

Amendments to Mortgage Insurance Programme

The following is issued on behalf of the Hong Kong Monetary Authority:

HKMC Insurance Limited (HKMCI), a wholly-owned subsidiary of the Hong Kong Mortgage Corporation Limited, announced today (July 7) that amendments are made to the Mortgage Insurance Programme (MIP) for completed residential properties in order to provide assistance to homebuyers with housing needs. Upon the amendments:

1. for eligible properties with property value up to HK\$10 million, the maximum loan-to-value (LTV) ratio remains at 90 per cent;
2. for eligible properties with property value above HK\$10 million and up to HK\$15 million, the maximum LTV ratio is 80 per cent or an LTV ratio derived from a mortgage loan cap of HK\$9 million, whichever the higher; and
3. for eligible properties with property value above HK\$15 million and up to HK\$30 million, the maximum LTV ratio is 70 per cent or an LTV ratio derived from a mortgage loan cap of HK\$12 million, whichever the higher.

Please refer to the Annex for the amendment details.

In addition, having considered its business and risk factors as well as the Hong Kong Monetary Authority's amendments to the countercyclical macroprudential measures for mortgage loans, HKMCI will make the following arrangements in respect of mortgage insurance premium:

1. As banks will be able to provide mortgage loans with maximum LTV ratio up to 70 per cent, the MIP will provide insurance coverage on the portion of banks' loans over 70 per cent LTV ratio. The relevant premium rates will be lower than those for insurance coverage starting at 60 per cent LTV ratio.
2. HKMCI will provide first-time homebuyers with special premium concession for properties valued up to HK\$15 million, by waiving premium on insurance coverage for the mortgage loan portion not more than 5 per cent above the maximum LTV ratio for banks (Notes 1 and 2).
3. HKMCI has been offering a 35 per cent premium discount to homebuyers in general. The MIP Premium Rate Sheet on the company's website will be updated to present the effective premium rates (after discount) to enhance clarity and transparency.

The MIP amendments and the mortgage insurance premium arrangements mentioned above will apply to mortgage loans for owner-occupied properties

with provisional agreements for sale and purchase executed on or after July 7, 2023.

The MIP is operated on commercial principles, and aims to help promote home ownership and contribute to the maintenance of banking stability. HKMCI reviews the eligibility criteria and premiums of the MIP from time to time in light of relevant factors such as the latest property market conditions, risk and cost considerations.

Note 1: Please refer to the relevant announcement made by the Hong Kong Monetary Authority on July 7, 2023 for the maximum LTV ratios of residential mortgage loans originated by banks.

Note 2: Below are examples of special premium concession applicable to first-time homebuyers:

Example 1: A homebuyer intends to purchase a property valued HK\$15 million and applies for a mortgage loan with 70 per cent LTV ratio. According to the regulatory measures, the maximum LTV ratio of the loan to be originated by a bank is 70 per cent. As the MIP will waive the premium on insurance coverage for the mortgage loan portion not more than 5 per cent above the maximum LTV ratio for banks (70 per cent in this case), the bank may offer a mortgage loan with 75 per cent LTV ratio in practice and the homebuyer needs not pay any premium.

Example 2: A homebuyer intends to purchase a property valued HK\$10 million and applies for a mortgage loan with 90 per cent LTV ratio. According to the regulatory measures, the maximum LTV ratio of the loan to be originated by a bank is 70 per cent, and mortgage insurance is required for the loan portion in respect of the remaining 20 per cent LTV ratio. As the MIP will waive the premium on insurance coverage for the mortgage loan portion not more than 5 per cent above the maximum LTV ratio for banks (70 per cent in this case), the homebuyer will enjoy special premium concession. The special concessionary premium will include the free coverage for the 70 per cent to 75 per cent LTV ratio portion of the loan, and the charged coverage for the 75 per cent to 90 per cent LTV ratio portion.