

Legislative Council Panel on Housing

Home Assistance Loan Scheme

Purpose

This paper informs Members of the introduction of a new Home Assistance Loan Scheme to replace the existing Home Purchase Loan Scheme and the Home Starter Loan Scheme.

Background

2. At the meeting of the Panel on 4 March 2002, we consulted Members on a proposed new loan scheme to replace the Home Purchase Loan Scheme and the Home Starter Loan Scheme in order to streamline and rationalize their operations. A single loan scheme will remove any confusion arising from the co-existence of two separate loan schemes with different repayment terms and eligibility criteria. Like the existing schemes, the new scheme aims to provide home purchase assistance towards down-payment and related expenses to those who cannot afford to buy a suitable flat in the private market, and to encourage better-off public housing tenants to vacate their rental flats for re-allocation to those in need.

3. Members suggested that the eligibility criteria for the new loan scheme should be carefully formulated so that such housing assistance is only provided to those who cannot afford private sector accommodation. Members also expressed concern about the impact of the new scheme on the financial position of the Housing Authority.

4. In the light of Members' views, we have drawn up the details of the new loan scheme, to be called Home Assistance Loan Scheme. The Home Assistance Loan Scheme is modeled on the Home Purchase Loan Scheme. It will be funded by the Housing Authority and operated by the Housing Department, which already has the necessary infrastructure and database for operation of the proposed loan scheme. The key features of the new loan scheme are set out in the following paragraphs.

Income and asset limits

5. We agree with Members that housing assistance should not be provided to those who can afford private-sector accommodation. To ensure rational allocation of public housing resources, the Home Assistance Loan Scheme will adopt the same affordability formula of the Home Ownership Scheme^{Note 1}, but with the monthly income limit slightly adjusted upwards to take into account the increased housing expenditure necessitated by loan repayment. We propose to set the monthly income and asset limits for family applicants under the Home Assistance Loan Scheme at \$23,000 (slightly higher than that of the Home Ownership Scheme at \$20,000) and \$480,000^{Note 2} respectively.

6. Similar to the Home Purchase Loan Scheme, the income and asset limits will not be applied to sitting public housing tenants or those accorded Green Form status^{Note 3}. This measure aims to encourage better-off sitting tenants to vacate their public housing flats for re-allocation to those in greater housing need.

Loan and subsidy amounts

7. As both Green Form and White Form applicants should have the same financial commitment in flat purchase, the loan amount for White Form applicants is increased to that applicable to Green Form applicants, i.e. calculated on the basis of a 30% down-payment of a reference flat in the extended urban area. The loan amount will be subject to review to take into account the latest property price trend.

8. To allow for greater flexibility in meeting the different needs and preferences of loan recipients, like the old Home Purchase Loan Scheme, the new Home Assistance Loan Scheme will offer three options of loan arrangement. In terms of actual subsidy, their financial implications to the Housing Authority are similar. The new loan amounts in different options are as follows :

Note 1 The Home Ownership Scheme is being suspended indefinitely. Previously, the formula used to determine the affordability of potential applicants of the Home Ownership Scheme was derived from the prevailing property price of a 10-year old private flat of 40m² saleable area in the extended urban or New Territories area.

Note 2 For large families with six persons or above, their corresponding Waiting List income and asset limits are higher than the Home Ownership Scheme limits for family applicants. Therefore, the Waiting List income and asset limits will apply to these families if they apply for the Home Assistance Loan Scheme.

Note 3 Green Form status applies to authorized tenants of Interim Housing and applicants on the Waiting List.

	Family Rate	Singleton Rate
Option 1: Basic loan repayable over 20 years	\$390,000	\$195,000
Option 2: Higher loan repayable over 13 years	\$530,000	\$265,000
Option 3: Monthly mortgage subsidy for 48 months (no need for repayment)	\$3,800	\$1,900

Implementation

9. We will seek the Housing Authority's approval for this proposed loan scheme in December. Barring unforeseen circumstances, the Home Assistance Loan Scheme can be launched before end of this financial year. An initial quota of 10 000, splitting equally between Green Form and White Form applicants, has been set for administrative purposes. The quota will be interchangeable and adjustable in response to actual demand. Applications for the Scheme will be accepted throughout the year. Applications for the Home Purchase Loan Scheme will be closed upon the launch of the new Scheme.

Financial Implications

10. A total estimated sum of \$5.02 billion would be required for the initial quota of 10 000 loans/subsidies. We are optimistic that the Housing Authority will continue to be able to on-sell these loans to institutions such as Hong Kong Mortgage Corporation. Therefore, the net expenditure to be incurred by the Housing Authority in providing these interest-free loans is essentially the payment of interest on the loans sold to the aforesaid institutions, which is estimated at around \$1.63 billion. We expect that the Housing Authority will initially be able to absorb this interest payment. Should the Housing Authority experience cash flow problems in future as a result, the Government will provide the necessary financial assistance so that activities of the Housing Authority will be unaffected.

Housing Department
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