Press Release

September 13, 2018

FINANCIAL MEASURES TO STABILIZE HOUSING PRICES

The FSC announced tighter mortgage rules to curb speculative demand in the housing market, as part of the government's measures to rein in soaring housing prices. Stricter mortgage regulations are aimed at preempting speculative demand for houses, while protecting the real demand by first-time homebuyers.

FSC Chairman Choi Jong-ku said that "houses are for living in," asking financial institutions should not serve as a supporter of speculative activities in the housing market at a meeting with chief executives of financial institutions.

Details

► Multiple home owners will be banned from taking out a mortgage for the purpose of purchasing a new house in the areas designated by the government as "speculative zones."

► Single home owners will also be banned from a mortgage for buying a new home in the designated speculative areas. A mortgage for additional house will only be allowed in exceptional circumstances such as home-moving or job relocation.

► For high-priced houses exceeding KRW900 million, mortgages will be allowed only for residential purpose.

► Public guarantee for rental deposit called *jeonse* will be allowed only for first-time home buyers, and single house owners with annual household income of KRW100 million or less. Owners of two or more houses will be prohibited from public guarantee for rental deposit.

► Housing rental business providers will be subject to tighter mortgage rules: The loan-to-value (LTV) ratio of 40% will apply to their mortgages for buying a housing for rent in the designated speculative areas; and they will be banned from taking out a mortgage for buying a high-priced house.

Implementation

► New mortgage rules will apply to loan applications for new mortgages from September 14, 2018.

► Changes in public guarantee for rental deposit are expected to take effect in October after public guarantors revise their relevant rules.

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