

Abstract

This paper examines the use of mortgage loan to finance home purchase in transitional China, using data derived from household conducted in Guangzhou in 2005 and in Shanghai in 2006-07. In both cities demographic and socioeconomic attributes on the whole have little effects on the decision of whether or not to employ mortgage loan, or on how much to borrow in relation to the value of the property, given that mortgage loan is employed. Given that mortgage finance is a very new development in China, the lack of association is not surprising. It takes time for individual homeowners to fully appreciate the pros and cons of employing mortgage finance, and for the banks to assess the prospective borrowers' mortgage needs and repayment abilities. In the mean time, the majority of homebuyers in urban China continue to rely heavily on personal savings and parental contributions to finance home purchase.

Keywords: Housing finance, mortgage loan, HPF, Shanghai, Guangzhou