INFORMATION NOTE

Housing policies to assist low-income households in Singapore

1. Background

1.1 Housing is important to the well-being of individuals and families. Not only does housing serve as a basic necessity in providing a shelter for people, it is also identified as one of the largest expenditure items in a basic basket of necessities. Affordable housing saves a family's money for spending on other areas such as education and medical services. In addition, home ownership may protect people against poverty as owner-occupied residency reduces housing costs, and the flat owned may help offset lower income after retirement. Home owners receive the benefit of not having to pay rent during their retirement life. They can also unlock the equity in their houses through downsizing or reverse mortgage, whereby receiving a lump sum and/or a stream of stable payments after retirement.

1.2 The Subcommittee on Poverty discussed the relationship between housing and poverty at its meeting on 28 February 2013, and will continue the discussion on 25 March 2013. This information note examines the housing policies to assist low-income households in Singapore. The public housing policy in Singapore is often cited as a successful example of affordable housing production in Asia. Since the 1960s, the Housing and Development Board ("HDB") has been providing public housing for Singaporeans to improve their living conditions, as well as providing affordable housing for the masses. At present, more than 80% of Singapore's population are living in HDB flats, with 93% of them owning their flats.
2. Overview of Singapore's public housing policy

2.1 HDB is Singapore's public housing authority and a statutory board under the Ministry of National Development. It was established in 1960, a time that many Singaporeans were living in unhygienic slums and crowded squatter settlements. The mission of HDB is to provide quality and affordable public housing. In addition to provision of rental housing, HDB also encourages home ownership in Singapore.

Public Rental Scheme

2.2 Public rental housing in Singapore provides minimum standard of housing (1- and 2-room flats) for families whose household income does not exceed S$1,500 (HK$9,315) per month at the time of application.

Assisted home ownership schemes

2.3 Since 1964, HDB has been offering flats for sale under its Home Ownership Scheme. HDB flats are sold at below market prices on a 99-year leasehold basis (see Appendix). Buyers of new and resale flats are subject to eligibility conditions in relation to citizenship, age, family status and ownership of property. Moreover, there are income ceilings for buyers of new flats, but not for resale flats. Buyers are also subject to a minimum occupation period for subletting and selling the flats. In addition to HDB flats, there are other types of public housing for sale, such as Executive Condominiums ("ECs") and flats sold under the Design, Build and Sell Scheme ("DBSS") and the Studio Apartment Scheme.

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1 Established in 1959, the Ministry of National Development is the key government ministry responsible for national land use and development planning.
2 Based on the average exchange rate of HK$6.21 per Singapore Dollar in 2012.
3 HDB manages to price its housing units below market prices mainly because HDB flats are built on government-owned land, much of which has been compulsorily acquired from private landowners at below market prices. This is made possible by the Land Acquisition Act enacted in 1966. See Phang (2007).
4 The income ceilings vary with the size and location of the flat, which range from S$2,000 (HK$12,420) to S$15,000 (HK$93,150).
Executive Condominiums

2.4 ECs are essentially a hybrid between a private property and a HDB flat. They were introduced in 1997 to cater to Singaporeans who can afford more than an HDB flat but find private property to be out of their reach. ECs are developed and sold by private developers, with design and facilities similar to private property. The main difference between an EC and a private property is the ownership restrictions during the first 10 years of occupancy.5

Design, Build and Sell Scheme

2.5 DBSS was launched in 2005 to allow private developers to play a part in the design and construction of public housing. DBSS flats are sold under similar conditions to the flats developed by HDB. In 2011, the sale of new DBSS sites was halted.

Studio Apartment Scheme

2.6 The Studio Apartment Scheme was launched in 1998 to provide a housing option for those aged 55 and above. Studio apartments come in two sizes: 35 sq m and 45 sq m. With a shorter lease of 30 years and elderly-friendly features, these apartments are customized for independent living of the elderly.

Home finance schemes for public housing

2.7 Over the years, the Singapore government has launched various housing schemes to facilitate home ownership in Singapore. These include the allowance for the use of the Central Provident Fund ("CPF") for home purchase, the HDB Housing Loan and the CPF Housing Grant.

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5 For the first five years, owners are not allowed to sell their ECs as they have to fulfil a 5-year minimum occupation period similar to the ownership rules of HDB flats. Only after 5 years are ECs allowed to be sold in the open market to Singapore Permanent Residents (foreign people granted permanent residence in Singapore) or Singapore Citizens (permanent residents in Singapore who have obtained Singapore citizenship). After 10 years of ownership, the condominium will acquire a "privatized" status and could be sold to foreigners as well.
Use of the Central Provident Fund for home purchase

2.8 In 1968, the Singapore government allowed people to use a portion of their CPF\(^6\) savings for home purchase. This has lent particular support to bring home ownership within the reach of most Singaporeans. Over 70% of HDB flat owners now service their monthly mortgage payment from their CPF account without the need for outright cash payments.\(^7\)

HDB Housing Loan

2.9 HDB provides housing loans at concessory interest rates to eligible flat buyers. Applicants are subject to credit assessment and mortgage loan criteria. The loan ceiling is 90% of selling price or value of the flat and the maximum loan repayment period is 30 years. The mortgage interest rate charged by HDB is pegged at 0.1 percentage point above the CPF ordinary account savings interest rate.\(^8\)

CPF Housing Grant

2.10 The CPF Housing Grant is a housing subsidy (in the form of CPF monies not cash) provided by the Singapore government to eligible flat buyers for home purchase. There are several categories of housing grant catering for various target groups, such as singles, married couples who meet the first-timer prerequisite, and families living near parents/married child.

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\(^6\) Started in 1955, CPF is a pension plan to provide social security for the working population in Singapore. Under this pay-as-you-go scheme, both employer and employee make mandatory contributions of a certain percentage of the employee's monthly wage. The employee contribution rates range from 5% to 20%. There is a gradual reduction in CPF contribution rate as an employee gets older. Savings can only be withdrawn for specific purposes such as home purchase and healthcare, on retirement or on permanent incapacitation of the employee.

\(^7\) Housing and Development Board (2010).

\(^8\) The CPF ordinary account savings interest rate currently stands at 2.5% per annum.
3. **Major housing policies to assist low-income households**

3.1 The basis of Singapore's public housing system rests on fostering home ownership for Singaporeans, thereby making them grow roots in Singapore. The Singapore government has provided particular support for low-income households through the provision of grants specifically for helping them achieve the goals of home ownership. The government's support measures do not stop there. Existing public housing flat owners facing financial difficulties can turn to HDB for financial assistance. For elderly flat owners, they can unlock their home equity through downsizing (i.e. the Ageing-in-Place Priority Scheme and Silver Housing Bonus) or reverse mortgage (the Lease Buyback Scheme).

3.2 The Singapore government also ensures that the lowest income households are not excluded from the public housing system. At present, about 3% of Singapore's population cannot afford to buy their own flats or rent homes in the private residential property market. They are living in heavily subsidized 1- and 2-room public rental flats under the Public Rental Scheme.

### Home ownership assistance for low-income households

3.3 The Singapore government provides eligible buyers of new and resale flats with a housing subsidy for home purchase under the CPF Housing Grant Scheme. The Additional CPF Housing Grant ("AHG") and the Special CPF Housing Grant ("SHG") specifically assist low-income first-timer households. The Home Ownership Plus Education ("HOPE") is also available for young, low-income families to assist them in paying their mortgages.
Additional CPF Housing Grant

3.4 AHG is an additional subsidy over and above the prevailing CPF Housing Grant for Family. AHG was introduced in 2006 to help ease the financial burden of low-income families buying their first flat. Eligible first-timers can use AHG (up to S$40,000 (HK$248,400)) to offset the price of a resale or new HDB flat, thereby reducing the loan a flat buyer needs.

3.5 To be eligible for AHG, the applicant must meet the common eligibility criteria applicable to all CPF Housing Grant applicants. In addition, the applicant or his/her co-applicant(s) must be in continuous employment for 12 months before the flat application, and they are employed at the time of application submission. Furthermore, the average gross monthly household income for the past 12 months period must not exceed S$5,000 (HK$31,050).

3.6 The amount of AHG flat buyers can be eligible for depends on their average gross monthly household income assessed over the past 12 months. It is graduated to allow families with lower income to enjoy a higher grant, which ranges from S$5,000 (HK$31,050) for income level of S$4,501-S$5,000 (HK$27,951-HK$31,050) to S$40,000 (HK$248,400) for income level of S$1,500 (HK$9,315) or less.

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9 Under the prevailing CPF Housing Grant for Family, households are entitled to receive the basic Family Grant of S$20,000 (HK$124,200) for home purchase if only the applicant is a Singapore Citizen and the other family members are Singapore Permanent Residents. Households can receive a higher basic Family Grant of S$30,000 (HK$186,300) if the applicant is a Singapore Citizen and the spouse, child or parents listed in the flat application are also Singapore Citizens.

10 The HDB sets out common criteria applicable to all CPF Housing Grant applicants. They must be Singapore Citizens aged 21 and above with at least one family member being Singapore Permanent Resident or Singapore Citizen. In addition, they must be first-timer. A first-timer application is one where the applicant, co-applicant and other essential family members listed in the application are first-timer. Furthermore, applicants are subject to the income tests.
Special CPF Housing Grant

3.7 Introduced in March 2011, SHG is given on top of AHG to help low-income families purchase their first flat. Applicants for SHG must meet all the eligibility conditions for AHG and are applying for AHG. In addition, the average gross monthly household income for the 12 months period must not exceed S$2,250 (HK$13,973).

3.8 The amount of SHG depends on the applicant's average gross monthly household income assessed over the past 12 months. It is graduated to allow families with lower income to enjoy a higher grant, ranging from S$5,000 (HK$31,050) for income level of S$2,001-S$2,250 (HK$12,426-HK$13,973) to S$20,000 (HK$124,200) for income level of S$1,500 (HK$9,315) or less. It is noteworthy that SHG is provided on top of AHG. That means, an eligible applicant for SHG with an average gross monthly household income of S$2,250 (HK$13,973) can get (a) SHG of S$5,000 (HK$31,050) and (b) AHG of S$30,000 (HK$186,300).

Home Ownership Plus Education Scheme

3.9 The Home Ownership Plus Education ("HOPE") Scheme is an incentive scheme administered by the Community Development Councils.11 It provides comprehensive benefits to young, low-income couples to encourage them to have fewer children (maximum two). In so doing, they can make better use of their limited resources on their children and themselves to upgrade for a better future. Families with the mother aged 35 years or below and with a gross household income of S$1,500 (HK$9,315) or lower per month can apply. Under HOPE, a housing grant of S$50,000 (HK$310,500) is provided to help the family pay for their home mortgage. The grant is disbursed in annual instalments into the mother's CPF account.

11 The Community Development Council functions as a local administration of its district, initiating, planning and managing community programmes to promote community bonding and social cohesion.
Financial assistance for existing HDB flat owners

3.10 Financial assistance measures are available to help existing flat owners who face financial difficulties in servicing their HDB loans. Flat owners are allowed to:

(a) pay the mortgage loan arrears by instalments within a reasonable period;

(b) reschedule the mortgage loan term up to the maximum repayment period of 30 years according to their eligibility, subject to the 65-year age ceiling;

(c) convert the loan scheme to the reduced repayment scheme for a period of six months. Under this scheme, the monthly instalment payable can be between 50% and 75% of the normal monthly instalment;

(d) defer payment of mortgage instalments for an initial period of six months (and the deferment may be extended for another six months, if necessary); and

(e) include more working family members as joint owners so that their CPF monies could be used to pay the arrears.

3.11 HDB's financial assistance measures are temporary measures to help flat owners tide over short period of financial difficulty. Flat owners are encouraged to consider other housing options such as subletting spare rooms or selling their flat as a long term solution.

Assistance for elderly flat owners

3.12 In recent years, the Singapore government has made use of housing programmes to cope with the trend of fast-ageing population in the country. These programmes include right-sizing for elderly flat owners and reverse mortgage to allow "asset rich but cash poor" elderly to access the equity of their homes.
Ageing-in-Place Priority Scheme

3.13 Introduced in 2012, the Ageing-in-Place Priority Scheme supports senior citizens to "right-size" to a studio apartment while remaining in the town or estate they are currently living in, so they can age-in-place in a familiar environment. In the application for purchase of studio apartment located in the same or nearby town/estate, eligible applicants will be given more chances in the ballot than those who are not applying for the scheme.

Silver Housing Bonus

3.14 In the Budget 2012, a Silver Housing Bonus of S$20,000 (HK$124,200) was announced to provide incentive for low-income elderly households to sell their existing flat and purchase a 3-room or smaller HDB flat. To be eligible for the Bonus, the applicant should be a Singapore Citizen aged 55 or above, and with a gross monthly household income of not more than S$3,000 (HK$18,630).

Lease Buyback Scheme

3.15 The Lease Buyback Scheme ("LBS") was introduced in 2009. Under the scheme, the elderly sell the tail-end lease of their flat to HDB and retain a 30-year lease. The proceeds will be used to top up their CPF retirement accounts ("RA"). The top-ups plus the initial RA balances will be used to buy a CPF LIFE plan to give the elderly a monthly stream of income for life. The eligibility criteria for LBS are:

(a) all flat owners at CPF Draw-Down Age (currently at 63) or above;

(b) at least one owner being a Singapore Citizen;

(c) gross monthly household income not exceeding S$3,000 (HK$18,630);

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12 See paragraph 2.6 for details of the Studio Apartment Scheme.
13 The 30-year lease term is non-transferable in the open market. That is to say, the flat owner cannot sell the flat in the open market or sublet the whole flat.
(d) living in a 3-room or smaller HDB flat;

(e) no concurrent ownership of second property; and

(f) all owners living in the flat for at least five years.

3.16 LBS underwent a review in 2012 and the enhanced LBS provides eligible elderly households with a S$20,000 (HK$124,200) LBS bonus when they sell the tail-end lease of their 3-room or smaller flats to HDB. The bonus is to compensate the elderly for the loss of Silver Housing Bonus should they choose to continue staying at the same house.

3.17 Cases where the flat owner outlives the 30-year lease will be dealt with on an individual basis and no elderly flat owner will be left homeless. On the other hand, if the flat owner passes away within the 30-year lease, his or her spouse or child who is staying in the flat will be given the option of either staying in the flat for the balance of the 30-year lease, or returning the flat to HDB with the residual value of the lease reimbursed by HDB.

Public Rental Scheme

3.18 There are currently about 42,000 public rental flats in Singapore. The objective of the Public Rental Scheme is to meet the housing needs of households with very low income, thereby providing a final safety net for needy Singaporeans. The Scheme also helps enhance the social mobility by allowing low-income households with more disposable income to be spent on other areas such as education.
Eligibility

3.19 The eligibility criteria that are mandatory for renting a flat under the Public Rental Scheme are as follows:

(a) the applicant must be a Singapore Citizen, and there must be one other Singapore Citizen or Singapore Permanent Resident in his or her family;

(b) the applicant must be at least 21 years old;

(c) total household gross income must not exceed S$1,500 (HK$9,315) per month;

(d) the applicant must have a proper family under the Family Nucleus Scheme. For applicants who cannot form a family, two single Singapore citizens may jointly apply to rent a flat under the Joint Singles Scheme;

(e) the applicant and listed occupiers must not own, or have an interest in a HDB or DBSS flat, or have disposed of such property within 30 months prior to the date of application;

(f) the applicant and listed occupiers must not have owned or sold two direct-purchase HDB flats in the open market;

(g) the applicant and listed occupiers must not be existing tenants or occupiers of HDB flats; and

(h) applicants with children who are able to provide accommodation for them in their own homes or whose children have the financial ability to provide alternative accommodation for them would not be eligible to rent HDB flats.

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The applicant must have a proper family nucleus defined as follows: (a) applicant and spouse, (b) applicant (if single) and parents, (c) applicant (if widowed/divorced) with children under legal custody, (d) fiancé and fiancée, and (e) orphaned siblings (at least one of the deceased parents was a Singapore Citizen or Singapore Permanent Resident).
Rents payable

3.20 Rents payable are aligned to the monthly household gross income and the amount of which is shown in the Table below:

Table 1 – Monthly rents of public rental housing in Singapore

<table>
<thead>
<tr>
<th>Monthly household income</th>
<th>Household type (^{(1)})</th>
<th>Monthly rent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1-room</td>
</tr>
<tr>
<td>S$800 (HK$4,968) or less</td>
<td>First-timer</td>
<td>S$26-S$33</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(HK$161-HK$205)</td>
</tr>
<tr>
<td></td>
<td>Second-timer</td>
<td>S$90-S$123</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(HK$559-HK$764)</td>
</tr>
<tr>
<td>Between S$801 (HK$4,974) and S$1,500 (HK$9,315)</td>
<td>First-timer</td>
<td>S$90-S$123</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(HK$559-HK$764)</td>
</tr>
<tr>
<td></td>
<td>Second-timer</td>
<td>S$150-S$205</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(HK$932-HK$1,273)</td>
</tr>
</tbody>
</table>

Note: \(^{(1)}\) First-timer households are those (a) who do not currently own or have never sold a flat bought directly from HDB or a resale flat bought with the CPF Housing Grant, or (b) who have not enjoyed other forms of housing subsidy. Second-timer households are those (a) who have owned/sold a flat bought directly from HDB or a resale flat bought with the CPF Housing Grant or (b) who have enjoyed other forms of housing subsidy.

4. Analysis

4.1 There is no official poverty line in Singapore. Nevertheless, a household income level of S$1,500 (HK$9,315) is the threshold specified by the Ministry of Social and Family Development\(^{15}\) that determines household eligibility for many of its support programmes. Such a threshold is also the income ceiling required of the applicants of the Public Rental Scheme. According to HDB, stringent eligibility requirements are to safeguard the provision of subsidized public rental flats for people in genuine need.

\(^{15}\) The Ministry of Social and Family Development oversees social assistance policies and programmes for low-income families in Singapore.
4.2 As at March 2012, only 3% of Singapore's total population were living in public rental housing amid the tight eligibility criteria for the Public Rental Scheme. It is noteworthy that there is no rent subsidy available to low-income households to lease private housing. As such, those low-income households with income exceeding S$1,500 (HK$9,315) cannot receive any government assistance for rental accommodation. They are encouraged to buy flats instead. The Special CPF Housing Grant is a measure targeted at assisting this group of low-income households.

4.3 With limited government support for rental accommodation, the mainstay of public housing in Singapore lies in owner-occupied dwellings. In other words, except for those very low income households, the focus of housing policy in Singapore is assisted home ownership. With generous housing grants, home purchase is affordable even for the low-income households. As shown in the Appendix, most buyers of 2- and 3-room flats are able to service their monthly instalments with their CPF savings, incurring no or minimal outright cash payments. However, such arrangement has resulted in Singaporeans using more and more of their CPF savings to finance home purchase, leaving many of them "asset-rich but cash-poor".

4.4 In view of a growing number of "asset-rich but cash-poor" Singaporeans, LBS has been put in place to enable needy elderly to draw personal resources for old-age support, rather than relying on social assistance. This is consistent with the principle of self-reliance in Singapore's poverty alleviation policy, whereby the government only provides assistance under such circumstances where no assistance is available at the levels of individual, family and community.
Comparison with Hong Kong

4.5 **Table 2** compares the major housing policies implemented by Singapore and Hong Kong to assist low-income households.\(^{16}\) Both places have made use of housing policy as an avenue to assist low-income households, albeit in different ways. In Singapore, the mainstay of public housing is owner-occupied dwellings and Singaporeans are assisted with various financial assistance schemes for home purchase. The public rental housing programme serves only to accommodate housing needs of the very low income households. In Hong Kong, low-income households are mostly assisted with Public Rental Housing ("PRH") or rent allowances to lease a private accommodation.

4.6 In Singapore, the housing policy operates in parallel with the pension scheme to enable home ownership within the reach of most Singaporeans. CPF savings can be transferred into housing investment. In contrast, Hong Kong's Mandatory Provident Fund ("MPF") system does not allow for the withdrawal of MPF savings for home purchase. Even without this restriction, the MPF savings may not be sufficient to service the mortgage loan instalments in view of the low contribution rate to the MPF system.

4.7 The Singapore government facilitates the needy elderly to monetize their home equity through downsizing or LBS. In Hong Kong, the Housing Authority does not operate any reverse mortgage scheme. Instead, the Hong Kong Mortgage Corporation Limited launched the Reverse Mortgage Programme in 2011 and introduced three enhancements to the programme in 2012 to bring greater flexibility and benefits to reverse mortgage borrowers. As at February 2013, there are only six banks participating in the Reverse Mortgage Programme.

\(^{16}\) Please refer to the Administration's paper (LC Paper No. CB(2)674/12-13(02)) for details of the housing programmes in Hong Kong.
## Table 2 – Major housing policies to assist low-income households

<table>
<thead>
<tr>
<th>Background information</th>
<th>Singapore</th>
<th>Hong Kong</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of population (at mid-2012)</td>
<td>5,312,400</td>
<td>7,154,600</td>
</tr>
<tr>
<td>Land area</td>
<td>715.8 sq km.</td>
<td>1,104 sq km.</td>
</tr>
<tr>
<td>Median monthly household income</td>
<td>S$5,000 (HK$31,050) (2010 census)</td>
<td>HK$20,500 (2011 census)</td>
</tr>
<tr>
<td>Share of population living in public housing (as at March 2012)</td>
<td>83%</td>
<td>47%</td>
</tr>
</tbody>
</table>

### Public rental housing

<table>
<thead>
<tr>
<th>Share of population living in public rental housing (as at March 2012)</th>
<th>Singapore</th>
<th>Hong Kong</th>
</tr>
</thead>
<tbody>
<tr>
<td>3%</td>
<td>30%</td>
<td></td>
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<table>
<thead>
<tr>
<th>Income/asset limit for applications</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>• Total household gross income must not exceed S$1,500 (HK$9,315) per month.</td>
<td>• Maximum income limits vary with family size, e.g. the limit is HK$13,410 per month for a 2-person household. Applicants are also subject to the total net asset limit, which currently stands at HK$274,000 for a 2-person household.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rents payable</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>• Rents payable are aligned to the monthly household gross income, which vary from S$26 (HK$161) to S$275 (HK$1,708).</td>
<td>• Rents range from HK$260 to HK$3,530. Households who have been living in PRH for 10 years or more have to declare household income biennially.</td>
<td></td>
</tr>
<tr>
<td>• Households who choose not to declare have to pay double rent, while those with a household income exceeding the corresponding Subsidy Income Limits have to pay 1.5 times rent.</td>
<td></td>
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</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rent assistance to tenants</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>• Rent arrears are allowed to be paid by instalments within a reasonable period.</td>
<td>• Under the Rent Assistance Scheme (&quot;RAS&quot;), PRH tenants may apply for rent assistance for granting either 25% or 50% rent reduction.</td>
<td></td>
</tr>
</tbody>
</table>

Notes: (1) The monthly income and asset limits for a 2-person household will be increased to HK$13,750 and HK$286,000 respectively with effect from 1 April 2013.

(2) Subsidy Income Limit is pitched at two times of the Waiting List Income Limit. Those families with household income below the Subsidy Income Limit may continue to pay normal rent.
Table 2 – Major housing policies to assist low-income households (cont'd)

<table>
<thead>
<tr>
<th>Assisted home ownership</th>
<th>Singapore</th>
<th>Hong Kong</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income/asset limit for application</strong></td>
<td>• Income ceilings depend on the size and location of the flat, which range from S$2,000 (HK$12,420) to S$15,000 (HK$93,150).</td>
<td>• For households of 2 persons or above, the total monthly household income limit is HK$40,000. The corresponding total net household asset value limit is HK$830,000. • The income and assets limits for one-person applicants will be set at half of the limits for household of 2 persons or above.</td>
</tr>
<tr>
<td><strong>Housing loans</strong></td>
<td>• HDB provides housing loans at concessionary interest rates to eligible buyers.</td>
<td>• The Government has terminated the Home Purchase Loan Scheme (&quot;HPLS&quot;), the Home Starter Loan Scheme and the Home Assistance Loan Scheme (&quot;HALS&quot;).</td>
</tr>
<tr>
<td><strong>Relief measures for mortgage loan repayment</strong></td>
<td>• Flat owners are allowed to pay the mortgage loan arrears by instalments, extend the repayment period, reduce the repayment, defer payment of loan instalments, or include more working family members as joint owners.</td>
<td>• Eligible loan recipients under HPLS and HALS may restructure the loan to freeze the repayment of the principal, extend the repayment period, or reduce the monthly repayment.</td>
</tr>
<tr>
<td><strong>Housing grant or subsidy</strong></td>
<td>• Eligible buyers of public housing are provided with a housing subsidy for home purchase under the CPF Housing Grant Scheme. • Young low-income couples are provided with a housing grant for paying the mortgage under the Home Ownership Plus Education Scheme.</td>
<td>• The Government has terminated My Home Purchase Plan. (3)</td>
</tr>
</tbody>
</table>

Note: (3) My Home Purchase Plan is premised on the concept of "rent-and-buy". Applicants may rent the flat for up to five years. After that, if they buy the flat, a subsidy equivalent to half of the net rental paid will be provided as down payment.
Table 2 – Major housing policies to assist low-income households (cont'd)

<table>
<thead>
<tr>
<th>Housing programmes to assist low-income households</th>
<th>Singapore</th>
<th>Hong Kong</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent allowance/subsidy for private accommodation</td>
<td>• There is no rent subsidy available for low-income households to rent accommodation in the private market.</td>
<td>• Under the Rent Allowance for Elderly Scheme, elders receive cash rent allowance to lease private accommodation in lieu of PRH allocation. The scheme no longer accepts new application.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Rent allowance is payable to Comprehensive Social Security Assistance (&quot;CSSA&quot;) households. (4) The amount is either the actual rent paid by the household or the maximum rate determined with reference to the number of CSSA eligible household members, whichever is the less.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• The Community Care Fund provides one-off subsidy for Tenant Purchase Scheme (5) flat owners living on CSSA, CSSA recipients living in rented private housing, and low-income persons who are inadequately housed.</td>
</tr>
<tr>
<td>Measures to facilitate existing flat owners/tenants moving to smaller flats</td>
<td>• Under the Ageing-in-Place Priority Scheme, elderly applicants opting to purchase studio apartments located in the same or nearby town/estate will be given more chances in the ballot.</td>
<td>• PRH tenants may apply for transfer to a flat of lower rent. Households living in newer block types who have received rent assistance under RAS for three consecutive years will be offered a Domestic Removal Allowance and a one-month rent-free period of the new tenancy.</td>
</tr>
<tr>
<td></td>
<td>• Silver Housing Bonus is provided to low-income elderly households to buy a smaller flat.</td>
<td></td>
</tr>
<tr>
<td>Reverse mortgage</td>
<td>• Under the Lease Buyback Scheme, elderly flat owners sell tail-end lease of their flat to HDB and retain a 30-year lease.</td>
<td>• Banks participate in the Reverse Mortgage Programme to offer reverse mortgage to elderly people aged 55 or above.</td>
</tr>
</tbody>
</table>

Notes: (4) Rent allowance under CSSA is applicable to tenants living in both PRH and private rental housing.
(5) Tenants Purchase Scheme is a scheme which allows tenants in public housing estates under Hong Kong Housing Authority to purchase their flats.
Appendix

Pricing and affordability of HDB flats

A.1 In Singapore, HDB uses the Debt Servicing Ratio ("DSR") as an indicator of home purchase affordability. DSR refers to the proportion of monthly household income earmarked for housing instalments. It takes into account interest payments and is calculated on an assumed 30-year loan.

A.2 The Build-To-Order ("BTO") system constitutes the main supply of the HDB flats for sale. The permissible DSR levels for BTO flats are set within the affordability benchmarks of 30-35%. With generous and targeted grants, the typical buyers of 2- and 3-room flats can enjoy a low DSR of 11% and 23% respectively. In addition, most HDB flat buyers can make use of their CPF savings to pay for their monthly mortgage instalments. As shown in the Table below, 2-room flat buyers service their monthly mortgage payment entirely from CPF savings without using their take-home pay. Buyers of 3-room, 4-room and 5-room flats only incur S$4 (HK$25), S$109 (HK$677) and S$50 (HK$311) respectively for serving the monthly mortgage payment.

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17 BTO is a responsive system. Eligible buyers planning to buy a new HDB flat in the near future can apply for flats in their preferred location from the specific sites launched. HDB will assess the demand to decide whether to build the flats. Buyers will get their flat when the construction is completed. In general, the price of flats sold under BTO is much lower than those in construction or completed construction.
## Pricing and affordability of HDB flats (cont’d)

### Table – DSR for new HDB flats offered in non-mature estates\(^{(1)}\) in 2012

<table>
<thead>
<tr>
<th>Flat type</th>
<th>New flat selling price(^{(2)})</th>
<th>Median household income of applicants(^{(3)})</th>
<th>Additional CPF Housing Grant(^{(4)})</th>
<th>Special CPF Housing Grant(^{(4)})</th>
<th>Net selling price (less grants)</th>
<th>Monthly instalment for mortgage loan(^{(5)})</th>
<th>Monthly instalment to income ratio</th>
<th>Instalment payment by cash</th>
</tr>
</thead>
<tbody>
<tr>
<td>2-room</td>
<td>S$112,000 (HK$695,520)</td>
<td>S$1,500 (HK$9,315)</td>
<td>S$40,000 (HK$248,400)</td>
<td>S$20,000 (HK$124,200)</td>
<td>S$52,000 (HK$322,920)</td>
<td>S$164 (HK$1,018)</td>
<td>11%</td>
<td>No payment required</td>
</tr>
<tr>
<td>3-room</td>
<td>S$194,000 (HK$1,204,740)</td>
<td>S$2,500 (HK$15,525)</td>
<td>S$30,000 (HK$186,300)</td>
<td>Nil</td>
<td>S$164,000 (HK$1,018,440)</td>
<td>S$579 (HK$3,596)</td>
<td>23%</td>
<td>S$4 (HK$25)</td>
</tr>
<tr>
<td>4-room</td>
<td>S$303,000 (HK$1,881,630)</td>
<td>S$4,100 (HK$25,461)</td>
<td>S$10,000 (HK$62,100)</td>
<td>Nil</td>
<td>S$293,000 (HK$1,819,530)</td>
<td>S$1,052 (HK$6,533)</td>
<td>26%</td>
<td>S$109 (HK$677)</td>
</tr>
<tr>
<td>5-room</td>
<td>S$384,000 (HK$2,384,640)</td>
<td>S$5,800 (HK$36,018)</td>
<td>Nil</td>
<td>Nil</td>
<td>S$384,000 (HK$2,384,640)</td>
<td>S$1,384 (HK$8,595)</td>
<td>24%</td>
<td>S$50 (HK$311)</td>
</tr>
</tbody>
</table>

Notes:
1. Non-mature estates are housing estates located in generally less developed towns.
2. Selling prices are based on new flats offered in non-mature estates under BTO in 2012.
3. Median household income is based on first-timer applicants in non-mature estates in 2012.
4. The Additional CPF Housing Grant and Special CPF Housing Grant are used to offset the 90% maximum loan where applicable, assuming that buyers have sufficient savings for the 10% down payment.
5. Monthly mortgage instalments based on concessionary interest rate of 2.6% over 30 years.


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22 March 2013
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