



HONG KONG MONETARY AUTHORITY
香港金融管理局

(Translation)

By mail and by fax (2509 3101)

15 June 2015

Hon Ronny TONG Ka Wah, SC
Room 810, Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

Dear Hon TONG,

Question Relating to the Examination of Estimates of Expenditure 2015-16

Thank you for your question in the context of the Estimates of Expenditure 2015-16 (Question No. R106) relating to the Premium Loan Insurance Scheme (the Scheme) of the Hong Kong Mortgage Corporation (HKMC). Please find below our reply.

Questions 1 and 2

Following the announcement by the Financial Secretary in his 2015-16 Budget and the subsequent approval by the Board of HKMC, the Scheme is scheduled for launch in the second half of this year. The Scheme targets at owners of subsidised housing properties who are aged 50 or above. Eligible borrowers may obtain loans against their properties as security primarily to settle their premium payment to the Hong Kong Housing Authority (HA), the Hong Kong Housing Society (HS) and the Government to remove alienation restrictions so that they can have more flexibility in using the subsidised housing properties with paid premium, such as selling or renting them out freely in the market. As long as the borrower does not sell the property and remains as the owner, he is not required to repay the loan during his lifetime. The loan amount will depend on a number of factors, including the market value of the property, age and number of borrowers and the loan plans. Repayment ability is not a factor to be considered in approving loans under the Scheme. The Scheme will initially cover at least the Home Ownership Scheme of the HA and the Flat-For-Sale Scheme of the HS and is planned to progressively extend to cover all subsidised housing schemes of the HA, HS and the Government which involve the payment of a premium to remove alienation restrictions, such as the Sandwich Class Housing Scheme.

Question 3 to 5

The Scheme aims to enhance the circulation of subsidised housing properties in the market and does not involve any welfare elements. After premium payment is settled, the status of an owner of a subsidised housing property is the same as that of an owner of a private housing property. If a subsidised housing property with premium paid is sold or rented out, the relationship between the owner and buyer/tenant (in matters such as fixing selling price and rent) should be no different from the arrangement in the private market. Owners are not required to submit supporting documents to demonstrate how they will deal with the subsidised housing properties after settling premium payment. We believe that owners would carefully consider their personal and family situations and other relevant factors before making any decisions to sell or rent out their properties. A better circulation of subsidised housing properties in the market should help increase the supply of these properties for rent and may help moderate the rental value of housing properties generally.

Yours sincerely,

(Darryl Chan)
for Chief Executive
Hong Kong Monetary Authority

c.c. Clerk to the Finance Committee of the Legislative Council (Attn: Mr Daniel Sin)
Financial Services and the Treasury Bureau