

SUPPLY OF POLICY MORTGAGE LOANS TO CONCENTRATE ON NON-SPECULATIVE HOMEBUYERS

- Provision of policy mortgage loans under the Special Bogeumjari Loan scheme ends on Jan. 29 and will be switched back to regular Bogeumjari Loan from Jan. 30.
 - The pace of supplying policy mortgage loans to be managed in line with the overall household debt control plan within the level of annual economic growth.
 - Supply of policy mortgage loans to focus on lower-income and non-speculative homebuyers with enhanced benefits for interest rates and fees.
 - Commercial lenders' supply of longer-term mortgage loans to be promoted.
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The Financial Services Commission announced that the operation of an integrated policy mortgage loan program under the Special Bogeumjari Loan scheme will end on January 29 as scheduled, which will be switched back to the regular Bogeumjari Loan program from January 30.

The volume of policy mortgage loans planned to be supplied under the Bogeumjari Loan program will be KRW10 trillion-plus on an annual basis. Depending on market demands and implementation of other types of policy funds, authorities will flexibly adjust the supply of policy mortgage loans. However, the sum of all types of policy mortgage loans made available will be maintained at around KRW40 trillion, a 10-year average.

The supply of Bogeumjari Loan will be focused on lower-income households and non-speculative homebuyers, with added benefits available for vulnerable groups. Newly married couples, households with multiple children and victims of housing rental (jeonse) scams will be eligible for eased borrowing conditions. In general, Bogeumjari Loan will be available for households with a combined annual income of KRW70 million or less and for houses valued at KRW600 million or less. For newly married couples, the combined annual income of up to KRW85 million will be allowed. Households with multiple children will be eligible for higher income thresholds and more loan amounts. There is no income restriction for the victims of jeonse frauds who will be eligible to borrow from Bogeumjari Loan to purchase homes valued up to KRW900 million.

Interest rates for Bogeumjari Loan will be set between 4.2 percent and 4.5 percent. Support for interest rates will be available for vulnerable groups on varying degrees to ensure the supply of policy mortgage loans at about mid-three-percent interest rates to them.

The FSC also plans to work on various measures to promote the supply of longer-term mortgage loans by commercial lenders. First, authorities will encourage banks to handle more of the less risky mortgage products. In this regard, for loans with

mixed, periodically changing or fixed interest rate structures, when calculating the borrower's stressed debt service ratio (DSR), additional stress rates will be applied at eased levels. Second, authorities will seek to reshuffle the role of policy finance to indirectly assist commercial lenders' supply of longer-term mortgage loans. To this end, authorities plan to carry out measures to strengthen support for the covered bond market and seek to introduce a program (swap bank) that provides an interest rate swap service to financial institutions.

Unlike the previous year, there are expectations for a lowering of interest rates within this year. Therefore, it is important to maintain an appropriate balance between controlling the growth of household debt and supplying a sufficient level of funds to the borrowers in need. Authorities will work to ensure that the operation of Bogeumjari Loan this year can strike a right balance between these two goals.

Moreover, authorities will make efforts to create an environment where commercial lenders can more actively supply diverse types of longer-term mortgage loans and manage relevant risks on their own without heavily relying on the role of policy finance for the provision of long-term mortgage products.

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