Country Report – Korea

1. Socio-economic Snapshot
   1. Population

Total population of Republic of Korea, also known as South Korea, is 48,860,500. The ethnic getup of the country is homogeneous, except only about 20,000 Chinese. The religious composition of the population is Christians are 26.3%, Buddhist are 23.2% unknown and none are 50.6%[[1]](#footnote-2)

* 1. Per Capita Income

The per capita income of Korea is US $ 22,778.[[2]](#footnote-3)

* 1. Affordability

Korea is working to develop an affordability index known as “Housing Affordability Index” (HAI). HAI is calculated as follows: the mean price of raw data of the national housing price index of Kookmin Bank is used as the representative price of standard house. The mean income of working class in urban area of Korea is used as a standard income. Interest rate quoted from the weighted average mortgage rate of saving banks published by the Bank of Korea[[3]](#footnote-4) is used in working of EMIs.

1. Measures of Affordability
   1. Income/Repayment/Cost of housing Units

The Korean Housing Affordability Index will largely follow the formula used in USA and Australia.[[4]](#footnote-5)

* 1. Any State level Definition of Low-Income Housing

Definition of “low income” has gone a huge drastic change in Republic of Korea over the last a few decade, as the country is moving towards a high income country from a low income poor country.

Korea has experienced rapid and sustained economic growth since the 1960s when South Korea’s gross domestic product (GDP) per capita was comparable to levels in the poorer countries of Africa (in 1960 it was US$ 1,110 compared to US$430 for sub-Saharan Africa).[[5]](#footnote-6)

Forty-five years after the full-scale, government-led industrialization drive that started in the early 1960s, South Korea’s GDP per capita had increased more than twelve-fold to more than US$13 000 in 2005 and to US$20 050 by 2007.[[6]](#footnote-7)

The income equality ratio as taken in Gottschalk and Smeeding (1997) has also shows a very favourable position among the world’s 19 most developed and high income countries. The unemployment ratio in Korea (2% as against 6.9% in USA), and total dependency ratio of Korea, 54.4% as against Japan’s 54.4% and USA’s 53.5% also places Korea in an enviable position compared to the other developed countries.[[7]](#footnote-8)

1. Housing Finance Institutional Framework:
   1. Housing Finance by Commercial Banks
   2. Specialized HFIs-Public sector
   3. Specialized HFIs- Private Sector
   4. Housing Microfinance Institutions
2. Housing Finance Options for LIG

Commercial Banks, Specialized HFIs, HMFIs, and informal sources if any:

1. Regulatory Framework:

South Korea’s secured transactions law permits the taking of security interests in real estate, intangible rights (such as intellectual property), inventory, accounts receivable, and, by special acts, aircraft, ships, heavy equipment, and vehicles. Security interests can be taken in property that is in the debtor’s possession. Despite the wide variety of permitted security interests, most secured transactions have been collateralized by real estate. Enforcement of security interests has been effective in South Korea, although it can take up to one year for a creditor to recover collateral. Excepting “extraordinary situations,” the government has respected the rights of secured creditors. Despite the regime’s relative effectiveness and apparent sophistication, the Asian Development Bank has concluded that security interests were not important in managing risk because much of South Korea’s bank lending consisted of policy loans implicitly guaranteed by the government, which obviated the need for collateral[[8]](#footnote-9).

1. A summary of prevailing regulatory regime for housing finance ( Central bank or a special agency), presence of Prudential regulations, Mortgage law, Mortgage Guidelines etc Constraints in Growth of Housing Finance for LIG

General review:

- NA -

1. Fiscal Support and Subsidy Programs:
2. Any State level subsidy program Like Interest Rate Subsidy, Tax Incentive, Credit Guarantee

1. Community Based Programs for LIH
   1. State Level Program
   2. NGO Initiatives
2. Lessons Learned and way forward: Discuss the constraints in growth of LIH finance, steps needed to address them and way forward:

1. CIA- World Fact Book [↑](#footnote-ref-2)
2. http://en.wikipedia.org/wiki/List\_of\_countries\_by\_GDP\_%28nominal%29\_per\_capita [↑](#footnote-ref-3)
3. Housing Affordability Index in Korea, by Ji, Kyu-Hyun [↑](#footnote-ref-4)
4. Housing Affordability Index in Korea, by Ji, Kyu-Hyun [↑](#footnote-ref-5)
5. Chapter 4, South Korea, South Korean economic development.pdf [↑](#footnote-ref-6)
6. Chapter 4, South Korea, South Korean economic development.pdf [↑](#footnote-ref-7)
7. Low Inequality with Low Redistribution An analysis of income distribution in Japan, South Korea and Taiwan compared to Britain.pdf [↑](#footnote-ref-8)
8. Building the Legal and Regulatory Framework, by John L. Walker [↑](#footnote-ref-9)