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Budget Housing Gets Loan Boost

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The banking regulator on Monday issued new rules to help low-cost housing developers get loans and encourage construction.

"Providing low-income families with affordable apartments has been a priority for the government and we are offering financial support accordingly," said the China Banking Regulatory Commission (CBRC).

Under the new rules, banks can give loans for low-cost housing if developers raise 30 percent of the total capital. That compares with the 35 percent required for commercial housing developers.

Banks can also offer economy housing developers low interest at 90 percent of the benchmark lending rate, which is currently at 7.47 percent a year, the regulator said.

The central bank also expanded its list of loan providers for this category from just State-owned banks to all financial institutions, including joint-stock banks.

The new rules are expected to boost property developers and will take effect 30 days from Jan 18.

Commercial banks had loaned 50.9 billion yuan (\$7.07 billion) to affordable housing projects by the end of last year, the regulator said.

Investment in low-cost housing rose 30.5 percent in the first nine months of 2007 from a year earlier, and spending on the segment accounted for 4.4 percent of the country's total investment in the property sector, according to the central bank's latest quarterly monetary policy report.

Government leaders urged faster construction of low-cost housing for urban families at the Central Economic Work Conference last year. Premier Wen Jiabao said earlier that budget accommodation construction would be an important measure to evaluate local government performance.

By the end of June 2007, 586 of the country's 656 cities had set up subsidized housing for sale and rental, the CBRC said.

But China's sizzling property market shows little sign of cooling down. Property prices in China's 70 large and medium cities jumped by 10.2 percent in the fourth quarter from a year earlier, according to the National Development and Reform Commission.

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