

## **Paper for Legislative Council Panel on Housing**

### **Review of quota for non-elderly singletons** **under Home Starter Loan Scheme**

#### **Purpose**

This paper seeks Members' views on a proposal to adjust the quota for non-elderly singletons under the Home Starter Loan Scheme (HSLs) from now until the expiry of the approved provision for the Scheme in March 2002.

#### **Background**

2. The HSLs was introduced in 1998 to provide low-interest loans to assist first-time home buyers, who may lack sufficient financial ability to pay down-payments, to fulfil their aspiration for home ownership.

3. The Housing Society is the implementation agent of the Scheme. Loans of \$600,000 or up to 30% of property price, whichever is the lower, are offered to qualified applicants. A summary of the eligibility criteria under the HSLs is at **Annex A**.

4. The Government decided in 1999 to introduce measures to address the housing needs of non-elderly singletons through the agency of the Housing Authority and the Housing Society. These measures included the provision of no fewer than **500 loans** a year to non-elderly singletons<sup>1</sup> under the HSLs, with a total loan amount of **\$150 million** a year.

5. Since the HSLs was extended to singletons in December 1999, over 8 600 applications have been received (**Annex B**). This has far exceeded the combined quota for 1999-2000 and 2000-01 (i.e. around 1 000). There is demand for an increase in the number of loans.

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<sup>1</sup> Non-elderly singletons are defined as singletons aged 18 to below 60.

## Review of quota

6. We have reviewed the quota for non-elderly singletons under the HSLs, and have taken into account the original rationale for extending housing assistance to non-elderly singletons –

- (a) singletons have the same need for housing assistance as family households and suitable measures should be taken to address their needs; and
- (b) providing home ownership assistance to singletons will also contribute towards home ownership.

7. In our review, we have also taken into account the following –

- (a) while the response from singletons to the HSLs was overwhelming in the first few months, the rate of application has stabilised at an average of about 350 per month; and
- (b) following the extension of HSLs, other subsidised home ownership schemes have also become accessible to singleton applicants. In recent phases launched under these schemes, about half of the applications were received from singletons<sup>2</sup>.

8. Taking these factors into account, we estimate that about **2 000** loans (in addition to the approved annual quota of 500) will be required in 2000-01, and about **600** additional loans required in 2001-02 in order to satisfy demand, making a total of an additional quota of about **2 600** loans (detailed calculation at **Annex C**).

9. While the above represents our assessment at present, actual demand will vary with short-term fluctuations as the market is dynamic and the take-up pattern of HSLs singleton applicants may change. We

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<sup>2</sup> A singleton applicant may apply for more than one or even all the schemes for which he is eligible. He has an option to apply for a Sandwich Class Housing Scheme flat. He may also be eligible for Home Ownership Scheme/Private Sector Participation Scheme and Home Purchase Loan Scheme if his income is below \$15,500 and asset not exceeding \$350,000.

therefore recommend that **the Secretary for Housing be given the authority and the flexibility to approve any adjustment of the loan quota for singletons until the expiry of the current HSLs in March 2002**, having regard to prevailing demand and market conditions and subject to the original intent of the scheme not being compromised, i.e. –

- (a) at least 6 000 loans, each not exceeding \$600,000, will be available each year for family applicants under the HSLs;
- (b) not fewer than 500 loans for singleton applicants will be provided each year; and
- (c) the total allocation of \$18 billion for the HSLs will remain unchanged.

### **Financial implications**

10. **No additional financial resources will be required.** The Finance Committee approved in January 1998 an allocation of \$18 billion for the HSLs, with \$3.6 billion to finance 6 000 HSLs loans for family applicants in each financial year. In July 1998, the Finance Committee approved an increase in drawdown for 1998-99 under the HSLs from \$3.6 billion to \$7.2 billion. Under current arrangements, any unspent provision under the HSLs in one year may be carried forward to the following year until the expiry of the scheme in 2001-02.

11. The provision of HSLs loans for non-elderly singletons is subject to an allocation of \$150 million a year. Approval of the Finance Committee will need to be sought to lift this cap so as to enable the proposed adjustments in loan quota by the Secretary for Housing, as proposed in paragraph 9 above.

12. Although the maximum loan amount for family applicants is capped at \$600,000, the average loan amount drawn by individual family recipients is about \$530,000. As a result, there is an unused balance of \$1,260 million for the years 1998-99 and 1999-2000, which is sufficient to finance additional loans for singletons of \$300,000 each.

## **Way Forward**

13. We intend to seek the approval of the LegCo Finance Committee on the proposal set out in paragraph 9 on 1 December 2000.

**Housing Bureau  
Government Secretariat  
October 2000**

**Eligibility Criteria for Home Starter Loan Scheme**

**Family Applicants**

1. Total family income must not exceed \$60,000.
2. The family should not own total disposable assets of more than \$1.2 million.
3. All family members included in the application must not have owned any residential properties in Hong Kong within a period of 120 months prior to the date of application and up to the date of issuance of a “Certificate of Eligibility”.
4. All family members included in the application must not be tenants/owners/authorised occupants of Government subsidised housing units. They must not have enjoyed or are enjoying home purchase assistance offered by the Government.

**Non-elderly Singleton Applicants**

1. Total income must not exceed \$22,000.
2. Total disposable assets must not exceed \$400,000.
3. The applicant must not have owned any residential properties in Hong Kong within a period of 120 months prior to the date of application and up to the date of issuance of a “Certificate of Eligibility”.
4. The applicant must not be a tenant of a public housing unit or an authorised occupant of Home Ownership Scheme unit. He/She must not have enjoyed or is enjoying home purchase assistance offered by the Government.

**Home Starter Loan Scheme**  
**Applications received from singleton households**

<b>Month</b>	<b>No.</b>
December 1999	5 318
January 2000	999
February 2000	370
March 2000	362
April 2000	313
May 2000	372
June 2000	354
July 2000	218
August 2000	378
<b>Total</b>	<b>8 684</b>

Monthly  
average is  
about 350  
applications

**Assessment of the loans required for  
non-elderly singletons under HSLs for 2000-01 to 2001-02**

**A. Estimated no. of loans required up to 31.3.2001**

(a)	Existing no. of applications (as of 31.8.2000)	8 684
(b)	Estimated no. of applications for the remaining months of 2000-01	2 450 (350/month x 7 months)
(c)	Total no. of applications up to 31.3.2001 [i.e. (a) + (b)]	11 134
(d)	Eligible applications [i.e. 54% x (c)]	6 012 (11 134 x 54% (eligibility rate <sup>1</sup> ))
(e)	Estimated no. of HSLs loans that will be taken up [i.e. 50% x (d)]	3 006 (say 3 000) (6 012 x 50% (take-up rate <sup>2</sup> ))
(f)	Total loan quota currently available [i.e. combined quota for 1999-00 and 2000-01]	1 000 (500 + 500)
(g)	Additional loans required [i.e. (e) – (f)]	<b>2 000</b>

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<sup>1</sup> The eligibility rate of the family applicants in the completed Phase One of the HSLs is 54%.

<sup>2</sup> The take-up rate by singleton applicants is about 50%.

**B. Estimated no. of loans required for 2001-02**

(h)	Estimated no. of applications	4 200 (350/month x 12 months)
(i)	Eligible applications [i.e. 54% x (h)]	2 268 (4 200 x 54%)
(j)	Estimated no. of HSLs loans that will be taken up [i.e. 50% x (i)]	1 134 (say 1 100) (2268 x 50%)
(k)	Existing loan quota for 2001-02	500
(l)	Additional loans required [i.e. (j) – (k)]	<b>600</b>

**C. Total additional loans required for 2000 to 2002**  
**[A+B]** **2 600**