

LCQ17: Statistics and policies on residential mortgages

Following is a question by the Hon Chan Hak-kan and a written reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (January 27):

Question:

Regarding the statistics and policies on residential mortgages, will the Government inform this Council:

(1) in respect of the mortgages (a) newly approved and (b) newly drawn down in each of the past three years, of the respective numbers of such cases as well as the total and average amounts of such loans, with a breakdown by type of property transactions (i.e. (i) primary market, (ii) secondary market and (iii) refinancing);

(2) of the respective percentages of mortgage cases with a loan-to-value (LTV) ratio of (a) 60 per cent and (b) over 60 per cent to 90 per cent in the total number of cases in each of the past three years, with a breakdown by (i) type of property transactions and (ii) the age group to which the borrowers belonged (i.e. aged 18 to 28, 29 to 38, 39 to 48, 49 to 58, and 59 or above);

(3) among the mortgage cases in each of the past three years, of the respective percentages of those adopting (i) the Hong Kong Interbank Offered Rate (HIBOR), (ii) the Best Lending Rate (BLR) and (iii) fixed-rate loan schemes, and the relevant total amounts of money involved, together with a breakdown by type of property transactions;

(4) of the number of outstanding mortgage cases and the total amount of money involved in each of the past three years, with a breakdown by property type (i.e. (i) subsidised housing and (ii) private housing);

(5) in respect of those mortgages which were (a) delinquent for more than three months, (b) delinquent for more than six months and (c) written off ultimately, in each of the past three years, of the respective (i) numbers of such cases and their respective percentages in the total numbers, (ii) average amounts of arrears per case and (iii) total amounts of arrears, with a breakdown by property type;

(6) given that the mortgage rates for subsidised housing are currently set with reference to BLR across the board, whether the authorities have plans, by drawing reference from the practice adopted for private residential mortgages, to allow borrowers of subsidised housing mortgages to opt for schemes adopting a mortgage rate set with reference to HIBOR, so that they may select a suitable loan scheme in the light of their personal circumstances (e.g. interest rate expectations and ability to bear

fluctuations in repayment amounts); if so, of the details; if not, the reasons for that; and

(7) given that in recent years, more and more young people have become "slashies" (a term referring to a group of people who do not rely on a single and regular job for income, but earn irregular income by engaging in multiple occupations and taking up multiple identities), but it is learnt that quite a number of banks and the Hong Kong Mortgage Corporation Limited still adopt the conventional calculation method to assess the income levels of mortgage applicants and, as a result, the repayment ability of slashies is underestimated, hence making it difficult for them to apply for high LTV mortgages, whether the authorities have plans to review such calculation method and revise the relevant guidelines, so as to cater for changes in the labour market; if so, of the details; if not, the reasons for that?

Reply:

President,

Having consulted the Transport and Housing Bureau and the Hong Kong Monetary Authority (HKMA), the Government's reply to the various parts of the question is as follows:

(1) Table 1 sets out the statistics on new mortgage loans approved by banks in each of the past three years, based on the Residential Mortgage Survey of the HKMA.

Table 2 sets out the statistics on new loans drawn down in each of the past three years.

(2) Table 3 sets out the respective proportions of mortgage loans with a loan-to-value (LTV) ratio of (i) 60 per cent or below, and (ii) above 60 per cent but below 90 per cent as a percentage of the total number of new loans approved in each of the past three years. The higher proportion of loans with an LTV ratio above 60 per cent but below 90 per cent in 2020 was primarily attributable to a larger number of property buyers making use of the Mortgage Insurance Programme (MIP) to obtain mortgage loans with higher LTV ratios.

(3) Table 4 sets out the values of new mortgage loans approved broken down by types of interest rate plans and by types of property transactions (Note 1) in each of the past three years.

(4) Table 5 sets out the values of outstanding mortgage loans in each of the past three years.

(5) Table 6 sets out the statistics on private housing mortgage loans which had been delinquent for more than three months and six months and were ultimately written off in each of the past three years.

(6) To encourage banks and authorised financial institutions to provide mortgage loans and better mortgage terms for purchasers of subsidised sale flats, the Hong Kong Housing Authority (HA) provides a mortgage default

guarantee for banks and authorised financial institutions participating in the provision of mortgage loans (participating financial institutions) for such flats.

The Best Lending Rate (BLR), as compared to the Hong Kong Interbank Offered Rate (HIBOR), is more stable. As such, the mortgage interest rate as provided in the Deeds of Guarantee entered between the HA and participating financial institutions is based on the BLR. As for allowing participating financial institutions to offer mortgage loans that make reference to HIBOR, the HA will approach the participating financial institutions to understand the matter better and consider whether a review of the relevant arrangements is required.

(7) The HKMA requires banks to carefully evaluate applicants' repayment ability and compute the debt-servicing ratio (DSR) in assessing mortgage applications. The HKMA, however, does not issue guidance on operational details such as how the DSR should be computed. The HKMA notes that, despite slight differences among banks' computation methods for the DSR, banks would in general take into account the incomes from all of the jobs of the applicant and assess the stability and sustainability of these incomes having regard to the nature of the relevant jobs.

As for the MIP of the HKMC Insurance Limited, earnings from more than one job would be counted in calculating the income of applicants. For risk management purpose, applicants of mortgage insurance for loans of LTV ratio above 80 per cent have to be regular-salaried. The applicants' regular income must be sufficient to fulfil the debt-to-income ratio requirement, so as to ensure that they have stable income to repay the mortgage loans. As regards mortgage loans with an LTV ratio of 80 per cent or below, applicants can apply even if they are not regular-salaried. All applicants must provide supporting documents in respect of their incomes.

HKMC Insurance Limited will consider from time to time the need to review the MIP in light of changing market conditions, taking into consideration the risk borne by the MIP, affordability of homebuyers, and impacts on the property market.