

Legislative Council Panel on Housing

**Access of Past Beneficiaries of
Subsidised Home Ownership Schemes to
Public Rental Housing**

Purpose

Further to LC Paper No. CB(1) 429/01-02(06) on relief measures for property owners in negative equity provided by the Housing Authority, this paper sets out our responses to Members' suggestions concerning the restriction on past beneficiaries of subsidised home ownership schemes for application for public rental housing.

Rationale of the Restriction

2. Subsidised home ownership schemes¹ are designed to assist households who cannot afford private-sector accommodation to buy their own homes and to encourage financially better-off public housing tenants to give up heavily subsidised rental flats after achieving home ownership. The subsidy and assistance provided for these households take many forms, either singularly or in combination, as follows :

- (a) concession on land premium allowing beneficiaries to buy flats at reduced market price;
- (b) favourable mortgage terms (e.g. mortgage loans up to 95% of selling price at discounted interest rates) with the Housing Authority providing guarantee on default repayment and buy-back guarantee;
- (c) provision of monthly mortgage subsidy amounting to \$162,000 payable over six years for beneficiaries of the Mortgage Subsidy Scheme or Buy-or-Rent Option;

¹ Subsidised home ownership schemes include the Home Ownership Scheme / Private Sector Participation Scheme, the Sandwich Class Housing Scheme and Loan Scheme, the Flat-for-Sale Scheme, the Home Starter Loan Scheme, the Home Purchase Loan Scheme, the Mortgage Subsidy Scheme and Buy or Rent Option.

- (d) interest-free down-payment loans or 48-month cash mortgage subsidy for beneficiaries of the Home Purchase Loan Scheme; or
- (e) down-payment loans with favourable repayment terms (e.g. discounted interest rate with three-year repayment holiday) for beneficiaries of the Home Starter Loan Scheme.

These arrangements enable beneficiaries of various subsidised schemes to achieve home ownership when they cannot afford comparable private-sector accommodation. Whether they decide subsequently to continue to live in their flats or sell them after re-payment of premium to Government should not negate the assistance they have obtained under these schemes. It should also be noted that for loan or mortgage subsidy recipients, repayment of the interest or cash subsidy is not required upon flat disposal.

3. Members have expressed concern that this restriction has been inconsistently applied to beneficiaries of different public housing programmes, given that ex-tenants of public rental housing and buyers of Tenants Purchase Scheme flats can re-gain access to public rental housing whenever they wish. However, the natures of assistance for rental housing tenants and home ownership scheme recipients are different. Tenants of public rental housing may give up their tenancy for any reason even if they continue to sustain residual housing needs which are recognised. On the other hand, subsidised home ownership schemes are aimed at addressing the long-term housing needs of their recipients. Once become home owners, beneficiaries of these schemes should have no further need for housing assistance unless there are drastic changes to their financial or family circumstances. As provision of public housing is based primarily on need, ex-tenants of public rental housing should therefore be allowed to apply for public housing again if they prefer and remain qualified.

4. For Tenants Purchase Scheme flat owners, reversion to tenant status is only allowed upon Social Welfare Department's recommendation for compassionate rehousing. This arrangement operates along the same principle as the current restriction on access of past beneficiaries of subsidised home ownership schemes to public rental housing.

5. There are still some 97 000 live applications on the Waiting List who have not yet received any form of subsidised housing. As past beneficiaries of subsidised home ownership schemes have already been given a chance to acquire homes of their own and many of them had in fact stayed in

public rental housing before joining these schemes, they should make their own housing arrangement if they choose to dispose of their properties. In particular, some of them have made profits out of the sale. In the interest of equity and effective use of the community's public resources, we should avoid creating unnecessary recurrent dependence on public rental housing.

Assistance to Households in Hardship

6. We are aware that some beneficiaries of subsidised home ownership schemes are facing financial difficulties such as unemployment, loss of bread-winner or other adverse changes to family circumstances, which are beyond their control. As a result, they have to sell their flats. We address their resultant housing needs through two mechanisms :

(a) ***Discretionary arrangement through the Housing Department***

The Housing Department adopts a sympathetic approach in processing the applications of past beneficiaries of subsidised home ownership scheme for public rental housing. The following are examples of some of the circumstances justifying an **application on special ground** :

- (i) bankruptcy;
- (ii) financial hardship resulting in need for Comprehensive Social Security Assistance;
- (iv) adverse changes to family circumstances such as divorce, death of bread-winner, etc.; and
- (v) households beset with medical and social problems but not to the extent of eligibility for compassionate rehousing.

These arrangements have been widely promulgated among Housing Department's frontline staff. Applications are considered by the Housing Department at a senior level to ensure that households with genuine housing needs are given the requisite assistance, while safeguarding the rational and fair allocation of public housing resources.

(b) ***Compassionate rehousing through Social Welfare Department***

Households suffering from exceptional hardship on medical or social grounds can apply to the Social Welfare Department for

immediate rehousing in public rental housing.

Proposed Relaxation of the Restriction

7. Some Members have suggested relaxation of the restriction. We have reservation with unconditional relaxation, which may give rise to recurrent or multiple claims to public housing benefits. We remain of the view that only beneficiaries beset with hardship, financial or otherwise, which prevents them from continued home ownership should be allowed repeated public housing benefits. The current discretionary arrangements should be sufficient in providing an effective safety net to address these special needs.

Housing Department
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