

Countercyclical macroprudential measures for property mortgage loans

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

The Hong Kong Monetary Authority (HKMA) today (June 14) issued a circular to banks on technical adjustments to the countercyclical macroprudential measures for property mortgage loans that were announced on February 28, 2024 (Measures) and other related supervisory requirements.

The applicability of the Measures will be broadened to include mortgage applications for residential properties under construction for self-occupation where the provisional sale and purchase agreements were signed before February 28, 2024 and the properties are scheduled for completion on or after February 28, 2024. The adjustment, which will take effect from today, will allow eligible homebuyers who are in need to take out mortgage loans with a maximum loan-to-value (LTV) ratio of up to 70 per cent.

Taking into account the residential property market trend, some homebuyers who bought residential properties under construction in the last few years using stage payment plans may find the valuation of their properties to be lower than the purchase price when they are applying for a mortgage loan. As a result, they might encounter difficulty in finding extra funds for the down payment. The HKMA considers that there is room to slightly adjust the Measures announced on February 28, 2024 to assist those homebuyers in genuine hardship to take out mortgage loans at a higher LTV ratio, while continuing to maintain effective risk management of banks' property mortgage lending business.

The adjustment to the Measures is focused on buyers with genuine home ownership needs. The HKMA would like to once again remind the public that buying a property is a long-term financial commitment. Prospective buyers should carefully assess the relevant risks involved and their ability to afford a property.

The HKMA is also taking the opportunity to fine-tune other related supervisory requirements: (i) simplifying the calculation of borrowing capacity under net worth-based lending and (ii) reverting to the haircuts on rental income from at least 30 per cent to an indicative level of at least 20 per cent when calculating the debt servicing ratio of borrowers with investment property.

The HKMA will continue to monitor market developments closely and introduce measures to safeguard banking stability as conditions in the property market evolve.