

The effectiveness of the CBC's targeted macro-prudential measures on real estate loans

The targeted macro-prudential measures against real estate loans, which were implemented from June 2010 onwards, have proven effective. With this backdrop, the CBC relaxing several measures related to housing loans in August 2015 and repealed most rules imposed on real estate loans, except for high-priced housing loans, in March 2016. The effectiveness of those measures is as follows:

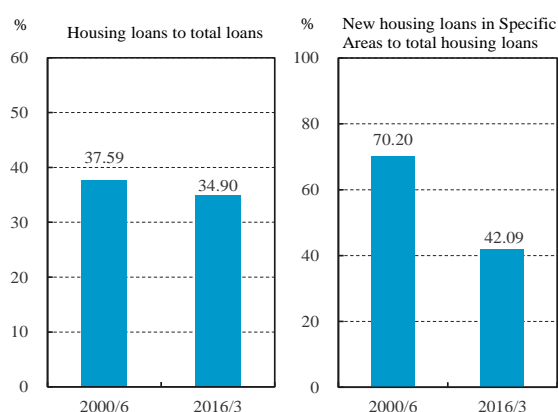
- **The concentration of banks' housing loans in Specific Areas has been addressed**

The ratio of housing loans to total loans declined from 37.59% at the end of June 2010 to 34.90% at the end of March 2016. In addition, the ratio of new housing loans in Specific Areas to total new housing loans declined from 70.20% to 42.09% during the same period. These changes showed that the concentration of housing loans in the banking system has been addressed (Chart 1).

- **The average LTV ratios of real estate loans have declined, while the average mortgage rates have risen gradually**

After the CBC implemented various targeted macro-prudential measures, the average LTV ratios of real estate loans have subsided and the average mortgage rates have risen gradually (Chart 2, 3 and 4).

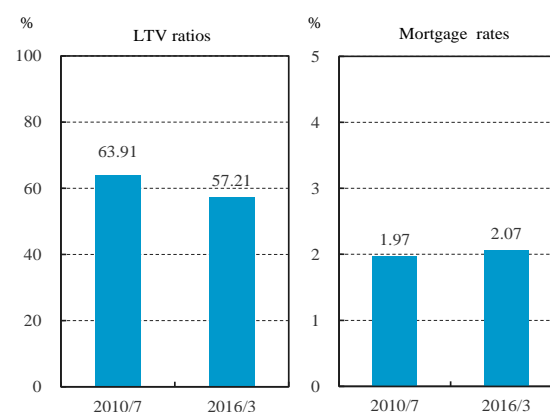
Chart 1 Concentration of housing loans



Note: The figure for new housing loans of March 2016 in Specific Areas is subjected to the regulation amended in August 2015.

Source: CBC.

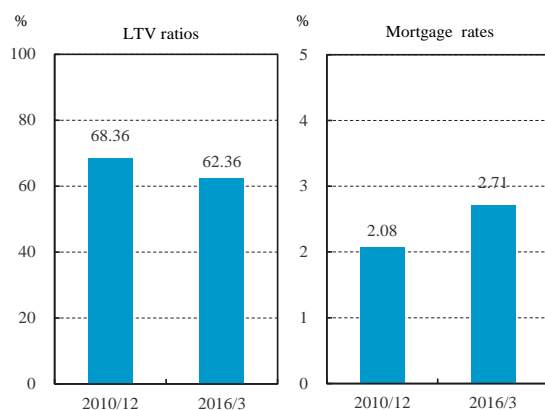
Chart 2 The LTV ratios and mortgage rates on new housing loans in Specific Areas



Note: The figure for new housing loans of March 2016 in Specific Areas is subjected to the regulation amended in August 2015.

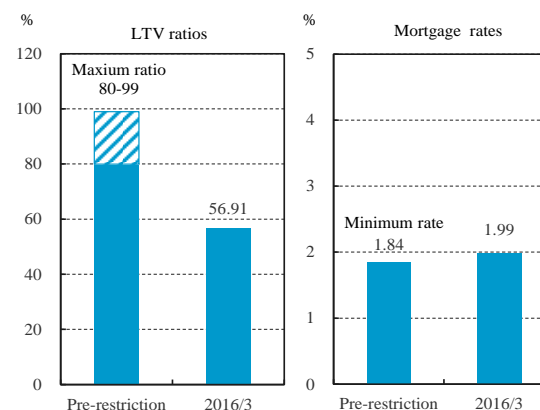
Source: CBC.

Chart 3 The LTV ratios and mortgage rates on new land collateralized loans



Source: CBC.

Chart 4 The LTV ratios and mortgage rates of high-priced housing loans



Note: The slashed square indicates the LTV ratios of loans for high-priced house purchases were between 80% and 99%.

Source: CBC.