

China's trust firms halt property loans -sources

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(Reuters) - Some of China's top trust companies have halted property-related lending and investment following a regulatory order, four sources told Reuters on Monday.

Seeing risks in rapid credit expansion to real estate projects, the China Banking Regulatory Commission last week instructed trust firms to assess the risks posed by their portfolios in a fresh move to rein in the red-hot property market.

"The CBRC ordered a self-examination last Friday in a document, and our application to invest in a property project was turned down by our company on the same day. I don't know whether it's a regulatory requirement or a decision by the company," a source at Ping An Trust told Reuters on Monday.

Two sources close to Zhongrong International Trust cited a company document as saying that it had halted all new plans to invest in the property sector, except affordable housing -- a niche strongly supported by the government.

One of the sources added that China might order a complete halt to all property-related businesses by trust firms.

A source at China Credit Trust Co Ltd said that his company had adopted a more prudent approach following the CBRC's order but had not yet halted property business.

Funds from trust companies have been an important alternative channel for Chinese developers to raise capital as the country has tightened controls on bank lending.

Trust companies are hybrid institutions combining features of commercial bank lending, private equity and asset management. Until recently they had been loosely regulated and had expanded rapidly.

By repackaging loans into equity- or fixed-income-linked products, trusts have been able to offer bank clients, typically rich individuals, much more attractive yields than are available on certificates of deposit.

The CBRC in July ordered trust companies to halt the launch of wealth-management products via banks.

Property-related trust investment totalled 150 billion yuan (\$22.6 billion) in the first 10 months of this year, compared with 40 billion yuan in the whole of 2009, according to Use Trust Studio, a private data provider.