LCQ14: Mortgage Insurance Programme

Following is a question by the Hon Chan Chun-ying and a written reply by the Secretary for Financial Services and the Treasury, Mr James Lau, in the Legislative Council today (December 4):

Question:

In the Policy Address delivered on October 16 this year, the Chief Executive indicated that in order to assist first-time home buyers, the Government would immediately raise the caps on the value of the properties under the Mortgage Insurance Programme of the HKMC Insurance Limited. The maximum value of properties, eligible for insurance coverage for mortgage loans with 90 per cent loan-to-value (LTV) ratio borrowed by first-time home buyers, was raised from $4 million to $8 million, and the maximum value of properties, eligible for insurance coverage for mortgage loans with 80 per cent LTV ratio, was raised from $6 million to $10 million. In this connection, will the Government inform this Council:

(1) whether it has estimated the number of first-time home buyers who may benefit from the aforesaid measure; if so, of the details; if not, the reasons for that;

(2) given that following the implementation of the aforesaid measure, quite a number of owners of residential properties with original price tags between $5 million and $10 million have immediately "withdrawn putting up their flats for sale" or raised the price tags, whether the Government, prior to announcing the measure, foresaw such situations; if so, of the details; if not, the reasons for that; and

(3) as some academics have pointed out that while the aforesaid measure enable the acquisition of flats by certain people who originally did not have adequate financial ability to do so, such people will become property owners in negative equity in the event that the property market takes a downturn that causes a drop in the values of their properties by 10 per cent or more, whether the Government has assessed the moral hazards of implementing the measure; if so, of the details; if not, the reasons for that?

Reply:

President,

My reply to the various parts of the question is as follows:

(1) The latest amendments to the Mortgage Insurance Programme (MIP) aim at providing more commensurate support to first-time homebuyers, or people wishing to upgrade their homes, who have sufficient repayment abilities but cannot afford the down payment. From October 17 to November 22 this year, around 1 300 applications, of which over 90 per cent were first time

homebuyers, have been approved by the HKMC Insurance Limited (HKMCI).

(2) and (3) While the applicable property value caps of the MIP have been adjusted, borrowers are still required to meet a host of specific eligibility criteria for the MIP applications, including meeting a 50 per cent debt-to-income ratio and paying extra premium for risk mitigation purpose. For applicants with mortgage loans exceeding a loan-to-value ratio of 80 per cent, the HKMCI has imposed additional eligibility criteria, including that borrowers must be first-time homebuyers and regularly salaried.

Fluctuations in the property market are affected by many factors. The HKMCI will closely monitor the property market condition and evaluate the effectiveness of the MIP in due course. The Government has time and again reminded the public that home purchase is an important investment in a lifetime. Potential homebuyers should carefully consider their needs and repayment ability. Before making a decision on buying a property, members of the public are reminded to conduct prudent analysis, act in accordance with one's capacity and beware of various potential risks.