

Notice of the People's Bank of China and China Banking Regulatory Commission on Promoting Economical and Intensive Use of Land through Finance

(No. 214 [2008] of the People's Bank of China)

Shanghai Headquarters of the People's Bank of China, all branches and business management departments of the People's Bank of China, central sub-branches of the People's Bank of China in provincial capital cities and in sub-provincial capital cities, all banking regulatory bureaus, all policy banks, state-owned commercial banks, joint stock commercial banks, and China Postal and Savings Bank,

For the purpose of implementing the spirits in the Notice of the State Council on Promoting the Economical and Intensive Use of Land (No. 3 [2008] of the State Council) and fully making use of and giving play to the positive roles of finance in promoting the economical and intensive use of land, we hereby put forward the following requirements:

I. Earnestly strengthening the study and deeply understanding the significance of economical and intensive use of land

1. Making a deep study and enhancing the awareness. The protection of farmland and promotion of economical and intensive use of land not only has a bearing on the development of the present economy and society, but also on the nation's survival foundation and long-term interests, so it is greatly necessary to scientifically and reasonably allocate the financial resources so as to form effective restraints and incentives for the utilization of land. All financial institutions shall carefully study and deeply understand the essence of the Notice of the State Council on Promoting the Economical and Intensive Use of Land and further enhance the awareness of the significance of the economical and intensive use of land.

2. Determining the principle and grasping the emphases. All financial institutions shall strictly limit the extensive and low efficient use of land, regard the economical and intensive use of land as the principle, lay emphases on the major infrastructures, public facilities, construction of industrial facilities, use of land for rural collective construction, commercial real estate and other fields, intensify the corresponding examination of legitimacy and compliance of credits, further improve the financial services, actively guide and push forward the economical and intensive use of land.

II. Tightening the policy requirements and management of loans for projects of land use for construction

3. Tightening the management of loans for construction projects. The acquisition of land for a project under a loan shall conform to the overall land utilization plan, the urban and rural plan and relevant industrial plan. If it involves any newly increased land for construction, it shall be incorporated into the annual land utilization plan. It is prohibited to provide any loan to a project which does not meet the planned control requirements, or to an illegal land use project. It is strictly prohibited to provide any loan to a project included in the List of Banned Land Use Projects. Where a loan has already been granted to such a project, it shall be gradually recovered provided that necessary protection measures have been taken. A financial institution shall be prudent in granting a loan for a project included in the List of Restricted Land Use Projects.

4. Tightening the examination of loans for municipal infrastructures and industrial land use projects. No credit support shall, in any form, be given to the construction of any municipal infrastructure, ecological planting project or industrial project which does not meet the national standards, or for which no land use approval has been obtained from the land and resource authority.

5. Tightening the management of loans for rural collective construction land use projects. No loan shall, in any form, be granted for the development of commercial real estate with rural collective land. No housing loan shall be granted to any urban resident who purchases a house built on rural collective land. In the case of launching enterprises and township (town, village) public facilities and welfare cause with rural collective land, the loan applications shall be strictly examined and no loan shall be granted if an applicant fails to go through the formalities for lawful use of land or fails to put the valid guarantee rights in place.

6. Tightening the management of credit for commercial real estate. It is prohibited to grant to any real estate development enterprise a loan exclusive for the payment of land transfer fee. For a land reserve loan in the form of mortgage, there shall be a lawful land use certificate, the maximum mortgage ratio shall not exceed 70 % of the appraised value of the collateral and, in principle, the term of loan shall not exceed two years. When the land and resource authority confirms that an enterprise has only developed less than 1/3 of the whole area or has only invested less than 1/4 of the total investment after the lapse of one full year from the date of starting the construction of a real estate project as stipulated in the land transfer contract, a financial institution shall be prudent in granting loans to it and rigidly control extended loans or rolling credits to it. When the land and resource authority confirms that the construction use land for a real estate project has been idled for two years or longer, it is prohibited to grant a real estate development loan for the said project or other loans with the construction use land of such project as collateral (including the asset protection business).

All financial institutions shall intensify the investigation into and the evaluation of real estate enterprises' own credit records, repayment capacity and repayment intention, examine and confirm the collaterals for real estate development loans and shall not accept any repeated mortgage. Before a financial institution grants a mortgage loan for a commercial house purchased in advance, it shall examine and confirm whether the real estate enterprise has cancelled the land mortgage of the project, and the collaterals corresponding to the portion of the sold houses in the on-going construction project mortgage.

III. Strengthening financial support and earnestly promote the economical and intensive use of land

7. Giving priority support to the construction of economical and intensive land use projects. A financial institution should give priority financial support to projects which are to increase the land utilization rate and floor area ratio as well as to projects which are to develop and utilize the spare, abandoned or idled land provided that such projects meet the requirements in the plan and will not change the original purpose. A financial institution should give priority financial support to the state-level development zones which meet the requirements of "concentrated layout, clustering of industries and intensive land use".

8. Giving priority support to land saving real estate development projects. A financial institution shall give priority financial support to real estate projects conforming to the advanced land saving technologies as prescribed in the national Technical Standards on Evaluation of Functions of Houses and Standards on Evaluation of Green Buildings. A financial institution shall give priority support to the construction of cheap-rent houses, economically affordable houses, commercial houses at limited price, as well as small and mid-sized ordinary commercial apartments of 90 sq. m or less provided that the policies of the state and the loan conditions of the financial institution are met.

9. Actively support the land reserve institutions to vitalize the land inventory for construction use. If a land reserve institution reserves the land for construction use under the state inventory, which conforms to the plan and is spare, abandoned, idled or utilized in a low efficiency, a financial institution shall actively grant loan supports to it.

10. Stepping up efforts to make innovations and broaden land financing channels. All financial institutions shall step up efforts to make financial innovations, actively explore financial products which meet the actual needs and make full use of financial means to promote economical and intensive use of land.

IV. Intensifying financial supervision and ensure the real implementation of policies

11. Formulating and improving bylaws of financial institutions on enhancing the management of economical and intensive use of land. All financial institutions shall further improve the flowchart of examination and approval of loans, formulate and improve the relevant administrative provisions and submit them to the supervision organ prior to December 31, 2008.

12. Intensifying the financial institutions' guidance and supervision over the work of economical and intensive

use of land. All branches of the People's Bank of China (PBOC) and banking regulatory bureaus shall effectively intensify the communication and cooperation with the relevant departments of the local governments, establish an information communication mechanism, incorporate enterprises' illegal use of land, idled land and other information into the enterprise credit system of the PBOC and into the client risk pre-warning system of China Banking Regulatory Commission and provide the financial institutions with support and services in making credit decisions. In the mean time, they shall, in light of the local actualities, strengthen the investigation, research and "window guidance", actively explore and evaluate financial institutions' implementation of the financial policies on economical and intensive use of land, research on and establish a land finance innovation working mechanism, conduct inspections in good time, timely rectify illegal business operations and hold the relevant entities and persons liable in pursuance of law.

Shanghai Headquarters of the PBOC, all branches and business management departments of the PBOC, the central sub-branches of the PBOC in provincial capital cities, and the banking regulatory bureaus of all provinces (autonomous regions and municipalities directly under the Central Government) should jointly forward this Notice to all urban commercial banks, rural commercial banks, rural cooperative banks, urban and rural credit cooperatives, trust companies and foreign-funded banks within their respective jurisdictions.

People's Bank of China
China Banking Regulatory Commission
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