

APPLICATION FOR FIXED-RATE GOVERNMENT-SPONSORED MORTGAGE LOAN AVAILABLE FROM JANUARY 30

The FSC announced that special *Bogeumjari* Loan,¹ which integrates Relief Conversion Loan² and Conforming Loan³ with existing *Bogeumjari* Loan, will be available for one year starting from January 30, 2023.

For houses valued at KRW900 million or less, eligible applicants can borrow up to KRW500 million in loans, irrespective of their income, within the maximum loan-to-value (LTV) and debt-to-income (DTI) ratios. Interest rates that are lower than those for conventional mortgage loans will be applied from the end of January (4.65~4.95 percent for borrowers with house valued at KRW600 million or less and total married couple's income of KRW100 million or less, 4.75~5.05 percent for borrowers with house valued in excess of KRW600 million and income surpassing KRW100 million), while adjustment will be made, when it becomes necessary, depending on the status of market interest rate, funding availability of Korea Housing Finance Corporation, etc.

BACKGROUND

With increases in market rates gradually being reflected in interest rates on loans, interest burdens are rising rapidly on lower income households and non-speculative homebuyers. Therefore, in order to provide assistance to lower income households and non-speculative homebuyers for their home ownership and improve the qualitative structure of household debt by making them less sensitive to changes in interest rates, it is necessary to expand the availability of government-sponsored mortgage loans with fixed interest rate.

DETAILS OF SPECIAL BOGEUMJARI LOAN

I. ELIGIBILITY

- a) **(HOUSE PRICE)** Up to KRW900 million⁴
- b) **(INCOME)** Unlike the income requirement for existing *Bogeumjari* Loan (up to KRW70 million income threshold), there will be no income restriction applied.
- c) **(PURPOSE)** For purchasing a new house, replacing existing loans or returning security deposits

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 Application of house price as shown by and in the priority of KB Land's market price, Korea Real Estate Board's market price, officially declared property price and house appraisal value

- d) **(HOMEOWNERSHIP STATUS)** No-home owners (for purchasing a new house) and one-home owners (for replacing existing loans or returning security deposits) can apply.⁵

II. DETAILS OF SUPPORT

- a) **(LOAN LIMIT)** Applicants can receive maximum KRW500 million in loan.

- **(LOAN-TO-VALUE RATIO)** Within maximum 70 percent⁶ (maximum 80 percent for first-time homebuyers⁷)
- **(DEBT-TO-INCOME RATIO)** Within maximum 60 percent⁸ (with no debt service ratio being applied)

- b) **(MATURITY)** Applicants can choose from six different maturity terms—10-year, 15-year, 20-year, 30-year, 40-year and 50-year.⁹

- c) **(INTEREST RATES)** The base borrowing rate is different by types—a preferential-loan type (4.65~4.95%) and a general-loan type (4.75~5.05 percent)—while rate reduction of up to 90 bps may be granted separately.¹⁰

- **(CONCESSIONARY RATE)** A 10-bp reduction in interest rate will be newly offered to young adults with low income background,¹¹ and depending on borrowers' circumstances, maximum 90 bps in rate reduction will be possible.

⇒ Application of rate reductions can help reduce borrowing rates to as low as 3.75~4.05 percent.

<Examples of Concessionary Rate Applied for Special *Bogeumjari* Loan>

Criteria	Eligible conditions		Rate reduction	Duplicate application
	House price	Income		
<i>Bogeumjari</i> loan signed up electronically	KRW900 mil.		10 bps	Available
(Newly added) Low-income young adults	KRW600 mil.	KRW60 mil.	10 bps	Maximum 80 bps
Socially vulnerable groups ¹²		KRW60 mil.	40 bps	
Newly-wed households		KRW70 mil.	20 bps	
Unsold apartment units in presale		KRW80 mil.	20 bps	

⁵ Those who are two-home owners temporarily can apply under the condition which requires them to sell existing house within two years.

⁶ Additional reduction of 5%p for properties other than apartments and 10%p for regulated areas (no reduction applied for non-speculative homebuyers who meet certain criteria such as home price of KRW800 million, annual income of KRW90 million and no-home owner status)

⁷ Both borrower and his or her spouse have no history of owning a home.

⁸ A 10%p reduction will be applied in regulated areas (no reduction applied for non-speculative homebuyers).

⁹ 40-yr maturity for young adults aged 39 years old or younger and newly-married couples in the past seven years; and 50-yr maturity for young adults aged 34 years old or younger and newly-married couples

¹⁰ Base lending rate will be adjusted monthly after considering market rates, funding availability, etc.

¹¹ 39 years old or younger with house price of KRW600 million or less and annual income (combined with spouse's) of KRW60 million or less

¹² Concessionary rate for single-parent households, persons with disabilities, multicultural families, families with three or more children

⇒ Rate reduction for concessionary rate = Existing *Bogeumjari* Loan signed up electronically (10 bps) + Others combined (all criteria shown in the table above, but maximum 80 bps)

d) **(EARLY REPAYMENT CHARGE)** Early repayment charge will be exempted for borrowers who are switching from an existing mortgage loan to special *Bogeumjari* Loan, as well as for those making repayments on special *Bogeumjari* Loan before maturity.

III. SIZE OF SUPPORT

The total size of special *Bogeumjari* Loan supplied will be KRW39.6 trillion for a year.

HOW TO APPLY & NOTICE FOR BORROWERS

Applicants can visit Korea Housing Finance Corporation's website (hf.go.kr) or its mobile application to apply for special *Bogeumjari* Loan.

Borrowers are advised to note that their permissible loan amount¹³ will be whichever is the lesser amount between the LTV ratio-applied value and the maximum loan limit. Borrowers should also keep in mind that they need to strictly abide by the one-home ownership rule when they are using special *Bogeumjari* Loan.

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For press inquiry, please contact Foreign Media Relations at fsc_media@korea.kr.

¹³ (Example #1) For an apartment priced at KRW500 million, it is possible to get KRW350 million in loan = KRW350 million (KRW500 million multiplied by 70% LTV ratio) < Loan limit of KRW500 million
(Example #2) For an apartment priced at KRW800 million, it is possible to get KRW500 million in loan = KRW560 million (KRW800 million multiplied by 70% LTV ratio) > Loan limit of KRW500 million