

## **FAQs on Measures to Promote Sustainability of the Property Market**

### **1. What are the objectives of the policy?**

- *The policy was introduced by the Bank for two main purposes namely:*
  - *Curb excessive speculative activity in the housing market; and*
  - *Protect borrowers from becoming over-indebted.*

### **2. How does the maximum loan-to-value ratio (LTV) of 70% policy affect would be home buyers, especially first time home buyers?**

- *The maximum loan-to-value ratio (LTV) of 70% was imposed only on borrowers with three or more outstanding housing loans.*
- *Therefore, this measure does not affect eligible first-time house buyers, who typically qualify for an LTV of up to 95% (including Mortgage Reducing/Decreasing Term Assurance).*

### **3. Why did the government ban the developer interest bearing schemes (DIBS)?**

- *The developer interest bearing schemes (DIBS) are similar to adjustable rate mortgages, one of the key causes of the subprime mortgage crisis in the U.S.*
- *These schemes should not be allowed as they encourage excessive speculative activity in the property market and can cause artificial increases in house prices.*
- *Based on the Bank's engagement with professional property valuers, they have indicated that the price difference between houses with DIBS and without DIBS can be as high as 30%.*