

*Press December 13, 1995*

**Headline :** *More incentives to promote home ownership*

**Content :** The following is issued on behalf of the Housing Authority:

The Housing Authority's Home Ownership Committee today (Wednesday) discussed three measures to promote home ownership, particularly among public rental housing (PRH) tenants. This is the first of a series of discussions to develop a package of proposals for approval by the Authority in due course in an overall review of the Home Ownership Scheme.

Members exchanged views on a deferred mortgage arrangement for tenants affected by the Comprehensive Redevelopment Programme (CRP), relaxation of resale restrictions and the creation of a secondary market for HOS and Private Sector Participation Scheme (PSPS) flats, as well as lump sum discount to increase affordability of HOS and PSPS flats to lower income households.

"It is proposed that buyers of HOS flats will be allowed to make a monthly payment to the Authority which counts against the purchase price of the property in the initial period of three years, after which a mortgage loan for the outstanding purchase price from financial institutions will be required," a spokesman for the Housing Department said.

"This will ease the repayment burden of the buyers especially in the initial period and make it easier for them to repay the mortgage loan with improved financial position over time," he explained.

"Should they wish to resell the flats back to the Authority during the initial period, a sum equivalent to the rental of the flat for the duration of their occupancy will be deducted from the resale price," he said.

The spokesman noted that members of the Committee put forward some other options and these would be considered by the Committee before making a recommendation to the Authority.

He said that the Authority would have to consider the opportunity cost and the cash flow implications as the full sale proceeds would not be received until three years after the sale.

Members also discussed the relaxation of resale restrictions and the creation of a secondary market to promote home ownership and turnover of PRH units.

The proposal is to change the initial period of resale to three years from the date of first assignment from the Authority, and not from the date of ownership by the buyer, but the requirement to resell at original prices during this period will be retained.

"HOS/PSPS owners may resell their flats to the Authority at the prevailing HOS prices in the fourth to tenth years from first assignment, and to potential buyers in the open market after 10 years from first assignment subject to paying a premium proportionate to the original discount," he noted.

"Owners of HOS/PSPS flats in the fourth to tenth years from first assignment may sell their flats in a secondary market at negotiated prices to PRH tenants or to those eligible for public housing, such as carees, Waiting List applicants and civil servants. PRH tenants will be required to give up their flats on completion of purchase." "The vendor will not be asked to pay the premium but the purchaser will inherit the liability to pay a premium if the flat is sold eventually in the open market."

"Households who buy HOS flats in the secondary market will be free to resell in the secondary market anytime but may only resell in the open market 10 years from the first assignment."

"They may also opt to resell in the secondary market even after 10 years from the first assignment," he said. Furthermore, the Authority will guarantee the participating financial institutions against default of mortgagors up to 25 years from the date of first assignment in order to obtain favourable mortgage terms for purchasers.

It was estimated that about 2,500 PRH flats could be generated from the secondary market for reallocation a year, assuming a three per cent turnover of the 86,000 HOS/PSPS flats in the fourth to tenth years from first assignment.

"Thoughts have been given to operate the secondary market through estate agents as in the open market or through centres which serve as focal points for contact between prospective buyers and sellers."

He said that the third measure under consideration was an adjustment in the pricing methodology to give differential discount rates to the market values of HOS flats to make them more affordable to lower income households.

"Instead of a flat discount rate currently applying to all flats sold under the same phase of sale, a fix-sum discount can be applied to all the flats within a particular phase regardless of their market values."

"This would mean a smaller discount rate on higher priced flats and a higher discount rate for lower priced flats within the same HOS court," he added. End

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