

HKMA welcomes additional payment arrangement for residential mortgage refinancing by HKAB

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

The Hong Kong Monetary Authority (HKMA) welcomes the announcement of the Hong Kong Association of Banks (HKAB) today (July 20) on providing customers with an additional payment arrangement in respect of residential mortgage refinancing transactions as an alternative. The arrangement has been endorsed by the HKMA.

Under the newly added payment arrangement for property transactions (PAPT), bank customers may choose to adopt direct transfer via the interbank payment system for a mortgage refinancing transaction, under which the mortgage loan proceeds will be directly transferred from the mortgage institution providing the new mortgage (refinancing mortgage institution) to the original mortgage institution. As compared to the existing practice where loan proceeds are transferred by the refinancing mortgage institution to law firms and held custody, followed by law firms arranging for repayment of customers' original mortgage loans, the PAPT is more in line with developments in fintech, and better protects residential mortgage customers against any unforeseeable circumstances leading to customers' funds being frozen. The PAPT is also applicable to other refinancing scenarios such as changing borrowers for a mortgage loan provided by the same mortgage institution, and cash-out from a mortgage-free property, etc.

Deputy Chief Executive of the HKMA Mr Arthur Yuen, said, "Selected banks conducted a pilot run in the second quarter of this year, during which a series of pilot mortgage refinancing transactions using the PAPT had been smoothly completed. As a result, the banking industry has today announced the expansion of the pilot arrangement to all licensed banks offering residential mortgage loans. The HKMA fully supports the PAPT, which is a major initiative to facilitate the development of digital finance and an important step to strengthen the protection of banks' mortgage customers. The HKMA would like to thank the industry and other stakeholders for their enormous effort in setting out the details of the PAPT over the past year or so. The HKMA will continue to work closely with the industry and other stakeholders to ensure smooth implementation of the PAPT."

Licensed banks offering residential mortgage loans will provide customers who are seeking mortgage refinancing with the option of the PAPT within this year, and will introduce the details of the PAPT to relevant customers in due course.