



HONG KONG MONETARY AUTHORITY
香港金融管理局

(Translation)

By mail and by fax (2799 7290)

15 June 2015

Dr Hon Fernando CHEUNG Chiu-hung
Room 1017
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

Dear Hon CHEUNG,

Questions Relating to the Examination of Estimates of Expenditure 2015-16

Thank you for your questions in the context of the Estimates of Expenditure 2015-16 relating to the Hong Kong Monetary Authority (HKMA). Please find below our reply.

Question No. R049 and R050 – Residential mortgage loans in Hong Kong

The relevant data collected from banks by the HKMA focus on residential mortgage loans and those involving co-financing arrangements. The relevant data are as follows:

Year/Month	Number of new residential mortgage loans approved by banks (including primary and secondary market)	Of which, number of new residential mortgage loans approved by banks involving co-financing arrangements*
2010	11,147 (average monthly)	48 (average monthly)
2011	7,076 (average monthly)	52 (average monthly)
2012	6,824 (average monthly)	68 (average monthly)
2013	4,496 (average monthly)	48 (average monthly)
2014	5,782 (average monthly)	125 (average monthly)
January 2015	7,224 (figure of the month)	184 (figure of the month)
February 2015	6,291 (figure of the month)	140 (figure of the month)
March 2015	6,029 (figure of the month)	140 (figure of the month)
April 2015	4,921 (figure of the month)	157 (figure of the month)

* Co-financing arrangements refer to the top-up finance provided by property developers or other co-financiers.

Question No. R052 and R053: Debt servicing ratio (DSR) of new residential mortgage loans

The data on DSR for newly approved residential mortgage loans by banks are compiled on a monthly basis. According to the data collected from the banks, the average monthly DSR for the past five years are as follows:

Year	Average monthly DSR [#] (%)
2010	38*
2011	37
2012	36
2013	36
2014	35

[#] DSR is defined as the monthly repayment obligations of the borrower as a percentage of monthly income.

* This is the average monthly DSR between August 2010 (when the HKMA started to collect data on DSR) and December 2010.

Question No. R110: Microfinance Scheme of the Hong Kong Mortgage Corporation (HKMC)

The Microfinance Scheme (the Scheme) was launched in June 2012 with a trial period of three years and an aggregate loan amount of \$100 million. The Scheme has been operating smoothly. Following the Financial Secretary's announcement in his 2015-16 Budget to expand and enhance the Scheme, the Board of the HKMC approved this April the extension of the Scheme by three years until June 2018 and a number of enhancement measures. These measures include (a) increasing the aggregate loan amount from \$100 million to \$200 million; (b) allowing borrowers who have satisfactory repayment record for at least two years to apply for further advance (under such arrangement, the maximum loan amount for each borrower, including any existing outstanding loan amount, will be increased to \$600,000 and a concessionary interest rate of 8% per annum will apply to the further advance); and (c) increasing the maximum loan amount of a Self-employment Loan from \$200,000 to \$300,000, on par with that of the Micro Business Start-up Loan. The enhancement measures will come into effect on 29 June 2015.

Relevant statistics about the Scheme are as follows:

From the inception of the Scheme on 29 June 2012 to end-December 2014

	Micro Business Start-up loan	Self-employment loan	Self-enhancement loan	Total
No. of Formal Application	276	12	6	294
No. of Approved Application	135	6	2	143
Total Approved Loan Amount	\$35,350,000	\$1,200,000	\$117,673	\$36,667,673
Average Loan Amount for Approved Application	\$261,851.85	\$200,000	\$58,836.50	\$256,417.29
% of Fully Repaid/Prepaid Loan	<i>The Scheme has been launched for around two and a half years at the end of last year. The loan tenor is usually around four to five years. With the exception of a number of early repayment cases, most of the loans are still being repaid. There are therefore no readily available repayment statistics.</i>			
Approval Rate [^]	51.3%	60.0%	66.7%	51.8%
Average Loan Tenor (Year)	4.5	5.0	4.5	4.5

[^] Only include applications which have completed processing.

According to the existing assessment procedure, each application of the Micro Business Start-up Loan and Self-employment Loan will be evaluated by a vetting panel comprising representatives from the HKMC, social workers or senior staff of the participating non-governmental organisations, mentors and representatives of the participating banks, etc. In evaluating each application, the vetting panel will consider a number of criteria including the feasibility of the business plan, the applicant's personal quality and his knowledge about the business and the industry, etc. In respect of the Self-enhancement Loan, the application will be assessed based on established procedure and criteria which take into account the courses or examinations to be enrolled in, the applicant's affordability (such as debt-to-income ratio), etc.

Yours sincerely,

(Darryl Chan)
for Chief Executive
Hong Kong Monetary Authority

c.c. Clerk to the Finance Committee of the Legislative Council (Attn: Mr Daniel Sin)
Financial Services and the Treasury Bureau