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## Mortgages for second homes hard to get

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Author:Zhang Fengming

HOME buyers seeking a loan to buy a second home may face a harder time securing a mortgage in Shanghai because banks are reportedly tightening up their mortgage policies.

Most banks declined to comment on the issue, saying it's sensitive or quoting regulator's rules. But sources said yesterday that Bank of Communications will tighten approval of a second home mortgage amid the current property boom.

The Industrial and Commercial Bank of China, China Merchants Bank and China Construction Bank said yesterday that they have not changed their policies.

A CMB source said the bank takes all family members' mortgage records to determine second homes. However, the mortgage applicant can still qualify as a first home buyer as long as the family has paid back the mortgage owed.

The Agricultural Bank of China declined to comment on its mortgage policy, citing the issue as a sensitive one.

Under the tightening, as long as one member of a family had a mortgage, a new mortgage application by other family members will be considered as a loan for a second home. It doesn't matter whether the previous mortgage is still being paid off or has been paid.

Previously, a family member with no mortgage record was viewed as a first-time home buyer even if other family members have borrowed to finance a property purchase.

"Under the new move, the biggest change for home buyers is higher down payment," said the source. "Interest is not a big concern as second home buyers with good track record can still enjoy interest discounts."

A buyer of a first home needs to put down a 20-percent to 30-percent down payment, and he is eligible for a 30-percent discount on interest rates. A buyer of a second home faces at least a 40-percent down payment and higher interest rates.

In September 2007, authorities asked banks to insist on at least a 40-percent down payment with an interest rate at least 10 percent higher than the benchmark rates on second homes. In December 2007, they issued a follow-up notice that banks should use family as the criteria to determine second homes.

The market has rebounded since March with rising prices and transactions with no signs of cooling off.

