

Residential mortgage loans in negative equity: End of December 2019

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

The Hong Kong Monetary Authority announced today (January 31) the results of its survey on residential mortgage loans (RMLs) in negative equity at end-December 2019.

The estimated number of RMLs in negative equity increased to 128 cases at end-December 2019 from 53 cases at end-September 2019. The majority of these cases were bank staff housing loans, while a small number of them were RMLs under mortgage insurance programme. These loans generally have a higher loan-to-value ratio.

The aggregate value of RMLs in negative equity increased to HK\$764 million at end-December 2019 compared with HK\$330 million at end-September 2019.

The unsecured portion of these loans increased to HK\$25 million at end-December 2019 from HK\$7 million at end-September 2019.

Since the first quarter of 2011, there have been no RMLs in negative equity with delinquencies of more than three months.

It is important to note that the figures derived from this survey relate only to RMLs provided by authorized institutions on the basis of first mortgages and which the reporting institution knows to be in negative equity (i.e. the outstanding loan amount with the reporting institution exceeds the current market value of the mortgaged property). Not included in these figures are RMLs associated with co-financing schemes which would be in negative equity if the second mortgages were taken into account. The extent to which such RMLs are in negative equity is not known because authorized institutions do not maintain records on the outstanding balances of the second mortgages.

The mortgage portfolios of the surveyed authorized institutions represent about 99 per cent of the industry total. The survey results have been extrapolated to estimate the position of the banking sector as a whole.