

Financing Home Purchase in China: With Special Reference to Guangzhou

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Housing as an asset is indivisible and expensive. Relatively few can buy a house outright. In many advanced market countries, the rise of homeownership can be ascribed to the popularization of residential mortgage loans. This paper aims to reveal the roles of personal housing loans in the progress towards homeownership in urban China. The paper focuses on two personal housing financial tools: the Housing Provident Fund (HPF) and commercial banks' housing mortgage loans. National data show the use of HPF loans and bank loans has only become more common since 1998. But their share of the total expenditure on home purchase remains relatively small. Data derived from household surveys conducted in Guangzhou in 2001 and 2005 show that housing savings and parents' contribution are the most important funding sources of home finance. The willingness to engage in debt finance is still low, although housing price has shown substantial increases. The affordability of housing is closely tied to personal savings. Access to mortgage finance has played a relatively minor role in China's drive towards homeownership.