



Chinese banking regulator urges stringent car loan terms

2008-01-18 10:50:39 [Big Normal Small] [Comment](#)

BEIJING, Jan17 (Xinhua) — In a rare move to tame auto credit growth, the China Banking Regulatory Commission (CBRC) on Wednesday urged commercial banks to thoroughly examine car loan deals to guard against possible default.

In the wake of increasing disputes between banks and car dealers who are usually underwriters of the loans, the CBRC called on the banks to strictly control offers of loan contracts with the sellers. It asked lenders to sign the contracts with car purchasers at the scene.

Banks should also step up investigations into the credibility of both underwriters and borrowers, said the commission in a circular. Incompetent guarantees from underwriters was strictly prohibited.

Before granting a loan, the banks should instruct underwriters to follow required procedures and scan the borrower's credit record.

Pre- and post-loan investigations should be carried out by different loan officers. Banks should standardize the management of loan accounts to avoid embezzlement by underwriters.

Car loans were one of the earliest financial products offered by Chinese commercial lenders. The business enjoyed rapid growth from 2001 to 2003 with an average annual growth rate of 148 percent.

However, commercial banks registered non-performing car loans worth more than 100 billion yuan (13.7 billion U.S. dollars) in 2004, the latest figure available. About 81 percent was held by the four largest state-owned commercial banks, according to the National Development and Reform Commission.

Regulators blamed an inefficient credit recording system, distorted market competition and fluctuations in auto prices for the bad loans.

Auto production and sales in China both surged more than 20 percent to a record 8.8 million units in 2007, despite weakening sales in global markets, the China Association of Automobile Manufacturers said Sunday.

xinhuanet

<input type="text"/>	<input type="button" value="SEARCH"/>
----------------------	---------------------------------------

Copyright © Chinadotcom All Rights Reserved

For advertising or other business potential, please E-mail to: english@bj.china.com