

Press Release

Amendments to the Mortgage Insurance Programme

HKMC Insurance Limited (HKMCI), a wholly-owned subsidiary of The Hong Kong Mortgage Corporation Limited, announced today (7 July) that amendments are made to the Mortgage Insurance Programme (MIP) for completed residential properties in order to provide assistance to homebuyers with housing needs. Upon the amendments:

1. for eligible properties with property value up to HK\$10 million, the maximum loan-to-value (LTV) ratio remains at 90%;
2. for eligible properties with property value above HK\$10 million and up to HK\$15 million, the maximum LTV ratio is 80% or an LTV ratio derived from a mortgage loan cap of HK\$9 million, whichever the higher; and
3. for eligible properties with property value above HK\$15 million and up to HK\$30 million, the maximum LTV ratio is 70% or an LTV ratio derived from a mortgage loan cap of HK\$12 million, whichever the higher.

Please refer to the Annex for the amendment details.

In addition, having considered its business and risk factors as well as the Hong Kong Monetary Authority's amendments to the countercyclical macroprudential measures for mortgage loans, HKMCI will make the following arrangements in respect of mortgage insurance premium:

1. As banks will be able to provide mortgage loans with maximum LTV ratio up to 70%, the MIP will provide insurance coverage on the portion of

banks' loans over 70% LTV ratio. The relevant premium rates will be lower than those for insurance coverage starting at 60% LTV ratio.

2. HKMCI will provide first-time homebuyers with special premium concession for properties valued up to HK\$15 million, by waiving premium on insurance coverage for the mortgage loan portion not more than 5% above the maximum LTV ratio for banks ^(Notes 1 and 2).
3. HKMCI has been offering a 35% premium discount to homebuyers in general. The MIP Premium Rate Sheet on the company's website will be updated to present the effective premium rates (after discount) to enhance clarity and transparency.

The MIP amendments and the mortgage insurance premium arrangements mentioned above will apply to mortgage loans for owner-occupied properties with provisional agreements for sale and purchase executed on or after 7 July 2023.

The MIP is operated on commercial principles, and aims to help promote home ownership and contribute to the maintenance of banking stability. HKMCI reviews the eligibility criteria and premiums of the MIP from time to time in light of relevant factors such as the latest property market conditions, risk and cost considerations.

HKMC Insurance Limited

7 July 2023

Notes:

1. Please refer to the relevant announcement made by the Hong Kong Monetary Authority on 7 July 2023 for the maximum LTV ratios of residential mortgage loans originated by banks.
2. Below are examples of special premium concession applicable to first-time homebuyers –

Example 1: A homebuyer intends to purchase a property valued HK\$15 million and applies for a mortgage loan with 70% LTV ratio. According to the regulatory measures, the maximum LTV ratio of the loan to be originated by a bank is 70%. As the MIP will waive the premium on insurance coverage for the mortgage loan portion not more than 5% above the maximum LTV ratio for banks (70% in this case), the bank may offer a mortgage loan with 75% LTV ratio in practice and the homebuyer needs not pay any premium.

Example 2: A homebuyer intends to purchase a property valued HK\$10 million and applies for a mortgage loan with 90% LTV ratio. According to the regulatory measures, the maximum LTV ratio of the loan to be originated by a bank is 70%, and mortgage insurance is required for the loan portion in respect of the remaining 20% LTV ratio. As the MIP will waive the premium on insurance coverage for the mortgage loan portion not more than 5% above the maximum LTV ratio for banks (70% in this case), the homebuyer will enjoy special premium concession. The special concessionary premium will include the free coverage for the 70% to 75% LTV ratio portion of the loan, and the charged coverage for the 75% to 90% LTV ratio portion.

Mortgage Insurance Programme

(Text in **RED** are amended criteria)

	Coverage as extended on 16 October 2019 and subsequently on 23 February 2022				
Property value	Above HK\$4m and up to HK\$10m	Above HK\$10m and below HK\$11.25m	HK\$11.25m and up to HK\$1215m	Above HK\$1215m and up to HK\$19.217.15m	Above HK\$17.15m and up to HK\$30m
Maximum loan-to-value (LTV) ratio	90%	80%–90% (subject to a loan cap of HK\$9m)	80%	5070% - 80% (subject to a loan cap of HK\$9.612m)	70%
Type of property	Applicable to completed residential properties only				
First-time homebuyer⁽¹⁾⁽⁴⁾	Required		Not required		
Regular income⁽²⁾	Required		Not required		
Maximum debt-to-income (DTI) ratio⁽³⁾	50%				

(1) All mortgagors are not holding any residential properties in Hong Kong at the time of applying for mortgage insurance

(2) All applicants being regular salaried

(3) Similar to the existing MIP arrangement, if an applicant is holding or guaranteeing one or more outstanding mortgages when he/she applies for the MIP, the maximum DTI ratio has to be lowered

(4) Except for scenarios listed at item (3) above, first-time homebuyers will still be eligible for MIP loans up to 80% or 90% LTV ratio even if they cannot meet the stressed DTI ratio limit, but the DTI ratio should not exceed 50%. There will be an additional adjustment to the premium based on relevant risk factors

Note: The original coverage of the MIP for properties valued at or below HK\$6 million, which is not shown in this Annex, continues to apply to completed residential properties and properties under construction.