Press Release

Fixed-rate Mortgage Pilot Scheme

The Financial Secretary announces in the Budget today (26 Feb) that the Hong Kong Mortgage Corporation Limited (HKMC) will introduce a pilot scheme for fixed-rate mortgages for 10, 15 and 20 years. It aims to provide an alternative financing option to homebuyers for mitigating their risks arising from interest rate volatility, thereby enhancing banking stability in the long run.

The interest rates per annum of the fixed-rate mortgages under the pilot scheme are as follows:

	Interest rate (p.a.)
10-year	2.75%
15-year	2.85%
20-year	2.95%

The pilot scheme will be offered through banks. The maximum loan amount of each private residential mortgage is HK$10 million. At the end of the fixed-rate period, the borrowers may either re-fix the mortgage rate under fixed-rate mortgages or convert the mortgage to a floating rate loan[1]. As the borrowers will be insulated from interest rate movement under the fixed-rate period which is 10 years or longer, the HKMC has obtained agreement from the Hong Kong Monetary Authority that they will not be required to meet the stress testing against interest rate rise, but the current debt-to-income ratio will still be applicable.

The pilot scheme is subject to an aggregate loan amount of HK$1 billion and will be effective for 6 months starting from the date of receiving applications.

[1] The floating rate is Prime Rate minus 2.35%.

Further announcement will be made on the participating banks and the date of receiving applications upon finalisation.

The Hong Kong Mortgage Corporation Limited
26 February 2020