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Panel on Housing

Meeting on 9 January 2018

**Updated background brief prepared by the Legislative Council Secretariat
on "Interim Scheme to extend the Home Ownership Scheme Secondary
Market to White Form Buyers"**

Purpose

This paper provides background information on the Interim Scheme to extend the Home Ownership Scheme Secondary Market to White Form Buyers ("the Interim Scheme"), and provides a summary of the major views and concerns expressed by Members on the subject.

Background

2. The Home Ownership Scheme ("HOS") Secondary Market Scheme was introduced in 1997 to allow owners of subsidized sale flats to sell their flats, without payment of premium, to households with Green Form ("GF") status¹ in the HOS Secondary Market². To address the home ownership aspirations of

¹ Mainly sitting public rental housing ("PRH") tenants and PRH applicants who have passed the detailed eligibility vetting and obtained a Green Form Certificate.

² The HOS Secondary Market covers flats with premium not yet paid under HOS, the Tenants Purchase Scheme and the Flat-for-Sale Scheme of the Hong Kong Housing Society, etc. According to the information provided by the Administration in October 2017 (LC Paper No. [CB\(1\)19/17-18\(01\)](#)), there are over 380 000 flats available for purchase in the HOS Secondary Market.

White Form ("WF") applicants³, the then Chief Executive announced in July 2012 that an interim scheme would be in place to allow 5 000 WF applicants annually to purchase flats without premium paid in the HOS Secondary Market. According to the Administration, the Interim Scheme provided WF applicants with an additional channel previously not available to them to have the opportunity to purchase subsidized sale flats before newly built HOS flats were released onto the market.⁴

Implementation of the Interim Scheme

3. The Hong Kong Housing Authority ("HA") launched two rounds of the Interim Scheme in January 2013 and August 2015. The first round of the Interim Scheme provided a quota of 5 000 and was completed in April 2015. In view of the public demand for subsidized sale flats, HA implemented the second round of the scheme with a quota of 2 500, which was concluded in May 2017. Under the two rounds of the Interim Scheme, a total of about 4 000 WF buyers achieved home ownership in the HOS Secondary Market.⁵ According to the Administration, HA would conduct a comprehensive review to decide on the future of the Interim Scheme upon the completion of the second round of the scheme.

4. A WF buyer who wishes to purchase a HOS flat with premium unpaid in the Secondary Market is required to apply to HA for a Certificate of Eligibility to Purchase ("CEP"), and thereafter a Letter of Nomination ("LN"), before he/she could sign the Provisional Agreement for Sale and Purchase, the Agreement for Sale and Purchase and the Assignment in the form as prescribed by HA.⁶ The numbers of applications received, CEPs and LNs issued, as well as successful transactions in the two rounds of the Interim Scheme are set out in **Appendix I**.

³ WF applicants refer to households who do not satisfy the requirement for GF status but meet the eligibility criteria of subsidized sale flats set by HA. Such eligibility criteria include residence rule, income and asset limits.

⁴ All along, GF buyers can purchase new HOS flats put up for sale without being subject to income limits, or HOS flats with premium not yet paid on the HOS Secondary Market. However, WF buyers can only purchase new HOS flats put up for sale. As advised by the Administration, with the cessation of HOS, WF buyers had found it increasingly difficult to find affordable home as they could not afford private residential flats and were not eligible for PRH. Allowing those with WF status to purchase HOS flats with premium not yet paid until new HOS flats were available could help address the home ownership needs of WF buyers in the interim.

⁵ LC Paper No. [CB\(1\)19/17-18\(01\)](#)

⁶ LC Paper No. [CB\(1\)107/12-13\(02\)](#)

Major views and concerns expressed by Members

5. Members have expressed views on issues relating to the Interim Scheme at meetings of the Legislative Council and the Panel on Housing ("the Panel"). At its meetings on 5 November 2012 and 5 January 2015, the Panel discussed the implementation of the Interim Scheme with the Administration. The major views and concerns expressed by Members are summarized below.

Impact on Green Form buyers

6. While some Members opined that the Interim Scheme would give WF buyers an additional option for home ownership, some other Members expressed concern that the Interim Scheme might undermine the chance of home ownership by households with GF status, as the scheme would give rise to competition between WF and GF buyers in purchasing HOS flats in the Secondary Market.

7. The Administration advised that there was no change of the HOS policy and GF buyers might consider purchasing new HOS flats or HOS flats in the Secondary Market according to their preference and financial capability. The extension of the HOS Secondary Market to WF buyers was meant to be an interim arrangement to provide WF buyers with a chance to buy subsidized sale flats with premium not yet paid in the Secondary Market. The effectiveness of the Interim Scheme should not be overlooked as certain households had achieved home ownership by means of the scheme. Without the Interim Scheme, these households might have found it difficult to purchase flats in the private property market.

Impact on flat prices in the Secondary Market

8. Members opined that the Interim Scheme might push up the prices of HOS flats, as the extension of the HOS Secondary Market to WF buyers would give rise to increased demand which was not met by a corresponding increase in supply. With the surge of HOS flat prices, fewer better-off public rental housing ("PRH") tenants would be able to afford to buy flats in the HOS Secondary Market, and fewer PRH flats would be vacated as a result. Hence, the Interim Scheme might not help speed up the circulation of PRH units. At the meeting on 5 January 2015, the Panel passed a motion urging the Administration to immediately shelve the Interim Scheme.

9. The Administration advised that while flat prices in the HOS Secondary Market rose relatively fast initially after the announcement of the Interim Scheme, the flat prices had stabilized afterwards and generally followed the overall trend of flat prices in the private property market. As WF buyers were subject to income and asset limits, they would unlikely be able to afford to pay a high price for HOS flats. This would restrict the rising trend of the flat prices in the HOS Secondary Market. In order to respond to the home ownership aspirations of GF and WF buyers, the Administration would continue to adopt a multi-pronged approach to increase the supply of subsidized sale flats and facilitate the circulation of existing flats. A comprehensive review would be conducted to decide on the future of the Interim Scheme, and the Administration would report the outcome of the review to the Panel.

Restrictions on renting out subsidized sale flats with unpaid premium

10. In view that some subsidized sale flat owners were reluctant to sell their flats but might wish to rent them out, Members enquired whether the Administration/HA would give consideration to allowing owners of HOS flats with premium not yet paid to rent out their flats, thereby increasing the supply of rental flats.

11. The Administration advised that alienation of HA's subsidized sale flats was subject to alienation restrictions as stipulated in the Schedule to the Housing Ordinance (Cap 283). Flat owners must pay a premium to HA before they could sell, let or through other ways alienate the flats in the open market. Before the payment of premium, HOS flats were subsidized housing. Taking into account the current requirements under the Housing Ordinance, the Administration considered that the suggestion of allowing HOS flat owners with premium not yet paid to let out their flats might have policy, legal and operational implications. Detailed study would be needed to assess the feasibility of the proposal.

Latest developments

12. The Chief Executive's Policy Address delivered in October 2017 suggests that HA regularizes the Interim Scheme. HA reviewed the Interim Scheme in November 2017, and decided to regularize the scheme as the White Form Secondary Market Scheme.⁷

⁷ LC Paper No. [CB\(1\)383/17-18\(01\)](#)

13. The Administration will brief the Panel at the meeting on 9 January 2018 on the outcome of the review of the Interim Scheme undertaken by HA.

Relevant papers

14. A list of relevant papers is set out in the **Appendix II**.

Council Business Division 1
Legislative Council Secretariat
5 January 2018

Number of applications received, Certificates of Eligibility to Purchase and Letters of Nomination issued, and successful transactions in the two rounds of the Interim Scheme

	First Round	Second Round
Quota	5 000	2 500
Application received	66 157	43 934
Certificate of Eligibility to Purchase issued	3 968	2 489
Letter of Nomination issued	2 411	1 619
Successful transactions	2 405	1 616

Source: Memorandum for the Subsidised Housing Committee of the Hong Kong Housing Authority – Review of the Interim Scheme to Extend the Home Ownership Scheme Secondary Market to White Form Buyers (Paper No. [SHC 62/2017](#))

**Interim Scheme to extend the Home Ownership Scheme
Secondary Market to White Form Buyers**

List of relevant papers

Council/ Committee	Date of meeting	Papers
Panel on Housing	5 November 2012	Administration's paper (LC Paper No. CB(1)107/12-13(02)) Fact sheet on "A summary of press reports on extending the Home Ownership Scheme Secondary Market to white form buyers" prepared by the Legislative Council Secretariat (Chinese version only) (LC Paper No. FS07/12-13) Minutes of meeting (LC Paper No. CB(1)327/12-13) Administration's supplementary paper (LC Paper No. CB(1)298/12-13(01))
Council	5 December 2012	Council question on Home Ownership Scheme Secondary Market
Council	26 June 2013	Council question on Home Ownership Scheme Secondary Market
Council	3 July 2013	Council question on measures to address the overheated property market
Council	10 December 2014	Council question on Interim Scheme to extend the Home Ownership Scheme Secondary Market to White Form Buyers
Council	17 December 2014	Council question on Interim Scheme to extend the Home Ownership Scheme Secondary Market to White Form Buyers
Panel on Housing	5 January 2015	Administration's paper (LC Paper No. CB(1)384/14-15(04)) Background brief (LC Paper No. CB(1)384/14-15(05))

Council/ Committee	Date of meeting	Papers
		Minutes of meeting (LC Paper No. CB(1)482/14-15) The Administration's response to the motion passed at the meeting (LC Paper No. CB(1)515/14-15(02))
Council	25 February 2015	Council question on measures to stabilize the property market
Council	28 June 2017	Council question on relaxation of the restrictions on renting out subsidized housing with unpaid premium