

ADMINISTRATIVE GUIDANCE ON MORTGAGE LOAN REGULATIONS IN SPECULATIVE AREAS

The FSC will oversee the implementation of the new mortgage regulations through administrative guidance beginning on March 2, 2020 as a part of the government-wide efforts to prevent speculative demand and curb housing market overheating in the newly designated speculative areas.

KEY PROVISIONS

I. LTV REGULATION IN NEWLY DESIGNATED SPECULATIVE AREAS

- ▶ The current loan-to-value (LTV) ratio of 60 percent will be lowered to 50 percent when purchasing homes valued up to KRW900 million in the newly designated speculative areas.¹ For amounts above KRW900 million, a 30 percent LTV ratio will be newly applied.

As is	⇒	To be	
LTV ratio of 60% without differential application		Home value	LTV ratio
		Up to KRW900 million	50%
		Above KRW900 million	30%

II. MORTGAGE LOANS FOR BUSINESSES

- ▶ The current mortgage loan restrictions for businesses will equally apply to the newly designated speculative areas.

III. MORTGAGE LOANS FOR HOMEOWNERS IN SPECULATIVE AREAS

- ▶ Currently, homeowners with one house in speculative areas are eligible to apply for mortgage loans to purchase another home with an obligation that requires them to sell the current property within two years. While maintaining the sales requirement within two years, the new rule also obligates them to move into new home.

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

¹ There are three different categories of housing market zones regulated by the government – speculative areas, overheated speculative areas and the so-called “adjustment target areas.” The government has newly designated three districts in Suwon, one in Anyang and another in Uiwang as adjustment target areas.