

THE HONG KONG HOUSING AUTHORITY

Memorandum for the Home Ownership Committee

Fees and Charges for the Home Ownership Scheme, the Private Sector Participation Scheme, the Tenants Purchase Scheme and the Home Purchase Loan Scheme

PURPOSE

To seek approval to maintain the existing fees and charges for the Home Ownership Scheme (HOS), the Private Sector Participation Scheme (PSPS), the Home Purchase Loan Scheme (HPLS), and to apply them to the Tenants Purchase Scheme (TPS).

BACKGROUND

2. Applicants and owners of HOS/PSPS/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 27/97 fees and charges for the HOS, PSPS and HPLS effective from 1 April 1997. It is time for review taking into account changes in costs since then. A list of the proposed fees and charges is shown in the **Annex**.

APPLICATION FEES

Home Ownership Scheme/Private Sector Participation Scheme

3. The cost for processing each HOS/PSPS application (item 1) is about \$136 which tallies with the existing charge of \$135 for successful application. We propose to maintain the existing level of charges, \$70 on application and the balance of \$65 at the time of flat selection for successful application. Unsuccessful applicants will continue to be subsidised in their application charges.

Home Purchase Loan Scheme

4. The cost for processing each HPLS application (item 10) is about \$391, which again tallies with the existing charge of \$395 for successful application. We propose that the present level of charges remain unchanged with \$180 paid on application and the balance of \$215 paid only for successful application.

Tenants Purchase Scheme

5. TPS purchasers do not pay an application fee, but an Offer to Buy must be accompanied by intention money of \$2,500. This intention money is refunded in full if the offer is withdrawn prior to acceptance by the Authority; if the sale proceeds to assignment it forms part of the purchase price. If the offer is withdrawn after the date of acceptance the intention money is forfeit. The sum of \$2,500 is based on an estimate of costs in processing the abortive offer up to the date of withdrawal incurred by the Department including costs incurred by the Authority's solicitors for which the Authority may be liable, and will be revised in the light of experience.

ADMINISTRATIVE CHARGES

No increase of charges

6. Owing to the cutting down of costs as a result of management enhancement and computerisation through Business Process Reengineering (BPR), the Department is able to contain the existing levels of administrative costs for most services. Hence, no increase is necessary for items (2) to (6), (11), (12), (14) and (15) in the Annex, namely consent to change mortgage arrangement, consent to assign, rescission of agreement for immediate mortgage, buying back, withdrawal, cancellation of HPLS agreement prior to use of loan or monthly subsidy, and rescission of HPLS agreement after use of monthly subsidy but failing to execute the assignment. For item (13), the existing practice of charging the actual cost for rescission of HPLS agreement after use of loan but failing to execute the assignment will continue.

7. Although the estimated administrative cost for item (7) i.e. the withdrawal of selling back of HOS flats at prevailing prices will slightly increase

from \$2,500 to \$2,600, we shall absorb the mild increase and freeze the current charge because the cases handled were few (152 cases in 1997/98) and great increase in such cases is unlikely. For the same reason, we propose to maintain the current charge of \$2,800 for item (8) i.e. refinancing, as the number of cases was even smaller (7 cases in 1997/98) despite the estimated cost is expected to rise to \$3,210.

8. For TPS it is envisaged that administrative services (2) to (9) in the Annex will be required in due course, and it is proposed to adopt the same rates for HOS/PSPS pending actual experience and confirmation of costs incurred.

Reduction of Fee for Assessment of Premium

9. The existing administrative fee charged for assessment of premium (item 9) is \$5,200. The charge is credited against the premium upon payment. Owing to streamlining of working procedures and computerisation, the time for processing application has been shortened and the cost is correspondingly lowered to about \$4,800, representing a drop of 7.69%. We therefore propose to reduce the fee to \$4,800 for 1998/99.

WAIVER OF FEES

10. It is the established policy that fees and charges (except application fees) may be waived in case of genuine hardship as a result of change of family circumstances (such as death of the main income earner), involuntary transfer of ownership or subsequent mortgage consent resulting from operation of law. The authority for approving such cases has been delegated to the respective Assistant Director.

IMPLEMENTATION

11. The proposed fees and charges will apply to cases received on or after 1 April 1998.

FINANCIAL IMPLICATIONS

12. The purpose of the fees and charges is to recover the costs incurred by the Authority in processing various types of applications. While there is subsidy in the application fees for the unsuccessful applicants under both the HOS/PSPS and HPLS, the subsidies in items (7) and (8) are negligible. The estimated subsidies will be \$11.88M for HOS/PSPS and \$2.22M for HPLS in 1998/99.

PUBLIC REACTION AND PUBLICITY

13. As all fees and charges will remain unchanged and even reduced for item 9, 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, are now frozen due to on-going BPR initiatives taken by the Department.

PRESUMPTION

14. It is not thought that Members will object to the existing fees and charges as proposed. If no objection or request for discussion is received by the Committees' Secretary **by noon on 24 March 1998**, Members' approval will be presumed and appropriate action taken.

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