

New standard for second-home mortgage

China will adopt a stricter standard in assessing whether a house is a "second home" or not when approving mortgage loans, Yang Jiakai, head of the China Banking Regulatory Commissions (CBRC) Banking Supervision Department said Wednesday.

The new rules will be based on property ownership, not mortgage history. The previous rules based on mortgage history means that the assessment will be based on whether the mortgage has been paid off, and then if the homeowner buys another home and needs a mortgage, it will be called a "second home".

Meanwhile, the new rules define property ownership as the number of the houses bought.

The new rules means that regulators will consult the housing registry bureau to determine whether a family already owns a home, while previously, regulators only looked at whether a family had an outstanding mortgage.

Also, the unit for the number of the houses will be based according to the family, not individuals.

Yang also said that the CBRC has asked banks to not grant loans to those developers that have unused land and are speculating on the land, as housing regulators found reserve houses and that developers speculate on housing prices, and use bank loans to bid for land.

In addition, the banks need to monitor and supervise the usage of the loans.

The Chinese government stepped up efforts to curb surging housing prices and crack down on property speculation since the latter half of last year.

On April 14, the State Council announced that the down payment required for second homes will be no less than 50 percent and the minimum area for mortgage lending was also fixed at 1.1 times the benchmark lending rate. Also, banks are now forbidden from offering loans to homebuyers interested in purchasing a third home or more.

Source: Global Times

(Editor: 黄硕)