Press Release

The Hong Kong Mortgage Corporation Limited

Mortgage Insurance Programme (MIP): Expansion on Scope of Eligible Borrowers

The Hong Kong Mortgage Corporation Limited (HKMC) is pleased to announce today (Monday) an expansion in the eligibility criteria under its Mortgage Insurance Programme (MIP) in relation to self-employed borrowers and debt-to-income ratio. Such modifications are introduced in response to the suggestions from banks to cover a wider group of homebuyers.

Self-employed Borrowers

At present, self-employed borrowers who are not professionals (i.e. self-employed non-professionals) are eligible to apply for coverage under the MIP up to a maximum loan-to-value (LTV) ratio of 85% and on completed properties only. Starting from today, the scope of eligibility for self-employed non-professionals will be expanded to cover also loans with a maximum LTV ratio up to 90% (with maximum loan amount unchanged at HK$5 million). In addition, such mortgage loans can also cover properties under construction (equitable mortgage loans).

Debt-to-income Ratio up to 60%

Secondly, the HKMC is taking steps to provide a higher degree of underwriting flexibility under the MIP with regard to the debt-to-income (DTI) ratio. Currently, it is a common practice for banks to allow certain mortgage borrowers with higher income to borrow with a DTI ratio up to 60%, which is permissible under the guidelines of the Hong Kong Monetary Authority. However, the MIP allows borrowers to spend only up to 50% of their household income on monthly mortgage instalment and other debt obligations. In order to align with this prevailing banking practice, the HKMC has decided to raise the DTI ratio under the MIP from 50% to 60%, so that these borrowers can then procure a higher mortgage loan in their pursuit of home ownership.

Mr James H. Lau Jr, Chief Executive Officer of the HKMC, said, "Since the launch of the MIP in 1999, the HKMC has taken active steps to introduce improvements to the programme to serve a broader group of homebuyers. The introduction in 2004 of 95% LTV mortgage insurance, 85% LTV cash-out refinancing and better mortgage terms for old-aged properties have been welcomed by the banks and MIP users. In 2005, the HKMC will continue with further innovations for the MIP, so that the mortgage financing market in Hong Kong can continue to deepen and grow in sophistication."

The Hong Kong Mortgage Corporation Limited
17 January 2005