



Economy

## Banks can refuse third-home loans

By Hu Yuanyuan (China Daily)  
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## Measure aims to restrict speculative property purchase, cool down market

BEIJING - Commercial banks will be able to refuse loans to people buying their third houses in areas suffering from soaring property prices.

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The new measure, which analysts believe could instantly cool down the country's red-hot property market, was issued on Saturday by the State Council, China's Cabinet.

Provincial and municipal governments in areas with soaring prices can also temporarily restrict the number of properties people can buy, in accordance with the situation in their jurisdictions.

Moreover, banks can halt loans to those who cannot prove they had lived and paid taxes for at least one year

in cities where they intend to buy houses, according to a statement on the central government website [www.gov.cn](http://www.gov.cn).

"With a sound implementation, these policies can instantly cool down the real estate sector and even lead to a big price drop in some regions," said Chen Yunfeng, secretary-general of the China Real Estate Managers Association.

Some experienced investors, in fact, began selling their apartments at 5 to 10 percent lower than the market's average, aiming to cash in quickly before the market turns bearish.

The top management of a real estate project in Beijing's Tongzhou region, where property prices have soared the most over the past few months, has decided to cut its sales price by 3,000 yuan, or nearly 10 percent, after these policies were launched.

Meanwhile, a number of potential buyers have decided to take a wait-and-see attitude instead of rushing to grab an apartment.

"Buying a house right now would not be different from buying shares at the record high of China's stock market," said Wang Liang, a company executive in Beijing. "I would wait to see how these policies could change the market."

The central government measures target speculative house purchases, which are regarded as a key factor driving up property prices. The policies also show the government's resolve to curb excessive property growth and prevent growing financial risks, said Grant Ji, director of Savills (Beijing), a UK-based real estate service provider.

Just two days ago, the central government raised the required downpayment for a family purchasing a second house from the existing 40 percent to 50 percent, a policy that may not only restrict speculative house buying but also reduce banks' potential risks if property prices decline.

"The prices of houses and land in some cities have recently seen overly rapid increases and speculative purchases have become quite active again," the central government's statement said.

"All regions and related agencies must fully recognize the harm of overly fast rises in property prices and take resolute measures to contain (them)," it said.

The cooling measures come on the heels of the acceleration in urban property inflation to 11.7 percent in March from February's 10.7 percent, the biggest year-on-year increase since the Bureau of Statistics expanded its coverage to 70 cities in July 2005.