

## **Press Release**

### **The Premium Loan Insurance Scheme and the Microfinance Scheme**

The Hong Kong Mortgage Corporation Limited (HKMC) today (Tuesday) announced that its Board has approved the launch of the Premium Loan Insurance Scheme (PLIS) and the extension of and modifications to the Microfinance Scheme (MFS), in response to the requests made by the Financial Secretary in his 2015-16 Budget.

To promote market circulation of subsidised housing, the PLIS will help owners of subsidised sale flats who are above 50 years of age to pay premium.

The PLIS is a loan arrangement provided by banks, whilst the HKMC serves as an insurer providing insurance to the participating banks. Under the PLIS, eligible borrowers will be granted loans against their properties as security primarily for settling premium payment to The Hong Kong Housing Authority (HA), Hong Kong Housing Society (HS) and the Government. As long as the borrowers continue to own the properties, they are not required to repay the loan during their life time. After settling the premium payment, the borrowers will have greater flexibility in letting out or selling the properties in the open market. The maximum loan amount depends on several factors including the market value of the property, the number of borrowers, the age of the borrowers and the mortgage plan that the borrowers choose.

The PLIS is intended to eventually cover all subsidised housing schemes of the HA, HS and the Government which involve the payment of a premium to remove alienation restrictions. It will initially cover at least the Home

Ownership Scheme of the HA and the Flat-For-Sale Scheme of the HS and, subject to discussions with the relevant entities, may be expanded to cover other schemes in stages.

The HKMC plans to launch the PLIS in the latter half of 2015. The key eligibility criteria, the indicative percentage of the maximum lump-sum loan amount to specified property value (SPV) at different entry age and the cost payable by the borrowers are set out at Annex A, Annex B and Annex C.

In addition, the HKMC will extend the MFS for a further term of 3 years to 28 June 2018. The following enhancements to the MFS will come into effect on 29 June 2015:

- (a) The aggregate lending amount cap of the MFS will be expanded by HK\$100 million to HK\$200 million;
- (b) For borrowers who maintain satisfactory track record of repayment to their loans for at least two years, they may apply for further advance. The maximum loan amount, including any existing outstanding loan amount, will be increased to HK\$600,000. The interest rate of the further advance will be charged at a concessionary interest rate of 8% per annum;
- (c) The maximum loan amount of a self-employment loan will be increased from HK\$200,000 to HK\$300,000, which is aligned with that of a micro business start-up loan under the MFS.

The Hong Kong Mortgage Corporation Limited  
21 April 2015

**Key Eligibility Criteria**

Eligible borrower(s)	Owners of properties of all subsidised housing schemes, aged 50 or above, who require premium settlement to the HA, HS or the Government
Property ownership status	All owners (as joint tenants) of the subject property must join in as mortgagors and borrowers under the PLIS
Maximum number of co-borrowers	3
The maximum amount of specified property value for calculation of the maximum lump-sum loan amount	<p>For appraised property value (APV) of</p> <p>(a) HK\$8 million or less: 100% of APV</p> <p>(b) Over HK\$8 million to HK\$12 million: higher of 80% of APV and HK\$8 million</p> <p>(c) Over HK\$12 million to HK\$16 million: higher of 70% of APV and HK\$9.6 million</p> <p>(d) Over HK\$16 million: higher of 60% of APV and HK\$11.2 million, but capped at HK\$15 million</p>
The maximum age of the property	50 years (Properties of over 50 years will be considered on a case-by-case basis)

## Annex B

### The indicative percentage of the maximum lump-sum loan amount to SPV at different entry age

Entry Age at Closing (based on the age of the youngest borrower, if applicable)	The indicative percentage of the maximum lump-sum loan amount to SPV at Closing (% and round to the nearest decimal place)		
	One-Person	Two-Person	Three-Person
50	17.9	15.5	13.6
60	25.2	22.2	19.7
65	29.6	26.4	23.6
70	34.7	31.2	28.1
80	46.4	42.8	39.2

#### Example:

If a 65-year-old single borrower chooses the floating-rate mortgage plan of the PLIS, the maximum loan amount will be around 30% of the SPV. If the same borrower chooses the fixed-rate mortgage plan, the maximum loan amount can be increased by around 15%.

**Cost payable by the borrowers under the PLIS**

<b>Interest expense</b>	The HKMC will offer both floating-rate and fixed-rate mortgage plans. Tentatively, the interest rate of the floating-rate mortgage plan is set at the Hong Kong Prime Rate minus 2.5% per annum. The interest rate of the fixed-rate mortgage plan will be announced at a later stage.
<b>Mortgage insurance premium</b>	<p>The mortgage insurance premium is divided into 2 parts and the amount payable by the borrowers will be debited to the outstanding loan balance.</p> <p>(a) The Upfront Mortgage Insurance Premium is set at 2% of the SPV and be charged to the PLIS loans on the date of the closing of the loan</p> <p>(b) The Monthly Mortgage Insurance Premium is payable on a monthly basis at the annual rate of 1.5% of the outstanding loan amount</p>
<b>Other fees</b>	Legal fee for execution of mortgage deed, administration fee for application of premium assessment and building inspection fee, if any. Borrowers are also allowed to finance the fees relating to the application of the PLIS and premium payments of their subsidised flats in the PLIS loans.