Press Release

Fixed-rate Mortgage Pilot Scheme to Receive Applications

The Hong Kong Mortgage Corporation Limited (HKMC) announces that, the pilot scheme for fixed-rate mortgages will start receiving applications from 7 May (Thursday). In response to the change in market interest rates, mortgage interest rates under the pilot scheme are lowered, as compared to the levels previously announced in the 2020-21 Budget (Budget). The interest rates per annum for 10, 15 and 20 years of the Fixed-rate Mortgage Pilot Scheme are as follows:

	Interest rate (p.a.)
10-year	2.55%
15-year	2.65%
20-year	2.75%

The Financial Secretary, Mr Paul Chan, said, "The objective of the Fixed-rate Mortgage Pilot Scheme announced in the Budget is to provide an alternative financing option to homebuyers for mitigating their risks arising from interest rate volatility, thereby promoting the development of the mortgage market in the long run."

Mortgages under the pilot scheme will be offered through banks, and the following banks will receive applications: Bank of China (Hong Kong) Limited, Chong Hing Bank Limited, Dah Sing Bank, Limited, Industrial and Commercial Bank of China (Asia) Ltd., Shanghai Commercial Bank Limited, Standard Chartered Bank (Hong Kong) Limited and The Bank of East Asia, Limited. Some other banks have also indicated their interest in joining.

The aggregate loan amount of the Fixed-rate Mortgage Pilot Scheme is HK$1 billion, subject to a maximum loan amount of each private residential mortgage of 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 will be effective for around 6 months, until 31 October 2020.

The Hong Kong Mortgage Corporation Limited
5 May 2020

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