Press Release

The Hong Kong Mortgage Corporation Limited

Expansion of the Mortgage Insurance Programme to Cover Mortgages with Loan-To-Value Ratio up to 95%

The Board of Directors of the Hong Kong Mortgage Corporation Limited (HKMC) approved today (Wednesday) an expansion in the Mortgage Insurance Programme (MIP) under which the maximum loan-to-value (LTV) ratio will be increased from the current limit of 90% to 95%. Mortgage loans on both completed properties as well as properties under construction (equitable mortgage loans) are eligible for coverage up to an LTV ratio of 95% for a maximum loan size of HK$5 million and a maximum loan tenor of 30 years.

"The MIP is a comprehensive industry-wide programme catering for the whole of the banking sector and covering both the primary and secondary property markets," said Mr Henry Tang, Chairman of the HKMC. "I am pleased to see that the HKMC continues to play a useful role in ensuring that the benefits of mortgage insurance are available to a wide range of eligible homebuyers and mortgage lenders."

Mr Joseph Yam, Vice Chairman of the HKMC, said, "The HKMC pioneered the development of MIP in Hong Kong in April 1999. The programme now allows the potential home buyers to borrow up to 95% of the value of the property and at the same time enables the banks to keep their exposure within the 70% LTV level stipulated by the Hong Kong Monetary Authority, creating a win-win scenario."

The eligibility criteria and insurance premium levels for the new 95% LTV product are set out in the technical note at Annex A and the premium table at Annex B respectively. The HKMC will accept applications for the new product with effect from 29 July 2004. Interested home buyers can contact any bank listed in Annex C or visit the HKMC's website at www.hkmc.com.hk.

The Hong Kong Mortgage Corporation Limited
28 July 2004

Annex A

Technical Note

Eligibility Criteria for 95% LTV Loan

Description:	**Eligibility Criteria for Floating Rate Mortgages and Fixed Adjustable Rate Mortgages with a Loan–to-Value ratio above 90% and not exceeding 95% secured on private residential properties and properties under construction (equitable mortgage loans)**
The Eligibility Criteria for the Mortgage Insurance Programme comprise the following: (1) Core Eligibility Criteria; and (2) Mortgage Conditions. The core Eligibility Criteria are summarized below:-	
Product type	(a) Floating Rate Mortgages (b) Fixed Adjustable Rate Mortgages
Maximum loan size at origination	HK$5,000,000
Determination of Loan-to-value (LTV) ratio • Maximum LTV ratio at origination	95% (may exceed 95% if the premium is to be financed with the mortgage loan).
• Valuation Report	Written valuation report prepared by the bank's internal/external qualified valuers, or bank's internal valuer plus verbal valuation by an external qualified valuer including justifications on the appraisal value.

Debt-to-Income (DTI) ratio calculation • Maximum DTI ratio at origination	In respect of: (a) 95% LTV Loans with an original term of maturity not exceeding 25 years, the maximum allowable DTI ratio at origination must not exceed 50%. (b) 95% LTV Loans with an original term of maturity exceeding 25 years, the maximum allowable DTI ratio at origination must not exceed 45%.
Maximum original term to maturity	30 years
Maximum sum of "remaining term to maturity" and "age of property" at origination and throughout the term of the mortgage	40 years
Employment Type	Self-employed persons are not eligible except for professionals such as medical practitioners, barristers, solicitors, certified accountants qualified to practise in Hong Kong or other professional categories acceptable to the HKMC.
Type of Property	For both completed properties and properties under construction.
Owner Occupancy	At least one of the income generating Borrowers/Mortgagors must physically live in the Property and use the Property as his/her primary residence while Cover under the Master Mortgage Insurance Policy is maintained, or until the requirement is waived at the discretion of the HKMC and its reinsurers.

Annex B

Mortgage Insurance Premium Rate Sheet

Mortgage Insurance Premium					
Mortgage Type	**Loan-to-value Ratio (LTV)**	**Loan Tenor (Years)**	**Single Premium Payment** (% of the Original Principal Balance)	**Annual Premium Payment**	
				First Year (% of the Original Principal Balance)	**Renewal** (% of the Original Principal Balance)
FLOATING RATE	**Above 70% and up to 80%**	10	1.00	0.50	0.24
		15	1.15	0.60	0.24
		20	1.40	0.70	0.24
		25	1.50	0.75	0.24
		30	1.65	0.85	0.24
	Above 80% and up to 85%	10	1.55	0.70	0.45
		15	1.80	0.80	0.45
		20	2.15	0.90	0.45
		25	2.30	1.00	0.45
		30	2.40	1.10	0.45
	Above 85% and up to 90%	10	2.15	0.90	0.63
		15	2.50	1.09	0.63
		20	2.98	1.28	0.63
		25	3.35	1.46	0.63
		30	3.55	1.65	0.63
	Above 90% and up to 95%	10	**2.48**	1.04	0.73
		15	**2.88**	1.26	0.73
		20	**3.38**	1.48	0.73
		25	**3.78**	1.68	0.73
		30	**3.98**	1.90	0.73
FIXED ADJUSTABLE RATE (FARM)	**Above 70% and up to 80%**	10	0.95	0.45	0.24
		15	1.10	0.55	0.24
		20	1.35	0.65	0.24
		25	1.45	0.70	0.24
		30	1.55	0.80	0.24
	Above 80% and up to 85%	10	1.40	0.65	0.40
		15	1.70	0.75	0.40
		20	1.95	0.85	0.40
		25	2.05	0.95	0.40
		30	2.20	1.05	0.40
	Above 85% and up to 90%	10	2.01	0.85	0.59
		15	2.34	1.03	0.59
		20	2.84	1.20	0.59
		25	3.18	1.31	0.59
		30	3.38	1.50	0.59
	Above 90% and up to 95%	10	2.32	0.98	0.68
		15	2.70	1.19	0.68
		20	3.27	1.38	0.68
		25	3.66	1.51	0.68
		30	3.89	1.73	0.68

Annex C

Mortgage Insurance Programme

List of Participating Banks

1. ABN AMRO Bank N.V.
2. AIG Finance (Hong Kong) Limited
3. American Express Bank Limited
4. Asia Commercial Bank Limited
5. Bank of America (Asia) Limited
6. Bank of China (Hong Kong) Limited
7. Bank of Communications
8. The Bank of East Asia Limited
9. Belgian Bank
10. Chekiang First Bank Limited
11. Chiyu Banking Corporation Limited
12. Citibank, N.A.
13. CITIC Ka Wah Bank Limited
14. Dah Sing Bank Limited
15. DBS Bank (Hong Kong) Limited
16. GE Capital (Hong Kong) Limited
17. Hang Seng Bank Limited
18. The Hongkong and Shanghai Banking Corporation Limited
19. Inchroy Credit Corporation Limited
20. Industrial and Commercial Bank of China (Asia) Limited
21. International Bank of Asia Limited
22. Liu Chong Hing Bank Limited
23. Nanyang Commercial Bank Limited
24. Orix Asia Limited
25. Pacific Finance (Hong Kong) Limited
26. Shanghai Commercial Bank Limited
27. Wing Hang Bank Limited
28. Wing Lung Bank Limited