

Relaxation of Mortgage Arrangements for Subsidised Sale Flats in HOS Secondary Market Scheme

The Hong Kong Housing Authority (HA) has extended the maximum mortgage default guarantee period and repayment period regarding the subsidised sale flats (SSFs) sold in the HOS Secondary Market Scheme (SMS) from March 1, 2024, (the launch date). The arrangements are applicable to all new mortgage loans drawn down on or after the launch date to finance the purchase of Home Ownership Scheme (HOS)/Green Form Subsidised Home Ownership Scheme (GSH)/Tenants Purchase Scheme (TPS) flats transacted in the SMS.

As announced in the 2023 Policy Address, the HA Subsidised Housing Committee earlier endorsed on November 17, 2023, the relaxation of the mortgage arrangements for SSFs by extending the maximum mortgage default guarantee period and mortgage repayment period under the Deeds of Guarantee being provided by the HA to enable purchasers of SSFs to obtain mortgage loans from banks and authorised financial institutions participating in the provision of mortgage loans for such flats (participating financial institutions).

The relevant relaxation of arrangements in respect of the primary market has been implemented earlier. In respect of the SMS, starting from March 1, the maximum mortgage default guarantee period has been extended from 30 years to 50 years for HOS/GSH flats; and from 25 years to 50 years for TPS flats. For the first 40 years, the HA will provide a mortgage default guarantee to participating financial institutions for a mortgage loan up to 95 per cent and 90 per cent of the assessed value or purchase price of the flat (whichever is the lower) respectively for Green Form (GF) and White Form (WF) applicants. From 40 years onwards to 50 years, the mortgage default guarantee provided to participating financial institutions for mortgage loans will be up to 80 per cent of the assessed value or purchase price of the flat (whichever is the lower). In case the loan-to-value (LTV) ratio required is above 80 per cent, the purchaser of an SSF could check with the participating financial institutions whether he/she needs to apply for a mortgage loan under the Mortgage Insurance Programme (MIP) of the HKMC Insurance Limited (HKMCI). To this end, the HA has reached an agreement with the HKMCI that the latter will allow SSF purchasers in the SMS to apply for a mortgage loan under the MIP to obtain mortgage loans up to an LTV ratio of 95 per cent for GF applicants and 90 per cent for WF applicants.

Meanwhile, the maximum mortgage repayment period for HOS/GSH/TPS flats sold under the SMS has been extended from 25 years to 30 years.

If purchasers of SSFs would like to apply for a mortgage loan under the MIP of the HKMCI, they may submit applications to participating financial institutions starting from March 1, 2024. Highlights of the MIP are set out at the Annex. Details of the MIP has been uploaded on the HKMCI's website on March 1, 2024 (www.hkmc.com.hk/eng/our_business/mortgage_insurance_programme.html). For further queries, please contact any participating financial institutions or call the HKMCI at 2536 0136.

Highlights of Mortgage Insurance Programme (MIP) are as follows -

- MIP is applicable to HOS/GSH/TPS flats sold under the SMS without payment of premium;
- All applications of MIP should meet the eligibility criteria as required by HKMCI, including but not limited to the debt-to-income ratio (DTI) (applicants are required to provide relevant income proof for approval);
- Single and annual premium payment options are available. For single premium payment option, the premium amount may be financed by the mortgage loan; and
- HKMCI offers pre-approval services to the prospective purchasers who can thus know their eligibility for the MIP before buying a property. Interested prospective purchasers can submit their applications and the required documents to the HKMCI through the participating financial institutions before signing the Provisional Agreement for Sale and Purchase. Under normal circumstances, HKMCI will provide the indicative approval result within five business days after HKMCI has received all the required documents from the participating financial institutions.