Press Release

The Hong Kong Mortgage Corporation Limited

Mortgage Insurance Programme

The Hong Kong Mortgage Corporation Limited (HKMC) announced today (Wednesday) an expansion of the Mortgage Insurance Programme (MIP) to provide insurance cover for equitable mortgage loans with loan-to-value (LTV) ratio of up to 90%. Eligibility criteria for the new product are set out in the technical note at Annex A. The expansion of the MIP followed a review of the product introduced in April 2001 to cover equitable mortgage loans with LTV ratio of up to 85%. The review shows that the banks are familiar with the underwriting criteria and the application procedures, and are ready to process applications for equitable mortgage loans of up to 90% LTV ratio.

Starting from 20 July, interested homebuyers may contact any of the banks listed in Annex B to apply for insurance cover for equitable mortgage loans with LTV ratio of up to 90%. For further information, they may also call the HKMC Hotline (2536-0136) or access the HKMC website (www.hkmc.com.hk).

The Hong Kong Mortgage Corporation Limited
18 July 2001

Annex A

MORTGAGE INSURANCE PROGRAMME FOR EQUITABLE MORTGAGE LOANS

Technical Note

Framework

Under the Mortgage Insurance Programme (MIP) the HKMC provides mortgage insurance to Approved Sellers for an amount up to 20% of the value of the property, allowing the banks to lend up to a 90% loan-to-value (LTV) ratio without taking on additional risks. The Corporation has decided to expand the range of eligible products under the programme to include equitable mortgage loans secured on residential properties under construction, up to an LTV ratio of 90%.

Eligible Mortgage Originators

- All Approved Seller/Servicers of the HKMC.

- HKMC will reserve the right to terminate the arrangement with individual Approved Sellers if their mortgage underwriting standards are considered not satisfactory.

Eligibility Requirements

Every equitable mortgage loan applying for insurance under the Programme must meet the eligibility requirements comprising:

- Mortgage Conditions as set out in the Mortgage Insurance Operational Manual for Equitable Mortgages; and

- Core Eligibility Criteria set out below.

Eligibility Criteria for Equitable Mortgages Under the Mortgage Insurance Programme

Maximum loan size at origination	Floating Rate : HK$5,000,000 Fixed Adjustable : HK$4,000,000 Rate Mortgage (FARM)
Eligible Properties	• The property development project must be covered by the Consent Scheme administered by the Lands Department of the Hong Kong SAR Government. • The property development project is scheduled for completion within a period of 12 months.
Loan-to-value determination: • Maximum loan-to-value ratio (LTV) at origination • Valuation report	90% (The financed premium may cause the LTV to go slightly over 90%) Written valuation report prepared by internal professionals or qualified external surveyors. The valuation must take into account incentives given by the property developer to the buyer and the value of the incentives must be deducted from the purchase price.

Debt-to-income ratio calculation: • Maximum debt-to-income ratio at origination	50% Inclusive of all debt obligations of the borrower(s), and any rental payments that the borrower(s) have to make during the construction period. Income of guarantor will not be accepted for computing the DTI ratio.
Employment eligibility	Mortgagor/borrowers who are non-salaried are in general not eligible. This criterion does not apply to certain categories of professionals such as doctors, accountants and lawyers.
Owner occupancy requirement	Declaration of self-occupancy at the time of origination as well as within 3 months after the completion with documentary proof. Thereafter, subject to annual certification until the expiry of the insurance coverage.
Maximum original term to maturity	25 years
Credit	Internal credit check must be conducted and CIS or external credit check must also be conducted if the Insureds are subscribers of CIS or other external credit agencies.

Annex B

1. AIG Finance (Hong Kong) Limited
2. American Express Bank
3. Asia Commercial Bank
4. Bank of America (Asia)
5. Bank of China
6. The Bank of East Asia
7. Chekiang First Bank
8. The China State Bank
9. Chiyu Banking Corporation
10. Citibank
11. CITIC Ka Wah Bank
12. Dah Sing Bank
13. Dao Heng Bank
14. DBS Kwong On Bank
15. First Pacific Bank
16. Fortis Bank Asia HK
17. Hang Seng Bank
18. The Hongkong Chinese Bank
19. The Hongkong and Shanghai Banking Corporation
20. Hua Chiao Commercial Bank
21. Inchroy Credit Corporation Limited
22. Industrial and Commercial Bank of China (Asia)
23. International Bank of Asia
24. Kincheng Banking Corporation
25. The Kwangtung Provincial Bank
26. Liu Chong Hing Bank
27. Nanyang Commercial Bank
28. The National Commercial Bank
29. ORIX Asia Limited
30. Overseas Trust Bank
31. Po Sang Bank
32. Shanghai Commercial Bank
33. Sin Hua Bank
34. United Chinese Bank
35. Wing Hang Bank
36. Wing Lung Bank
37. The Yien Yieh Commercial Bank