



COMPREHENSIVE MEASURES FOR MANAGEMENT OF HOUSEHOLD DEBT

The government announced its new set of measures to manage the growth of household debt in a stable manner in response to the recent surge in household debt. As the recent growth of household debt are attributed to rapid increase of collective lending for home buyers and loans from the non-banking sector, the new package of measures mainly focuses on 1) curbing oversupply in the housing market; 2) tightening monitoring on collective lending for home buyers; and 3) strengthening risk management of non-banking sector loans.

Key Points

1. The new package of measures includes measures to address oversupply in the housing market as a way to manage household debt,¹ while the previous measures so far were mainly focused on financial measures to improve the structure of household debt, boost household income and protect mid-to-low income households.
2. The government will strengthen its monitoring and management on collective lending, under relatively loose screening standards, given the unique characteristics of pre-sale scheme, in which the ownership of apartments is sold before they are built.
 - ✓ Guarantees for collective loans by Housing Finance Corporation (KHFC) and Korea Housing & Urban Guarantee Corporation (KHUG) will be cut from 100% to 90% of the loan value; and the number of guarantees by the two institutions will be capped at two per borrower.
 - ✓ Under the new measure, banks will be required to strengthen monitoring and management risks in collective lending by securing borrowers' income data and making on-site inspection on construction projects.
 - ✓ Low-and-middle-income borrowers will be granted favorable interest rates if they choose fixed-rate and amortizing loans when they make loans for middle payment for home purchase.
3. The government will also tighten monitoring and management on mortgages in the non-banking sector and commercial property-backed loans by applying tighter screening and improving loan repayment structures. The loan-to-value ratio for commercial property loans will be tightened as well.

#

For any inquiry, please contact Foreign Press & Relations Team at fsc_media@korea.kr

¹ For further details about measures for the housing market supply, please contact the Ministry of Land, Infrastructure and Transport(MoLIT) at www.molit.go.kr