

<b>Doc Type</b>	HA
<b>Paper No</b>	10/96
<b>Title</b>	The Enhanced Home Purchase Loan Scheme for Green Form Applicants Annual Quota for 1995/96 & 1996/97
<b>CONTENTS</b>	<p>HA 10/96</p> <p>THE HONG KONG HOUSING AUTHORITY</p> <p>Memorandum for the Housing Authority</p> <p>The Enhanced Home Purchase Loan Scheme for Green Form Applicants Annual Quota for 1995/96 &amp; 1996/97</p> <p>PURPOSE</p> <p>To report progress on the enhanced Home Purchase Loan Scheme (HPLS) for Green Form applicants and to seek Members' approval to use the 1996/97 quota as soon as the 1995/96 quota is exhausted.</p> <p>BACKGROUND</p> <p>2. In order to encourage better off public rental housing tenants to purchase their home in the private sector, Members approved at the meeting on 29 June 1995 to an enhanced interest free loan for Green Form applicants under the HPLS to be financed out of the Development Fund. Under this special arrangement, the amount of loan for Green Form applicants was increased to \$600,000 or a 48-month subsidy of \$5,100 per month with immediate effect. Moreover, an annual quota of 2,000 loans at the enhanced level was also approved for 1995/96 and 1996/97.</p> <p>PROGRESS AS AT 31 DECEMBER 1995</p> <p>3. Monthly statistics of applications and approvals for April to December 1995 are at Annex 1.</p> <p>4. As at the end of December 1995, a total of 4,694 additional Green Form applications have been received since the implementation of the enhanced scheme, and 1,335 loan/subsidy agreements have been approved. In addition, 1,905 applicants are holding Approval-in-principle (AIP) and a further 1,454 applications are being processed. It is estimated that if loan/subsidy agreements continued to be approved at the current rate, some 1,700 further loan/subsidy agreements would be approved by the end of March 1996. This would mean exceeding the quota of 2,000 for 1995/96 by about 1,100.</p>

## RECOMMENDATION

5. Past experience with HPLS is that take-up is highly fluctuating, dependent upon the perception of the prospect of rising property price and other factors. To ensure maximum use of the quota for 1996/97, it would therefore be opportune to take advantage of the current high level of applications by using the 1996/97 quota as soon as the 1995/96 quota is filled. We propose to continue processing applications until such time when Green Form quotas for both years are filled.

## FINANCIAL IMPLICATION

6. The current estimates of expenditure for the enhanced HPLS Scheme for Green Form applicants under the Development Fund are as follows -

1995/96	1996/97	1997/98	1998/99	1999/00	Total	
Enhanced						
HPLS	968.2M	996.7M	49.0M	48.0M	41.7M	2,103.6M
Scheme						

They were compiled on the basis that of the 4,000 quota for 1995/96 and 1996/97, 3,200 are for loans and 800 for the monthly subsidies (i.e. 80:20). It is obvious from the loan/subsidies agreements executed so far that far fewer successful applicants (only about 7.5%) have opted for the monthly subsidy provision than originally envisaged. As such, the estimates of expenditure on the HPLS enhanced loan chargeable to the Development Fund will need to be revised. Moreover, on the assumption that 1,100 of the 2,000 quota approved for 1996/97 would be consumed in 1995/96, the current estimates of expenditure for the enhanced HPLS scheme under the Development Fund would have to be further revised.

7. Subject to Members' agreement to the recommendations above, the revised estimates of expenditure for the enhanced HPLS Scheme for Green Form applicants under the Development Fund is at Annex 2. Funds are available to meet anticipated additional commitment in 1995/96.

## CONSULTATION

8. The Home Ownership Committee of the Housing Authority and the Works Liaison Group have been consulted and endorsed the proposal to advance part of the quota set aside for 1996/97 to be used in 1995/96 to take advantage of the current high level of applications.

## NEXT REVIEW

9. A review on the enhanced HPLS will be conducted well before the quota set aside for 1996/97 runs out, so that a decision could be taken on whether to continue with the scheme and at what level of loan/subsidy.

PRESUMPTION

10. It is not considered that Members will object to the recommendation outlined in paragraph 5 above. If no objection or request for discussion is received by the Committees' Secretary by noon on 22 February 1996, Members' approval will be presumed and appropriate action taken.

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