
Down payment rule to buy 2nd home remains

BEIJING, April 22 -- The Shanghai banking regulator yesterday reiterated that buyers must put at least a 40-percent down payment if they purchase a second home as it attempts to curb irregularities because banks are trying to bypass the rule by giving more leeway to high-end clients.

Banks are strictly banned from giving mortgage loans of more than 60 percent of the home value to second home buyers, the Shanghai Bureau of the China Banking Regulatory Commission said yesterday in a statement.

The only exception is for clients who are buying a second home for their own use and at the same time whose previous per capita living space is less than the city's average.

Banks are trying to bypass the requirement on second home transactions as they speculate that the central government is trying to revive the property market.

Yesterday's statement reinforced the second home requirement rule and made it clear to banks that it won't be changed amid the current economic slowdown.

The banking regulator pointed out irregularities committed by banks such as giving high-end VIP clients mortgages of more than 60 percent of the home value.

The regulator also called for a closer scrutiny over cooperation between banks and property agents.

They sometimes teamed together to allow home buyers to pay part of the down payment by credit card or give home buyers a cash refund to reduce the real down payment to lower than 40 percent of the home value, according to market sources.

(Source: Shanghai Daily)