

Extending the Home Ownership Scheme Secondary Market to White Form Buyers

The Secondary Market Scheme

- Introduced in 1997.
- Allow owners of Home Ownership Scheme (HOS) flats and the Tenant Purchase Scheme (TPS) flats to sell their flats without payment of premium to existing or prospective public rental housing (PRH) tenants (i.e. those with Green Form (GF) status) on the HOS Secondary Market from the third year onwards following the date of first assignment.
- Those with GF status can also purchase the Housing Society (HS)'s Flat-for-Sale Scheme (FFSS) flats with premium not yet paid.

The Secondary Market Scheme

- Purchasers of flats with premium not yet paid under the Secondary Market Scheme (SMS) have to assume the liability to pay the premium upon their eventual sale of flats on the open market.
- Altogether, about 250 000 HOS flats, 120 000 TPS flats and 9 000 FFSS flats with premium not yet paid are currently available.

Interim Scheme

- The first batch of new HOS flats is expected to be completed in 2016-17.
- Allowing those with White Form (WF) status to purchase HOS flats with premium not yet paid until the new HOS flats are available should help address the home ownership needs of the eligible group in the interim.

Quota Level

- There will be an annual quota of 5 000 for applicants meeting the eligibility criteria for WF status.
- There were on average about 1 900 transactions on the Secondary Market per year in the past 10 years.
- The quota of 5 000 will be released in two batches of 2 500, so that the Secondary Market can absorb the increase in potential buyers in a gradual and managed manner.

Quota Allocation

- There will be two categories of applicants, namely, families and singletons.
- An allocation quota of 9:1 between families and singletons, i.e. 4 500 quota for families and 500 quota for singletons, will be set.
- In case of over-subscription, the quota will be allocated by ballot as in the sale of Surplus HOS flats.

Tenants Purchase Scheme and the Housing Society's Flat-for-Sale Scheme

- Currently, those with GF status can purchase TPS flats and the HS's FFSS flats with premium not yet paid.
- Likewise, the WF buyers under this scheme will also be allowed to buy TPS flats and FFSS flats with premium not yet paid, in addition to HOS flats with premium not yet paid.
- The existing arrangements regarding the TPS and FFSS flats under the SMS for GF buyers will also be applicable to the WF buyers.

Income and Asset Limits

- To be eligible for the scheme, applicants should meet certain eligibility criteria which include the income and asset limits as well as the domestic property ownership restriction.
- The established formula under HOS, which is based on the household expenditure approach, will be used to calculate the income and asset limits for the target group under this scheme.

Income and Asset Limits

- According to the established formula of the HOS, we would take into account the household expenditure, i.e., housing costs and non-housing costs, in calculating the income limit:

$$\textit{Household Expenditure} = \text{Housing Costs} + \text{Non-Housing Costs}$$

$$\textit{Contingency Provision} = 5\% \times \textit{Household Expenditure}$$

$$\textbf{Income Limit} = \textit{Household Expenditure} + \textit{Contingency Provision}$$

Income and Asset Limits

- Following the practice of the HOS, the exact income and asset limits of the target group, including that for one-person applicants, would be calculated in accordance with the established formula about one month before invitation for applications, in order to take into account the latest economic statistics.

Domestic Property Ownership Restriction

- We will adopt the restriction period under HOS, which is 24 months prior to application.

Additional Resale Restrictions for WF Buyers under the SMS

- The Administration has put in place measures (e.g. the Special Stamp Duty) to curb speculation.
- There still have been calls in the community for resale restrictions to be imposed on WF buyers entering the Secondary Market.
- To address these concerns, additional resale restrictions will be imposed on WF buyers purchasing HOS flats in the Secondary Market via contractual means.
- Within the first two years of the transaction, the WF buyer is not allowed to sell his flat on the Secondary Market. He could, however, sell his flat on the open market upon paying the premium.

Additional Resale Restrictions for WF Buyers under the SMS

- Under the SMS implemented pursuant to paragraph 4(c) of the Schedule to the Housing Ordinance, the owner may sell a HOS flat with premium not yet paid to a person nominated and certified as a person eligible to buy the flat by the Housing Authority (HA) starting from the third year upon the first assignment of the flat.
- In practice, a WF buyer who wishes to purchase a flat with premium not yet paid under the SMS is required to apply to the HA for a Certificate of Eligibility to Purchase (CEP), and afterwards a Letter of Nomination (LN), before he could sign the Provisional Agreement for Sale and Purchase (PASP), the Agreement for Sale and Purchase (ASP) and the Assignment in the form as prescribed by the HA.
- After the WF buyer becomes a flat owner, if he wishes to sell his flat with premium not yet paid under the SMS, he is required to first apply to the HA for a Certificate of Availability for Sale (CAS).

Additional Resale Restrictions for WF Buyers under the SMS

- To implement additional resale restrictions, the existing tools as mentioned above will be used, and the additional requirements will be inserted by -
 - (a) stating the additional resale restrictions in the application forms and approval letters of the scheme for the WF buyers, so that they would be fully aware of them;
 - (b) setting out the additional resale restrictions in the form of an agreement or a deed of undertaking to be signed by the WF buyers, upon their application for the CEP and LN; and
 - (c) stipulating in the agreement or deed of undertaking in (b) above that the WF buyers undertake not to apply for and acknowledge that they would not be issued the CAS within the additional resale restriction period.

Validity of WF Status

- WF applicants who have been allocated a quota place under the scheme will be issued a CEP. The CEP is valid for six months.
- For parity with the GF buyers, the WF buyers will be allowed to apply for a one-off renewal of the CEP for a further six months upon its expiry at the end of the first six months. This is similar to the current arrangements for GF Certificate holders.

Validity of WF Status

- If the WF applicant has not purchased a flat within the validity period of the CEP (six months or 12 months if he has renewed the CEP), his quota will expire.
- Applicants whose CEP has expired in one round may still apply to enter the ballot in subsequent rounds.

Application Cycle

- The first round of exercise with a quota of 5 000 will be open for application in January 2013.
- We will announce the list of 5 000 successful applications around mid-May 2013 after vetting the eligibility of the applications in accordance with the priority list formed by balloting. The first batch of 2 500 approval letters will be issued immediately after the announcement, i.e. in May 2013.
- The second batch of 2 500 will be issued in around December 2013.

Application Cycle

- There will be about seven months' time in between the two batches such that the number of potential WF buyers on the Secondary Market will not exceed 5 000 at any given time.
- For the same reason, the next round of exercise with another 5 000 quota should commence no earlier than mid-April 2014. The result will be announced in August 2014.
- In other words, we will have a cycle of 5 000 quota approved over roughly every 15 to 16 months.

Application Fees

- In line with the current practice for GF buyers under the SMS, we will recover the administrative costs of this scheme based on full recovery principle.
- An initial non-refundable application fee of \$100 will be charged.
- Successful applicants will also have to pay \$660 for the issue of the CEP, and another \$660 for the renewal of the CEP if they wish to do so.

Way Forward

- Members are invited to note the implementation details of the interim scheme to allow buyers with WF status to purchase HOS flats with premium not yet paid under the SMS.