

# **THE HONG KONG HOUSING AUTHORITY**

## **Memorandum for the Home Ownership Committee**

### **Fees and Charges for 1999/2000 on the Home Ownership Scheme, the Private Sector Participation Scheme, the Home Purchase Loan Scheme, the Secondary Market Scheme, the Mortgage Subsidy Scheme and the Tenants Purchase Scheme**

#### **PURPOSE**

To seek approval to freeze the fees and charges for the Home Ownership Scheme (HOS), the Private Sector Participation Scheme (PSPS), the Home Purchase Loan Scheme (HPLS), the Secondary Market Scheme (SMS), the Mortgage Subsidy Scheme (MSS) and the Tenants Purchase Scheme (TPS) for 1999/2000.

#### **BACKGROUND**

2. Applicants and owners of HOS/PSPS/HPLS/SMS/MSS/TPS pay fees and charges for services administered by the Authority. In general, the basis for charging is cost recovery but there are also a few services that are partly-subsidised. Members approved vide Paper No. HOC 29/98 the fees and charges from 1 April 1998 for the HOS, PSPS, HPLS and TPS.

## **FACTORS FOR CONSIDERATION**

3. Owing to the cutting down of costs as a result of management enhancement, privatization and further computerisation through Business Process Reengineering (BPR), the Department is able to contain the existing levels of administrative costs for all the services for 1999/2000.

4. At time of the current economic downturn, any proposed increase would likely attract criticism, we therefore propose to freeze the fees and charges at the present level.

## **RECOMMENDATION**

5. In view of the present economic climate and Department's efforts in containing costs through business process re-engineering and enhanced productivity programme, we recommend that the existing fees and charges should remain unchanged for 1999/2000. A list of the existing fees and charges is shown in the **Annex**.

## **FINANCIAL IMPLICATIONS**

6. We can recover the full costs in processing most of the applications. However, the operating costs in processing unsuccessful applications under both HOS/PSPS and HPLS will continue to be partly subsidized. The estimated subsidies in 1999/2000 will be \$5.67M for HOS/PSPS and \$1.94M for HPLS.

## **PUBLIC REACTION AND PUBLICITY**

7. As all fees and charges will remain unchanged, it is anticipated the users of these services will welcome it. The public will be advised that the administrative fees, charged on a cost recovery basis, can be frozen due to successful implementation of BPR initiatives undertaken by the Department.

## **PRESUMPTION**

8. It is not thought that Members will object to the proposal of freezing the existing fees and charges for 1999/2000. If no objection or request for discussion is received by the Committees' Secretary **by noon on 18 March 1999**, Members' approval will be presumed and appropriate action taken.

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File Ref. : HD(H)HOS 12/1/63 II

Date : 4 March 1999



**Fees and Charges for 1999/2000**

<b>HOS/PSPS/TPS</b>	<b>(\$)</b>
(1) Initial Application Fee for HOS/PSPS/MSS	70
(2) Consent to Change mortgage arrangement	1,800
(3) Consent to Assign	2,000
(4) Buying Back - at original purchase price	2,800
(5) Withdrawal - owner fails to execute the assignment for (4)	1,200
(6) Buying Back - at assessed market value	5,600
(7) Withdrawal - owner fails to execute the assignment for (6)	2,500
(8) Refinancing Cases	2,800
(9) Assessment of Premium after expiry of resale restriction period (Refundable from premium in due course)	4,800

<b>HPLS</b>	<b>(\$)</b>
(10) Initial Application Fee	180
(11) Cancellation of Agreement prior to use of loan or monthly subsidy	1,745
(12) Rescission of Agreement after use of monthly subsidy but fail to execute the assignment	870
(13) Rescission of Agreement after use of loan but fail to execute the assignment	Note (1)
(14) Consent to Assign <sup>Note (2)</sup>	2,000
(15) Consent to Change Mortgage Arrangement <sup>Note (2)</sup>	1,800
 <b>SMS</b>  	
(16) Application Fee for Certificate of Eligibility for Purchase	550
(17) Application Fee for Certificate of Availability for Sale	500
(18) Application Fee for Letter of Nomination	700

Note (1) Formula of calculating the cost -

$$\frac{\text{prevailing average loan amount} \times \text{yield of Authority fund}}{12 \text{ months}} \times \text{no. of months (minimum 2 months)} + \$870 \text{ (Administrative fee)}$$

Note (2) The practice is to adopt the same level of fee as that for HOS/PSPS/TPS/MSS.