

## LCQ10: Pilot scheme for fixed-rate mortgages

Following is a question by the Hon Ng Wing-ka and a written reply by the Acting Secretary for Financial Services and the Treasury, Mr Joseph Chan, in the Legislative Council today (April 21):

Question:

In delivering the 2020-21 Budget, the Financial Secretary announced that the Hong Kong Mortgage Corporation Limited (HKMC) would launch a pilot scheme for fixed-rate mortgages (pilot scheme) to provide potential homebuyers with fixed-rate mortgage options for periods of 10, 15 and 20 years, with the loan amount being capped at \$10 million. At the end of last year, HKMC extended the application period of the pilot scheme to October 30 this year, and lowered the interest rates per annum for mortgages for the aforesaid loan periods to 1.99 per cent, 2.09 per cent and 2.19 per cent respectively. In this connection, will the Government inform this Council:

- (1) of the respective numbers of applications received and approved by HKMC since the pilot scheme was launched, with a breakdown by loan period; the average loan amount of each approved application in respect of each loan period;
- (2) whether it will request HKMC to (i) offer fixed-rate mortgage schemes with loan periods of 25 and 30 years respectively, (ii) raise the ceiling of the loan amount, and (iii) lower the interest rates per annum further; if so, of the details; if not, the reasons for that;
- (3) as the website of HKMC shows that only nine banks are participating in the pilot scheme at present, whether the Government will persuade more banks to participate in the pilot scheme; if so, of the details;
- (4) as there are comments that the pilot scheme has only received a lukewarm response from homebuyers, of the Government's measures to increase the attractiveness of the pilot scheme; and
- (5) whether it will request HKMC to further extend the application period of the pilot scheme or regularise the scheme; if so, of the details; if not, the reasons for that?

Reply:

President,

The Fixed-rate Mortgage Pilot Scheme with options for 10, 15 and 20 years aims to provide an alternative financing option to homebuyers for mitigating their risks arising from interest rate volatility, thereby enhancing banking stability in the long run. Having consulted the Hong Kong

Mortgage Corporation Limited (HKMC), my reply to the various parts of the question is as follows:

(1) As of end-March 2021, the Fixed-rate Mortgage Pilot Scheme has received 50 applications, of which 36 have been approved, with an average loan amount of HK\$5.25 million among the approved applications. Details are as follows:

Period	Number of applications received	Number of applications approved	Average loan amount of approved applications (in HK\$ million)
10-year	30	19	5.25
15-year	4	4	3.72
20-year	16	13	5.72
Overall	50	36	5.25

(2) The Fixed-rate Mortgage Pilot Scheme remains open for applications. The HKMC will review the effectiveness of the scheme (including the loan tenors) at an appropriate juncture before deciding the way forward.

The maximum loan amount of each private residential mortgage has been set according to business and risk management considerations. Considering the average loan amount of the approved applications so far (HK\$5.25 million), the HKMC does not see a need to change the maximum loan amount at this juncture.

In response to the change in market interest rates, the HKMC adjusted the interest rates under the Fixed-rate Mortgage Pilot Scheme in November 2020.

(3) There are currently nine participating banks of different scales. This is appropriate for a pilot scheme.

(4) and (5) Since the launch of the Fixed-rate Mortgage Pilot Scheme in May 2020, applications with loan amount totalling over HK\$200 million have been received. Market demand for fixed-rate mortgages is affected by various factors such as product features, conditions of the economy and the property market, as well as interest rate trends. The pilot scheme will remain open for applications in the coming half year. The HKMC will review the effectiveness of the scheme at an appropriate juncture, before deciding the way forward.