

## FSC PROPOSES REGULATORY REVISIONS TO FACILITATE PROMPT RECOVERY OF DEMAND IN HOUSING MARKET

The FSC issued a notice of regulatory revisions in the five major financial sectors encompassing banks, insurance companies, savings banks, specialized credit finance business companies and mutual finance unions in order to implement the housing market-related measures introduced at the 3<sup>rd</sup> ministerial meeting on housing market held on November 10, 2022 and included in the FSC's annual work plan presented on January 30, 2023. The revised regulations are expected to take effect from March 2.

### **KEY DETAILS**

- 1) Permit lenders to issue new home mortgages to those who own multiple houses and intend to purchase a new house in regulated areas. The loan-to-value (LTV) ratio applicable to them will be increased up to 30 percent (currently zero percent) in regulated areas. In non-regulated areas, up to 60 percent of LTV ratio will be applied as before.
- 2) Permit lenders to issue new home mortgages to the entities who are registered as house rental business operators and house brokers. The LTV ratio applicable to them will be increased up to 30 percent in regulated areas and up to 60 percent in non-regulated areas (currently zero percent in both areas).
- 3) Abolish all restrictions<sup>1</sup> in issuing home mortgages to landlords who intend to use the mortgages to return lease deposits to their tenants. Lenders can issue mortgage loans to landlords within the borrower landlords' LTV ratio and debt service ratio (DSR).
- 4) Abolish the current cap of KRW200 million a year placed on home mortgages intended to be used for emergency livelihood expenses (non-housing-related expenses) and allow lenders to issue home mortgages within the borrower's LTV ratio and DSR.
- 5) Temporarily apply (for one year) borrower's former DSR calculated at the time of original mortgage issuance when the borrower applies for a refinancing loan, to prevent a reduction in potential loan limit amid rate hikes and tightened DSR regulations.
- 6) Abolish the current limit on home mortgages (KRW600 million) placed on lower income households and non-speculative homebuyers who intend to purchase a new house in regulated areas, and allow lenders to issue home mortgages to them within the borrower's LTV ratio and DSR.<sup>2</sup>

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<sup>1</sup> (a) Limit of KRW200 million on home mortgages for apartments priced at more than KRW1.5 billion in designated speculation areas and high-speculation areas, (b) move-in requirement for the house valued at over KRW900 million in regulated areas, (c) requirement for two-house owners to sell one of owning houses to get a home mortgage for a house in regulated areas, (d) prohibition of issuing home mortgage for a house in regulated areas to those who own three or more houses.

<sup>2</sup> Criteria for lower income households and non-speculative homebuyers remain the same—(a) total annual income of KRW90 million or less for a married couple, (b) no-home owners, (c) with an intention to purchase a house

## **FURTHER PLAN**

The revision bills for the regulations on the supervision of the five major financial sectors (banks, insurance companies, savings banks, specialized credit finance business companies and mutual finance unions) will be put up for notice until February 20. These bills are expected to be finalized at the FSC's regular meeting scheduled to be held on March 2.

In line with the regulatory revision schedule, the measures to ease regulations on jeonse loan guarantees for one-house owners and non-speculative homebuyers<sup>3</sup> and the measures to expand the availability of debt adjustment for those having difficulties in making mortgage payments<sup>4</sup> will be implemented from March 2 (tentatively), after amendment of bylaws by the guarantee institutions, revision of the best practice guideline on debt adjustment in financial sectors and a system development.

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valued at KRW900 million or less in a designated speculation or high-speculation area (but, KRW800 million or less for areas subject to adjustment).

<sup>3</sup> Allow guarantees on jeonse loans for one-house owners who own houses with market value of more than KRW900 million, respectively, and married couples owning one house and earning KRW100 million or more in annual income.

<sup>4</sup> Allow more mortgage borrowers to be eligible for the pre-workout program (deferment of principal payment for up to 3 years) offered by private sector financial institutions (include those whose debt-to-income ratios are more than 70 percent and whose house is valued at KRW900 million or less).