

FSC PLANS TO TEMPORARILY EXPAND GOVERNMENT-SPONSORED MORTGAGE LOAN PROGRAM

The authorities plan to temporarily operate a special *Bogeumjari* Loan¹ by integrating Relief Conversion Loan² and Conforming Loan³ and existing *Bogeumjari* Loan.

Recent interest rate hikes resulting from global monetary tightening have significantly increased households' debt servicing burden. In this regard, aiming to reduce the debt payment burden of more borrowers, the government will temporarily run a special *Bogeumjari* Loan that integrates together the regular type of Relief Conversion Loan, Conforming Loan, and the existing *Bogeumjari* loan for a year from the beginning of 2023.⁴

For the newly introduced special *Bogeumjari* Loan, debtors whose house price is KRW900 million or less will be able to apply regardless of their income.⁵ Maximum loan amount will be increased from KRW360 million to KRW500 million. Borrowers can use this loan for purposes of purchasing a new house, replacing existing loans or returning security deposits.

The special *Bogeumjari* Loan will be granted at a single interest rate in the same way as the current *Bogeumjari* Loan program. Meanwhile, a concessionary interest rate will be applied, which is decreased to a certain extent from an appropriate interest rate⁶ that is calculated with the current method.

The specification of the loan including detailed implementation schedule and concessionary rate will be announced later, after considering computational adaptation, preparation periods for financial institutions, and etc.

¹ A long-term, fixed-rate mortgage loan, provided by Korea Housing-Finance Corporation(KHFC)(*Bogeumjari* means "resting place" or "roosting place" in Korean)

² A mortgage refinancing program offered by government to change floating interest rate to fixed rate

³ A long-term, fixed-rate mortgage loan which KHFC has agreed to purchase from commercial banks

⁴ The regular Relief Conversion Loan and Conforming Loan, scheduled to be implemented in 2023, will be integrated into the special *Bogeumjari* Loan. The Conforming Loan will not be made available during the special *Bogeumjari* Loan operation period.

⁵ Under the current program, only debtors whose house price is KRW600 million or less and annual income is KRW70 million or less can apply for *Bogeumjari* Loan.

⁶ An interest rate that balances profits and losses under the consideration of MBS issuance rates and securitization costs, etc.

<Proposal for Integration of Government-backed Mortgage Loan Programs>

Program	Before ('22)			After ('23)
	Preferential Relief Conversion Loan	Bogeumjari Loan	Comforming Loan	Special Bogeumjari Loan
House price	KRW600 mil	KRW600 million	KRW900 million	KRW900 million
Loan limit	KRW360 million	KRW360 million	KRW500 million	KRW500 million
Maximum permissible income	KRW100 million	KRW70 million	None	None
Interest rates	3.8-4.0%	4.25-4.55%	4.55-6.91%	Single rate system (concessionary rate applied)

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