

## OWNERS FREQUENTLY ASKED QUESTIONS

How is FIR-ST™ different from a reverse mortgage?

- FIR-ST™ (Fractionalised Investment Real estate – Straits Trading) is different from the reverse mortgage option in Singapore by certain bank(s) in the following ways:

FIR-ST™	Reverse Mortgage
- Receive almost half of the property value upfront	- Loan amount receivable is up to the difference between the CPF Enhanced Retirement Sum and the amount in your own CPF Retirement Account. This is capped at each individual's CPF Enhanced Retirement Sum - S\$288,000 for 2022
- You will receive the proceeds in cash and may do whatever you want with the cash received upfront*.	- You do not receive the cash directly. The loan amount goes towards topping up of CPF Life in order to increase monthly annuity payout
- It is key that you own the private residential property that is fully paid up and are intending to sell the property at the end of the term of the loan	- Other than owning a fully paid residential property, you must (i) not own any other property, (ii) be a retiree, (iii) be between 65-79 years old
- The investors of FIR-ST™ share in the price risk of the underlying asset. While the investor gets a share of the price appreciation, if price of property falls, investors also take a share of the loss.	- A loan where owner will eventually have to pay the principal and accrued interest in full against the appreciated property value. If price of property falls below the total loan outstanding, you/your estate will have to pay the shortfall.

\*As long as such usage of the cash is not regarded as an event of default pursuant to the Loan Agreement

What are the main risks to me as an owner?

- The main obligations are consistent with that of your continued property ownership - to upkeep the property, capital maintenance and expenditure, and so forth, which is shared in proportion with the investors. Incremental to these obligations are your commitments to pay interest on the loan and the Facility Management Fee, as well as sharing the capital commitments. You will also have to share the capital appreciation in proportion with the investors. The key risk is that the underlying property is the security for these overall obligations.

How much can I lose as an owner of the property?

- As the owner, the amount you lose will largely depend on the valuation of the property when you sell it or value it at the end of 5 years (depending on early or late redemption). You will also have to bear the management and running costs of the property, interest payable, any taxes, fees and expenses payable in relation to the loan or the facility management services as well as the sale costs and expenses, sale tax and tenancy costs and success fee which are payable on maturity

Why do you need to hold back a proportion of the loan proceeds for working capital?

- The amount withheld will be used by the transaction vehicle, i.e. (the “Company”) as working capital to execute and manage the structure and used to pay the management and running costs of the property, interest payable, any taxes, fees and expenses payable in relation to the loan or the facility management services.

What is the tax treatment of the structure to me as an owner?

- The Owner will be subject to Singapore income tax, depending on the profile of the Owner (i.e. individual or company). We recommend that you engage your own legal, accounting and taxation advisors to support you on the transaction.

What are the main benefits to me as an owner?

- You will be able to extract the cash equity from your property, without losing ownership and control.
- The amount that you can raise will not be restricted by age or income restrictions.
- Your specific circumstances may not allow you to borrow from any financial institutions.

What happens if I need to sell my property within the 5 years?

- We will be open to have a discussion to ensure that the interests of all are appropriately balanced.

Can I do an early or late redemption of the mortgage as an owner?

- We will be open to have a discussion to ensure that the interests of all are appropriately balanced, but you will also have the traditional mortgage rights.

What happens if I don't have enough cash to pay the interest on the loan?

- We recommend that you and your financial advisors work together to ensure that you have sufficient liquidity to meet your cash obligations. Whilst you have provided the property as the security to make all necessary obligations, early engagement with the Company could be beneficial as we work towards amicable solutions.

What happens if I cannot repay the loan at the end of 5 years?

- We recommend that you and your financial advisors work together to ensure that you have sufficient liquidity to meet your cash obligations. Whilst you have provided the property as the security to make all necessary obligations, early engagement with the Company could be beneficial as we work towards amicable solutions.

What happens if I don't want to sell the property at the end of 5 years?

- The default expectation and agreement is that the property will be sold at the end of 5 years. However, we have crafted the option that the sales price can also be used to calculate the amount of capital appreciation with reference to a valuation report by an independent valuation company such as Knight Frank, Cushman & Wakefield or Savills, instead of a 3<sup>rd</sup> party sale.

Can I still live in the property, even after I have done the fractionalised structure?

- Yes, you may live in the property as the tenant and will need to pay rent.

Who decides on how much rental can be received?

- If the property is not already leased, the property manager (an affiliate of Straits Trading) will work on getting the property leased via qualified leasing agents. These 3<sup>rd</sup> party qualified leasing agents will be able to advise what are the acceptable market rental rates.

What happens if I want to change the property manager?

- The property management service is offered by an affiliate of Straits Trading. We aim to deliver quality service to you and will listen to your concerns on how we may improve. You are required to engage the Company as the property manager while the loan is outstanding.

Who bears the cost if there is repair work which needs to be done on the property?

- As covered in the traditional lease agreement, the tenant will take care of basic wear and tear on the property for up to S\$300 per item. Beyond this amount, the owner will need to bear the costs.

Who needs to pay for the insurance on the property?

- The owner will be responsible for the property insurance, which should be on a replacement basis. The contents insurance will be the responsibility of the tenant.

Who will upkeep the property and who needs to pay for this?

- The owner will be responsible for the upkeep of the property, however, you will have outsourced it to Straits Trading to help you.

Can this be considered a sale of a property? If so, will I have liabilities from the sale?

- We have engaged the professionals to confirm that this will not be considered a sale of the property. However specific facts and circumstances are key. We recommend that you engage your own legal, taxation and accounting advisors to support you in your investment decision.

What are the 'hidden' costs to me as the owner?

- Straits Trading has been transparent on the associated costs to you as the owner.

Will you help me to borrow money from a bank, as the owner, if I am not able to raise sufficient capital after 5 years and I do not wish to sell the property?

- We recommend that you and your financial advisors work together to ensure that you have sufficient liquidity to meet your cash obligations. Whilst you have provided the property as the security to meet all necessary obligations, early engagement with Straits Trading could be beneficial.

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