

Information Paper for Legislative Council Panel on Housing

Relief Measures Implemented by the Housing Authority for Owners whose Properties have become Negative Equity

Purpose

This paper informs Members of the recent relaxation of the restriction of no domestic property ownership 24 months prior to application of public rental housing and the existing arrangements available to recipients of subsidized home ownership schemes who have to give up their flats due to financial hardship.

Relaxation of 24-Month No Property Restriction

2. Since 1983 domestic property owners have been debarred from applying for public rental housing. In 1994, this restriction was extended to cover the 24-month period immediately preceding the application. The aim was to prevent property speculators from resorting to public housing even after getting windfall from a booming property market, as the Comprehensive Means Test imposing limits on both income and assets had not then been introduced.

3. Since 1997, private domestic property price has dropped significantly. Some property owners was, as a result of economic downturn, unable to continue with their mortgage payment. Some of them may have to sell their property even at a loss and subsequently need housing assistance. To meet their housing need, the Housing Authority has recently waived the 24-month restriction period of domestic property ownership for application for public rental housing, subject to their meeting the income and asset eligibility criteria and other Waiting List requirements. We estimate that with this waiver, around 1 000 applicants will be able to register on the Waiting List for public rental housing annually upon disposal of their properties.

Arrangements for Recipients of Subsidized Home Ownership Scheme

4. An owner, of private-sector or subsidized home ownership scheme flats alike, may dispose of his domestic property for many different reasons. Some may sell their flats for personal reasons unrelated to adverse financial circumstances. The Housing Authority's current buy-back policy and Secondary Market Scheme without immediate payment of premium have given

Home Ownership Scheme flat owners a price guarantee for selling back the flats to the Housing Authority as well as more flexibility in disposing them.

5. To safeguard the rational allocation of public housing resources and to prevent double housing benefits, past beneficiaries of the Home Ownership Scheme and the Home Purchase Loan Scheme are normally not allowed to apply for public rental housing after sale of their flats. However, the Housing Department will exercise flexibility in accepting applications from past recipients of subsidized home ownership schemes for public rental housing on special grounds, e.g. adverse changes to family or financial conditions. Households suffering from exceptional hardship on medical or social grounds can also obtain public rental housing immediately through compassionate rehousing upon recommendation of the Social Welfare Department.

Housing Department
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