

# HA relaxes mortgage arrangements for subsidised sale flats

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

The Hong Kong Housing Authority (HA) Subsidised Housing Committee (SHC) today (November 17) endorsed the relaxation of the mortgage arrangements for subsidised sale flats (SSFs) by extending the maximum mortgage default guarantee period and mortgage repayment period under the Deeds of Guarantee (DoGs) being provided to purchasers of SSFs and authorised financial institutions participating in the provision of mortgage loans for such flats (participating financial institutions). Details are at the Annex.

For SSFs sold on the primary market, the maximum mortgage default guarantee period will be extended from 25 years to 30 years for Tenants Purchase Scheme (TPS) flats; and the maximum mortgage repayment period from 25 years to 30 years for new Home Ownership Scheme (HOS)/Green Form Subsidised Home Ownership Scheme (GSH) projects and TPS flats sold on the primary market. The relaxation will be applicable to new HOS and GSH projects and TPS flats sold on the primary market with the completion date of the sale and purchase, and the relevant legal charge falling on or after January 1, 2024. New HOS/GSH projects refer to the HOS/GSH projects with occupation permit issued on or after December 1, 2023.

Regarding SSFs sold on the secondary market, the maximum mortgage default guarantee period will be extended from 30 years to 50 years for HOS/GSH flats; and from 25 years to 50 years for TPS flats, counting from the date of the first assignment of individual flats. For the first 40 years, the HA will provide a mortgage default guarantee to participating financial institutions for a mortgage loan up to 95 per cent and 90 per cent of the assessed value or purchase price of the flat (whichever is the lower) respectively for Green Form (GF) and White Form (WF) applicants. From 40 years onwards to 50 years the mortgage default guarantee provided to participating financial institutions for mortgage loans will be up to 80 per cent of the assessed value or purchase price of the flat (whichever is the lower) across all types of SSFs for GF and WF purchasers alike. In case the loan-to-value (LTV) ratio required is above 80 per cent, the prospective mortgagor may apply for and join the Mortgage Insurance Programme (MIP) of the HKMC Insurance Limited (HKMCI). To this end, the HA has reached an agreement with the HKMCI that the latter will allow SSF purchasers on the secondary market to join the MIP to obtain mortgage loans up to an LTV ratio of 90 per cent for WF applicants and 95 per cent for GF applicants. The detailed arrangements will be announced later.

Meanwhile, the maximum mortgage repayment period for HOS/GSH/TPS flats sold on the secondary market will be extended from 25 years to 30 years.

The HA will liaise with participating financial institutions and the

HKMCI on the implementation arrangements, and the extension of the maximum mortgage default guarantee period and repayment period regarding the SSFs sold on the secondary market is scheduled to take effect on March 1, 2024. It will be applicable to all new mortgage loans drawn down on or after the launch date to finance the purchase of HOS/GSH/TPS flats transacted on the secondary market.

"With the extension of the maximum mortgage default guarantee period to 50 years for SSFs sold on the secondary market, the number of flats with a residual guarantee period of more than 10 years will increase substantially from about 14 per cent to about 98 per cent for HOS/GSH flats; and from about 24 per cent to 100 per cent for TPS flats. Together with the extension of the maximum mortgage repayment period, this should help SSF purchasers to secure mortgage loans of a longer tenor and facilitate the circulation of SSFs on the secondary market," a spokesman for the HA said.

To encourage banks and authorised financial institutions to provide mortgage loans and better mortgage terms for purchasers of SSFs, the HA provides a mortgage default guarantee for the participating financial institutions. In accordance with the DoGs entered between the HA and the participating financial institutions, the HA undertakes to meet the shortfall in a repayment in the event of default by the mortgagors of SSFs, under specified circumstances during the mortgage default guarantee period as set out in the applicable DoGs. The mortgage default guarantee applies to HOS, GSH, as well as TPS flats sold on the primary market and the secondary market where a premium payment is not required.