Press Release

The Hong Kong Mortgage Corporation Limited

Enhancement of the Mortgage Insurance Programme and the Revolving Credit Facility

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The Hong Kong Mortgage Corporation Limited (HKMC) is pleased to announce today (11 December 2008):

(a) an enhancement of the Mortgage Insurance Programme (MIP) by lowering the threshold above which insurance will be made available from the current 70% loan-to-value (LTV) ratio to 60%, up to a total LTV ratio of 90% for the mortgage loan;

(b) refinement of the eligibility criteria for 95% LTV mortgages under the MIP; and

(c) an increase, from HK$10 billion to HK$30 billion, in the size of the Revolving Credit Facility offered by the Exchange Fund to the HKMC.

In response to changed market conditions, the Corporation has consulted with MIP participating banks and Approved Reinsurers and decided to introduce two changes to the MIP.

First, the HKMC will lower the MIP insurance coverage threshold to start at a 60% LTV ratio. Currently, the HKMC offers insurance under the MIP whereby borrowers may obtain from the mortgage lending bank a mortgage loan above a 70% LTV ratio, subject to a maximum of 95% total LTV. With this enhancement, insurance will be offered above a LTV ratio of 60%, subject to a total LTV of 90% and a maximum loan amount of HK$8 million. The move is expected to assist banks in managing their risk exposure and facilitate their extension of mortgage financing to homebuyers. This enhancement will only apply to loans secured by owner-occupied residential properties. The HKMC will accept applications under the MIP enhanced scheme with effect from 18 December 2008. The insurance premiums for such loans are set out in the table at Annex.

Secondly, it is important not to encourage homebuyers to overstretch themselves in mortgage borrowing, especially in times of economic downturn. Hence, there will be refinements to the eligibility criteria for 95% LTV loans under the MIP in order to help cut down the risk of over-leveraging:

(a) adjusting the maximum debt-to-income ratio from 50% to 45% in general and from 60% to 50% for high income earners;
(b) shortening the maximum loan tenor from 40 years to 30 years; and
(c) capping the maximum loan amount at HK$8 million.

Mr Joseph Yam, Deputy Chairman of the HKMC and Chief Executive of the Hong Kong Monetary Authority said, "Lowering the insurance coverage under the Mortgage Insurance Programme to start at 60% LTV level can help to lessen the impact of the credit crunch in the mortgage financing market on potential homebuyers. It also provides banks with a greater degree of flexibility in conducting their mortgage business."

"The eligibility criteria for 95% LTV mortgages need fine-tuning, given the prevailing economic environment. As a responsible institution, the HKMC encourages homebuyers to be more prudent in managing their debt burden in a market downturn. The Corporation needs to strike a fine balance between upholding prudent standards in MIP underwriting while making the programme effective in contributing to the promotion of homeownership in Hong Kong," added Mr Yam.

With regard to the Revolving Credit Facility for the Corporation, this is provided by the Exchange Fund through the Hong Kong Monetary Authority so that the Corporation will have the necessary funding support to perform its role to contribute to financial stability in Hong Kong, even in adverse market conditions.

Mr James Lau, Chief Executive Officer of the HKMC, said, "The Corporation welcomes the additional support provided by the Government as its shareholder. The increase in the size of the facility from HK$10 billion to HK$30 billion demonstrates the Government's recognition of the importance of the role played by the HKMC. The HKMC provides liquidity through purchase of mortgage loans from Authorized Institutions and the Facility provides bridge financing to the Corporation as necessary."

For more information about these measures, enquiries may be directed to the Corporation on telephone no. 2536 0136.

The Hong Kong Mortgage Corporation Limited
11 December 2008

Annex

Mortgage Insurance Programme

MIP Revised Scheme

Premium Rate Sheet

Mortgage Type	Insurance coverage according to 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	60% up to 80% LTV	10	1.15	0.58	0.28
		15	1.50	0.79	0.28
		20	1.85	0.93	0.28
		25	2.00	1.00	0.28
		30	2.15	1.11	0.28
		35	2.28	1.24	0.28
		40	2.38	1.36	0.28
	60% up to 85% LTV	10	1.80	0.82	0.53
		15	2.28	1.02	0.53
		20	2.68	1.13	0.53
		25	2.95	1.29	0.53
		30	3.05	1.40	0.53
		35	3.20	1.54	0.53
		40	3.35	1.68	0.53
	60% up to 90% LTV	10	2.60	1.09	0.77
		15	3.18	1.39	0.77
		20	3.75	1.62	0.77
		25	4.10	1.79	0.77
		30	4.35	2.03	0.77
		35	4.58	2.26	0.77
		40	4.70	2.44	0.77

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				First Year (% of the Original Principal Balance)	Renewal (% of the Original Principal Balance)
FIXED ADJUSTABLE RATE for FARM*	60% up to 80% LTV	10	1.10	0.53	0.28
		15	1.44	0.72	0.28
		20	1.79	0.87	0.28
		25	1.94	0.94	0.28
		30	2.02	1.05	0.28
		35	2.15	1.11	0.28
		40	2.26	1.23	0.28
	60% up to 85% LTV	10	1.63	0.76	0.47
		15	2.16	0.96	0.47
		20	2.44	1.07	0.47
		25	2.63	1.22	0.47
		30	2.80	1.34	0.47
		35	2.95	1.48	0.47
		40	3.10	1.62	0.47
	60% up to 90% LTV	10	2.44	1.04	0.72
		15	2.98	1.32	0.72
		20	3.58	1.52	0.72
		25	3.90	1.61	0.72
		30	4.15	1.85	0.72
		35	4.38	2.08	0.72
		40	4.50	2.27	0.72

*i.e. Fixed Adjustable Rate Mortgages (FARM) – Product under the FARM Programme announced by the HKMC