

Favorable loan policies for second-time buyers

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Shanghai is to enact favorable loan policies for second-time home buyers under a new stimulus package designed to boost the city's property market.

From January 1, people who buy second houses to improve their living conditions will be able to enjoy favorable lending rates currently only available for first-time home buyers, the local government said in a statement released over the weekend.

In addition, the mortgage lending ceiling in the city's housing fund program will be doubled to 400,000 yuan (US\$58,400) for second-time buyers if at least two people cover the repayments. These families will be eligible for a maximum loan of 600,000 yuan if they have an extra funding account.

However, the ceiling will remain unchanged - at 200,000 yuan and a maximum loan of 300,000 yuan with the extra funding account - if only one person is to cover the repayment, according to the announcement.

In Shanghai, people covered by the public housing fund system, which gives more favorable lending rates than commercial banks, pay between 5 percent and 7 percent of their monthly salary to the fund and their employers are required to match the amount.

Employees can also pay an extra 1-8 percent of their monthly salary to the fund.

"This is a major step made by the local government to boost market demand by encouraging people to improve their living conditions," said Xue Jianxiong, an analyst with E-House (China) Holdings Ltd. "However, it remains hard to say whether it can effectively boost sales as home prices are still high for most wage earners," Xue said. "What people really want are direct price cuts or more forceful policies such as individual income tax rebates for home buyers."

The package, which will be in effect until December 31, 2009, also enables anyone who has owned a home for at least two years to sell it without having to pay tax. The previous waiting period for a tax-free sale was at least five years.

Anyone selling a home less than two years after buying it will pay tax only on the profit. The tax rate of 5.55 percent remains unchanged.

Anyone who purchases homes defined as ordinary housing and no larger than 90 square meters will be subject to a deed tax of 1 percent, the announcement said. Currently, only first-time home buyers can enjoy the 1 percent rate while others were required to pay 1.5 percent.

In addition, commercial banks will be able to decide mortgage rates for customers who purchase more than two houses based on their own evaluation of the risks. (Shanghai Daily)

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