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ESTATE AGENTS AUTHORITY

Dear Licensees,

**Re: HKMA's latest prudential measures for property mortgage loans**

The Estate Agents Authority (“EAA”) is writing to draw your attention to the announcement made by the Hong Kong Monetary Authority (“HKMA”) on 19 May 2017 about the latest prudential measures for property mortgage loans. These measures include:

- (1) Raising the risk-weight floor from 15% by 10 percentage points to 25% for new residential mortgage loans granted after 19 May 2017 by banks using Internal Ratings-Based Approach to calculate capital charges for credit risk;
- (2) Lowering the applicable loan-to-value ratio (“LTV”) cap by 10 percentage points for property mortgage loans extended to borrowers with one or more pre-existing mortgages, in addition to observing the existing requirement of lowering the applicable debt servicing ratio (“DSR”) limit by 10 percentage points; and
- (3) Lowering the applicable DSR limit by 10 percentage points for property mortgage loans extended to borrowers whose income is mainly derived from outside of Hong Kong, in addition to observing the existing requirement of lowering the applicable LTV cap by 10 percentage points.

Licensees should note that the above measures have already taken effect. However, mortgage applications for transactions with Provisional Agreement of Sale and Purchase (“PASP”) signed on 19 May 2017 or earlier will not be affected for the second and third measures. Licensees should advise their clients accordingly and must not provide inaccurate or misleading information to their clients.

In addition, licensees are reminded that they must not advise clients to avoid the abovementioned measures by backdating the PASP. Altering the



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date of a PASP is a serious criminal offence punishable by imprisonment. Licensees may also not be considered as a “fit and proper” person to continue to hold a licence if they are convicted of a criminal offence.

Last but not least, licensees are advised to refer to the website of HKMA ([www.hkma.gov.hk](http://www.hkma.gov.hk)) for more details of the measures.

Estate Agents Authority

25 May 2017