgage scheme.

Awareness	No of respondents	Percentage
Yes	22	73
No	8	27
Total	**30**	**100**

(Source: Primary data)

It can be inferred that 73 percent of the respondents were aware of reverse mortgage scheme and remaining 27 percent were not aware.

Table 5.4

Classification according to sources of information about Reverse Mortgage scheme.

Responds	No of respondents	Percentage
Advertisement	8	27
Reference	9	30
Friends and relatives	13	43
Others	-	-
Total	**30**	**100**

(Source: Primary data).

It can be inferred that 43 percent came to know about this scheme through friends and relatives, 30 percent of respondent through reference, 27 percent of respondents through advertisement. None of the respondents belong to others.

Table 5.5

Classification on the basis of availing loan

Responds	No of respondents	Percentage
Single	26	87
Jointly	4	13
Total	**30**	**100**

(Source: primary data)

It discloses that 87 percent of respondent has not taken loan jointly, and 13 percent of respondent has taken loan jointly with their spouse.

Table 5.6

Classification according to purpose of loan

Purpose	No of respondents	Percentage
Personnel	15	50

House repair	4	13
Renovation	4	13
Marriage of children	2	7
Business	5	17
Total	**30**	**100**

(Source: primary data)

It is clear that, 50 percent of them taken this scheme for personnel use, 17 percent of them for starting business, 13 per cent for house repair and another 13 percent for renovation and rest of 7 percent for marriage of their children.

Table 5.7

Classification on the basis of money they needed at the time when they apply for reverse mortgage scheme.

Amount	No of respondents	percentage
Less than 5 lakhs	7	23
5-10 lakhs	16	53
10-25 lakhs	5	17
Above 25 lakhs	2	7
Total	**30**	**100**

(Source: Primary data)

It is clear that 53 percent of respondents needed amount between 5-10 lakhs, 23 percent of respondents needed less than 5 lakhs, 17 percent of respondents needed between 10-25 lakhs, and 7 percent of respondents needed amount above 25 lakhs.

Table 5.8

Classification according to mode of receipts

Mode of receipts	No of respondents	percentage
Lump sum payments	10	33
Periodic installments	20	67
Total	**30**	**100**

(Source: Primary data)

It is evident that, 67 percent of respondents received the amount as periodic installments and 33 percent of respondents received as lump sum.

Table 5.9

Classification according to processing charge collected

Processing charge	No of respondents	Percentage
High	4	13
Normal	19	64
Low	7	23
Total	**30**	**100**

(Source: Primary data)

It is inferred that,majority of respondents said that, processing charge collected is normal, 23 percent of them said that processing charge collected is low. And 13 percent of them rated as high.

Table 5.10

Classification according to interest rate charged

Interest charge	No of respondents	Percentage
High	13	43
Normal	9	30
Low	8	27
Total	**30**	**100**

(Source: Primary data)

It shows that 43 percent said interest rate charged are high, 30 percent said interest rate charged are normal and 27 percent said interest rate charged is low.

Table 5.11

Classification according to problems encountered

Problems encountered	No of respondents	Percentage
Yes	12	40

No	18	60
Total	**30**	**100**

(Source: primary data)

It can be inferred that 60 percent of respondents have not encountered any problems, while 40 percent of respondents have faced problems while dealing with bank.

Table 5.12

Classification according to procedure of getting loan.

Procedure of getting loan	No of respondents	Percentage
Easy	11	37
Not easy	19	63
Total	**30**	**100**

(Source: Primary data)

It shows that 63 percent of the respondents said that procedure of getting the loan is not easy, and 37 of them said that the procedure is easy.

Table 5.13

Classification according to rating of Reverse Mortgage scheme provided by SBI

Rating	No of respondents	percentage
Excellent	6	20
Good	13	44
Moderate	7	23
Poor	4	13
Total	**30**	**100**

(*Source: primary data*)

It shows that 44 percent of respondents rated the scheme provided by SBI as good, 20 percent of respondents rated as excellent, and 23 percent of respondent as moderate and 13 percentages as poor.

Table 5.14

Classification on the basis of satisfaction with the information and guideline provided by the SBI

Responds	No of respondents	percentage
Satisfied	19	64
Moderated	7	23
Dissatisfied	4	13
Total	**30**	**100**

(Source: Primary data)

It is clear that 64 percent of respondents were satisfied with the information and guideline provided by the SBI, 23 percent were moderately satisfied, and 13 percent were dissatisfied.

Table 5.15

Classification according to the recommendation of reverse mortgage loan

Recommendation	No of respondents	Percentage
Yes	19	63
No	4	13
Sometimes	7	23
Total	**30**	**100**

(Source: primary data)

It reveals that 63 percent of respondents recommends reverse mortgage loan to others. 23 percent of total respondents sometimes recommend this loan, and 13 percent of the total respondents will not recommend this loan to others.

6. Conclusion

As per the study conducted on Reverse Mortgage scheme provided by SBI with special reference to Ernakulam District, it is evident that most of the respondents were aware of this scheme and they came to know about this scheme through their friends and relatives. They have taken this loan mainly for their personnel use, such as to have an additional income, to meet their existing

obligation, medical purpose.It is revealed from this study that, Reverse Mortgage scheme is performing in a better way and it can be made more popular through advertisement.

7. References

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