



HONG KONG MONETARY AUTHORITY
香港金融管理局

Circulars

08 Jan 2010

Residential Mortgage Lending

Our Ref.: B9/25C
B4/1C

8 January 2010

The Chief Executive
Banks Participating in the Mortgage Lending Survey

Dear Sir/Madam,

Residential Mortgage Lending

It has come to my notice through recent press reports that some authorized institutions (AIs) have launched new mortgage products with very attractive terms, including a trend of increasing level of cash rebates.

Mortgage lenders are reminded, once again, that they must adopt prudent pricing strategies. As mentioned in our letter of 17 September 2009 ([Annex 1](#)), AIs should ensure that their mortgage rates are sustainable on a long-term basis and provide a reasonable margin after taking into account possible loan losses and operational and administration costs. When setting their pricing strategies for mortgages, banks must be mindful of the fact that a downward adjustment of mortgage rate will lead to re-pricing pressure on existing mortgage portfolio, which could have long term adverse impact on net interest margin.

In addition, banks must also ensure that they comply with the requirements set out in our circular dated 28 February 2005 ([Annex 2](#)) when offering cash rebates. I would also like to draw your attention to the guideline promulgated by the HKMA in October 2009 ([Annex 3](#)) reminding AIs to adopt prudent practices in assessing property values and borrowers' repayment ability.

The HKMA will be undertaking onsite examinations to ensure compliance with prudent principles and practices when underwriting residential mortgage loans.

Yours faithfully,

Nelson Man
Executive Director
(Banking Supervision)

Encl. [Annex 1](#) (PDF file, 130KB)
 [Annex 2](#) (PDF file, 221KB)
 [Annex 3](#) (PDF file, 137KB)

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