



Housing finance in Korea

Going to scale

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Housing in the Korean economy 2020

■ Housing stock

- Total : 21.67 million dwellings, 62.9% condominiums
- Population: 51.83 million, 20.93 million households:
- Dwellings per 1,000 population: 418

■ Residential construction/GDP

- Averaged at 5.15% for the period 1970~2020

■ Housing as an asset

- Owner-occupation rate 57.9% , home ownership rate: 60.6%
- Housing asset KRW 5,721 trillion: 3 times the nominal GDP KRW 1,933 trillion (2020)
- Owner-occupied housing comprises 45% of household asset holding. (2021)

■ Mortgage debt outstanding (2021)

- KRW 982 trillion (47.7% of GDP)

Mortgage market before AFC vs current

	Before AFC	Now
Key players in the mortgage market	National Housing Fund, Korea Housing Bank	Commercial banks
Regulation on interest rate	Yes	None
Non-price rationing	Eligibility, loan amount, dwelling type, new units	LTV, DTI, DSR, housing price in the submarket
Typical loan product	15 year FRM	FRM, ARM
MDO/GDP	<10%	47%
Informal sector	Chonsei >MDO	Chonsei is declining



Some Milestones

- Interest rates liberalized : 1994
- Commercial banks allowed to originate long-term housing loans: 1996
- Korea Housing Bank privatized: 1997
- Specialty Finance Companies established to originate housing loans: 1997
- BOK regulation on lending for real estate removed : 1998
- ABS law legislated: 1998
- KoMoCo established: 1999
- First MBS issuance by KoMoCo: April 2000
- Korea Housing Finance Corporation established: March 2004

Consumer credit and mortgage debt

	2006	2008	2010	2012	2014	2015	2016	2017	2018	2019	2020	2021
A. Consumer credit	607.1	724	843	964	1,085	1,203	1342	1451	1536.7	1600.1	1727.4	1862.1
Household debt	575.6	684	794	906	1,025	1,138	1270	1369.9	1446.2	1504.4	1631.5	1755.8
Commercial banks	346.2	389	431	467	520	564	617	660.7	713.1	767.7	849.9	910.1
Mortgage loans (a)	241	255	290	318	366	402	442	464.2	494.3	534	583.9	629.6
Non-bank dep. FIs	97.1	127	162	193	226	249	291	313.9	320.7	316.2	323.8	351.4
Mortgage loans(b)	54.1	56	73	86	95	89	103	114.1	110.2	99.8	95.7	104.9
Other ther FIs	132.2	168	201	246	279	326	361	395.2	412.8	420.4	457.8	494.3
Mortgage loans (c)		39	48	62	74	107	123	191.7	203.5	209.1	231	247.9
Credit card loans	31.5	40	49	58	60	65	73	80.8	90	95.7	95.9	106.3
B. Mortgages (a+b+c)	295.1	350	411	467	535	598	669	770	808	842.9	910.6	982.4
C. Nominal GDP	1005.6	1154.2	1322.6	1440.1	1562.9	1658	1740.8	1835.7	1893.5	1924.5	1933.2	2057.4
A/C (%)	60.4	62.7	63.7	66.9	69.4	72.6	77.1	79.0	81.2	83.1	89.4	90.5
B/A (%)	48.6	48.3	48.8	48.4	49.3	49.7	49.9	53.1	52.6	52.7	52.7	52.8
B/C (%)	29.3	30.3	31.1	32.4	34.2	36.1	38.4	41.9	42.7	43.8	47.1	47.7

The growth of consumer credit exceed the pace of nominal GDP growth during the period December 2016 to December 2021

But the share of mortgage loans in consumer credit was stable

Mortgage debt outstanding is 47.1% of GDP as of 2020 year-end, close to the EU average of 46.1%.

New housing permits

Quantum leap around 1988 due to the government drive to supply two million new dwellings between 1988 and 1992.
Housing loan volume increased five-fold to support the drive.

