

THE HONG KONG HOUSING AUTHORITY

Memorandum for the Subsidised Housing Committee

Survey on Applicants of Home Assistance Loan Scheme (HALS) 2004

PURPOSE

Pursuant to Government's repositioned housing policy, the Housing Authority (HA) decided to withdraw from the provision of all forms of home ownership assistance schemes, including the Home Assistance Loan Scheme (HALS). This paper presents the findings of the final round of survey on the last batch of HALS applicants for Members' information.

BACKGROUND

2. We have been conducting annual survey on the characteristics of Home Purchase Loan Scheme (HPLS) applicants since 1999. The HPLS was replaced by the HALS in January 2003. The latter was terminated in November 2003 following a review of the scheme in the light of Government's repositioned housing policy. Nonetheless, in order to complete the time series analysis, we have conducted a final round of survey on the last batch of applicants of HALS.

3. This survey focuses on all successful and unsuccessful applicants for the HALS during the period from 1 April 2003 to 31 July 2004¹. A sample of 1 014 HALS applicants was selected. Some 866 applicants were successfully interviewed, constituting a response rate of 85%.

¹ According to the survey design, this survey covered successful and unsuccessful applicants of the HALS during the period from 1 April 2003 to 31 July 2004. Although new applications were not accepted after November 2003, some HALS applications were still under process after its termination. The reference period for this survey was extended to 31 July 2004 to ensure that results of most of the applications were known by then. Successful applicants refer to applicants to whom loans/subsidies were granted during the period from 1 April 2003 to 31 July 2004. Unsuccessful applicants refer to qualified applicants whose applications were rejected during the period from 1 April 2003 to 31 July 2004. Those disqualified HALS applicants and those applicants with their applications still under process as at end July 2004 are not covered.

OVERVIEW OF HALS

4. Based on the administrative records, we received 14 286 HALS applications during the period from 2 January 2003 to 15 April 2004² and granted 4 232 loans and 4 688 subsidies up to 30 September 2004³. Some 41% of the White Form (WF) and 13% of the Green Form (GF) applicants were singletons. As regards the choice of subsidy, the proportion of successful applicants who opted for monthly mortgage subsidy was on an increasing trend. In particular, the proportion of GF successful applicants choosing monthly mortgage subsidy surged from 28% in 2002 to 69% in 2003/04. This could partly be explained by the fact that monthly mortgage subsidy was more attractive under a low mortgage rate environment and GF applicants were relatively more affordable in paying downpayment.

Table 1: Distribution of applications received and loans/subsidies granted

HALS Applications Received in 2 January 2003 – 15 April 2004												
	<i>Singleton</i>		<i>Family</i>		<i>Total</i>							
GF	13%	(11%)	87%	(89%)	100%							
WF	41%	(38%)	59%	(62%)	100%							
Overall	28%	(21%)	72%	(79%)	100%							
HALS Loans/Subsidies Granted in 2 January 2003 – 30 September 2004												
	<i>Singleton</i>		<i>Family</i>		<i>Total</i>		<i>Loan</i>		<i>Subsidy</i>		<i>Total</i>	
GF	11%	(11%)	89%	(89%)	100%		31%	(72%)	69%	(28%)	100%	
WF	35%	(24%)	65%	(76%)	100%		64%	(92%)	36%	(8%)	100%	
Overall	23%	(15%)	77%	(85%)	100%		47%	(79%)	53%	(21%)	100%	

Note: Figures in brackets denote percentages for January-December 2002 in respect of HPLS.

SURVEY FINDINGS

5. Our analysis focuses on the following areas -

² Subsequent to the endorsement of Paper No. SHC 46/2003 on 26 November 2003, HALS application except for the Civil Servants Quota (CSQ) was closed on 27 November 2003. Applications under CSQ were closed on 15 April 2004.

³ 108 Approval-in-principles were still valid as at 30 September 2004.

- (a) socio-economic characteristics;
- (b) housing conditions at the time of application;
- (c) reasons for buying properties;
- (d) affordability of successful applicants;
- (e) types of flats purchased by successful applicants;
- (f) future housing plans of unsuccessful applicants;
- (g) opinion on the Mortgage Insurance Programme; and
- (h) characteristics of the singleton WF applicants.

6. The relevant findings from the last survey conducted in 2003 are shown in brackets where appropriate for comparison purposes. However, as last round of survey mainly covered HPLS applicants whereas this round covered HALS applicants⁴, some findings of the two rounds of survey may not be comparable to each other.

Characteristics of Applicants

(a) Socio-economic Characteristics

7. GF applicants were significantly older than WF applicants. The average age of the former was 48 whereas the latter averaged 31. The median monthly household income of GF applicants was higher than that of WF applicants, at \$19,900 and \$15,000 respectively. This is partly due to the fact

⁴ The key features of the two loan schemes are given below-

<i>Income and asset limits- (for WF applicants)-</i>	HPLS (2002/03)		HALS (2003/04)	
	<u>Income limit</u>	<u>Asset limit</u>	<u>Income limit</u>	<u>Asset limit</u>
<u>Family size</u>				
Singleton	\$12,500	\$300,000	\$11,500	\$240,000
2-5 persons	\$25,000	\$600,000	\$23,000	\$480,000
 <i>Form of financial assistance^(a)-</i>	<u>GF</u>	<u>WF</u>	<u>GF and WF</u>	
Basic loan repayable over 20 years	\$500,000	\$310,000	\$390,000	
Higher loan repayable over 13 years	\$660,000	\$410,000	\$530,000	
Monthly mortgage subsidy for 48 months	\$4,200	\$2,800	\$3,800	

Note: (a) Figures refer to the amount of loan and subsidy for family applicants. The amount of loan and subsidy for singletons are half of those for family applicants.

that the household size of GF applicants was larger, at 3.1 persons on average, as compared with 1.8 persons for WF applicants. A comparison of the socio-economic characteristics of WF and GF applicants is summarized in **Table 2** below.

Table 2: Socio-economic characteristics

	WF	GF
<i>Average age of applicants (years)</i>	31 (32)	48 (45)
<i>Average household size^(a) for application (persons)</i>		
All applicants	1.8 (1.9)	3.1 (3.0)
Excluding 1-P applicants	2.3 (2.5)	3.4 (3.3)
<i>Median monthly household income^(b)</i>		
All applicants	\$15,000 (\$16,000)	\$19,900 (\$20,000)
Excluding 1-P applicants	\$18,000 (\$19,000)	\$20,000 (\$20,500)

Notes:

- (a) Household size is not necessarily equal to the number of household members in the application form. For successful applicants, household size refers to the number of household members living in the purchased flats.
- (b) Household income refers to income in August 2004 and May 2003 for 2004 and 2003 round of survey respectively, but not the income at the time of application. Furthermore, household income is not necessarily equal to total incomes of all household members in the application form. For successful applicants, household income refers to the total incomes of all household members living in the purchased flats.

(b) Housing Conditions at the Time of Application

8. Some 49% of the WF applicants were living in public rental housing⁵ (PRH) or subsidized sale flats at the time of application. As regards the tenure of WF applicants, some 53% of them were sole tenants while 41% of them were living in flats owned by other household members at the time of application. In general, WF applicants had larger living space per person than GF applicants at the time of application, at 12.7m² and 11.3m² saleable area respectively. For those GF applicants living in PRH previously, the average length of residence in PRH was 19 years. (**Table 3**)

⁵ PRH non-principal tenants could use WF to apply for various HA subsidized housing schemes. However, upon purchase of flats under the subsidized housing schemes, their names would be deleted from the tenancy.

Table 3: Housing conditions at the time of application

	WF	GF
<i>Type of housing</i>		
Public Rental Housing	30% (32%)	84% (77%)
Subsidized Sale Flats	19% (15%)	3% (3%)
Others	51% (53%)	14% (20%)
Total ^(a)	100%	100%
<i>Type of tenure</i>		
Sole tenant	53% (59%)	92% (88%)
Owned by other household members	41% (33%)	6% (8%)
Others	6% (8%)	2% (4%)
Total	100%	100%
<i>Average living space per person (m² saleable area)</i>		
	12.7 (12.4)	11.3 (10.8)
<i>Average household size (persons)</i>		
	4.0 (4.0)	3.6 (3.6)
<i>Length of residence in PRH for applicants who were living in PRH (years)</i>		
Below 10	NA	23% (19%)
10 – less than 20	NA	29% (28%)
20 – less than 30	NA	28% (28%)
30 or above	NA	20% (25%)
Total	NA	100%
Average (years)	NA	19 (20)

Note: (a) Percentages may not add up to 100% due to rounding.

Housing Plans of Applicants

(c) *Reasons for Buying Properties*

9. The reasons for purchasing properties were different between GF and WF applicants. For GF applicants, the two most commonly cited reasons for buying properties were “to improve living standard” (47%) and “small size of current accommodation” (46%). As regards WF applicants, “aspiration for home ownership” (47%) and “the subsidized scheme was attractive” (34%) were the principal reasons. The proportion of WF applicants who cited “the subsidized scheme was attractive” as a reason increased from 11% in 2003 to 34% in 2004. This could be attributed to the higher amount of loan and subsidy for HALS WF applicants as compared with that under the previous HPLS. As far as considerations in selecting flats are concerned, “price” and “location” were generally the two main factors that applicants would consider, followed by “transportation”. (Table 4)

Table 4: Reasons for buying properties

	<u>WF</u>	<u>GF</u>
<i>Major reasons for buying properties</i> <i>(multiple answers are allowed)</i>		
Aspiration for home ownership	47% (42%)	23% (21%)
The subsidized scheme was attractive	34% (11%)	30% (18%)
Increase in family members	30% (24%)	8% (10%)
To improve living standard	29% (22%)	47% (41%)
Small size of current accommodation	28% (22%)	46% (39%)
Low flat price	25% (17%)	16% (12%)
<i>Major considerations in selecting a flat</i> <i>(multiple answers are allowed)</i>		
Flat Price	86% (79%)	79% (77%)
Location (District)	68% (72%)	67% (66%)
Transportation	44% (49%)	42% (52%)
Flat size	19% (15%)	26% (23%)
Quality of flat	12% (7%)	7% (5%)

(d) Affordability of Successful Applicants

10. The price of flats purchased by WF and GF successful applicants was similar, with half of the successful applicants purchased flats priced \$1 million or below. Nevertheless, in general GF successful applicants purchased flats of larger size as compared to those purchased by the WF successful applicants. Some 51% of the GF successful applicants purchased flats of 60 m² saleable area or above. The corresponding proportion for the WF successful applicants was much lower, at 18%.

11. The mortgage arrangements for WF and GF successful applicants were different. On average, WF and GF successful applicants paid \$390,000 and \$345,000 respectively as downpayment (including the HALS loans wherever applicable). Although the amount of downpayment for WF successful applicants was larger, the monthly mortgage repayment for GF applicants was lower (at \$3,300 on average) as compared to that for WF applicants (at \$4,700 on average). This is mainly attributed to the fact that the majority of GF successful applicants opted monthly mortgage subsidy, while the majority of WF successful applicants opted one-off interest-free loan. On average, WF and GF successful applicants contributed about 27% and 17% respectively of their household income towards repaying the bank mortgage and, where applicable, the HALS loan. A comparison of the affordability of WF and GF successful applicants is summarized in [Table 5](#) below.

Table 5: Affordability of successful applicants

	<u>WF</u>	<u>GF</u>
<i>Flat price (\$)</i>		
800,000 or below	26%	33%
800,001 – 1,000,000	24%	21%
1,000,001 – 1,500,000	34%	29%
1,500,001 – 2,000,000	12%	11%
over 2,000,000	4%	6%
Total	100%	100%
Median	\$1.0M <i>(\$1.0M)</i>	\$1.0M <i>(\$1.1M)</i>
<i>Flat size (m² saleable area)</i>		
Below 40	21%	5%
40 – less than 50	39%	23%
50 – less than 60	22%	21%
60 or above	18%	51%
Total	100%	100%
Average (m ² saleable area)	50 (48)	60 (58)
<i>Median downpayment</i>		
Including HALS loan	\$390,000 <i>(\$410,000)</i>	\$345,000 <i>(\$570,000)</i>
Excluding HALS loan	\$115,500 <i>(\$70,000)</i>	\$159,000 <i>(\$120,000)</i>
<i>Median downpayment-to-price ratio</i>		
Including HALS loan	36% <i>(36%)</i>	31% <i>(42%)</i>
Excluding HALS loan	10% <i>(7%)</i>	17% <i>(10%)</i>
<i>Median mortgage repayment</i>		
<i>[including HALS loan repayment]</i>	\$4,700 <i>(\$5,400)</i>	\$3,300 <i>(\$5,500)</i>
<i>Median mortgage-to-income ratio</i>		
<i>[including HALS loan repayment]</i>	27% <i>(33%)</i>	17% <i>(25%)</i>

(e) Types of Flats Purchased by Successful Applicants

12. Some 58% of the GF successful applicants purchased flats in the HOS Secondary Market (SM). The main reason quoted by these buyers was “lower flat price” (90%). As regards the reasons for not purchasing flats in the HOS SM, most of the GF successful applicants buying other flats cited “better quality of private flat” (56%) and “the price of private flats could better be preserved” (27%) as the principal reasons. For WF successful applicants, 71%

of them purchased second-hand flats in the private market while 29% purchased first-hand flats. Amongst the second-hand flat buyers, the main reasons for so doing was because “price of second-hand flat was lower” (70%). (Table 6)

Table 6: Types of Flats Purchased by Successful Applicants

	<u>WF</u>	<u>GF</u>
<i>Whether purchased first-hand or second-hand flat</i>		
First-hand flats in the private market	29% (22%)	16% (21%)
Second-hand flats : private market	71% (78%)	26% (34%)
: HOS SM	NA	58% (45%)
<i>Major reasons for purchasing HOS SM flats (multiple answers are allowed)</i>		
Lower Flat Price	NA	90% (96%)
More suitable location	NA	43% (32%)
More practical design/layout	NA	22% (6%)
Better environment	NA	9% (4%)
<i>Major reasons for not purchasing HOS SM flats (multiple answers are allowed)</i>		
Better quality of private flat	NA	56% (51%)
The price of private flats could better be preserved	NA	27% (18%)
Did not want to pay premium in future	NA	20% (29%)
More choices of districts for private flat	NA	17% (26%)
Private flats were easier to trade	NA	17% (18%)
<i>Major reasons for purchasing first-hand flat in the private market (multiple answers are allowed)</i>		
Save time and money for decoration and maintenance	49% (44%)	27% (34%)
Price of first-hand flat was equal to or even less than that of second-hand flat	48% (41%)	27% (40%)
Want to live in a new flat rather than an old one	41% (45%)	52% (51%)
Higher quality / More facilities for first-hand flats	39% (5%)	40% (5%)
More preferential offers in buying first-hand flats	25% (19%)	29% (19%)
The price of first-hand flats could be better preserved	19% (6%)	19% (3%)
Desirable flat was not available in second-hand market	14% (8%)	10% (3%)
<i>Major reasons for purchasing second-hand flat in the private market (multiple answers are allowed)</i>		
Price of second-hand flat was lower	70% (44%)	59% (51%)
Price of first-hand flat was beyond their affordability	47% (53%)	39% (35%)
More choices of districts for second-hand flats	18% (27%)	28% (33%)
Larger saleable area for second-hand flats	17% (9%)	16% (13%)

(f) Future Housing Plans of Unsuccessful Applicants

13. Some 59% of the unsuccessful applicants had no intention to buy a flat in the next two years mainly because “income had dropped/could not afford to buy a flat” (39%) and “cessation of HALS” (37%). (Table 7)

Table 7: Future housing plans of unsuccessful applicants

<i>Intention to buy a flat in the next two years</i>	
Yes	32% (45%)
No	59% (37%)
Not yet decided	10% (18%)
Total ^(a)	100%
<i>Affordability measures for those who had intention to buy a flat in the next two years</i>	
Median affordable flat price	\$1.2M (\$1.0M)
Median affordable downpayment	\$150,000 (\$100,000)
Median affordable mortgage repayment	\$5,000 (\$5,500)
<i>Major reasons for not intending to buy a flat in the next two years (multiple answers are allowed)</i>	
Income had dropped/could not afford to buy a flat	39% (52%)
Cessation of HALS	37% (NA)
High flat price	20% (3%)
To avoid financial burden arising from mortgage repayment	15% (23%)
Currently unemployed/expecting dismissal	12% (14%)

Note: (a) Percentages may not add up to 100% due to rounding.

(g) Opinion on the Mortgage Insurance Programme (MIP)

14. HALS applicants were asked whether they would apply for MIP when purchasing flats if HALS was not available. Survey results indicated that 61% of the WF applicants and 78% of the GF applicants gave negative replies. The main reasons were “loans under MIP were not interest-free/government loans were interest-free” and “insurance premium was expensive/did not want to pay insurance premium”. (Table 8)

Table 8: Opinion on the Mortgage Insurance Programme

	<u>WF</u>	<u>GF</u>
<i>Whether would apply for MIP when purchasing flat if no HALS</i>		
Yes	39% (41%)	22% (24%)
No	61% (59%)	78% (76%)
<i>Major reasons for not applying for MIP if no HALS (multiple answers are allowed)</i>		
Loans under MIP were not interest-free/government loans were interest-free	68% (58%)	62% (58%)
Insurance premium was expensive/did not want to pay insurance premium	48% (54%)	42% (54%)
HPLS/HALS gave successful applicants an option of acquiring a monthly subsidy	12% (4%)	22% (6%)
Not clear about the application procedure	11% (4%)	14% (4%)

(h) Characteristics of the WF Singleton Applicants

15. Some 41% of all WF applicants were singletons. The average age of WF singleton applicants was 29. It is noteworthy that the majority (93%) of the singleton WF applicants were living with other family members at the time of application. Analysed by types of housing, a considerable portion (63%) of them was living in PRH or subsidized sale flats at the time of application. A summary of the characteristics of the WF singleton applicants and their affordability is given in [Table 9](#).

Table 9: Characteristics of the WF singleton applicants

Median income^(a)	\$11,000 (\$11,000)
Age (years)	
Below 25	16% (20%)
25 – less than 30	54% (45%)
30 – less than 40	23% (30%)
40 or above	7% (5%)
Total	100%
Average	29 years (29 years)
Household size at the time of application	
1p	7% (7%)
2p or above	93% (93%)
Total	100%
Type of housing at the time of application	
Public Rental Housing	40% (43%)
Subsidized Sale Flats	23% (20%)
Others	38% (37%)
Total ^(b)	100%
Average living space per person at the time of application (m² saleable area per person)	13.1 (12.5)
For successful applicants	
Price of flats purchased (\$)	
800,000 or below	39% (47%)
800,001 – 1,000,000	25% (28%)
1,000,001 – 1,500,000	32% (23%)
1,500,001 – 2,000,000	4% (1%)
Over 2,000,000	0% (1%)
Total	100%
Median	\$0.88M (\$0.82M)
Size of flat purchased (m² saleable area)	
Below 40	26% (29%)
40 – less than 50	41% (39%)
50 – less than 60	22% (18%)
60 or above	11% (14%)
Total	100%
Average (m ² saleable area)	46 (46)
Proportion of applicants with relatives' contribution	
Downpayment	56% (35%)
Mortgage repayment	11% (10%)

Notes: (a) Income refers to income in August 2004 and May 2003 for 2004 and 2003 round of survey respectively, but not the income at the time of application. Furthermore, income is not necessarily equal to income of the applicant. For successful applicants, income refers to the total incomes of all household members living in the purchased flats.

(b) Percentages may not add up to 100% due to rounding.

SUMMARY OF MAIN FINDINGS

16. The main findings of the survey are summed up below -
- (a) the median monthly household income of GF applicants was higher than that of WF applicants, at \$19,900 and \$15,000 respectively. This is partly attributed to the fact that the household size of GF applicants was larger, at 3.1 persons on average as compared with 1.8 persons for WF applicants (**Table 2**);
 - (b) the average living space per person of WF applicants (at 12.7 m² saleable area) was larger than that of GF applicants (at 11.3 m² saleable area) (**Table 3**);
 - (c) the GF applicants purchased properties mainly because they would like to improve living standard (47%), while the main reason quoted by WF applications was “aspiration for home ownership” (47%) (**Table 4**);
 - (d) the median mortgage repayment-to-income ratio for GF successful applicants was 17%, which was significantly lower than that for WF successful applicants, at 27%. This is partly attributed to the fact that the proportion of GF successful applicants (69%) opted for monthly mortgage subsidy was higher than that of WF successful applicants (36%) (**Tables 1 and 5**);
 - (e) GF successful applicants preferred the HOS SM flats than flats in the private market. About 58% of them purchased flats in the HOS SM, mainly because of “lower flat price” (90%) (**Table 6**);
 - (f) comparing with the findings of last survey, a higher proportion (59%) of unsuccessful applicants mentioned that they had no intention to buy a flat in the next two years (**Table 7**);
 - (g) as regards the opinion on the MIP, some 61% and 78% of WF and GF applicants respectively said that they would not apply for MIP when purchasing flats if HALS was not available (**Table 8**); and
 - (h) some 63% of the WF singleton applicants were residing in PRH or subsidized sale flats at the time of application. 56% of the WF successful singletons obtained relative’s contribution in paying downpayment (**Table 9**).

INFORMATION

17. This paper is issued for Members' information.

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