

LCQ6: White Form Secondary Market Scheme

Following is a question by the Hon Leung Man-kwong and a reply by the Secretary for Transport and Housing, Mr Frank Chan Fan, in the Legislative Council today (June 8):

Question:

Currently, under the White Form Secondary Market Scheme (WSM) implemented by the Hong Kong Housing Authority (HA), persons eligible for White Form status and allocated with quotas may buy flats with premium unpaid in the secondary market of subsidised sale housing flats (collectively referred to as "Home Ownership Scheme (HOS) flats"). In this connection, will the Government inform this Council:

(1) given that the maximum mortgage guarantee period (guarantee period) for HOS flats currently provided by the HA is 30 years counting from the date of the first assignment, of a breakdown of the current number of HOS flats in the territory by the remaining guarantee period;

(2) as it is learnt that the remaining guarantee period of an HOS flat will affect the mortgage loan tenor to be granted to a home buyer under the WSM and the affordability of the flat to the buyer, and that currently quite a number of HOS flats are ageing with their remaining guarantee periods becoming shorter, whether the HA will consider extending the guarantee periods for HOS flats; if not, of the reasons for that; and

(3) given that only 10 per cent out of a quota of 4 500 was allocated to single persons under the new round of WSM launched in February this year, whether the HA will consider adjusting upward the quota for single persons, so as to increase the chance of single-person applicants in buying HOS flats; if not, of the reasons for that?

Reply:

President,

In response to the aspirations of low-and middle-income families to buy their own homes, the Hong Kong Housing Authority (HA) launched an Interim Scheme to extend the Home Ownership Scheme (HOS) Secondary Market to White Form buyers since 2013 so as to enrich the housing ladder. After a review and taking into account the sustained demand for Subsidised Sale Flats Scheme (SSFS) flats from White Form buyers, the HA endorsed the regularisation of the Interim Scheme as the White Form Secondary Market Scheme (WSM) from 2018.

To encourage banks and authorised financial institutions to provide better mortgage terms for purchasers of SSFS flats, the HA provides a mortgage default guarantee to the participating financial institutions. In accordance with the Deed of Guarantee (DoG) entered between the HA and the

participating financial institutions, the HA undertakes to meet the shortfall in repayment in the event of default by the mortgagors of SSFS flats, under specified circumstances during the mortgage default guarantee period as set out in the applicable DoG. The mortgage default guarantee applies to SSFS flats in the primary market and under the Secondary Market Scheme.

As provided in the prevailing DoG, the maximum mortgage default guarantee period for flats under the HOS and Green Form Subsidised Home Ownership Scheme (GSH) is 30 years counting from the date of the first assignment of the flats.

My consolidated reply to the Hon Leung Man-kwong's question is as follows:

(1) and (2) According to the information, the total number of HOS/GSH flats with premium unpaid is 271 000 as at the end of March 2022. As some of the HOS flats were put up for sale in the early years and the HA does not have the information on the date of first assignments of these flats, we cannot work out the residual mortgage default guarantee period of all HOS flats. If it is assumed that the completion date of the HOS/GSH developments concerned is the same as the date of first assignment of all the flats in the same development, we could roughly estimate the residual mortgage default guarantee period of these flats. There are about 24 000 flats with a residual period of more than 20 years to 30 years, about 5 000 flats of more than 10 years to 20 years and about 76 000 flats of 10 years and below.

Considering the financial risk borne by the HA should be controlled at a suitable level, the HA currently provides a maximum mortgage default guarantee period of 30 years to participating financial institutions. The HA's mortgage default guarantee period is only one of the factors for reference by banks and financial institutions in granting mortgage loans. Banks and financial institutions may provide different mortgage terms according to the actual circumstances of individual mortgage applications, such as the repayment ability and financial position of applicants as well as other relevant factors. As regards the mortgage repayment period, while the HA has required banks and financial institutions to grant mortgage loans not exceeding 25 years, it does not stipulate that the mortgage repayment period has to expire with the mortgage default guarantee period. In practice, banks or financial institutions will provide mortgages based on their commercial considerations and individual circumstances of mortgage applicants. Therefore, the HA has no plan to extend the mortgage default guarantee period. Nevertheless, the HA will keep in view the need for extending the mortgage default guarantee period from purchasers of SSFS flats and participating financial institutions providing mortgages as well as the financial risk to be borne by the HA; and will examine the subject at appropriate time.

(3) When the HA endorsed the extension of the HOS Secondary Market to White Form buyers under the Interim Scheme in September 2012, it had taken into account the needs of family applicants and one-person applicants for SSFS flats. At that time, considering that family applicants had more pressing need to purchase a flat as compared to one-person applicants, the HA set the

allocation ratio for family and one-person applicants at 9:1. This was in line with the arrangements for other subsidised housing policy where higher priority is allocated to family applicants. The same allocation ratio was also adopted when regularising the WSM in 2018.

Before the launch of each WSM exercise, the HA will discuss and endorse the implementation details of the exercise including the allocation ratio for family and one-person applicants. Taking into account the fact that demand from White Form applicants remains strong and that there has been no significant change in the proportion of family and one-person applicants in the past WSM exercises, the HA therefore endorsed in January 2022 to maintain the allocation ratio for family and one-person applicants at 9:1 when WSM 2022 was launched, apart from keeping the annual quota at 4 500. The HA will suitably take into account the prevailing situation (such as the utilisation of annual quota in the previous WSM exercise, the number of family and one-person applicants and other relevant factors) and the views of stakeholders when considering the allocation ratio in future exercises, and adjust such ratio as and when necessary.

Thank you, President.