

Local banks told to put brakes on mortgages

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The city's banks have been told to exercise caution on mortgage lending to help combat speculation and stabilize property prices.

Shanghai's banking regulator said on Sunday all local banks must abide by strict mortgage lending policies and spot checks will be conducted.

The statement is a response to recent media reports that domestic banks were lowering lending standards to second-home buyers to boost mortgages, which bring a large share of bank profits.

Analysts said the government will stick to its tightening policy to cool the overheated property market, although an investment slowdown and housing price dips have been seen in major cities like Shanghai, Beijing and Shenzhen.

The central bank and the China Banking Regulatory Commission (CBRC) raised the requirement for mortgage deposits last year for second-home buyers to at least 40 percent, with a 10 percent premium on the interest rate.

China Construction Bank, one of the nation's Big Four lenders, said recently second-home buyers will get favorable policies and a lower interest rate if family members have a living area of less than 26.6-sq-m in their first home.

Other banks have followed suit. The move is seen as a relaxation of the housing policy that could reactivate the property market at a time when transactions are falling. Authorities investigated but found no policy violations.

"Domestic banks in Shanghai are strictly following the policies in their mortgage lending to second-home buyers," the CBRC's Shanghai office said. "No relaxation of the standards was found."

But the regulator is monitoring the situation, warning banks of potential risks in a liquidity-driven property boom.

It said most banks have adjusted their mortgage lending, distinguishing between genuine homebuyers and speculators. (China Daily)

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