



FINANCIAL INCLUSION SURVEY:

LTC, Wealth Care and Reverse Mortgages

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Contents

I	LONG TERM CARE	1
1	Definition and Objectives	1
2	Legislation	1
3	Criticisms	1
4	Ideal Solutions	2
5	Private LTC	4
6	Collective LTC	9
7	Comparison	9
II	WEALTH CARE	11
8	Definition	11
9	Consulting Desks	11
10	Financial Controversy Consultancy	11
11	Financial Products	11
12	Initiatives	12
III	REVERSE MORTGAGES	14
13	Definition	14
14	Legislation	14
15	Criticisms	14
16	Products	16
17	Comparison	19

Part I

LONG TERM CARE

Definition and Objectives

Long-term care (LTC) is an insurance policy which aims to meet both the medical and non-medical needs of people with a chronic illness or disability who cannot take care for themselves for long periods of time. It is common for long-term care insurance to provide custodial and non-skilled care, such as assisting with normal daily tasks like dressing, feeding, using the bathroom. This kind of insurance can be provided at home, in the community, in assisted living facilities or in nursing homes. Moreover, long-term care may be needed by people of any age, although it is a more common need among senior citizens.

As far as the Italian framework is concerned, if we look at the private sector, the LTC regards the third pillar of the Italian pension system, that is the one relying on a voluntary basis of the individual. If we look instead at the public sector, the services related to LTC involve both money transfer and material services. The first ones are provided by the INPS in the majority of cases whereas the second ones are realized thanks to healthcare centres depending on the so called ASL (Local Health Authorities). This kind of distribution in the provision of LTC services creates a displacement in terms of resources as the national ones are prevalent with respect to the private ones.

Legislation

In Italy LTC insurances are regulated from the Ministry of Treasury Decree established on the 22nd December 2000 whose art.2 points out that this kind of insurance policies can be subscribed either as life or damage insurance. In particular the decree clearly defines that in the first case the contract can be entitled under the first sector of the Italian insurance system, insurances on lifetime length, or under the fourth sector regarding long term diseases. As for the case of damage insurance, the contract will be included in illness sector of the system.

A part from this Decree which regulates the matter at national level, there is still a deep heterogeneity in terms of infra - sectorial regulation , for instance there are many safeguarded professional categories each one with a different regulation in terms of general conditions and costs.

Criticisms

The criticisms of LTC insurance policies, which are strictly related to their inadequate development especially for what concerns Italy, can be lead back mainly to Adverse selection, Moral hazard and Demographic risk:

- Since the population is not heterogeneous, long term care policies have to deal with adverse selection which is an issue deriving from the fact that people who think to be more exposed to future weaknesses will attribute a greater value to LTC contract and they are more likely to be underwriters of this kind of insurance. Conversely, individuals who think they are unlikely to claim, will be more unwilling to buy LTC products. This issue has a clear impact on insurance companies premium rates since

when adverse selection occurs, the average risk of policy holders increases and the consequences on premium value are negative for the subscribers.

- The Moral hazard, although it maintains similarities with adverse selection, is characterized by a pool of critical issues which are, in this particular case, related within the phase in which the contract is already concluded. In fact, it occurs when LTC contract is already in force and it is defined both with a behavioural change of the LTC policy holder, encouraged by the presence of an insurance coverage, or with non risk discouraging actions guaranteed by the presence of an insurance able to cover potential losses.
- Demographic risks can be further decomposed into longevity and disability risks which both yield to a systematic deviation from the expected value, mainly ascribable to the uncertainty on which mortality and disability rely on. As for the longevity risk, statistical forecasts indicate that there will be an increasing ageing trend in the Italian population in the next future.

As far as specific risks are concerned, focusing on Italian Long Term Care market, we can observe the presence of additional peculiar criticism such as the lack of LTC issue awareness, the lack of statistical basis and the heterogeneity of sectoral legislation as above mentioned.

Furthermore, Italian system involves two main categories of LTC policies, the first one is addressed to individual policy holders while the second one concerns category insurance policy. In particular the most frequently highlighted criticism when individual LTC policies are taken into account, is the high cost of insurance premium which must be added to the uncertainty of long term annuities performances. The latter in fact may be insufficient to cover future welfare spending.

These problems seem to be overcome as far as collective LTC contracts are concerned since by spreading the risk among a large number of people they allow to reach a decrease in insurance premia even if they provide same performance features. Collective policies however exhibit some limits, indeed accumulation plans represent a contractual burden which relies especially on those people which become subscribers to a higher age of 50.

Ideal Solutions

Given all the described risks and criticism related to this topic, there are two main solutions that can be proposed in order to solve them.

- The first one envisages the introduction of a compulsory coverage insurance against the non-self-sufficiency risk recalling the German model adopted in 1994 relying on the fundamental principle of solidarity. It is a solution which involves the provision of services depending on the basis of three different levels of non-self-sufficiency such that it will be possible for the entire population to be included into a minimum basic coverage.
- The second alternative instead could be to split the pension into two components, the first one related to old age and the second one regarding the LTC service which will be available only in case of a loss of self-sufficiency. In this scenario the LTC service will be only assigned only those ones in a serious situation of non-self-sufficiency

through an amount which will be freely fixed between the counterparts.

To conclude, the first alternative presented would involve the first pillar of our pension system with the supply of a compulsory basic coverage, whereas the second one would refer to the second pillar with the supply of a compulsory supplementary guarantee.

Private LTC

GENERALI		
<i>Lungavita LTC</i>		
Payment Frequency		Yearly
Premium Payment	Min	5
	Max	25
Minimum Interest		0,50%
Age	Min	40
	Max	70
Annuity Type	Annuity	Available
	Lump sum	Not Available
	Assistance	Not Available
<i>COSTS:</i>		
Fees	Emission Fee:	10 Euro
	Receipt Fee:	1 Euro
	Fixed Costs:	30 Euro on Annual Prize
	% Costs:	15% on Annual Prize
Additional Fees	Semi-annual Payment	2,0%
	Four-monthly Payment	2,5%
	Quarterly Payment	3,0%
	Two-monthly Payment	3,5%
	Monthly Payment	4,5%

UNIPOLSAI		
<i>Autonomia</i>		
Payment Frequency		Yearly
Premium Payment	Max	90 YO
Minimum Interest	-	-
Age	Min	20
	Max	60
Annuity Type	Annuity (<3000)	Available
	Lump sum	Not Available
	Assistance	Not Available
<i>COSTS:</i>		
Fees	Emission Fee:	30
	Receipt Fee:	-
	Fixed Costs:	30
	% Costs:	21% of Annual Prize 5% of the Annuity Further Medical Visits Costs
Additional Fees	Semi-annual Payment	2,0%
	Monthly Payment	4,5%

ALLIANZ		
<i>Darta LTC</i>		
Payment Frequency	Min	Yearly
Premium Payment		8 Payments
Minimum Interest	-	-
Age	Min	20
	Max	70
Annuity Type	Annuity (500<x<2500)	Available
	Lump sum (5000<x<15000)	Available
	Assistance	Not Available
COSTS:		
Fees	Emission Fee:	15 + Initial Price
	Receipt Fee:	25% of Annual Prize
Additional Fees	Semi-annual Payment	1,5%
	Quarterly Payment	2,5%
	Monthly Payment	4,0%

GROUPAMA		
<i>Mente Serena Elisir</i>		
Payment Frequency	Min	Yearly
Premium Payment		5 Payments
Minimum Interest	-	-
Age	Min	30
	Max	65
Annuity Type	Annuity (500<x<2500)*	Available
	*Annuity grows of 2% per annum	
	Lump sum (10000)	Available
	Assistance	Not Available
COSTS:		
Fees	Emission Fee:	1 Euro per each Payment
	Receipt Fee:	
	Fixed Costs:	25% of each Annual Prize
Additional Fees	Semi-annual Payment	2,0%
	Quarterly Payment	2,5%
	Monthly Payment	3,5%

REALE MUTUA		
<i>Assicurarsi Reale</i>		
Payment Frequency		Yearly
Premium Payment	-	-
Minimum Interest	-	-
Age	Min	-
	Max	-
Annuity Type	Annuity	Available
	Lump sum	Not Available
	Assistance	If recalled in the Contract
COSTS:		
Fees	Emission Fee:	Info not available
	Receipt Fee:	Info not available
	Fixed Costs:	Info not available
	% Costs:	Info not available
Additional Fees	Semi-annual Payment	Possible but no costs information
	Quarterly Payment	
	Monthly Payment	

UBI BANCA		
<i>Aviva</i>		
Payment Frequency		Yearly
Premium Payment	-	-
Minimum Interest	-	-
Age	Min	30
	Max	80
Annuity Type	Annuity*	Available
	*Annuity grows of 3% per annum	
	Lump sum	Not Available
	Assistance	Not Available
COSTS:		
Fees	Emission Fee:	25 Euro
	Receipt Fee:	-
	Fixed Costs:	-
	% Costs:	-
Additional Fees	Semi-annual Payment	Possible without Costs
	Quarterly Payment	
	Monthly Payment	

POSTE ITALIANE		
<i>PosteVita Sempre Presente</i>		
Payment Frequency	Monthly* * Monthly Payments only, if a BancoPosta bank account is present, otherwise Yearly Payments	
Premium Payment	Min	10 Years
Minimum Interest	-	-
Age	Min Max	30 70
Annuity Type	Annuity (500<X<2500) Lump sum Assistance	Available Not Available Not Available
COSTS:		
Fees	Emission Fee: Receipt Fee: Commissions Costs:	10% of the Prize 5% of the Prize
Additional Fees	Semi-annual Payment Quarterly Payment Monthly Payment	Possible without Costs

AXA		
<i>Mia Autonomia</i>		
Payment Frequency	Yearly	
Premium Payment	-	-
Minimum Interest	-	-
Age	Min Max	18 70
Annuity Type	Annuity (500<X<2500) Lump sum Assistance	Available Not Available Not Available
COSTS:		
Fees	Emission Fee: Receipt Fee: % Costs:	- 1,5 Euro per each Payment 25% on Annual Prize
Additional Fees	Semi-annual Payment Quarterly Payment Monthly Payment	2,2% 3,2% 4,0%

BANCA SELLA		
<i>CBA</i>		
Payment Frequency		Yearly
Premium Payment	-	-
Minimum Interest	-	-
Age	Min	20
	Max	75
Annuity Type	Annuity (250<X<3000)	Available
	Lump sum	Not Available
	Assistance	Not Available
<i>COSTS:</i>		
Fees	Emission Fee:	Info Not Available
	Receipt Fee:	Info Not Available
	Fixed Costs:	Info Not Available
	% Costs:	Info Not Available
Additional Fees	Semi-annual Payment	Info Not Available
	Quarterly Payment	Info Not Available
	Monthly Payment	Info Not Available

MEDIOLANUM		
<i>For You Care</i>		
Payment Frequency		Yearly
Premium Payment	Min	5 Years
Minimum Interest	-	-
Age	Min	20
	Max	70
Annuity Type	Annuity or Expenses Reimbursement*	Available
	Three insured sums (1000, 1500, 2000)*	
	Lump sum	Not Available
	Assistance	Not Available
<i>COSTS:</i>		
Fees	Emission Fee:	Mentioned but not specified
	Receipt Fee:	Mentioned but not specified
	Fixed Costs:	Mentioned but not specified
	% Costs:	Mentioned but not specified
Additional Fees	Semi-annual Payment	Possible without costs
	Monthly Payment	Possible without costs for account holders

Collective LTC

In long term care insurance policies scenario we can also analyse the products addressed to specific categories of individuals.

LTC collective policies belong to the second insurance pillar, the one related to the professional welfare, and are set up and shaped in order to be eligible for particular job sectors. These products are less exposed to adverse selection and are more accessible to individuals, even if the intrinsic structure is the same of LTC policies available for the private sector. As for the latter one, LTC insurance is structured according to a range of articulated solutions which include different combinations of services:

- Stand Alone coverage provides the payment of a life annuity amount, previously fixed, as the non self-sufficiency state occurs.
- Enhanced Annuity stipulated as a normal contract, which consists of a single pre-mium annuity, by an individual who is in need of a permanent support.
- LTC Complementary coverage, it is offered in conjunction with an insurance life contract and establishes, within a limited time horizon, an anticipation on future benefits.
- Enhanced Pension, it is an immediate annuity whose installments are more restrained than those ones planned according to the contractual characteristics, as long as the insured is self-sufficient. As the state of need occurs, the annuity is subject to an increase.

The establishment of collective policies is up to the discretion of the welfare private agencies that determine the application rules of products in accordance with the law. The cornerstone is the possibility of reducing requirements related to assistance, especially for older ages, seeking operational solutions which link the covers LTC private type with the group insurance forms. These collective agreements can be signed both by employers to ensure LTC to its employees and by self-employed, within the category agreements. In all cases stated above each private authority care, which is the reference point for these products, refers to a particular application area such as :

- **CASDIC**, founded in 1992, the National Health Care Fund for Personal Employee in the banking sectors and its LTC policy is regulated by the national trade union agreement signed by the Italian Banking Association (ABI).
- **EMAPI** is addressed to all Professionals and Retirees registered at welfare and Security bodies adhering to EMAPI and enabling the collective form such as CASSA FORENSE, ENPAM, ENPAFL, EPAP and EPPI.

Despite all classifications and regardless of central importance that these protection mechanisms play within the second pillar, it is crucial to emphasize that these policies are intended to protect groups whose characteristics do not converge within the definition of weakness which is being investigated as the main key principle of this observatory.

Comparison

Only Mediolanum, Poste Italiane, Generali, Unipol and Groupama present some constraints as regard premium payment which can be expressed in terms of maximum age or minimum payments or an interval of years. The other ones do not show this characteristic. Each one of the LTC policy examined implies a minimum and a maximum age of subscription with the only exception of Assicurarsi Reale policy contract. This can be an

advantage both in relation to an economic perspective and as for the future expectation since it is cheaper to subscribe the contract early in age and, at the same time, it is more financially inclusive given the freedom of subscription whenever the non self-sufficient status occurs.

If the payment type is considered, the most flexible one is Assicurarsi Reale LTC promoted by Reale Mutua whose payment performance includes the possibility to choose between an annuity, a lump sum or, if recalled by the contract, an assistance. The latter one is absent in all the other LTC policies. The Annuity payment is common to all the LTC contracts whereas the lump sum is possible under certain legislative requirements or if included in the contract.

As far as the fees are concerned, a real comparison would be difficult and superficial. This is due to the fact that three contracts out of ten do not put explicitly any kind of information about costs and as for the ones providing such information we have four categories: emission, receipt, fixed and variable costs. Since the normative does not specify a compulsory denomination scheme, this section very often ends up being ambiguous. Further medical visits costs are always up to the subscriber.

As for the periodic payment different from the annual ones, UBI Banca, Poste Italiane and Mediolanum provide this splitting possibility without additional costs. The remaining contracts impose additional fees between 2% and 4.5%.

According to this comparison, the most critical aspect of the LTC branch regards the strong heterogeneity with respect to the contract costs. In particular, as a consequence of the absence of a compulsory denomination and codification of costs from a normative point of view, there is a lack of transparency related to this matter. This is without any doubt a downside to bear in mind given the fact that in such contracts the fees are fundamental.

Taking into account the financial inclusion aspect, it is necessary to point out that the above-mentioned criticism does not contribute to the improvement of this perspective. As a matter of fact, this lack of explicitness plays a negative role for the weaker categories of people and it ends up being the main cause of inaccessibility as costs, even when clearly mentioned, are extremely high and binding as well as the age constraints applied.

Moreover, it is also worth mentioning the fact that LTC contracts, as it can be elicited from the examined ones, do not provide the possibility to be subscribed once the need occurs (in this case a non-sufficiency status) so in this framework they have to be considered much more as a pure investment choice than as a care service with the purpose of weak categories inclusion.

As far as the collective LTC contracts are concerned, the professional categories protected by them cannot be considered as weak ones. Instead, they are very often wealthy professional figures such as dentists or bankers.

Part II

WEALTH CARE

Definition

In light of the setting of this observatory, it is useful to define what is the meaning of this particular category as it might be subject to misleading and different interpretations. As Wealth Care we define all the services, financial products and initiatives addressed to the weaker and poorer categories with the ultimate goal of helping them into different aspects of their financial daily life and social inclusion. It was possible to find different kind of services and products aiming to the achievement of the above mentioned goals, in particular consulting desks, financial controversy consultancy, several financial products and events with different purposes. Most of them are showed below:

Consulting Desks

- **UPEL** - Unione Provinciale Enti Locali: free consulting desk on financial matters. It is present in several small town in Lombardy;
- **Financial independent consulting desk** in the Turin area;
- **CSO team** : financial consulting for elderly people in Rome;
- **ACLI** - Associazioni Cristiane Lavoratori Italiani: family solutions and consumer consulting desk. It is present in the majority of the Italian regions.
- (...)

Financial Controversy Consultancy

- **Consumers Movement**. It is an Italian movement which deals with a lot of issues related to consumers rights, in particular it focuses on the so called *anatocismo* phenomenon.
- **ACU** – Associazione Consumatori Utenti widespread among Italian regions
- (...)

These examples are just a little fraction of thousands of National association whose main activities are exactly the ones of consultancy both at investment level and at legal financial consultancy in case of controversy. Although their differences in terms of capillarity and size, the consultancy activity and their tasks in general are mostly the same.

Financial Products

1. INTESA SAN PAOLO

- **Carta Pensione**: prepaid credit card with IBAN which provides an alternative way of receiving the pension and the payments management without any banking fee.
- **Libretto Pensione Per Te**: addressed to those ones who need to receive their pension without having a banking account without any banking fee.

- Conto di Base: it is a banking account with easy access to the services and products provided by the bank. It has moderate costs as for daily financial transactions and for those who are in lowest income brackets there will be no banking fee.

2. BANCO POPOLARE

- Conto Libretto: addressed to the retired ones and it includes several free of charge services among them we find the accreditation of the pension, withdrawals and deposits of money.
- Conto di Base: it is a banking account which presents the easiest functions and activities such as debit card, ATM withdrawals and domiciliation of periodic consumptions. It does not include services such as credit card and cheque books

3. UNICREDIT

- Conto Base: addressed to those one who have a maximum annual pension of 18.000 Euro. In this case the annual banking fee of 24 Euro is not included.

Initiatives

In this section it will be possible to find a list of the majority of the initiatives that were promoted in Italy over the last five years with the ultimate goal of enhancing the Wealth Care as it was declined at the beginning of this chapter and also a list of several associations and institutions who play an extremely important role as far as the promotion of initiatives is concerned.

1. INPS:

- Social Card – addressed to over 65 and families with children under 3 years old in difficult financial situation. An amount of money is available in order to purchase medicines and fundamental necessities and to pay utilities (electricity consumption for example).
- Call Center

2. MILAN MUNICIPALITY:

- IO Welfare, TU Welfare – promotion of several meetings dealing with financial literacy and basic investment choices with particular attention to old women or widow ones.

3. ANZIANI E NON SOLO:

- it is a cooperative promoting three projects related to financial literacy addressed to over 65 category.

4. CONSOB:

- Financial literacy projects for different age categories (from kids to over 65).
- Budget Planner tool – “Saverio il Salvadanaro” it is an interactive instrument which aims to give an help in terms of management of monthly cash flows and

measurement of savings over time having as ultimate goal the promotion of an higher awareness with respect to financial issues.

5. UNICREDIT:

- In-Formati “Facile e Sicuro” – One of several free financial education programs promoted which focuses on listening to customers’ needs offering multi-disciplinary educational modules tailored to different demographics, including youths, the elderly, families, immigrants and cultural mediators, non profit organization and SMEs.
- Educational and informative videos and mini guides.

6. ADICONSUM together with FINDOMESTIC:

- Production of five mini guides to prevent financial frauds and to promote financial literacy.
- Regional meetings with experts in financial field.

7. FINDOMESTIC:

- “PerCorsi“ Credito Responsabile – non profit informative service on financial issues providing educational programs for different age categories in addition to financial glossary, financial simulator and financial golden rules.

8. PREFECTURES:

- National project on prevention from financial frauds.

9. LEGA CONSUMATORI together with ACLI:

- Financial glossary

10. AIEF, Italian Association of Financial Educators

11. FINANCIAL LITERACY AND SAVINGS FOUNDATION

Part III

REVERSE MORTGAGES

Definition

A reverse mortgage is a type of loan available for old home owners that allows them to convert part of the equity of their homes into cash. The definition “Reverse Mortgage” is due to the fact that, instead of having fixed monthly payment to a lender, in this case it is the lender who makes the payments to the borrower. Indeed, this kind of financial product does not involve monthly mortgage payments since it defers loan payment until the owner death or until his decision to sell or to move out of the property. During all the contract period the borrower is responsible for property taxes and home owners insurance. The product was designed in order to help retirees with limited income but with a real estate property. The aim was to encourage them to cover their monthly living expenses by transforming in cash an illiquid asset.

Legislation

The product was launched in Great Britain in 1999 as *lifetime mortgage* or *equity release* and since its inception has rapidly spread throughout the Anglo-Saxon world where is known as Reverse Mortgage.

Since December 2005, reverse mortgage has also been introduced in Italy with Art. 11-*quaterdecies* of Decree-Law no. 203/2005 which provides that: “The mortgage loan is in-tended to be granted by companies and lenders and by financial intermediaries, of medium and long-term financing with annual capitalization of interest and expense, and full repay-ment at maturity, with first-rate mortgage on residential property, reserved for natural persons older than 65 years old. On May 6, 2015, entered into force Law no. 44 of 2 April 2015, implemented by Decree-Law No. 226 of 22 December 2015, which governs the mortgage lending by replacing existing parts of Article 11-*quaterdecies* of Decree-Law no. 203/2005. Among the changes made, it was established the lowering of the statutory requirement to get a vitality loan, lowering the minimum age from 65 to the current 60 years.

On December 23, 2015, the Minister of Economic Development signed the regulation defining the guidelines for the mortgage lending. The implementing regulation refers to the law of 2 April 2015, no. 44 and specifies the methods and the criteria for granting the loan, the methods of payment, the amount of the loan, the expenses and the capitalized interest each year. It also disciplines cases and formalities that result in a reduction in the value of the property market. The measure entered into force on 2 March 2016.

Criticisms

There are some criticisms related to the product. Particularly, given its mortgage nature, when the contract is signed, the property cannot be sold (unless there is loan repayment in advance), it cannot be subject to substantial changes, it must be kept in good condition with an annual borrower communication to the lender regarding the property. Further-more it is not possible to have any type of additional rent.

The second main issue is related to the consequences deriving from the expiry of the twelve months period which follows the contractor disappearance. If the heirs are unable

to repay the loan, their principal risk is to lose the ownership of the property since the loan must be repaid in a single solution.

Moreover the sum to be compensated at the end of contractor death is made up of a capital quote and of an interest quote which, due to the continuous capitalization, becomes very expensive. This is because the vitality loan is a financial instrument that involves the so called *anatocismo*, namely the maturing of interests on interest already expired. In practice, the interest earned on the loan also produces other interests, causing an exponential growth of the debt.

Products

MONTE DEI PASCHI DI SIENA		
<i>Prestisenior</i>		
Age	Min Max	60 -
Types	Annual Capitalization	Annual capitalization of interest and expense, with repayment in a single solution of the most matured at maturity
	Annual Payment	The loan once granted provides for an annual repayment plan for interest and expenses only, while the debt debt is repaid solely on the expiry date of the loan.
Solutions	Lump Sum Annuity (max 20)	
Interest Rate	Fixed Interest Spread	IRS lettera 4,60%
<i>COSTS</i>		
Instructor's fees	1,30%	of the Lump Sum
management costs	1,30%	of the Annual Payment
Installment costs	45 Euro per year	-
substitutive tax	2,5 Euro	-
Lien and Notarial fees	0,25%	of the loan
At the expense of the subscriber		

INTESA SAN PAOLO		
<i>PerTe Prestito Vitalizio</i>		
Age	Min Max	60 90
Types	Annual Capitalization	Annual capitalization of interest and expense, with repayment in a single solution of the most matured at maturity
	Annual Payment*	The loan once granted provides for an annual repayment plan for interest and expenses only, while the debt is repaid solely on the expiry date of the loan. * Switching possibility
Solutions	Lump Sum	
Interest Rate	Fixed Interest	4%
<i>COSTS</i>		
Instructor's fees	-	-
management costs	72 Euro per year	-
substitutive tax	0,25%	of the loan
Lien and Notarial fees	At the expense of the subscriber	
Family sharing	Heirs have to be present at the contract stipulation	

UNICREDIT		
<i>Valore Casa</i>		
Age	Min Max	65 85
Type	Annual Payment	The loan once granted provides for an monthly repayment plan for interest and expenses only, while the debt debt is repaid solely on the expiry date of the loan.
Solutions		Lump Sum
Interest Rate	Variable Interest Spread	EURIBOR 3M 4,00%
COSTS		
Instructor's fees	1,25%	of the Lump Sum
management costs	17	-
Installation costs	3-5-7,5 Euro	depending on the installment process
substitutive tax	0,25%	of the loan
Lien and Notarial fees		At the expense of the subscriber

BANCA POPOLARE DI SONDRIO		
<i>Prestito Ipotecario Vitalizio</i>		
Age	Min Max	65 -
Types	Annual Capitalization	Annual capitalization of interest and expense, with repayment in a single solution of the most matured at maturity
	Annual Payment	The loan once granted provides for an annual repayment plan for interest and expenses only, while the debt debt is repaid solely on the expiry date of the loan.
Solutions		Lump Sum
Interest Rate	Fixed Interest	4,50%
COSTS		
Instructor's fees	1300 - 1500	depending on the Lump Sum
management costs	150 Euro per year	-
Installation costs	10 Euro	-
substitutive tax	0,25%	of the loan
Lien and Notarial fees		At the expense of the subscriber

DEUTSCHE BANK		
<i>Patrimonio Casa</i>		
Age	Min Max	65 -
Types	Annual Capitalization	Annual capitalization of interest and expense, with repayment in a single solution of the most matured at maturity
Solutions		Lump Sum
Interest Rate	Fixed Interest	7,95%
COSTS		
Instructor's fees	500	-
management costs	50	-
Installment costs	-	-
substitutive tax	0,25%	of the loan
Lien and Notarial fees		At the expense of the subscriber

EUVIS		
<i>Prestito Ipotecario Vitalizio</i>		
Age	Min Max	65 -
Types	Annual Capitalization	Annual capitalization of interest and expense, with repayment in a single solution of the most matured at maturity
Solutions		Lump Sum
Interest Rate	Fixed Interest Spread	IRS 30A 3-4%
COSTS		
Instructor's fees		Prospectus not available
management costs		
Installment costs		
substitutive tax		
Lien and Notarial fees		

Comparison

In order to subscribe a reverse mortgage contract a minimum of 60 years old is required whereas, if present, the maximum is 85 or 90 years old.

This kind of contract is characterized by two main possibilities of interests and expenses refund: the first one which is the annual capitalization and the second one which is the annual payment. Monte dei Paschi di Siena, Intesa San Paolo and Banca Popolare di Sondrio provide the choice between the two alternatives whereas Unicredit, Deutsche Bank and Euvis impose the annual capitalization. The amount received is delivered as a lump sum in each one of the contracts with the exception of Monte dei Paschi di Siena which offers a maximum of twenty annuity as an alternative solution.

In all the policies the interest rate is fixed, in this way the subscriber cannot benefit from a potential interest rates reduction. Only Unicredit, Euvis and Monte dei Paschi di Siena show the interest rate computation formula.

With regard to contracts fees there are two main core costs. The first one includes instructor, management and installment costs which are variable depending on the contract, whereas the second one accounts for lien and notarial fees that are at the expense of the subscriber in all the policies.

In terms of significant elements, it is worth mentioning the fact that the fixed interest rate applied by Deutsche Bank is 7,95%, almost doubling the mean of the other ones which is close to 4%. Moreover the Euvis reverse mortgage, being a combined product with Banca di Credito Cooperativo, does not have a prospectus available online as the cost policy is variable and subject to the bank promoting it.

Taking into account the categories to which the product is addressed and the fact that the protection of the subscriber should be fundamental, in this framework only Intesa San Paolo requires necessarily the presence and the authorization of direct heirs (most of the times sons and daughters) at the moment of the contract stipulation.

In conclusion, after having analysed these products, the most relevant aspect to be underlined regards the fact that reverse mortgage is the most expensive product among the ones that were taken into consideration in this work. In particular this issue is the main consequence on one hand of the extremely high interest rates applied and on the other hand to the continuous capitalization also known as *anatocismo*, so it is basically for these reasons that this kind of product does not match with the needs of the weaker categories to which we refer in this observatory. This unsuitability has also severe repercussions in terms of future generations if we consider the fact that once the subscriber death occurs, heirs have to repay in a maximum of twelve months, the entire amount lent together with interests and expenses which, due to the continuous capitalization, are extremely high.