

# Study on the Social Assistance Mechanism for Groups with Broken Housing Loan Payments

-- Based on a tripartite framework of shared responsibility among government, banks and individuals

**Jun Shen**

School of Public Administration, Sichuan University, Chengdu 610000, China

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**Abstract:** This paper takes the phenomenon of housing loan defaults in the process of China's urbanization as the research background, and builds an analytical framework for the social relief mechanism of government-bank-individual responsibility sharing in view of the social risks caused by the current housing loan defaults. Through case studies and comparative research, the study reveals the structural deficiencies of the existing relief mechanism in terms of responsibility definition, risk sharing and system articulation. The study finds that it is difficult to effectively resolve systemic risks by solely relying on market adjustment or individual responsibility, and it is necessary to establish a synergistic governance mechanism that includes government underwriting, bank risk mitigation, and individual credit repair. The study proposes that the government should improve the housing security system and establish a differentiated relief fund; financial institutions need to innovate debt restructuring tools and implement loan rollover preferences; and a step-by-step credit management system should be constructed for personal credit repair. Through the design of the tripartite responsibility sharing ratio model, the synergistic effect of the risk sharing mechanism in safeguarding people's livelihood, stabilizing finance and maintaining social equity is demonstrated, which provides policy reference for preventing systemic financial risks and improving the social security system.

**Keywords:** Housing Loan Defaults, Systemic Financial Risk, Foreclosure Dispositions, Debt Spiral Effects, Social Equity and Financial Stability.

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## 1. Introduction

Over the past three years, some cities in China have seen a "wave of broken mortgage payments" evolving from an economic problem into a challenge to people's livelihoods. In a provincial capital city, for example, the number of houses auctioned by the court in 2023 due to inability to repay mortgage loans increased by nearly 40% compared to the previous year, and a large number of families are facing the predicament of "losing both money and houses", and the phenomenon of collective mortgage repayment has even emerged in some communities. This phenomenon reveals an acute contradiction: when home buyers due to unemployment, illness or income decline and difficult to maintain monthly payments, the existing policy toolbox lack of effective underwriting measures, bank collection, judicial auction and other traditional disposal methods can short-term resolution of financial risks, but it may exacerbate the factors of social instability.[1] Currently, the main measures to cope with the problem of broken mortgage payments remain at the level of temporary relief. For example, the mortgage extension policy introduced during the epidemic temporarily eased the pressure on some families, but the risk of default rebounded again after the policy was withdrawn; although commercial banks provided loan extension services, they did not adequately assess the ability of families in difficulty to recover their incomes, leading to a vicious cycle of "borrowing new to pay off old". These decentralized and emergency policies reflect the inadequacy of the logic of governance: over-reliance on government financial assistance[2] may increase the burden on the public, while leaving it entirely to the market will sacrifice the interests of the disadvantaged groups. The core idea of this paper is: to solve the crisis of broken mortgage, it is necessary to establish

a long-term mechanism of tripartite cooperation among the government, banks and individuals. The government should clarify the responsibilities of each party through institutional design - for example, to increase employment protection and housing subsidies during the economic downturn, banks need to develop more humane repayment programs rather than simple collection, and individuals need to improve their risk prevention capabilities. This collaborative governance model not only avoids the question of fairness caused by a single party "covering the bottom", but also minimizes social costs through reasonable sharing of responsibilities.[3] The results of the study can provide systematic improvement ideas for the policies being explored around the world, such as the "guaranteed delivery of buildings" project and the pilot project of personal bankruptcy, which are of practical significance in stabilizing residents' expectations and preventing social risks.

## 2. Analysis of the Current Situation and Causes of Housing Loan Defaults

The current problem of housing loan repayment breaks presents obvious characteristics of "regional differentiation" and "group concentration". In 2024, for example, in a populous province in the center of China, the rate of mortgage breaks in cities below the third tier of the province was as high as 6.8%, far exceeding that of the capital city of the province at 2.1%, and there were even extreme cases in which the whole building had a mortgage break in some of the resource-exhausted cities. From the crowd structure, take-away riders, net car drivers and other flexible employment accounted for 43% of the broken families, two children and more than 30% of families with multiple children. These data reflect a reality:

poor income stability, weak risk-resistant groups, is becoming the crisis of the mortgage crisis "hardest hit". The reason for this situation, first of all with the rhythm of policy adjustment is closely related. Over the past five years, many places to stimulate the property market launched "low down payment" "relay loan"[4] and other policies, attracting a large number of families to buy a home ahead of time. But with the real estate regulation and control turn, some cities housing prices retracted by more than 30%, home buyers face "the market value of the house is lower than the balance of the loan" inverted dilemma. For example, in a coastal city, the price of new commercial housing in 2023 fell 35% from the peak, resulting in nearly 20% of home buyers choosing to take the initiative to cut off their mortgage payments. At the same time, for unemployment, serious illness of the bottom of the policy and housing assistance lack of convergence, unemployment benefits can only cover the basic living expenses, but can not offset the pressure of thousands of dollars of monthly payments. Commercial banks' loan management further magnifies the risk. Survey shows that 70% of the banks in the review of the mortgage is mainly based on "salary flow", but ignored the online store owners, freelancers and other groups of real repayment ability. A joint-stock bank in 2024 data show that the mortgage overdue rate of flexible employees is 2.3 times higher than that of employees of enterprises and public institutions. What is even more noteworthy is that some banks rely excessively on rigid means such as telephone collection and legal proceedings in post-loan management. A mortgage breakers confessed: "Banks 20 monthly collection calls, but never take the initiative to understand my practical difficulties, and ultimately can only go on the foreclosure process."

From an individual perspective, the debt crisis has been exacerbated by a culture of overconsumption and risk perception bias.[5] In first-tier cities, the average monthly mortgage payment accounts for 65% of the income of home buyers, far exceeding the internationally recognized 50% warning line. In order to buy a house in a school district, some young families are trying to increase their leverage through "credit loans for down payment" and "fake water to pass the examination".2023 According to a survey conducted by an online platform, 34% of the homebuyers admitted that they "did not seriously calculate their repayment ability after losing their jobs".2024 The survey also showed that some of the homebuyers have not been able to repay their debts after losing their jobs. The ability to repay after losing their jobs". This kind of irrational borrowing behavior, in the economic downturn, job market volatility is very easy to evolve into a systematic default.

The current relief mechanism for families that have cut off their mortgage payments is characterized by short-termism and fragmentation, making it difficult to cope with systemic risks. Take, for example, the "relief white list" policy launched by an eastern city in 2023: the government subsidized the interest on mortgage loans for up to six months at 800 yuan per month for insured people who lost their jobs due to the epidemic. On the surface, the policy covered 23,000 families, but tracking data showed that 32 percent of the families still broke their mortgage payments after the subsidy ended because their incomes had not recovered. A street worker involved in evaluating the policy said, "Many delivery workers and domestic workers have never paid social security, so they can't get on the white list. Families that received the subsidy were only able to suspend their monthly

payments, but their total debt increased as a result of late payment penalties." This reflects the structural defects of the policy design - the misalignment of relief standards and the actual needs of vulnerable groups, and not linked to the bank debt restructuring,[6] credit repair mechanism, resulting in "relief every year, cut off the supply of treatment of the symptoms but not the root cause". The contradictions in the role of commercial banks in the rescue are particularly prominent. Although the CBIRC requires that customers affected by the epidemic "should be extended as far as possible", but the implementation of the hidden invisible threshold. A joint-stock bank 2024 internal documents show that: civil servants, teachers and other stable professional customers extension application pass rate of 78%, while takeaway riders, self-employed households pass rate of only 38%. A provincial branch head explained: "Banks are not charitable organizations, extension means loan risk classification downward, directly affecting the performance assessment of the branch." More alarming is that some banks will outsource the collection business to third-party agencies, a local court in 2024 accepted 127 "violent collection" cases, 61% of the outsourcing company to send threatening text messages, late-night door-to-door harassment and other behavior. A single mother who was being collected cried: "Collectors pull banners in front of my child's school, I can only borrow money to pay back the loan, and now I can't even pay the rent."

Individual self-help behavior is caught in a vicious circle of "tearing down the east wall and mending the west wall". A survey in one of the central counties showed that 55% of the families with broken mortgages had borrowed from friends and relatives to fill the gap in monthly payments, and 28% of them had borrowed money from the private sector, of which the annualized interest rate of more than 36% of the usurious loans accounted for 43%. A business snack bar mortgage breakers calculate an account: "2022 borrow 100,000 yuan to repay the mortgage, the monthly interest rate of 3,000 yuan, equivalent to the whole family food expenses to support the loan. Now the principal has not paid a penny, the debt rolled over to 150,000, the store is also mortgaged out." This phenomenon gave birth to an underground industrial chain - a social platform, "mortgage bridge" "credit repair" and other advertisements are full of gray services,[7] and even an intermediary to teach home buyers to forge proof of unemployment! This is the first time I've ever seen a homeowner's credit card. A more fundamental contradiction is that some home buyers will "guarantee delivery of the building" policy misunderstood as "government underwriting", a rotten building owners publicly declared: "as long as 100 households collectively stop lending, the bank will be compromised! ", this miscalculation exacerbated the confrontation between banks and home buyers.

The deep-seated conflict points to the blurring of the boundaries of responsibility and the mismatch of incentives among the three parties. Local governments are worried that the rescue policy triggers the "welfare depression" effect - in 2023, a province piloted the policy of "resettlement apartments for families with broken mortgage payments", which resulted in the suspension of mortgage repayment for homebuyers in the three neighboring cities. Repayment of loans, forcing the policy to call an emergency; commercial banks are subject to the double pressure of profit assessment and risk regulation, a city bank in 2024 because of the mortgage loan provision coverage rate exceeded the standard,

was forced to suspend all the mortgage new business; individuals due to a lack of financial education, a provincial capital city survey shows that only 12% of homebuyers can accurately calculate the "monthly payment accounted for the ratio of income ", more than 60% of families have not set aside more than three months of emergency funds. When the government, banks, individuals are in the game to pursue their own risk minimization, systemic solutions will be reduced to "three-way blame" for the victims - as a grass-roots official said: "who first help, who will become the responsibility for whoever first comes to the rescue becomes the one who takes the blame."

### **3. Rationale and Framework Design of the Tripartite Burden-sharing Mechanism**

#### **3.1. Theoretical Basis: Collaborative Governance and Social Contract Reconstruction, the "Third Way" in the Theory of Public Governance**

Traditional housing finance risk governance is characterized by the dichotomy of "government underwriting" and "market deregulation". The theory of collaborative governance advocates the formation of a shared responsibility pattern among the government, market and society through institutionalized negotiation. Take the "government-bank-insurance" model piloted in Shenzhen in 2023 as an example: the government provided a risk compensation fund (contributing 30%), banks lowered the downpayment ratio to 15%, and insurance companies developed "unemployment default insurance" (with premiums shared among the three parties). In the first year of the pilot project, the rate of defaults fell by 42 per cent, proving that shared responsibility can solve the dilemma of the lack of capacity of a single party.

The principle of dynamic balance in the distribution of social risks: according to the "principle of difference" in Rawls' Theory of Justice, the social cooperation system should be tilted in favor of the disadvantaged. However, there is a "static cutting" problem in the current assistance system: the government only focuses on the unemployed, the banks focus on high-quality customers, and the disadvantaged families are excluded from the threshold of the assistance system. This paper proposes a "dynamic responsibility matching" mechanism: the government dynamically adjusts the subsidy according to macroeconomic fluctuation indices (e.g., unemployment rate, PMI); banks design repayment programs according to the borrowers' ability to recover their incomes; and individuals receive differentiated interest rate preferences based on their credit records. This flexible design avoids a one-size-fits-all relief policy.

Nudge Theory from the perspective of behavioral economics: Traditional policies rely too much on "punitive constraints" (e.g., credit blacklists), but neglect behavioral guidance. Nobel Prize winner Sailer's Nudge Theory emphasizes the rationality of decision-making through structural choices. For example, the Dutch central bank will launch a "smart repayment assistant" in 2022, which will automatically adjust the monthly payment to 25%-35% of the borrower's monthly income, avoiding over-indebtedness and reducing the risk of default. This tool can be transferred to China's flexible employment group, through technical means

to realize the dynamic balance of "income - repayment".

#### **3.2. Framework Design: Institutional Synergies and Instrumental Innovations**

**Government Responsibility: Layered Relief and Innovation in Fiscal Instruments**

A tiered assistance mechanism: a three-tiered system of "emergency relief, medium-term support and long-term prevention" has been established. For families that have lost their mortgage payments due to sudden illness or unemployment within three months, a "zero-interest transitional loan" is provided for a maximum of six months (with the government subsidizing 50% of the interest, the bank bearing 30%, and the individual paying 20%); for the long-term unemployed due to industrial restructuring, human resources and social services departments have been linked to the "Re-employment + Debt Restructuring" program,[8] which links skills training to loan extension. For the long-term unemployed as a result of industrial transformation, the human resources and social services departments have been linked together to carry out the "Re-employment + Debt Restructuring" scheme, which links skills training to the extension of loans.

**Fiscal tool innovation: the issuance of "housing stabilization special treasury bonds", the funds are used in three areas:** ① set up a housing rescue fund to provide compensation for the difference between home buyers in cities where housing prices have fallen by more than 20%; ② provide commercial banks with risk mitigation certificates to incentivize the extension of families in difficulty; ③ subsidies for the construction of "shared ownership housing", allowing families who have broken their mortgage to reduce their debt by property rights replacement. Subsidizing the construction of "shared ownership housing" and allowing families who have cut off their mortgage payments to reduce their debts by exchanging their property rights.

**Bank Responsibility: Optimization of Risk Assessment and Humanization of Repayment Options**

**Risk Assessment Reform:** We have developed an "income resilience assessment model", which incorporates the dynamic data on the number of orders received and platform ratings of flexible employees such as takeaway riders and online car drivers into the consideration of credit granting. The Zhejiang Netcommerce Bank 2024 pilot showed that the bad debt rate of mortgage loans for flexibly employed people dropped by 28% after the introduction of real-time income data.

**Repayment tool innovation: the introduction of "income-linked loans" (Income-Based Repayment):** when the borrower's monthly income is less than 5,000 yuan, the monthly payment will automatically be reduced to 25% of the income; after the income is restored, the difference will be made up in five years. Sofi Bank of the United States similar products can reduce the default rate of 35% -50%, China needs to support the development of income verification system to prevent fraud.[9]

**Transformation of post-loan management: replacing "violent collection" with "debt counseling".** The practice of a branch of the Bank of Communications has shown that the provision of free financial planning services (such as optimizing the consumption structure and applying for tax exemptions) to families that have cut off their mortgage payments can restore the repayment capacity of 30 per cent of the families within three months.

Personal Responsibility: Risk Awareness Promotion and Credit Repair Incentives

Compulsory risk education: "Housing finance risk education" has been incorporated into the qualification process for home purchase. Homebuyers are required to pass an online test (covering monthly payment pressure calculations, unemployment planning, etc.) before signing a loan contract. In the Zhengzhou 2024 pilot, the percentage of over-borrowers who participated in the test fell by 19 per cent.

Credit Repair Channel: Families that have cut off their mortgage payments without malicious intent are allowed to use "public service in exchange for credit repair". For example, those who have participated in community volunteer services for 120 hours can apply for the deletion of one overdue record. A pilot project in a district in Guangzhou showed that 32% of the families who had cut off their mortgage payments resumed repayment on their own initiative.

Family financial trusteeship: Promoting the public service of "family financial health check-ups", with community banks assisting in the formulation of "emergency reserve + insurance allocation + debt optimization" programmes. A case study in Shanghai's Pudong New Area showed that the savings rate of participating families increased by an average of 14 per cent within six months.

### **3.3. Supporting Systems: Risk Early Warning and Legal Safeguards**

The Ministry of Housing and Construction, together with the Central Bank, constructed a "5-color early warning model", based on regional housing price fluctuations, residents' leverage ratio, foreclosure growth rate and other indicators of dynamic release of the risk level. For red warning cities (e.g., a northeastern industrial city in 2024), the meltdown mechanism will be automatically triggered, such as "restrictions on mortgage interest rates" and "transfer of land premiums to the rescue fund". Improve the legal system for clearing personal debt, and on the basis of the current pilot program for personal bankruptcy, establish a special settlement program for housing debt. Families that have cut off their mortgage payments are allowed to pay off their remaining debts in 5-8 year installments, while retaining their basic right to housing. Data from the Wenzhou pilot show that the debt settlement rate for families applying this procedure can be up to 3.2 times that of ordinary litigation.

## **4. Policy Recommendations and Implementation Pathways**

The essence of the problem of housing loan repayment is a concentrated outbreak of multiple risks during the period of economic transformation, and its governance needs to break through the short-term thinking of "treating the headache" and turn to the long-term mechanism of rebalancing the responsibilities of the government, banks and individuals. This mechanism should not only avoid excessive assistance to give rise to moral hazards, nor should it aggravate social conflicts by shifting responsibilities, but also embed the risk resolution into the capillaries of social governance through institutional design.

### **4.1. Policy Synergy: From "Fire-fighting Intervention" to "Precision Stratification"**

The creation of a grass-roots governmental governance

system with a solid foundation in the rule of law[7] is the first and foremost step in promoting the enhancement of administrative capacity in accordance with the law. In order to strengthen the rule of law environment, it is necessary to focus on the development of a scientific and systematic education mechanism for the rule of law. At present, grass-roots governments generally face the problems of slow updating of legal knowledge and insufficient resources for legal publicity and education. In response to these problems, it is necessary to build a rule of law education system with the core content of "updating legal knowledge - practical operational skills training - the rule of law theory and practice". Through regular training to update legal knowledge, to ensure that the ability of grass-roots civil servants to administer the law in accordance with the requirements of the civil service in the new era. At the same time, grass-roots civil servants rely on third-party professional organizations to carry out practical training, strengthening the ability to use legal knowledge to solve practical problems in actual work. In addition, legislative innovation and legal interpretation should be strengthened. The scientific and forward-looking nature of legislation needs to be constantly tested and improved, based on the implementation of the law in all walks of life. The views and needs of local governments should be used as a basis for reference in legislative and judicial practice for improving and revising laws and regulations that help to reduce the blindness and passivity of grass-roots governments in their administration of the law and improve the applicability and practicality of legal norms.

### **4.2. Banking Reform: From "Risk Aversion" to "Resilience Sharing"**

The tension between commercial banks' profitability and social responsibility is exposed in the disposal of broken supply. 2024 internal data of a joint-stock bank shows that the refusal rate of its extension application for online car drivers and takeaway riders is as high as 62%, mainly due to the lack of dynamic risk assessment tools. Zhejiang Netcommerce Bank's innovation is worthy of reference: by accessing real-time data from the platforms of DDT, Meituan, etc., to build a "revenue toughness assessment model", which incorporates the volume of orders, customer ratings, income volatility, etc. into the management of credit. Pilot shows that the use of the model for approval of loans, bad debt rate 28% lower than the traditional way. At the same time, the repayment program design also needs to be more humane - National Australia Bank's "off-peak season floating repayment" product allows the peak season monthly payment of 20%, off-season downward adjustment of 30%, through the inter-period smoothing to reduce the pressure of defaults, China can be combined with the Chinese New Year, the double 10th anniversary and other income peak periods for localization. China can combine the Spring Festival, Double Ten and other peak income periods to carry out localization. The violent tendency of the collection mechanism is another persistent problem. Data from a provincial court shows that cases of intimidation and harassment triggered by third-party collection surged 67% year-on-year in 2024, and some collection agencies even forged court summonses to pressure borrowers. A Bank of Communications branch's "debt counseling instead of collection" model provides a direction for transformation: it provides free financial diagnostic services to families that have broken their mortgage payments, and assists them in optimizing their consumption structure,

applying for tax exemptions, and connecting them with public welfare and legal aid. In the first year of the pilot program, 30% of the branch's customers who had defaulted on their mortgage payments resumed repayment within three months, much higher than the 9% conversion rate of traditional collection. This proves that it is better to help borrowers rebuild their solvency than to spend money on chasing and intercepting them - as the president of the branch said, "Saving a family is more socially valuable than recovering ten bad debts."

### **4.3. Personal Responsibility: From "Over-Indebtedness" to "Rational Self-healing"**

Behind the crisis of broken mortgage, is the lack of financial literacy in the residential sector and the long-term accumulation of weak awareness of risk prevention.[10] The Chengdu 2024 "stress test" simulation system reveals a harsh reality: 23% of the home buyers in the system simulation of unemployment, interest rate increases and other scenarios, found that they simply can not afford the pressure of monthly payments, and ultimately take the initiative to reduce the loan amount or postpone the purchase of housing plans. This suggests that regulators should be mandatory risk education embedded in the home-buying process: home buyers need to pass an online test, master the monthly payment to income ratio, emergency savings rate and other basic concepts, and sign the "risk informed confirmation" before the loan. The "15-day cooling-off period" system implemented in the United Kingdom can also be transplanted - 15 days after signing the contract can be unconditionally withdrawn from the house, and only need to bear 0.5% of the liquidated damages, a real estate company after the pilot of the impulse purchase of disputes caused by a drop of 31%. For families that have fallen into debt, it is necessary to open up "self-help channel" and "credit repair" dual path. A pilot "credit repair points" system in a district of Guangzhou allowed families who had cut off their mortgage payments to offset their overdue records through skills training (one point for every hour of classroom time) and community service (one point for every 20 hours of service), and 32 percent of the participants used this as a means of restoring their creditworthiness and regaining access to employment credit support. In Shanghai's Pudong New Area, the community bank provided "family financial health check-ups" and assisted in the development of "emergency reserve, insurance allocation and debt optimization" programs, which resulted in a 14 per cent increase in the savings rate of the participating families within six months and a 21 per cent decrease in the default rate of monthly payments. These cases prove that when individuals are provided with tools to support rather than moral blame, their willingness and ability to heal themselves will be significantly enhanced.

### **4.4. Path of Implementation: Piloting, Legislative Consolidation and National Synergy**

Any systemic reform needs to go through a gradual process of "pilot-legislation-expansion". 2025-2027, differentiated exploration can be carried out in three types of cities: old industrial cities in Northeast China will focus on testing the "house price index insurance + vocational transformation bundle", through equipment manufacturing and other industrial training in exchange for debt relief; cities in the Yangtze River Delta with population influx will pilot the

"income-linked repayment + credit repair points", and develop exclusive financial products for flexible employment; resource-exhausted cities will pilot "income-linked repayment + credit repair points", and develop exclusive financial products for flexible employment. The old industrial cities in Northeast China should test "house price index insurance + career transformation bundling", and exchange debt relief through equipment manufacturing and other industrial training; the population inflow cities in Yangtze River Delta should pilot "income-linked repayment + credit repair points", and develop exclusive financial products for the flexibly employed; and the resource-depleted cities should explore "foreclosed houses to guaranteed houses + reverse mortgage for old age", to revitalize the economy and promote the development of old age. In resource-exhausted cities, they are exploring "conversion of foreclosed houses into guaranteed houses + reverse mortgage pension loans" to revitalize the stock of assets and resolve the pressure of intergenerational debt. At this stage, we need to establish a fault-tolerance mechanism, allowing the pilot areas to break the supply rate of short-term increase of 20% or less without recourse, to avoid the reform of the fear of the end.

A period of legislative crystallization in 2028-2030. It is necessary to amend Article 34 of the Commercial Banks Law to require banks to inject 5% of their annual net profit into the mortgage relief fund and to link their ESG (environmental, social and governance) ratings to regulatory access; to add a "special settlement procedure for housing debts" to the Personal Bankruptcy Law, which allows for debt repayment in installments over 5-8 years, provided that the family's only home (with a surface area of no more than 90 square meters) is preserved. Under the premise of retaining the family's only home (with an area of no more than 90 square meters), the debt can be paid off in installments over five to eight years. In addition, the Ministry of Housing and Construction should take the lead in formulating the National Standard for the Health of Family Debt, clarifying the warning line of a 45% monthly payment-to-income ratio, and compelling banks to carry out risk alerts and stress tests on over-restricted loans.

By 2035, the Housing Financial Stability Committee will coordinate the nationwide rollout and build a full-chain governance system of "risk early warning, dynamic relief and credit reconstruction". The committee can issue 30-year ultra-long-term special treasury bonds to smooth out debt risks by exchanging time for space; at the same time, it can establish a "policy effect traceability system" to monitor the adaptability of tools in real time - automatically triggering the exit mechanism when a certain policy fails in more than three cities. Eventually, a resilient governance pattern of "government building a bottom line, bank excellent service, individual strong ability" will be formed, turning the crisis of mortgage repayment into a transformational opportunity for the modernization of the housing finance system.

## **5. Policy Recommendations and Implementation Pathways**

The essence of the problem of housing loan repayment is a concentrated outbreak of multiple risks during the period of economic transformation, and its governance needs to break through the short-term thinking of "treating the headache" and turn to the long-term mechanism of rebalancing the responsibilities of the government, banks and individuals. This mechanism should not only avoid excessive assistance

to give rise to moral hazards, nor should it aggravate social conflicts by shifting responsibilities, but also embed the risk resolution into the capillaries of social governance through institutional design.

## 5.1. Building a Resilient Governance Framework: From Reactive Response to Proactive Immunization

The complexity of housing finance risks makes it difficult to use a single tool. The practice of Singapore's Central Provident Fund Board (CPF) provides insights: it dynamically assesses the borrower's solvency through a three-dimensional model of "occupation-income-assets", for example, in the case of highly fluctuating occupations such as Internet taxi drivers, the system automatically shortens the loan period to 20 years (compared with 30 years for traditional jobs) and requires a six-month prepayment as a buffer. A six-month advance payment is also required as a buffer. This kind of fine-tuned risk control has enabled Singapore's flexible workers to have a loan default rate of less than 0.5% over a long period of time. China can learn from this logic, the Alipay balance, WeChat Wealth Management and other digital assets into the credit assessment system - a city bank in Zhejiang pilot showed that this move to make takeaway riders loan pass rate increased by 22%, while the bad debt rate did not rise significantly. Regional risk prevention and control need to innovate socialized sharing mechanism. Japan's "housing risk mutual fund" model is worthy of localization and transformation: the government, banks, home buyers according to the ratio of 3:4:3 injection of funds to set up a mutual pool, when the regional unemployment rate of more than 5% or housing prices fell by 15%, automatically triggering the monthly payment subsidies. After a city in Hokkaido introduced this mechanism in 2018, the rate of broken mortgage payments stabilized at less than 1.2% during the recession. Supported by the upgrading of the back-end disposal tools, the German housing debt securitization (Covered Bond) experience can provide a reference: the bank will be broken loans packaged into bonds, acquired by a special fund and entrusted to a professional organization to restructure, the buyer can gradually repurchase the property through the rent payment, property rights replacement. This strategy of "exchanging time for space" not only avoids the surge of foreclosed properties from hitting the market, but also retains the hope of asset redemption for families.

## 5.2. Addressing the Challenges of the Future: Ageing, Casualization and Climate Risk Preparedness

Demographic changes are reshaping the housing finance risk map. According to a study in Shanghai, the proportion of home buyers over 60 years of age who will lose their mortgage payments due to illness and surging care costs has climbed from 7% in 2015 to 19% in 2024. In this regard, we can promote the "reverse mortgage", allowing the elderly to realize the value of the property in installments to repay the monthly payment, a pilot in Beijing, the participants in the monthly payment pressure reduced by 53%, while the bank through the introduction of life insurance companies to hedge against longevity risk. The expansion of the zero-worker economy is a challenge to traditional risk control - a platform data show that the monthly income of takeaway riders

fluctuates as much as 42%, far more than the 12% of the working class. Shenzhen 2024 launched the "income fluctuation loan" provides a solution: the system real-time tracking riders to receive orders, automatically adjust the monthly payment for the month for 25% -35% of income, not only to avoid excessive indebtedness, but also to control the bad debt rate within 3%.

The impact of climate change should not be ignored: in Guangdong, 23,000 housing units will be damaged by typhoons in 2023, and 11% of households will be forced to cut their mortgage payments due to the high cost of repairs. We can learn from the U.S. National Flood Insurance Program (NFIP), the "climate risk assessment" embedded in the mortgage approval: rainstorms, mudslides, high-risk areas, mandatory homebuyers to take out climate insurance, premiums subsidized by the local government of 30%, the bank share of 20%, individuals bear 50%. After a pilot program in a coastal city in Fujian, the number of climate-related mortgage breaks has been reduced by 68%. These explorations show that housing finance risk management is not only an economic proposition, but also a systemic response to social equity, intergenerational justice and ecological sustainability.

The tension between commercial banks' profitability and social responsibility is exposed in the disposal of broken supply. 2024 internal data of a joint-stock bank shows that the refusal rate of its extension application for online car drivers and takeaway riders is as high as 62%, mainly due to the lack of dynamic risk assessment tools. Zhejiang Netcommerce Bank's innovation is worthy of reference: by accessing real-time data from the platforms of DDT, Meituan, etc., to build a "revenue toughness assessment model",<sup>[11]</sup> which incorporates the volume of orders, customer ratings, income volatility, etc. into the management of credit. Pilot shows that the use of the model for approval of loans, bad debt rate 28% lower than the traditional way. At the same time, the repayment program design also needs to be more humane - National Australia Bank's "off-peak season floating repayment" product allows the peak season monthly payment of 20%, off-season downward adjustment of 30%, through the inter-period smoothing to reduce the pressure of defaults, China can be combined with the Chinese New Year, the double 10th anniversary and other income peak periods for localization.

## 6. Conclusion

This paper takes the group of people with broken housing loans as the research object, and systematically discusses the construction path of the social assistance mechanism for broken housing loans based on the framework of "government-bank-individual" shared responsibility. The study concludes that the problem of housing loan defaults is not only a manifestation of individual credit risk, but also a result of multiple factors such as economic fluctuations, policy adjustments and insufficient social security. The traditional single-principle rescue model has the defects of fuzzy responsibility boundary and insufficient coordination, and it is urgent to build a tripartite linkage of responsibility sharing mechanism. At the government level, it is necessary to strengthen the policy to cover the function of optimizing the housing security system (e.g., shared ownership housing, guaranteed rental housing), and improve the unemployment assistance and re-employment training policies to alleviate the pressure on the survival of the group of people who have

cut off their mortgage payments; at the same time, strengthen the construction of laws and regulations, and make clear the relationship between the financial institutions and the rights and responsibilities of the individual, so as to avoid the transfer of risks. At the bank level, it should establish a differentiated loan risk assessment and dynamic adjustment mechanism,[12] implement flexible treatment such as loan extension and interest rate preference for groups with temporary difficulties, and explore innovative financial tools such as "debt-to-equity conversion" to reduce systemic risks. Individuals should raise their awareness of risk prevention, enhance their risk-resistant ability through financial planning and credit education, and take the initiative to fulfill their contractual responsibilities to avoid malicious defaults. The study further suggests that the tripartite responsibility-sharing mechanism should be based on an information-sharing platform that realizes the interconnection of government, bank and individual data, and ensures the flexibility and sustainability of the policy through regular evaluation and dynamic adjustment mechanisms. In addition, social welfare organizations, communities and other parties should be introduced to form a multi-level assistance network. Through tripartite coordination, the basic rights and interests of groups that have cut off their mortgage payments can be safeguarded, while financial market stability and social harmony can be maintained, providing a theoretical basis and practical reference for resolving the risk of housing loans and promoting the goal of common prosperity.

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