Press Release

Premium Loan Guarantee Scheme

The Hong Kong Mortgage Corporation Limited (HKMC) today (Monday) announced that it will launch the Premium Loan Guarantee Scheme (PLGS) to complement the Government's initiative on revitalising the Home Ownership Scheme secondary market.

The PLGS serves as a market-based solution aimed at providing an alternative platform for HOS owners to finance their premium payment to the Hong Kong Housing Authority (HA) via creation of a second mortgage loan, i.e. premium loan, with their first mortgagee banks in addition to their first mortgagee loans. The HOS owners can then repay the premium loan by instalments to banks.

Under the PLGS, the HKMC will provide guarantee to the banks on the portion of the premium loan that is over the 60% or 70% combined loan-to-value ("LTV") threshold and up to 90%, i.e. "covered amount". If the HOS flat will continue to be owner-occupied after drawdown of the premium loan, the covered amount will start from 70% combined LTV threshold. If the HOS flat is not to be owner-occupied, the covered amount will then start from 60% combined LTV threshold. In any case, the HA's mortgage default guarantee on the first mortgage loan will not be affected.

HOS owners participating in the PLGS are required to pay an annual guarantee fee for a maximum of three years via their mortgagee banks. When an HOS owner has paid off the covered amount in the premium loan, subsequent annual payment(s) of guarantee fee, if any, will no longer be required. Details of the guarantee fee levels and the eligibility criteria for joining the PLGS are at Annex A and Annex B respectively.

Mr Peter Pang, Executive Director of the HKMC, said, "This Scheme offers an additional means of financing to the HOS owners who like some flexibility in paying the premium to the HA. It helps to permit the owners to repay the premium loan to the banks by instalments."

For enquiries, please call the PLGS Hotline (Tel: 2536 0372).

The Hong Kong Mortgage Corporation Limited
13 September 2010

Annex A

Premium Loan Guarantee Scheme

Guarantee Fee Rate

Tenor of the Premium Loan (years)	Guarantee Fee Rate (expressed as a percentage of the covered amount; annual payment for a maximum of three years)
3	1.80%
5	2.40%
10	2.80%
15	3.00%
20	3.30%
25	3.60%
30	3.80%

Note: The guarantee fee is non-refundable.

Annex B

Premium Loan Guarantee Scheme

Key Eligibility Criteria

Mortgagee Bank	The second mortgagee bank must be the same bank as the first mortgagee bank.
Maximum loan amount at origination (2^{nd} mortgage loan)	100% of premium payable to the HA for the subject HOS flat or HK$3 million, whichever is the lesser
Maximum combined loan-to-value ("LTV") ratio at origination (1^{st} + 2^{nd} mortgage loans)	90% of the property value, where the property value is based on the prevailing market value of the subject HOS flat as determined by HA for the calculation of premium.
Maximum original term to maturity (2^{nd} mortgage loan)	30 years
Maximum sum of "remaining term to maturity" and "age of property" at origination and throughout the term of the mortgage (2^{nd} mortgage loan)	60 years (up to 75 years subject to case-by-case approval)
Maximum debt-to-income ratio at origination	50%