

Legislative Council Panel on Housing

**Proposed merging of the Home Purchase Loan Scheme
and the Home Starter Loan Scheme**

Purpose

This paper briefs Members on a proposal to merge the Home Purchase Loan Scheme (HPLS) (operated by the Hong Kong Housing Authority (HA)) and the Home Starter Loan Scheme (HSLs) (administered by the Hong Kong Housing Society (HS) as the Government's agent) to become a new loan scheme.

Background

2. On 3 September 2001, the Chief Secretary for Administration made a policy statement on housing, requesting the HA to work together with the Government to address, among other things, the eligibility criteria for home ownership assistance including income and asset limits. In this context, we have also reviewed the two existing home ownership loan schemes, i.e. the HPLS and the HSLs. The main features of the two schemes are summarised at **Annex**. Under the existing arrangements, the HSLs will lapse on 31 March 2002.

3. The review has pointed to a need to streamline the two schemes. The following observations are relevant –

HSLs

- (a) there is an overlap between the clientele of the two loan schemes, namely, White Form (WF) applicants under the HPLS who are also eligible to apply under the HSLs (provided that they meet the 10-year no property rule);

- (b) the eligibility criteria under the two schemes are different. There is a need to synchronise revisions to the eligibility criteria under the two schemes;
- (c) there are differences in operational practices under the two schemes. It is desirable to minimise such differences;

HPLS

- (d) the size of the HPLS quota is determined by the HA annually, taking into account, among other things, HA's financial position. Quota levels in recent years have fluctuated widely;
- (e) within the annual quota, the split between the quota for Green Form (GF) applicants and that for WF applicants is irregular. In March 2001, the HA decided to exclude WF applicants from the HPLS during 2001-02;
- (f) the loan ceiling for GF applicants is set with reference to 30% downpayment and related transaction costs needed to acquire a flat with specified characteristics⁽¹⁾, whereas the loan ceiling for WF applicants is lower and is set at a level equivalent to 20% of downpayment. Since WF applicants acquire flats from the private sector, they generally incur higher housing expenditure than GF applicants (who may use the loan to purchase from either the Home Ownership Scheme (HOS) secondary market or the private sector). There is a case to increase the loan ceiling for WF applicants; and
- (g) the provision of housing loans is an increasingly significant component of the Government's provision of annual housing assistance opportunities. There is a need to systematise the annual provision of home ownership loans on a longer term basis.

⁽¹⁾ The current eligibility criteria for the HOS and HPLS are determined with reference to owning a typical 10-year old private flat of 40 m² saleable area in the extended urban area or in the New Territories.

4. Our initial conclusion is that the HSLs and the HPLS should be streamlined and merged to become a new, unified scheme.

Objective of the new scheme

5. It is the Government's policy objective to help all households gain access to affordable housing and to encourage home ownership in the community. The new scheme is intended to meet the demand for home ownership by providing housing assistance opportunities in the form of housing loans to eligible lower and middle income families towards downpayments and related home purchase expenses. The new scheme will continue to help the HA and the HS to re-allocate rental flats from existing and prospective tenants to applicants on the Waiting List for public rental housing.

Key features

6. The new scheme may have the following main features –
- (a) **eligibility criteria** – the relevant features of the HPLS, revised to take into account the outcome of the recent review of the eligibility criteria for HOS, will generally be adopted. The new scheme may have a second set of (higher) income and asset limits to accommodate those middle income applicants who are eligible under the HSLs;
 - (b) **agent** – we propose a single implementing agent. This will ensure consistency in operational policies, processing practices and application procedures. Since many of the target applicants (in particular GF applicants) are currently captured in the Housing Department (HD)'s database, and since the HD already has the infrastructure for processing loan applications, we propose that the HA/HD should be the implementing agent. (After March 2002, the HS will continue to manage the operational details of outstanding existing HSLs loans);

- (c) **funding arrangement** – all loans will be funded by the HA. The Government will take into account the additional financial implications for the HA in the context of the review of the financial and administrative arrangements between the Government and the HA; and

- (d) **quota** – we initially aim to provide an average of about 15,000 loans each year.

**Housing Bureau
Government Secretariat
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**Key Features of Home Purchase Loan Scheme and
Home Starter Loan Scheme
(as at 1.2.2002)**

Key Features	Home Purchase Loan Scheme	Home Starter Loan Scheme
<u>Monthly income limit</u>	Green Form ⁽¹⁾ – no income limit;	\$50,000 (family)/ \$20,000 (singleton).
	White Form ⁽²⁾ – \$25,000 (family)/\$12,500 (singleton).	
<u>Asset limit</u>	Green Form – no asset limit;	\$1,000,000 (family)/ \$350,000 (singleton).
	White Form – net assets not exceeding \$600,000 (family)/\$300,000 (singleton).	
<u>Property ownership restriction</u>	Green Form – no restriction;	Must not have owned domestic property in Hong Kong for the past ten years.
	White Form – must not have owned domestic property in Hong Kong for the past two years.	
<u>Loan amount</u>	Green Form – \$660,000 (repayable in 13 years) or \$500,000 (repayable in 20 years) for family applicants. Applicants may opt for a monthly subsidy of \$4,200 for four years (no need to repay). Singleton applicants will receive half the loan/monthly subsidy amount;	\$600,000 (family)/ \$300,000 (singleton) or 30% of flat price, whichever is lower.

White Form – \$410,000 (repayable in 13 years) or \$310,000 (repayable in 20 years) for family applicants. Applicants may opt for a monthly subsidy of \$2,800 for four years (no need to repay). Singleton applicants will receive half the loan/monthly subsidy amount.

Interest charged on loans

Nil.

For family: 2% for those with income not more than \$25,000 per month, 3.5% for those with income between \$25,001 and \$50,000 per month;

For singleton: 2%.

Repayment

Repayable over the same period as the bank mortgage on the property, up to a maximum of 20 years.

Repayable in ten years starting from the fourth year after the loan is made⁽³⁾.

Notes

- (1) Green Form applicants refer to existing public rental housing tenants or Green Form Certificate holders (e.g. authorised residents in Cottage Areas and Interim Housing and prospective rental housing tenants on the Waiting List).
- (2) White Form applicants refer to those who are subject to the income and asset limits, and the “no property” restriction.
- (3) One of the Administration’s proposed relief measures to assist HSLS loan recipients with proven financial difficulties is to allow them to suspend loan repayment for a maximum of 12 months provided that the deferral period does not exceed the original loan repayment period.