



HONG KONG MONETARY AUTHORITY
香港金融管理局

Circulars

10 Oct 2001

Refinancing of residential mortgage loans in negative equity

Our Ref. B1/15C

10 October 2001

The Chief Executive
All authorized institutions

Dear Sir/Madam,

Refinancing of residential mortgage loans in negative equity

It is apparent that in the current environment the ability of authorized institutions ("AIs") to refinance existing residential mortgage loans ("RMLs") in negative equity is being restricted by the existence of the 70% loan to value guideline for RMLs.

While the 70% guideline remains generally appropriate as a long-term prudential measure, and will continue to apply to new RMLs, the HKMA would not object if AIs that judge it commercially desirable to do so choose to depart from the 70% guideline in the case of refinancing RMLs in negative equity. However, such loans should not exceed 100% of the current market value of the mortgaged property. Moreover, AIs should ensure that they continue to adhere to normal prudent lending criteria, including in relation to the debt service ratio.

AIs should note that the Banking Ordinance restricts the 50% preferential weighting for RMLs to those with a loan to value not exceeding 90% at the time of approval. Any loans in excess of this will be weighted at 100% in perpetuity.

The opportunity is also taken to clarify that the 60% loan to value guideline for the purchase of "luxury" property (with a value of more than \$12 million), introduced in January 1997, no longer applies. Such loans will be subject to a maximum of 70% of value.

Yours sincerely,

Y.K. Choi
Acting Deputy Chief Executive

c.c. Chairman, HKAB
 Chairman, DTCA

Last revision date : 01 August 2011