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Central Bank Defines "Second" House by Family

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China's commercial banks should define a "second home" according to the property owned by the families of mortgage applicants rather than the applicant alone, according to new instructions from the central bank and banking regulator.

A notice jointly released by the People's Bank of China and the China Banking Regulatory Commission (CBRC) says a family includes the applicant, his or her spouse and their dependant children.

The notice is a supplementary to the rule released by the central bank and the CBRC in September that raised mortgage deposits for homebuyers who intend to buy a second apartment, a move to curb speculation on property transactions. "Second" mortgage holders are required to put a down payment of at least 40 percent and pay a 10-percent premium on their interest rate.

The new rule, however, has aroused hot debate on whether it regards a borrower and his family members as a whole unit or whether a borrower's family is immune from the new rule.

The notice says an applicant could enjoy down payment and preferential interest rates on the first apartment only when the per capita acreage of the family's first apartment is lower than local average level.

At a conference on Monday, Liu Shiyu, Vice Governor of the central bank, said that risks in China's commercial banks have been piling up with increasing mortgage loans and illegal lending.

Liu said lessons should be learned from the U.S. sub-prime crisis as well as bubbles in the real estate markets of Hong Kong and Japan.

Jiang Dingzhi, vice chairman of the CBRC, also required at the conference that banks should strengthen regulation of housing mortgage loans and tackle cheating.

China has raised the benchmark one-year lending rate five times this year amid efforts to curb investment growth and cool the overheating economy.

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