



HONG KONG MONETARY AUTHORITY
香港金融管理局

Circulars

07 Feb 2003

Residential mortgages in negative equity

Our Ref: B9/25C
B1/15C

7 February 2003

The Chief Executive
All authorized institutions

Dear Sir / Madam,

Residential mortgages in negative equity

Survey results for the position as at end-December 2002 indicate that the number and value of authorized institutions' residential mortgage loans in negative equity continued to increase during the fourth quarter as a result of the fall in property prices.

We appreciate that many institutions have set up call centres to assist negative equity homeowners to restructure their loans with a view to ameliorating their repayment burden. Some institutions have also offered schemes to allow refinancing of such loans up to 140% of the current market value of the property at more favourable rates.

In the light of the rising number of negative equity loans and the continuing weak economic condition, we would encourage institutions to continue to be sympathetic towards negative equity homeowners in financial difficulties seeking loan restructuring. A mutually acceptable solution would be in the best interests of both the customer and the institution.

Yours faithfully,

D T R Carse
Deputy Chief Executive

cc: The Chairman, the Hong Kong Association of Banks
The Chairman, the DTC Association

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