

Special Mortgage Scheme for Uncompleted Residential Properties

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

The Hong Kong Monetary Authority (HKMA) today (December 4) issued guidelines to banks on the introduction of a one-off special scheme that allows for a relaxation of the supervisory requirements on the maximum loan-to-value (LTV) ratio and debt servicing ratio (DSR) limit for property mortgage loans. The special scheme aims to provide flexibility for banks to assist homebuyers who bought uncompleted residential properties during 2021 to 2023 using stage payment plans to complete their property transactions.

Official residential property prices fell by over 25 per cent from their peak three years ago. Some stage payment homebuyers of uncompleted residential properties may find the property valuation at the time of mortgage application to be lower than the purchase price, and hence face difficulty in securing extra funds for the down payment. Meanwhile, some banks have expressed to the HKMA their willingness to help these homebuyers in genuine hardship if the associated risk is manageable.

After balancing various considerations, the HKMA considers that a one-off special scheme can be introduced to assist stage payment homebuyers who bought uncompleted residential properties during the peak of the property market, while continuing to ensure the proper risk management of banks' property mortgage lending business. Under this special scheme, banks may provide mortgage loans with a maximum LTV ratio of 80 per cent to eligible homebuyers and the DSR limit is adjusted to 60 per cent.

The special scheme covers uncompleted residential properties for self-occupation where the provisional sale and purchase agreements were signed during the period from January 1, 2021 to December 31, 2023 and the buyers had opted for stage payment plans, and the date of the mortgage application of the relevant property is today or subsequently. Furthermore, the property valuation at the time of mortgage application should be lower than the purchase price.

As the mortgage terms offered by each bank may differ, eligible applicants who have any needs or questions are advised to enquire with banks that are offering such special scheme as soon as possible.

On many past occasions, the HKMA has reminded prospective buyers of uncompleted residential properties to be mindful of the risk of failing to complete the property transaction if they opt for stage payment plans. The above-mentioned special scheme is a one-off exceptional arrangement for stage payment homebuyers who bought uncompleted properties during the property market peak in recent years and have difficulty in securing extra funds for the down payment. Banks are still required to conduct their property mortgage

business prudently.

The HKMA would once again like to remind prospective buyers wishing to opt for stage payment plans that, if the market value of the uncompleted residential property falls below the purchase price, banks will use the property valuation at the time of mortgage application to calculate the mortgage loan amount. As a result, the loan amount approved by the bank may be lower than originally planned and buyers must bear the related risks if they are unable to secure extra funds for the down payment. The public should carefully assess their own affordability and prudently manage the financial risks involved when making property purchase decisions and selecting the payment plan.