

**Memorandum for the Subsidised Housing Committee of  
the Hong Kong Housing Authority**

**Extending the Home Ownership Scheme Secondary Market  
to White Form Buyers**

**PURPOSE**

This paper seeks Members' endorsement on the implementation details of the interim scheme to allow buyers with White Form (WF) status to purchase Home Ownership Scheme (HOS) flats with premium not yet paid under the Secondary Market Scheme (SMS).

**BACKGROUND**

2. The SMS was introduced in 1997 to allow owners of HOS flats and the Tenant Purchase Scheme (TPS) flats to sell their flats without payment of premium to existing or prospective public rental housing (PRH) tenants (i.e. those with Green Form (GF) status) on the HOS Secondary Market (Secondary Market) from the third year onwards following the date of first assignment. Those with GF status can also purchase the Housing Society (HS)'s Flat-for-Sale Scheme (FFSS) flats with premium not yet paid. Altogether, about 250 000 HOS flats, 120 000 TPS flats and 9 000 FFSS flats with premium not yet paid are currently available under the SMS. Purchasers of flats with premium not yet paid under the SMS have to assume the liability to pay the premium upon their eventual sale of flats on the open market.

3. The first batch of New HOS flats is expected to be completed in 2016-17. Allowing those with WF status to purchase HOS flats with premium not yet paid until New HOS flats are available should help address the home ownership needs of the eligible group in the interim.

## IMPLEMENTATION

### *Quota Level*

4. There will be an annual quota of 5 000 for applicants meeting the eligibility criteria for WF status under this scheme. For reference, there were on average about 1 900 transactions on the Secondary Market per year in the past 10 years. We propose to release the quota of 5 000 in two batches of 2 500, so that the Secondary Market can absorb the increase in potential buyers in a gradual and managed manner.

### *Quota Allocation*

5. We propose two categories of applicants, namely, families and singletons. In case of over-subscription, the quota will be allocated by ballot, as in the sale of Surplus HOS flats. The most direct approach will be to draw randomly from all applicants so that each applicant has an equal chance of being selected regardless of the category.

6. Alternatively, an allocation quota between families and singletons can be set in the course of balloting. There are two options to set the allocation quota. The first option is to adopt the actual ratio of family applicants to singleton applicants in each exercise as the allocation ratio. For example, if the ratio of family to singleton applicants with WF status turns out to be 4:3, then we will adopt the allocation ratio of 4:3. This option, however, has a major drawback. Applicants may have an impression that singletons would have a much better chance for being selected in this scheme than in the sale of Surplus HOS flats. They may be tempted to split from their existing households to apply as singleton applicants. This would unnecessarily increase the proportion of singleton applicants and as a consequence, the number of quota allocated to singleton applicants.

7. The second option is to fix an allocation ratio at the outset at say, 4:1, between families and singletons (drawing reference to the ratio of families to singletons with WF status who had successfully purchased Surplus HOS flats in Phases 1 to 6<sup>Note 1</sup>). In other words, the split for the 5000 quota would be 4 000 for families and 1 000 for singletons.

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Note 1 This ratio is however affected by the priority in flat selection accorded to families.

8. Having regard to the above and bearing in mind that a successful transaction on the Secondary Market depends entirely on the agreement between individual buyers and sellers, Members are invited to advise on whether they agree not to fix an allocation ratio between families and singletons, so that every applicant would have an equal chance of being selected. If not, Members are invited to indicate whether they agree to adopt the second option to set an allocation ratio quota between families and singletons, and what that ratio should be.

### ***Tenants Purchase Scheme and the Housing Society's Flat-for-Sale Scheme***

9. Currently, those with GF status can purchase TPS flats and the HS's FFSS flats with premium not yet paid. We propose that the WF buyers under this scheme should also be allowed to buy TPS flats and FFSS flats with premium not yet paid, in addition to HOS flats with premium not yet paid. We further propose that the existing arrangements regarding the TPS and FFSS flats under the SMS for GF buyers will stand for the WF buyers<sup>Note 2</sup>. We have put forward the idea to HS which is receptive. Subject to the views of Members, we will work out the detailed arrangements with HS.

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Note 2 Currently, the HA provides mortgage default guarantee for 25 years from the first assignment date of TPS flats with premium not yet paid to GF buyers. The HS does not provide mortgage guarantee to purchasers of FFSS flats with premium not yet paid on the Secondary Market. Regarding buyback arrangements, for a TPS flat falling within the third to fifth year from the date of first assignment, the owner may opt to sell the flat back to the HA at a price to be assessed by the HA. As regards FFSS flats, it is HS's current policy not to exercise its right to buy back FFSS flats even within the resale restriction period. Therefore, owners of FFSS flats are entitled to sell or otherwise dispose of their flats as they see fit upon payment of premium.

### ***Income and Asset Limits as well as Other Restrictions***

10. To be eligible for the scheme, applicants should meet certain eligibility criteria<sup>Note 3</sup> which include the income and asset limits as well as the domestic property ownership restriction. Like the target group for the New HOS, this scheme is set for those with a monthly household income of roughly \$30,000, mainly first-time home buyers. We propose to use the established formula under traditional HOS, which is based on the household expenditure approach, to calculate the income and asset limits (see **Annex A**) for the target group under this scheme. Following the practice of traditional HOS, the exact income and asset limits of the target group, including that for one-person applicants<sup>Note 4</sup>, would be calculated in accordance with the established formula about one month before invitation for applications, in order to take into account the latest economic statistics. We will submit our proposal to this Committee nearer the time. As for the domestic property ownership restriction period, we propose adopting the restriction period under traditional HOS, which is 24 months prior to application.

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Note 3 For reference, during the sale of Surplus HOS, subject to detailed eligibility criteria on age, family composition, residence rule etc., income and asset limits and property ownership restriction announced by the Housing Authority (HA) prior to the launch of each sale phase, the following groups should be eligible for applying on WF status –

- (a) Households living in private housing;
- (b) Family members living in PRH or any subsidized housing scheme units; and
- (c) Owners of TPS flats within 10 years from date of assignment, who can apply by using WF but will be exempted from income and asset limits as well as domestic property ownership restriction, on the condition that they will sell the TPS flats within three months from signing of the agreement for sale and purchase of the Surplus HOS flats, or such extended period as may be granted.

Note 4 For the sale of Surplus HOS flats, the income and asset limits for one-person applicants were previously set as half of those for families.

## ***Resale Restrictions***

### *Statutory resale restrictions*

11. The Schedule to the Housing Ordinance (Cap. 283) stipulates the alienation restrictions for HOS flats <sup>Note 5</sup>. Given the lapse of time, all HOS flats with premium not yet paid (250 000 plus flats as at end-July 2012) will be tradable on the Secondary Market as from January 2013.

### *Additional resale restrictions for WF buyers under the SMS*

12. There have been concerns on speculative activities on the Secondary Market by extending the SMS to cover WF buyers. Members should note that the Special Stamp Duty has proved effective in curbing speculation and should have addressed such concerns. Moreover, there are currently more than 250 000 HOS flats, 120 000 TPS flats and 9 000 FFSS flats with premium not yet paid on the Secondary Market, against a quota of 5 000 for the WF buyers every year. Nevertheless, there still have been calls in the community for resale restrictions to be imposed on WF buyers entering the Secondary Market.

13. To impose additional resale restrictions on WF buyers purchasing HOS flats in the Secondary Market, one option is to amend the Schedule to the Housing Ordinance to include the additional resale restrictions, but the process of legislative amendments is long and complicated. The alternative is to introduce the additional restrictions by contractual means.

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Note 5 During the first five years following the date of first assignment, if the HOS flat owner wants to sell his flat, he is required to offer to sell it back to the HA, at original price within the first two years of the first assignment and at assessed market price from third to the fifth year of the first assignment. The HOS flat owner can also sell the flat under the SMS after two years of the first assignment. The resale restriction will be lifted if (i) the offer is declined by the HA or five years have elapsed after the date of first assignment; and (ii) the HOS flat owner has paid the premium. However, the HA made it clear in 2006 that it would no longer exercise its buyback option on Surplus HOS Flats. As at end-July 2012, there were 246 400 HOS flats with premium not yet paid where the five-year statutory resale restriction period had expired. There were another 5 500 HOS flats with premium not yet paid which were still subject to the third to the fifth year of the statutory resale restriction period but were tradable on the Secondary Market. Only 1 800 flats were still within the first two years of the first assignment up till October 2012, after which these flats would be tradable on the Secondary Market.

14. Under the SMS implemented pursuant to paragraph 4(c) of the Schedule to the Housing Ordinance, the owner may sell a HOS flat with premium not yet paid to a person nominated and certified as a person eligible to buy the flat by the HA starting from the third year upon the first assignment of the flat <sup>Note 6</sup>. In practice, a WF buyer who wishes to purchase a flat with premium unpaid under the SMS is required to apply to the HA for a Certificate of Eligibility to Purchase (CEP), and afterwards a Letter of Nomination (LN), before he could sign the Provisional Agreement for Sale and Purchase (PASP), the Agreement for Sale and Purchase (ASP) and the Assignment in the form as prescribed by the HA. After the WF buyer becomes a flat owner, if he wishes to sell his flat with premium unpaid under the SMS, he is required to first apply to the HA for a Certificate of Availability for Sale (CAS).

15. To implement additional resale restrictions, we can use the existing tools as mentioned above and insert additional requirements by -

- (a) stating the additional resale restrictions in the application forms and approval letters of the scheme for the WF buyers, so that they would be fully aware of them;
- (b) setting out the additional resale restrictions in the form of an agreement or a deed of undertaking to be signed by the WF buyers, upon their application for the CEP and LN;
- (c) stipulating in the agreement or deed of undertaking in (b) above that the WF buyers undertake not to apply for and acknowledge that they would not be issued the CAS within the additional resale restriction period <sup>Note 7</sup>; and

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Note 6 The transaction procedure for a HOS flat with premium not yet paid under the SMS is as follows:

- (1) The owner applies for the Certificate of Availability for Sale (CAS) and the purchaser applies for the Certificate for Eligibility to Purchase (CEP).
- (2) Having obtained the CAS and the CEP respectively, the owner and the purchaser sign the Provisional Agreement for Sale and Purchase (PASP).
- (3) The Purchaser's solicitor applies for the Letter of Nomination (LN) within one month after the PASP is signed. After LN has been issued, both parties sign the Agreement for Sale and Purchase.
- (4) The Deed of Assignment is executed for change of ownership.

Note 7 Without a CAS, there cannot be any trading on the Secondary Market.

- (d) including the additional resale restrictions provisions in the prescribed forms for the PASP, the ASP and the Assignment under which the WF buyer purchases his flat on the Secondary Market, so that the subsequent purchaser of the flat would also be alerted to the resale restrictions <sup>Note 8</sup>.

16. As regards the specific resale restrictions to be imposed, Members may consider the following two options:

Option 1: Within the first two years of the transaction, the WF buyer is not allowed to sell his flat on the Secondary Market <sup>Note 9</sup>. He could, however, sell his flat on the open market upon paying the premium <sup>Note 10</sup> at any time.

Option 2: Within the first two years of the transaction, the WF buyer is not allowed to sell his flat on both the Secondary Market and the open market upon payment of premium. To provide an avenue for the WF buyers to liquidate their assets if they so decide <sup>Note 11</sup>, the HA will buy back the flat at assessed market price within the period upon the owner's request.

17. Our considerations are set out below:

- (a) For Option 2, the HA is required to buy back the flats at assessed market price from the WF buyers within the resale restriction period. As Members know, the HA has ceased to buy back Surplus HOS flats since 2007. Reinstatement of this practice will have far-reaching implications:

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Note 8 The mechanism under paragraph 15(d) is inserted to cater for the restriction on sale on the open market under the situation in Option 2 of paragraph 16. However, contravention of the additional resale restrictions which are contractual in nature may not affect the title of the property and the validity of the subsequent transaction. For restriction on subsequent sale by the WF buyer on the Secondary Market, the mechanism is not necessary since the WF buyer will not be issued with the CAS under paragraph 15(c) to enable him to sell his flat on the Secondary Market.

Note 9 At present for a TPS flat falling within the third to fifth year from the date of first assignment, the owner may opt to sell the flat back to the HA at a price to be assessed by the HA. We do not intend to extend this special buyback arrangement for GF buyers of TPS flats under the SMS to WF buyers under Option 1.

Note 10 The premium for HOS flats and TPS flats is paid to the HA while the premium for FFSS flats is paid to the Government.

Note 11 According to legal advice, if there is no avenue for the owner to sell his flat, this would constitute a total ban in resale and may be subject to challenge.

- (i) The HA will incur additional cash outflow for buying back the flats, as well as additional management and maintenance costs, such as management fee, government rent and rates, etc., for the buyback flats until they are re-sold. As the number of cases requesting buyback and other details, such as the prevailing market price, timing for resale etc. are uncertain at this point, it is not possible to quantify the financial impact at this juncture;
  - (ii) The HA will have to bear the market risk in terms of capital loss on subsequent disposal of the flats depending on the timing of the resale and the prevailing market prices. Furthermore, the HA will need to dispose of the flats it has bought back, and the sale of such flats within 24 months will be subject to the Special Stamp Duty;
  - (iii) Given that the additional resale restrictions are imposed as from the date of individual agreements, the restriction period and thus the buyback period will start afresh every time the flat is sold to another WF buyer on the Secondary Market. There will be both cash flow and long term financial implications on the HA; and
  - (iv) There may be requests from other HOS flat owners, who are still within the five-year statutory alienation period<sup>Note 12</sup>, for the HA to buy back their flats.
- (b) In practice, we allow an HOS owner to apply and pay the premium at any time, even if he does not intend to sell the flat on the open market. After the premium has been paid, the HA has no tool to control resale on the open market during the remaining restriction period<sup>Note 13</sup>. There may not be any effective legal remedies even if a breach of the resale restrictions by the WF buyers is established.

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Note 12 As at 1 January 2013, there will be some 6 000 HOS flats with premium not yet paid that are still within the five-year statutory resale restriction period. These flats are mainly Phase 3 to 6 Surplus HOS flats sold in 2008 to 2010.

Note 13 There may be difficulties for the HA to detect any breach of the additional resale restrictions by the WF buyers as the premium has already been paid and subsequent transactions do not require the HA's prior approval and the buyers are not nominated by the HA as in the case for transactions under the SMS.



18. As the purpose of additional resale restrictions is to ensure that the HOS Secondary Market would not be unduly affected by speculative activities when the WF buyers enter the Secondary Market, and thereby avoid hindering the turnover of PRH units, and in view of the considerations in paragraph 17, we propose adopting Option 1. Furthermore, we are of the view that the additional resale restrictions should only be imposed on WF buyers but not GF buyers - as GF buyers must surrender the PRH units they occupy upon successfully purchasing a flat, it appears justifiable that more stringent resale restrictions be imposed on the WF buyers.

### *Validity of WF Status*

19. WF applicants who have been allocated a quota place under the scheme will be issued a CEP. The CEP is valid for six months. For parity with the GF buyers, we propose that the WF buyers should be allowed to apply for a one-off renewal of the CEP for a further six months upon its expiry at the end of the first six months. This is similar to the current arrangements<sup>Note 14</sup> for GF Certificate holders. If the WF applicant has not purchased a flat within the validity period of the CEP (six months or 12 months if he has renewed the CEP), his quota will expire. Since the scheme is an annual exercise, we consider there should not be further extension upon the expiry of the renewed CEP (i.e. 12 months after the CEP is first issued). Otherwise, the further extended validity period would overlap with those of the next round exercise, which may result in more than 5 000 valid quota under the scheme at a given time. Applicants whose CEP has expired in one round may still apply to enter the ballot in subsequent rounds.

### *Application Cycle*

20. The first round of exercise with a quota of 5 000 will be open for application in January 2013. We will announce the list of 5 000 successful applications around mid-May 2013. The first batch of 2 500 approval letters will be issued immediately after the announcement, i.e. in May 2013. The second batch of 2 500 will be issued in around January 2014, i.e. after the

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Note 14 Currently, the Housing Department issues a CEP to GF buyers who wish to purchase a flat on the Secondary Market. The CEP is valid for six months. If a GF applicant with a CEP is unable to sign a provisional agreement within the validity period of the CEP but still wish to purchase a flat, he may re-apply for the CEP at any time so long as he is a PRH tenant. He is required to surrender the PRH flat upon purchasing a flat under the SMS. GF certificate holders (i.e. those with GF status awaiting the allocation of PRH units) may apply once for the extension of the CEP's validity for six months.

expiry of the six month validity period of the first batch. There will be about seven months' time in between the two batches such that the number of potential WF buyers on the Secondary Market will not exceed 5 000 at any given time. For the same reason, the next round of exercise with another 5 000 quota should commence no earlier than mid-April 2014 to follow with announcement of result in August 2014. In other words, we will have a cycle of 5 000 quota approved over roughly every 15 to 16 months.

### ***Application Fees***

21. In line with the current practice for GF buyers under the SMS, we propose to recover the administrative costs of this scheme based on full recovery principle. We propose charging an initial non-refundable application fee of \$100. Successful applicants will also have to pay \$660 for the issue of the CEP, and another \$660 for the renewal of the CEP if they wish to do so.

### ***Mortgage Guarantee***

22. Under the existing Deed of Guarantee in respect of the SMS, the HA provides mortgage default guarantee for 30 years to GF buyers, counted from the first assignment date of HOS flats. We propose that this arrangement should also apply to the WF applicants who have been allocated quota under this scheme.

## **FINANCIAL IMPLICATIONS**

23. To cater for the anticipated large number of applications and the possible balloting functions, it is necessary to revamp the Information Technology (IT) System currently used for the SMS before invitation of application in January 2013. The estimated cost for the IT system enhancement is about \$2.5 million, and we expect that this can be absorbed within the budget of the HA <sup>Note 15</sup>.

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Note 15 We expect that \$2.2 million can be absorbed within the approved 2012/13 Approved Budget of the HA. The remaining \$0.3 million will be sought in the 2013/14 budget exercise.

## **STAFFING IMPLICATIONS**

24. Additional staff resources will be required in dealing with the application process and quota allocation. For the first round of the exercise, the staff requirements may be met by internal redeployment of staff from within the Housing Department (HD). We will have to assess the additional manpower required for the subsequent rounds in due course.

## **PUBLIC REACTION AND PUBLICITY**

25. Allowing WF holders to buy HOS flats under the SMS can be seen as a means to revitalize the HOS Secondary Market, and as a way to fill the gap between PRH and the private market pending the New HOS becoming available. Nonetheless, there have been concerns that extending the HOS Secondary Market to WF buyers would fuel speculation. To address these concerns, we have proposed additional resale restrictions for WF buyers. Although the nature and duration of additional resale restrictions will be controversial, those eligible for the WF status will welcome the proposal as they will have another source of supply of lower priced flats, in addition to Surplus and New HOS flats.

26. To publicize this scheme, we will publish posters and arrange broadcasts on radio during the application period, in addition to issuing press release and carrying out promotion through the HA / HD website.

27. Members may wish to draw reference to the major findings of the surveys on the applicants for the six phases of sale of Surplus HOS flats between January 2007 and June 2010 on the profile of the applicants, as set out at **Annex B**.

## **ADVICE SOUGHT**

28. Members are invited to endorse/advise on the following recommendations:

- (a) to allocate the quota of 5 000 in each round of exercise in two batches of 2 500 (paragraph 4);

- (b) whether to set two categories of applicants, namely, families and singletons, and in case of over-subscription, whether to draw ballot randomly from all applicants, or set an allocation ratio and if so, what that ratio should be (paragraphs 5-8);
- (c) to allow WF buyers to purchase TPS flats and FFSS flats with premium not yet paid, in addition to HOS flats with premium not yet paid, under the SMS, and applying to them the existing arrangements for GF buyers. The arrangement in respect of FFSS is subject to discussion with HS (paragraph 9);
- (d) to employ the established formula for deriving the income and asset limits under traditional HOS to calculate the income and asset limits for the target group (paragraph 10);
- (e) to adopt a domestic property ownership restriction period of 24 months prior to application (paragraph 10);
- (f) to impose additional resale restrictions on only the WF buyers (but not the GF buyers) under the SMS via contractual means, such that within the first two years of the transaction, the WF buyer is not allowed to sell his flat on the Secondary Market but he may sell his flat on the open market upon paying the premium (paragraphs 11-18);
- (g) to allow WF buyers to apply for a one-off renewal of the CEP for another six months upon its expiry at the end of the first six months (paragraph 19);
- (h) on the principle of full recovery of administrative costs, to charge the WF applicant an initial non-refundable application fee of \$100, and \$660 on the issue or the renewal of the CEP (paragraph 21); and
- (i) to provide mortgage guarantee of 30 years (counting from the first assignment date of the HOS flats) to WF buyers for the purchase of HOS flats under the SMS (paragraph 22).

## **DECLASSIFICATION**

29. It is recommended that this paper be declassified upon endorsement of the recommendations above. The paper will be made available to the public at the HA / HD homepage, the HD Library and through the Departmental Access to Information Officer if it is declassified.

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## Established Formula for Deriving the Income and Asset Limits under the Home Ownership Scheme

### *Assumptions for Deriving the Income and Asset Limits*

- Under traditional Home Ownership Scheme (HOS), one of the guiding principles to determine affordability is that eligible households could afford the flats with a mortgage-to-income ratio of no more than 40%. There should also be at least 50% applicants meeting the criteria of having a mortgage-to-income which does not exceed 40%.
- The assumptions for determining affordability as applied to the sale of Surplus HOS flats in Phase 6 are that 10% of the flat price to be used as downpayment, and flat owners would pay the remaining 90% of the flat price (i.e. the mortgage) for 20 years at the prevailing interest rate with a maximum mortgage-to-income ratio of 40%.
- The reference flat for deriving the income and asset limits was a 10-year-old private flat of 40 m<sup>2</sup> saleable area in the Extended Urban area or the New Territories.

### *Income Limit for Families*

- The amount of total household expenditure, i.e. both housing and non-housing expenditure, required to purchase a reasonably sized flat in the private sector (i.e. the reference flat) constitutes the basis for deriving the income limit under traditional HOS. The formula for deriving the income limit for families is as follows:

$$\begin{aligned} \textit{Household Expenditure} &= \textit{Housing Costs} + \textit{Non-Housing Costs} \\ \textit{Contingency Provision} &= 5\% \times \textit{Household Expenditure} \\ \textbf{Income Limit} &= \textit{Household Expenditure} + \textit{Contingency Provision} \end{aligned}$$

### ***Asset Limit for Families***

- The asset limit for families under traditional HOS is derived from the amount of expenditure required to finance the downpayment (10% of the flat price), as well as the related transaction costs and decoration expenses, for acquiring the reference flat.

### ***Income and Asset Limits for Singletons***

- Under traditional HOS, the income and asset limits for singleton applicants are half of those for families.

## **Surveys on Applicants of Surplus Home Ownership Scheme Flats**

### **INTRODUCTION**

Six phases of sale of Surplus Home Ownership Scheme (HOS) flats were launched by the Housing Authority (HA) between January 2007 and June 2010. Applicants were interviewed after each phase in the Surveys on Applicants of Surplus HOS Flats to collect information on their profile as well as their views on the publicity arrangements of the sale<sup>Note 16</sup>. For those applicants who had successfully purchased a flat (the “buyers of Surplus HOS flats”), information on their financial arrangement for purchasing the flat was also collected. This report presents the major findings of the surveys.

### **BACKGROUND**

2. Sale of HOS flats was suspended after re-positioning of government’s housing policy announced in November 2002. Some 20 000 unsold HOS flats were put into the stock of “Surplus HOS flats”. In January 2006, the Subsidised Housing Committee endorsed that all Surplus HOS flats would be put up for sale from 2007 in two phases per year via Paper No. SHC 6/2006.

3. A total of six phases of sale of Surplus HOS flat was launched between January 2007 and June 2010, which are referred to as Phases S01 to S06. In each phase between 1 400 and 3 600 flats were put up for sale<sup>Note 17</sup>.

4. Survey interviews for each phase were conducted about three months after the sale of flats was completed, as follows (**Table 1**):

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Note 16 Some 1 000 to 1 600 applicants in each phase were successfully interviewed, with a response rate of about 80%. These include some 460 to 730 successful applications (or buyers) for each phase, with response rate of about 90%.

Note 17 Flats put up for sale included some HS flats.



**Table 1: Fieldwork period of the Surveys**

<u>Phase</u>	<u>Fieldwork period</u>
S01	Sep - Oct 2007
S02	Mar - Apr 2008
S03	Sep - Oct 2008
S04	Apr - May 2009
S05	Mar - May 2010
S06	Dec 2010 - Feb 2011

5. About 1 000 to 1 600 applicants in each phase were successfully interviewed, with an overall response rate varying from 79% to 88%. (Table 2)

**Table 2: Response Rate of the Surveys**

		<b>Phase</b>					
		<b>S01</b>	<b>S02</b>	<b>S03</b>	<b>S04</b>	<b>S05</b>	<b>S06</b>
Successful Applicants	No. of successful interviews	480	460	710	710	610	730
	Response rate	88%	90%	86%	86%	86%	88%
Unsuccessful Applicants	No. of successful interviews	520	580	700	700	800	850
	Response rate	83%	86%	75%	76%	75%	80%
Overall	No. of successful interviews	1 000	1 040	1 410	1 410	1 410	1 580
	Response rate	85%	88%	80%	80%	79%	83%

6. The quota allocation between Green Form (GF) applicants and White Form (WF) applicants was 80:20 for the phases S01-S05 and 60:40 for Phase S06. (Table 3)

**Table 3: No. of Surplus HOS Flats Put Up for Sale by Phase**

	Phase					
	S01	S02	S03	S04	S05	S06
Application period	Jan 2007	Aug 2007	Feb/Mar 2008	Sep 2008	Oct/Nov 2009	Jun/Jul 2010
No. of flats put up for sale <sup>(a)</sup>	3 632	3 271	3 634	3 221	1 394	3 218
Quota allocation (GF : WF)	80:20	80:20	80:20	80:20	80:20	60:40

(a) One flat each in Phases S03 and S06 was subsequently withheld from sale due to water seepage problem.

7. Over 10 000 valid applications <sup>Note 18</sup> were received in each phase. The number of applications was lowest in Phase S04 (10 780) and highest in Phase S06 (39 001). The proportion of WF applicants rose steadily from 69% in Phase S01 to 83% in phase S06. (Table 4)

**Table 4: Number of Valid Applications by Type of Applicants**

Type	Phase					
	S01	S02	S03	S04	S05	S06
GF	4 251 (31%)	4 791 (33%)	5 625 (23%)	2 342 (22%)	4 753 (18%)	6 794 (17%)
WF	9 421 (69%)	9 543 (67%)	19 084 (77%)	8 438 (78%)	21 848 (82%)	32 207 (83%)
Total	13 672 (100%)	14 334 (100%)	24 709 (100%)	10 780 (100%)	26 601 (100%)	39 001 (100%)

Note 18 An application was considered to be valid if the application form was properly completed and the application fee was paid. The number of valid applications was thus slightly smaller than the number of applications received.

8. One-person applicants accounted for about one-fifth of all GF applicants and more than half of all WF applicants (ranging between 56% and 58%) in the six phases. (Table 5)

**Table 5: Distribution of GF and WF Applicants by Whether They were One-person or Family Applicants**

Type	Phase					
	S01	S02	S03	S04	S05	S06
<u>GF Applicants</u>						
One-person	14%	18%	19%	22%	21%	21%
Family	86%	82%	81%	78%	79%	79%
<u>WF Applicants</u>						
One-person	57%	56%	56%	57%	56%	58%
Family	43%	44%	44%	43%	44%	42%

9. All Surplus HOS flats put up for sale in each phase, except for Phase S04, were sold. Only 60% of flats put up for sale in Phase S04 were sold.

10. The allocation quota between GF and WF applicants was 80:20 for Phases S01 to S05. The proportion of flats purchased by GF applicants was around 50% in Phases S01 to S03 and dropped markedly to 28% in Phase S04 before rising to 72% in Phase S05. In Phase S06, the GF applicants' quota was changed to 60% and the proportion of flats purchased by GF applicants was 55%. (Table 6)

**Table 6: Number of Surplus HOS Flats Sold by Type of Buyers**

Type	Phase					
	S01	S02	S03	S04	S05	S06
No. of flats sold at end of sale period <sup>(a)</sup>	3 628	3 271	3 633	1 919	1 394	3 217
<i>Purchased by GF applicants</i>	1 591 (44%)	1 837 (56%)	2 034 (56%)	530 (28%)	1 002 (72%)	1 761 (55%)
<i>Purchased by WF applicants</i>	2 037 (56%)	1 434 (44%)	1 599 (44%)	1 389 (72%)	392 (28%)	1 456 (45%)

(a) A small number of flats sold had the Agreement for Sale and Purchase rescinded.

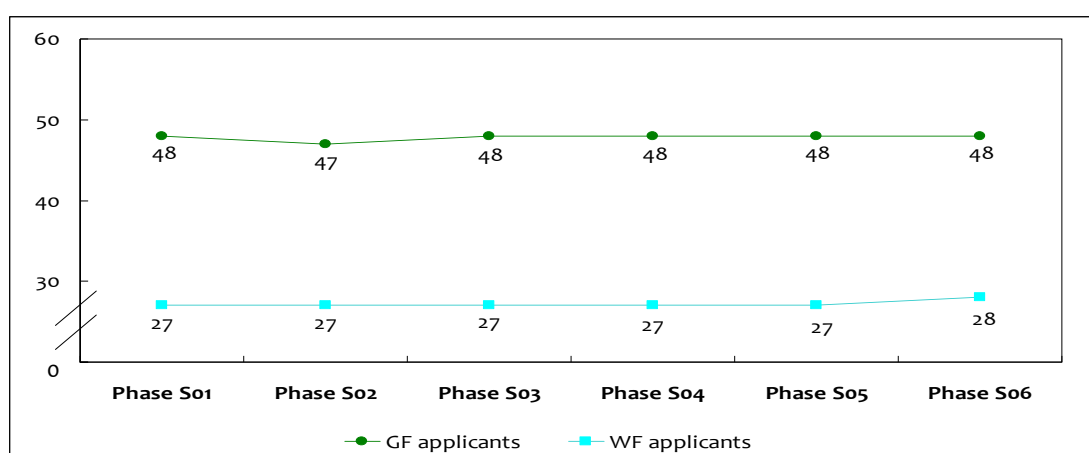
## SURVEY FINDINGS

### *(A) All Applicants*

#### *Age Profile*

11. WF applicants were generally younger than GF applicants <sup>Note 19</sup>. In Phases S01 to S06, the median age of WF applicants was 27 to 28 as compared to 47 to 48 for GF applicants. **(Chart 1)**

**Chart 1: Median Age of Applicants of Surplus HOS Flats**



12. In Phases S01 to S06, persons aged below 30 made up 72% to 81% of WF one-person applicants. On the other hand, only 46% to 53% of the main applicants in WF families were aged <sup>Note 20</sup> below 30. **(Table 7)**

**Table 7: Distribution of WF One-Person and Family Applicants by Age**

**(a) One-person applicants**

<b>Age Group</b>	<b>S01</b>	<b>S02</b>	<b>S03</b>	<b>S04</b>	<b>S05</b>	<b>S06</b>
18 to 29 years	81%	75%	76%	73%	75%	72%
30 to 39 years	14%	18%	18%	20%	19%	22%
40 to 49 years	3%	5%	4%	4%	4%	4%
50 to 59 years	1%	1%	1%	1%	1%	1%
60 years or above	1%	1%	1%	1%	1%	1%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Note 19 Based on the age of the main applicant in case of family applicants.

Note 20 With reference to the age of the main applicants.

(b) Family applicants (the main applicant)

<b>Age Group</b>	<b>S01</b>	<b>S02</b>	<b>S03</b>	<b>S04</b>	<b>S05</b>	<b>S06</b>
18 to 29 years	49%	46%	53%	52%	51%	48%
30 to 39 years	30%	31%	27%	29%	29%	31%
40 to 49 years	13%	15%	12%	13%	13%	14%
50 to 59 years	5%	5%	5%	5%	5%	5%
60 years or above	2%	3%	3%	2%	2%	2%
Total	100%	100%	100%	100%	100%	100%

*Whether Applying with All Members in the Original Households*

13. All GF applicants were required to apply to buy Surplus HOS flats with all members of their original households. On the other hand, a lot of WF applicants did not include all members in their original households in their HOS applications, the proportion was around 95% for one-person applicants and around 70% for family applicants. These applicants would split from their original households if they were successful in purchasing Surplus HOS flats. (Table 8)

**Table 8: Proportion of WF Applicants Who Did Not Include All Members in Original Households in Their HOS Applications**

<b>Type of Applicants</b>	<b>Phase</b>					
	<b>S01</b>	<b>S02</b>	<b>S03</b>	<b>S04</b>	<b>S05</b>	<b>S06</b>
One-person	97%	96%	94%	92%	95%	95%
Family	77%	75%	72%	76%	67%	77%
Overall	88%	87%	85%	85%	83%	88%

*Effectiveness of Various Publicity Channels on Promoting the Sale of Surplus HOS Flats*

14. Most applicants learned of the sale of Surplus HOS flats from television or newspaper. Some 35% to 54% of applicants in Phases S01 to S06 came to know about the sale of Surplus HOS flats from television broadcast, and 39% to 63% from newspaper. (Table 9)

**Table 9: Distribution of Applicants by Where They Learned of the Sale**

Channel	Phase					
	S01	S02	S03	S04	S05	S06
Television	45%	49%	35%	36%	52%	54%
Newspaper	63%	58%	47%	43%	39%	47%
Friends, colleagues or family members	11%	30%	27%	28%	21%	28%
HA website	12%	15%	23%	28%	16%	22%
Other websites or Internet discussion forums	1%	10%	12%	6%	9%	11%
Radio	14%	7%	8%	6%	11%	7%

Note: Multiple answers were allowed.

**(B) Buyers of Surplus HOS Flats**

*Whether the Applicants were Living in PRH*

15. Around 90% of GF buyers of Surplus HOS flats in Phases S01 to S06 were PRH tenants of the HA. These buyers were required to surrender their PRH flats. Among them, about 20% were paying additional rent. **(Table 10)**

**Table 10: Number of GF Buyers of Surplus HOS Flats Who Were PRH Tenants**

	Phase					
	S01	S02	S03	S04	S05	S06
Number of Applicants who were PRH tenants of the HA	1 459	1 591	1 819	436	897	1 553
<i>As % of all GF buyers</i>	92%	87%	89%	82%	90%	88%
Number of Applicants who were PRH tenants of the HA and paying additional rent <sup>(a)</sup>	331	313	408	104	159	288
<i>As % of all GF buyers who were PRH tenants of the HA</i>	23%	20%	22%	24%	18%	19%

(a) Estimated figures derived by matching the tenancy records of the buyers against the list of tenants paying additional rent.

16. Individual members of PRH households may also apply to buy Surplus HOS flats with WF status. If they succeeded in purchasing a flat, they would be removed from the PRH tenancies.

17. Among the successful WF applicants in Phases S01 to S06, 8% to 21% were PRH residents. (Table 11)

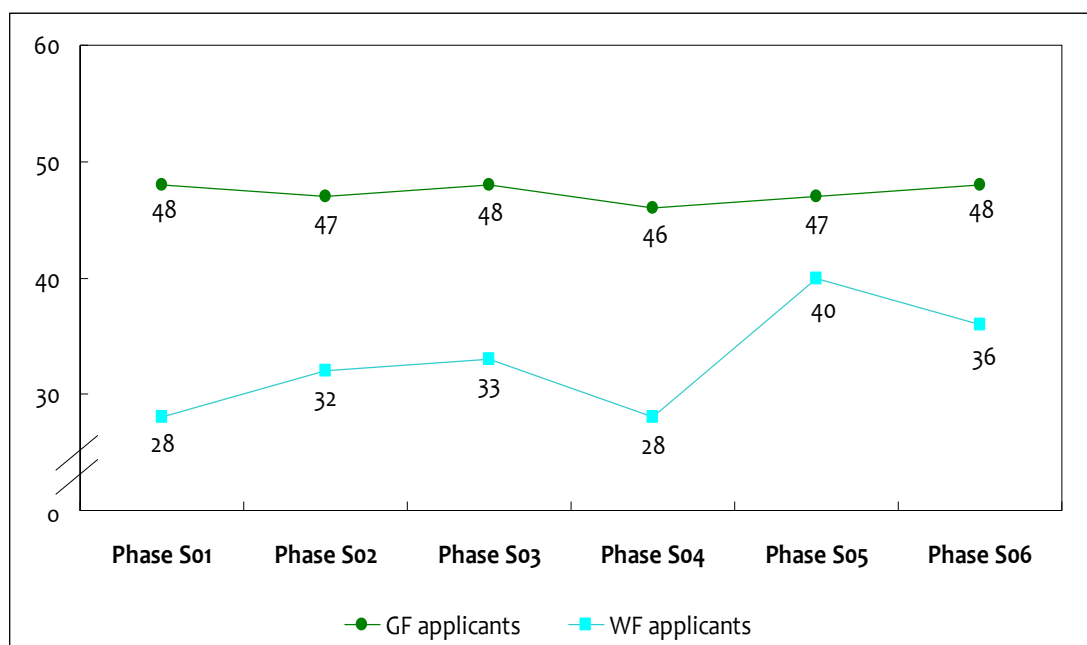
**Table 11: Number of WF Buyers of Surplus HOS Flats Who Were PRH Residents**

	Phase					
	S01	S02	S03	S04	S05	S06
Number of buyer who were PRH residents of the HA	419	223	202	255	32	217
<i>As % of all WF buyers</i>	<i>21%</i>	<i>16%</i>	<i>13%</i>	<i>18%</i>	<i>8%</i>	<i>15%</i>

### Age Profile

18. GF buyers were generally older. The median age of GF buyers in Phases S01 to S06 were 46 to 48. In comparison, WF buyers were younger. The median age of WF buyers of Phases S01 to S06 ranged from 28 to 40. (Chart 2)

**Chart 2: Median Age of Buyers of Surplus HOS Flats**





### Household Size

19. The average household size <sup>Note 21</sup> for GF buyers in Phases S01 to S06 were 3.1 to 3.4, which were higher than the corresponding average household size of 2.4 to 3.0 for WF buyers. (Table 12)

**Table 12: Household Size Distribution of GF and WF Buyers of Surplus HOS Flats**

Household Size	Phase					
	S01	S02	S03	S04	S05	S06
<u>GF buyers</u>						
1 person	5%	5%	6%	3%	4%	6%
2 persons	20%	24%	24%	22%	28%	31%
3 persons	29%	29%	33%	29%	31%	31%
4 persons	29%	29%	24%	29%	24%	22%
5 persons or more	17%	13%	13%	17%	13%	11%
Total	100%	100%	100%	100%	100%	100%
Average household size	3.4	3.3	3.2	3.4	3.2	3.1
<u>WF buyers</u>						
1 person	18%	5%	4%	13%	1%	0%
2 persons	42%	42%	39%	43%	40%	35%
3 persons	23%	28%	36%	24%	36%	41%
4 persons	13%	14%	14%	15%	16%	17%
5 persons or more	4%	10%	6%	5%	7%	7%
Total	100%	100%	100%	100%	100%	100%
Average household size	2.4	2.8	2.8	2.6	2.9	3.0

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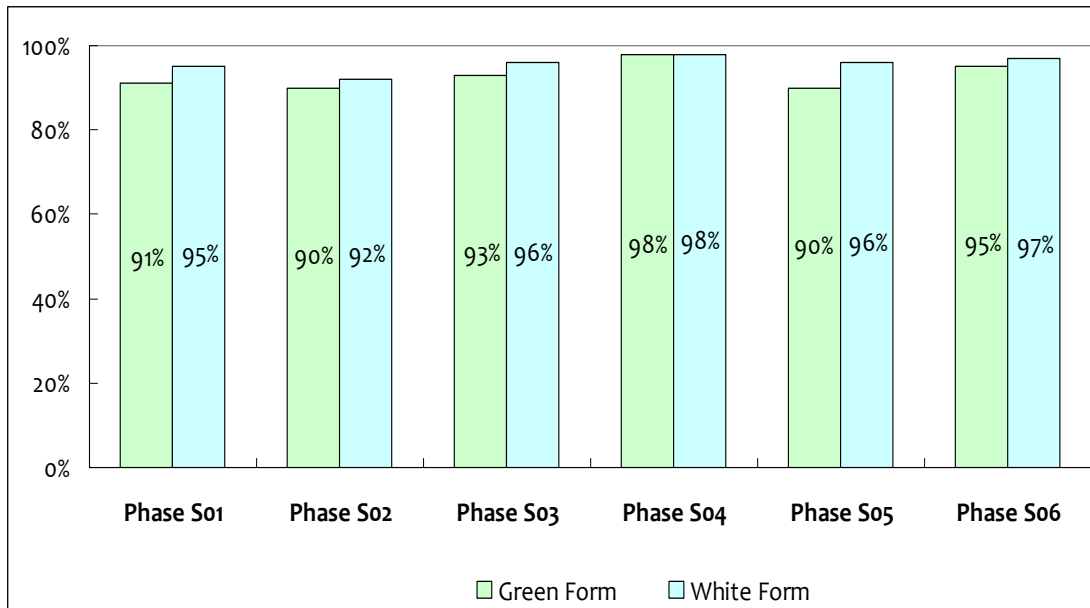
Note 21 Based on the number of household members in the HOS flats purchased.

*Financial Arrangements*

Payment Method

20. The vast majority of buyers of Surplus HOS flats had taken out mortgage loans. The proportion ranged from 90% to 98% amongst GF buyers and 92% to 98% of amongst WF buyers. **(Chart 3)**

**Chart 3: Proportions of Buyers Purchasing Surplus HOS Flats with Mortgage Loans**



## Mortgage Repayment Period

21. The majority of buyers of Surplus HOS flats were repaying their mortgage loans in 20 years or more. Furthermore, the proportion of buyers repaying in 25 years or longer was on the rise. For GF buyers, it increased from 27% in Phase S01 to 57% in Phase S06. For WF buyers, the increase was from 43% to 67%. **(Table 13)**

**Table 13: Distribution of Buyers of Surplus HOS Flats with Mortgage Loans by Repayment Period**

(a) GF applicants

<b>Mortgage Repayment Period</b>	<b>Phase</b>					
	<b>S01</b>	<b>S02</b>	<b>S03</b>	<b>S04</b>	<b>S05</b>	<b>S06</b>
Less than 10 years	3%	4%	1%	2%	2%	2%
10 to less than 15 years	17%	13%	7%	4%	8%	10%
15 to less than 20 years	20%	28%	18%	12%	16%	9%
20 to less than 25 years	33%	33%	31%	24%	27%	21%
25 years or longer	27%	23%	43%	57%	47%	57%
Total	100%	100%	100%	100%	100%	100%
Average (years)	18	19	21	22	21	21

(b) WF applicants

<b>Mortgage Repayment Period</b>	<b>Phase</b>					
	<b>S01</b>	<b>S02</b>	<b>S03</b>	<b>S04</b>	<b>S05</b>	<b>S06</b>
Less than 10 years	2%	1%	1%	1%	1%	0%
10 to less than 15 years	11%	10%	6%	3%	6%	3%
15 to less than 20 years	12%	30%	15%	8%	12%	7%
20 to less than 25 years	32%	26%	26%	22%	24%	23%
25 years or longer	43%	34%	53%	66%	56%	67%
Total	100%	100%	100%	100%	100%	100%
Average (years)	20	20	22	23	22	23



### Mortgage-To-Income Ratio

23. The average buyer of Surplus HOS flats spent around 30% of household income on mortgage payment. The median of the ratio of monthly mortgage repayment to income, or the “median mortgage-to-income ratio”, was around 30% in Phases S01 to S06 for both GF buyers and WF buyers. (Table 15)

**Table 15: Distribution of Buyers of Surplus HOS Flats with Mortgage Loans by Mortgage-To-Income Ratio**

<b>Mortgage-To-Income Ratio</b>	<b>Phase</b>					
	<b>S01</b>	<b>S02</b>	<b>S03</b>	<b>S04</b>	<b>S05</b>	<b>S06</b>
<u>GF applicants</u>						
Less than 20%	20%	17%	15%	14%	29%	21%
20% to less than 30%	28%	30%	29%	31%	27%	29%
30% to less than 40%	23%	24%	22%	23%	23%	17%
40% or more	29%	29%	34%	32%	21%	34%
Total	100%	100%	100%	100%	100%	100%
Median ratio	31%	31%	32%	32%	28%	30%
<u>WF applicants</u>						
Less than 20%	10%	13%	13%	9%	25%	12%
20% to less than 30%	30%	35%	24%	22%	29%	38%
30% to less than 40%	23%	28%	31%	25%	24%	23%
40% or more	37%	24%	32%	43%	22%	26%
Total	100%	100%	100%	100%	100%	100%
Median ratio	33%	30%	33%	37%	28%	30%

## **Summary**

### *All Applicants*

24. WF applicants were generally younger than GF applicants. In Phases S01 to S06, the median age of WF applicants was 27 to 28 as compared to 47 to 48 for GF applicants. (Paragraph 11)

25. WF one-person applicants were predominately young people aged below 30, which made up more than 70% of all WF one-person applicants. (Paragraph 12)

26. Around 95% of one-person WF applicants and 70% of family WF applicants did not include all members of their original households in their HOS applications. (Paragraph 13)

### *Buyers of Surplus HOS Flats*

27. Around 90% of GF buyers of Surplus HOS flats were PRH tenants of the HA. These buyers were required to surrender their PRH flats. Among them, about 20% were paying additional rent. (Paragraph 15)

28. Among the WF buyers in Phases S01 to S06, some 8% to 21% were PRH residents. (Paragraph 17)

29. Over 90% of GF and WF buyers had taken out mortgage loans. The majority of them would repay their loans in 20 years or more. (Paragraphs 20 and 21)

30. Over half (51%) of GF buyers took out mortgage loans at the maximum of 95% of the flat price in Phase S06, as compared to only 6% to 28% in the first five phases. Similarly, 76% for WF buyers took out mortgage loans at the maximum of 90% of the flat price in Phase S06, as compared to only 37% to 50% in the earlier phases. (Paragraph 22)

31. The median mortgage-to-income ratio for both GF buyers and WF buyers were around 30%. (Paragraph 23)