

HKMA notes announcement by HKMCI of amendments to Mortgage Insurance Programme

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

The Hong Kong Monetary Authority (HKMA) is aware that the HKMC Insurance Limited (HKMCI) announced today (October 16) amendments to the Mortgage Insurance Programme (MIP). The HKMA has reviewed the revised terms of the MIP and is agreeable to authorized institutions (AIs) granting residential mortgage loans to eligible mortgage borrowers under those terms. A circular has been issued to the MIP participating AIs in this regard.

The objectives of the MIP offered by HKMCI and the countercyclical macroprudential measures on property mortgage loans introduced by the HKMA are different. The MIP is a market-based financial product that aims to promote home ownership. The HKMCI manages its risks through adjustments to the mortgage insurance premiums following risk-based principles. This differs from the countercyclical macroprudential measures of the HKMA, the intent of which is to ensure stability of the banking system through implementation of appropriate measures corresponding to the development of the property cycle, taking into consideration key factors such as the trend of property prices, property transaction volume, economic fundamentals and the external environment.

The HKMA observed that although the volume of property transactions has decreased recently, the adjustment in property prices has been relatively mild. The HKMA considers that there is no sufficient evidence demonstrating that the property market has entered into a downward cycle. The HKMA therefore does not consider it appropriate to relax the countercyclical macroprudential measures at this juncture. The HKMA will closely monitor the market situation and introduce appropriate measures as and when necessary to safeguard banking stability.