

FSC HOLDS MEETING TO MONITOR PROGRESS OF REAL ESTATE PF MARKET NORMALIZATION

The Financial Services Commission held a meeting on June 1 to monitor progress in the normalization of the real estate project finance (PF) market along with officials from the Financial Supervisory Service, Creditors' Coordination Committee, major financial holding groups and relevant policy financial institutions.

As of the end of May 2023, a total of 30 real estate development projects have become subject to the assistance of the real estate PF lending institutions' consortium agreement. Among them, business normalization is under way for 19 projects through provision of rollback on acceleration clause, new funds, deferment of interest payments and maturity extension.

At the meeting, officials also went over the status of the support programs already announced and being provided by policy financial institutions such as business guarantees and policy finance support being offered by the Korea Housing & Urban Guarantee Corporation (HUG) and Korea Housing Finance Corporation (HF), as well as KRW1 trillion worth of funds managed by Korea Asset Management Corporation (KAMCO). To support a seamless transition from short-term bridge loans to PF loans, the government already announced its plan to provide business guarantees worth KRW15 trillion through HUG and HF until the end of this year. As of May 30, the policy financial institutions provided a total of KRW6.01 trillion (KRW3.34 trillion by HF and KRW2.67 trillion by HUG) in support of the normalization of real estate projects. In addition, the special guarantee program set up to help alleviate anxieties in refinancing PF-ABCPs (asset backed commercial papers) provided a total of about KRW1.211 trillion (KRW0.12 trillion by HF and KRW1.914 trillion by HUG).

To help ease the liquidity burden of regional real estate PF sites outside the Seoul metropolitan area and small- and medium-sized construction firms, the Korea Development Bank (KDB), Industrial Bank of Korea (IBK) and Korea Credit Guarantee Fund (KODIT) plan to provide KRW28.4 trillion in loans and guarantees. As of April 30, they have already provided KRW24.2 trillion and have a remaining capacity of KRW4.2 trillion until the end of this year.

Meanwhile, authorities are also working to ensure that a KRW1 trillion support fund intended to help normalization of real estate projects is set up and put to operation by KAMCO as scheduled in September 2023.

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