The Hong Kong Mortgage Corporation Limited

Press Release

90% Fixed Rate Mortgage Scheme

The Hong Kong Mortgage Corporation Limited (HKMC) signed an agreement with The Bank of East Asia, Limited (BEA) today (Monday) to jointly promote the 90% Fixed Rate Mortgage Scheme under the HKMC's Fixed Adjustable Rate Mortgage (FARM) Programme. The FARM Programme was launched by the HKMC in March 1998 to promote fixed rate mortgages with a view to providing an additional choice of mortgage financing to borrowers.

Under the agreement signed with BEA, the HKMC has made a forward commitment to purchase up to HK$1 billion of fixed rated mortgage loans from BEA. In return, BEA will be paid a servicing fee for managing the portfolio for the HKMC. The arrangement will enable homebuyers to lock in a low mortgage rate for up to three years and insulate themselves from adverse interest rate movements during the fixed rate period. To enhance the attraction to homebuyers, the package offers the following benefits to borrowers who submit loan applications on or before **20 March 2004**:

(a) **Low Mortgage Rates**

Borrowers will have the choice to fix the mortgage rate from 1 to 3 years at the following favourable mortgage rates:

1-year	1.68%
2-year	2.28%
3-year	3.18%

Potential interest savings are shown in Annex A.

After the initial fixed rate period, borrowers may opt to revert back to a floating mortgage rate at Prime – 2.6%.

(b) **Preferential MIP Premium**

For borrowers who opt to make use of the HKMC's Mortgage Insurance Progamme (MIP) to borrow more than 70% of the property value, there will be an additional benefit in the form of a reduced insurance premium as follows:

MIP Premium	Up to 85% LTV ratio* % of OPB	Up to 90% LTV ratio* % of OPB
90% Fixed Rate Mortgage Scheme	1.95%	2.84%
Floating Rate Mortgage	2.15%	2.98%

* For a 20-year loan

For a mortgage of HK$2 million, the savings in insurance premium will amount to HK$2,800 and HK$4,000 for loans with LTV ratios of 90% and 85% respectively.

(c) **Cash Bonus**

For each of the first 500 fixed rate mortgage loans with loan size of HK$1 million or more drawn down under this arrangement, the borrower will enjoy a cash bonus as follows:

LTV Ratio	Cash Bonus (HK$)
LTV Ratio = 70% or below	2,800
LTV Ratio > 70% (MIP coverage)	4,800

(d) **Fire Insurance**

Borrowers will enjoy one-year free fire insurance coverage for the mortgaged property, and a 30% discount on the premium will be provided thereafter.

(e) **Credit Card Fee**

BEA will waive the credit card annual fee during the entire mortgage repayment period.

(f) **Other Preferential Offers**

BEA will waive the Application Fee and Property Valuation Fee.

Mortgages relating to residential properties in both the primary and secondary markets with mortgage amounts up to HK$4 million will be eligible under the 90% Fixed Rate Mortgage Scheme. Detailed eligibility criteria are set out in Annex B.

Mr Norman Chan, Executive Director of the HKMC, said, "with interest rates at historically low levels, the fixed rate mortgage products launched today will enable homebuyers to lock in a low mortgage rate for up to three years. The arrangement will also benefit the participating bank and the HKMC. To the originating bank, it provides an extra source of steady fee income and an effective avenue for marketing banking products to mortgage borrowers. To the HKMC, it will help us to diversify our mortgage portfolio to include a good mix of floating and fixed rate mortgages."

Dr David K.P. Li, Chairman and Chief Executive of BEA said, "although BEA cannot control the housing market, we *can* help homebuyers control the monthly payments on their mortgages. I am confident that this programme will be welcomed by countless Hong Kong families who have dreamed of owning their own home, but have hesitated to make a commitment in the past."

For further information on package details, potential borrowers may contact the BEA Mortgage Hotline direct at (852) 2868 5151 (press "1").

- End -

For press enquiries, please contact:

The Hong Kong Mortgage Corporation Limited
Mr Kenny Fok
Senior Vice President (Operations)
Tel: (852) 2536 0028

The Bank of East Asia
Mr Kenneth Tsin
Senior Mortgage Distribution Manager
Property Loans Department
Tel. (852) 3407 2133

19 January 2004

Annex A

Potential Savings offered by Fixed Rate Mortgages

Assumptions:

(a) Loan amount of HK$2 million and tenor of 20 years.

(b) Based on (a), the borrower will derive savings in the MIP premium of HK$4,000 and HK$2,800 for mortgages with LTV ratios of 85% and 90% respectively.

(c) The borrower will obtain a cash bonus of HK$4,800.

(d) For the period between January 2004 and March 2007, the mortgage rate of floating rate mortgages will move in line with the movements implied from the pricing of 90-day LIBOR futures contract dated 16 January 2004.

Based on the above assumptions, total potential savings that may be enjoyed by borrowers opting for the 90% Fixed Rate Mortgage Scheme instead of floating rate mortgage are as follows:

Fixed Rate Period	85% LTV	90% LTV
1-YEAR	HK$28,652	HK$27,452
2-YEAR	HK$49,693	HK$48,493
3-YEAR	HK$49,951	HK$48,751

Annex B

Eligibility Criteria for the 90% Fixed Rate Mortgage Scheme

Maximum original loan size at origination	HK$4,000,000
Maximum Loan-to-Value ratio (LTV) at origination	90%
Maximum Debt-to-Income ratio (DTI) at origination	50%
Minimum Seasoning	Nil
Maximum original term to maturity	30 years (up to 85% LTV) 25 years (over 85% LTV)
Minimum original term to maturity	10 years
Maximum sum of "original term" and "age of property at origination"	40 years