

## **THE HONG KONG HOUSING AUTHORITY**

### **Memorandum for the Subsidised Housing Committee**

#### **Survey on Applicants of Home Purchase Loan Scheme (HPLS) and Home Assistance Loan Scheme (HALS) 2003**

#### **PURPOSE**

This paper presents the findings of the Survey on Applicants of HPLS/HALS conducted in 2003.

#### **BACKGROUND**

2. To support policy formulation and reviews, a survey on the characteristics of Home Ownership Scheme (HOS) and HPLS applicants was first conducted in 1999. We have since then conducted an annual survey on the same subject to facilitate time-series analysis. As a result of the cessation of production and sale of HOS flats from 2003 onwards, it was decided that collection of the information relating to HOS applicants should be discontinued. Thus, this year's survey focuses on all successful and unsuccessful applicants for the HPLS/HALS in 2002/03<sup>1</sup>. A sample of 1 200 HPLS/HALS applicants was selected. Some 1 021 applicants were successfully interviewed, constituting a response rate of 85%.

#### **OVERVIEW**

3. Based on the administrative records, we had received some 12 200 HPLS/HALS applications in 2002/03. Of all the White Form (WF) applicants, 39% were singletons. As regards the choice of subsidy, 74% of the successful applicants opted one-off interest-free loan and 26% opted monthly mortgage

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<sup>1</sup> According to the survey design, successful and unsuccessful applicants for the HPLS/HALS in 2002/03 refer to (a) successful and unsuccessful HPLS applicants who lodged applications during the period from 1.4.2002 to 31.12.2002 and (b) successful and unsuccessful HALS applicants who lodged applications during the period from 2.1.2003 to 31.3.2003. Although the Survey covered both the HPLS and HALS applicants, the majority (about 99%) of the target applicants were HPLS applicants.

subsidy. It is noted that, as compared with last year, a larger proportion of applicants chose the option of monthly subsidy instead of the interest-free loan.

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

<b>HPLS/HALS Applications Received in 2002/03</b>					
	<u>Singleton</u>		<u>Family</u>		<u>Total</u>
GF	11%	(11%)	89%	(89%)	100%
WF	39%	(31%)	61%	(69%)	100%
Overall	25%	(17%)	75%	(83%)	100%

  

<b>HPLS/HALS Loans/Subsidies Granted in 2002/03</b>										
	<u>Singleton</u>		<u>Family</u>	<u>Total</u>	<u>Loan</u>	<u>Subsidy</u>	<u>Total</u>			
GF	11%	(9%)	89%	(91%)	100%	66%	(86%)	34%	(14%)	100%
WF	27%	(21%)	73%	(79%)	100%	90%	(95%)	10%	(5%)	100%
Overall	16%	(10%)	84%	(90%)	100%	74%	(87%)	26%	(13%)	100%

Note: Figures in brackets denote percentages in respect of 2001/02.

4. Our analysis focuses on the following areas -
- (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.

5. To allow better understanding of changes over time, the relevant findings from the last survey conducted in 2002 are shown in brackets where appropriate.

## SURVEY FINDINGS

### Characteristics of Applicants

#### *Socio-economic Characteristics*

6. In general, the Green Form (GF) applicants were relatively older and had larger household size than WF applicants. The median monthly household incomes were \$16,000 and \$20,000 for WF and GF applicants respectively. A comparison of the socio-economic characteristics of WF and GF applicants is summarized in Table 2 below.

**Table 2: Socio-economic characteristics**

	<u>WF</u>	<u>GF</u>
<i>Average age of applicants (years)</i>	32 (32)	45 (45)
<i>Average household size<sup>2</sup> for application (persons)</i>		
All applicants	1.9 (2.3)	3.0 (3.3)
Excluding 1-P applicants	2.5 (2.7)	3.3 (3.5)
<i>Median monthly household income<sup>3</sup></i>		
All applicants	\$16,000 (\$15,200)	\$20,000 (\$20,000)
Excluding 1-P applicants	\$19,000 (\$19,000)	\$20,500 (\$20,000)

#### *Housing Conditions at the Time of Application*

7. As regards the applicants' previous types of housing, about half of the WF applicants were living in public rental housing (PRH)<sup>4</sup> or subsidized sale flats at the time of application. In general, WF applicants had larger living space per person than GF applicants at the time of application, at 12.4m<sup>2</sup> and 10.8m<sup>2</sup> saleable area respectively. For those GF applicants living in PRH previously, the mean length of residence in PRH was 20 years.

<sup>2</sup> Household size is not necessarily equal to the number of household members in the application form. For successful applicants, household sizes refer to the number of household members living in the purchased flats.

<sup>3</sup> Household income refers to income in May 2003 and May 2002 for 2002/03 and 2001/02 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.

<sup>4</sup> PRH non-principal tenants could use WF to apply for various HA subsidized housing schemes. But, upon purchase of a flat under HA housing subsidized scheme, his/her name would be deleted from the tenancy.

**Table 3: Housing conditions at the time of application**

	<u>WF</u>	<u>GF</u>
<b><i>Type of housing</i></b>		
Public Rental Housing	32% (38%)	77% (83%)
Subsidized Sale Flats	15% (13%)	3% (2%)
Others	53% (49%)	20% (15%)
Total	100%	100%
<b><i>Type of tenure</i></b>		
Sole tenant	59% (68%)	88% (93%)
Owned by other household members	33% (28%)	8% (4%)
Others	8% (4%)	4% (3%)
Total	100%	100%
<b><i>Average living space per person (m<sup>2</sup> saleable area)</i></b>		
	12.4 (12.7)	10.8 (10.4)
<b><i>Average household size (persons)</i></b>		
	4.0 (3.9)	3.6 (3.6)
<b><i>Length of residence in PRH for applicants who were living in PRH (years)</i></b>		
below 10	NA	19% (20%)
10 – less than 20	NA	28% (35%)
20 – less than 30	NA	28% (32%)
30 or above	NA	25% (13%)
Total	NA	100%
Average (years)	NA	20 (18)

### **Housing Plans of Applicants**

#### ***Reasons for Buying Properties***

8. The reasons for purchasing properties were different for GF and WF applicants. For the GF applicants, the two most commonly cited reasons for buying properties were “to improve living standard” and “small size of current accommodation”. While for the WF applicants, the two main reasons were “aspiration for home ownership” and “increase in family members”. As far as considerations in selecting a flat are concerned, “price” and “location” were generally the two main factors that applicants would consider, followed by “transportation”. Applicants’ housing aspiration statistics are summarized in Table 4 below.

**Table 4: Reasons for buying properties**

	<u>WF</u>	<u>GF</u>
<b><i>Major reasons for buying properties</i></b> <i>(multiple answers are allowed)</i>		
Aspiration for home ownership	42% (50%)	21% (23%)
Increase in family members	24% (26%)	10% (7%)
To improve living standard	22% (34%)	41% (53%)
Small size of current accommodation	22% (25%)	39% (42%)
Low flat price	17% (19%)	12% (14%)
Unwilling to pay unreasonable/high rent	13% (6%)	9% (11%)
The subsidized scheme was attractive	11% (13%)	18% (17%)
<b><i>Major considerations in selecting a flat</i></b> <i>(multiple answers are allowed)</i>		
Flat Price	79% (78%)	77% (77%)
Location (District)	72% (70%)	66% (66%)
Transportation	49% (49%)	52% (44%)
Flat size	15% (17%)	23% (20%)
Flat age	10% (13%)	6% (5%)
Estate's facilities	7% (18%)	8% (14%)
Quality of flat	7% (12%)	5% (15%)

***Affordability of Successful Applicants***

9. In general, the GF applicants purchased flats of higher price and larger size as compared to the WF applicants. Half of the successful WF applicants purchased flats priced \$1 million or below, the corresponding figure for GF applicants was \$1.1 millions or below. As regards the size of flats purchased, some 46% of the successful GF applicants purchased flats sized 60 m<sup>2</sup> saleable area or above, while some 45% of the successful WF applicants purchased flats sized between 40 to less than 50 m<sup>2</sup> saleable area. On average, the successful applicants contributed about 33% (for WF applicants) and 25% (for GF applicants) of their household income to repay the bank mortgage and, where applicable, the government loan. A comparison of the affordability of GF and WF successful applicants is summarized in Table 5 below.

**Table 5: Affordability of successful applicants**

	<b><u>WF</u></b>	<b><u>GF</u></b>
<b><i>Flat price (\$)</i></b>		
800,000 or below	25%	21%
800,001 – 1,000,000	25%	21%
1,000,001 – 1,500,000	36%	31%
1,500,001 – 2,000,000	12%	16%
over 2,000,000	2%	11%
Total	100%	100%
Median	\$1.0M <i>(\$1.1M)</i>	\$1.1M <i>(\$1.2M)</i>
<b><i>Flat size (m<sup>2</sup> saleable area)</i></b>		
below 40	19%	5%
40 – less than 50	45%	24%
50 – less than 60	20%	25%
60 or above	16%	46%
Total	100%	100%
Average (m <sup>2</sup> saleable area)	48 <i>(50)</i>	58 <i>(60)</i>
<b><i>Median downpayment</i></b>		
Including HPLS/HALS loan	\$410,000 <i>(\$410,000)</i>	\$570,000 <i>(\$660,000)</i>
Excluding HPLS/HALS loan	\$70,000 <i>(\$30,000)</i>	\$120,000 <i>(\$100,000)</i>
<b><i>Median downpayment-to-price ratio</i></b>		
Including HPLS/HALS loan	36% <i>(37%)</i>	42% <i>(55%)</i>
Excluding HPLS/HALS loan	7% <i>(4%)</i>	10% <i>(9%)</i>
<b><i>Median mortgage repayment</i></b>		
<b><i>[including HPLS/HALS loan repayment]</i></b>	\$5,400 <i>(\$6,300)</i>	\$5,500 <i>(\$6,700)</i>
<b><i>Median mortgage-to-income ratio</i></b>		
<b><i>[including HPLS/HALS loan repayment]</i></b>	33% <i>(36%)</i>	25% <i>(30%)</i>

***Types of Flats Purchased by Successful Applicants***

10. Some 45% of the GF successful applicants purchased flats in the HOS Secondary Market (SM). The main reason for purchasing flats in the HOS SM was “lower flat price” (96%). As regards the reason for not purchasing flats in the HOS SM, most (51%) of them cited that private market flats were of better quality, followed by “did not want to pay premium in future” (29%) and “more choices of districts for private flat” (26%). For WF



### ***Future Housing Plans of Unsuccessful Applicants***

11. Only 45% of the unsuccessful applicants intended to buy a flat in the next two years. 75% of these potential flat buyers indicated that they would apply for HALS. For unsuccessful applicants who did not intend to buy a flat in the next two years, half of them cited “income had dropped / could not afford to buy a flat” as the main reason.

**Table 7: Future housing plans of unsuccessful applicants**

<b><i>Intention to buy a flat in the next two years</i></b>	
Yes	45% (48%)
- <i>Would apply for HALS</i>	
Yes	75% (92%)
No	25% (8%)
No	37% (40%)
Not yet decided	18% (12%)
Total	100%
<b><i>Affordability measures for those who had intention to buy a flat under subsidized scheme in the next two years</i></b>	
Median affordable flat price	\$1.0M (\$1.1M)
Median affordable downpayment	\$100,000 (\$120,000)
Median affordable mortgage repayment	\$5,500 (\$5,300)
<b><i>Major reasons for not intending to buy a flat in the next two years (multiple answers are allowed)</i></b>	
Income had dropped/could not afford to buy a flat	52% (56%)
To avoid financial burden arising from mortgage repayment	23% (17%)
Currently unemployed/expecting dismissal	14% (31%)
Expected decrease in flat price	14% (11%)
Had already bought a flat	7% (13%)
Wanted to retain the PRH (GF only)	7% (4%)

### ***Opinion on the Mortgage Insurance Programme (MIP)***

12. HPLS/HALS applicants were enquired whether they would apply for MIP when purchasing flat if HPLS/HALS was not available. Survey results indicated that 59% of the WF applicants and 76% of the GF applicants would not apply for MIP when purchasing flat if HPLS/HALS was not available. 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: Opinion on the Mortgage Insurance Programme**

	<u>WF</u>	<u>GF</u>
<i>Whether would apply for MIP when purchasing flat if no HPLS/HALS<sup>#</sup></i>		
Yes	41%	24%
No	59%	76%
<i>Major reasons for not applying for MIP if no HPLS/HALS<sup>#</sup> (multiple answers are allowed)</i>		
Loans under MIP were not interest-free/government loans were interest-free	58%	58%
Insurance premium was expensive/did not want to pay insurance premium	54%	54%
Had enough downpayment	6%	6%
HPLS/HALS gave successful applicants an option of acquiring a monthly subsidy	4%	6%
Application procedures was complicated	3%	6%

Note: # New questions added in 2003 round of survey and hence figures for last round of survey are not available.

### **Characteristics of the Singleton WF Applicants**

#### *Characteristics of the singleton WF applicants*

13. Some 39% of all WF applicants were singletons. 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%) was living in PRH or subsidized sale flats.

**Table 9: Characteristics of the singleton WF applicants**

<b><i>Median income<sup>5</sup></i></b>	\$11,000 ( <i>\$10,000</i> )
<b><i>Average age (years)</i></b>	29 ( <i>30</i> )
<b><i>Household size at the time of application</i></b>	
1p	7% ( <i>13%</i> )
2p or above	93% ( <i>87%</i> )
Total	100%
<b><i>Type of housing at the time of application</i></b>	
Public Rental Housing	43% ( <i>47%</i> )
Subsidized Sale Flats	20% ( <i>18%</i> )
Others	37% ( <i>35%</i> )
Total	100%
<b><i>Average living space per person at the time of application (m<sup>2</sup> saleable area per person)</i></b>	12.5 ( <i>12.8</i> )
<b><i>Median price of flats purchased (for successful applicants)</i></b>	\$0.82M ( <i>\$1.0M</i> )
<b><i>Average size of flats purchased (m<sup>2</sup> saleable area) (for successful applicants)</i></b>	46 ( <i>43</i> )
<b><i>Proportion of applicants with relatives' contribution (for successful applicants)</i></b>	
Downpayment	35% ( <i>26%</i> )
Mortgage repayment	10% ( <i>10%</i> )

## SUMMARY OF MAIN FINDINGS

14. The main findings of the survey are summed up below -
- (a) in general, GF HPLS/HALS applicants had higher household income than WF applicants, at \$20,000 and \$16,000 respectively (Table 2);
  - (b) for those GF applicants living in PRH previously, the mean length of residence in PRH was 20 years (Table 3);

<sup>5</sup> Income refers to income in May 2003 and May 2002 for 2002/03 and 2001/02 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.

- (c) the main reasons for buying properties were different between GF and WF applicants. For GF applicants, the main reason was “to improve living standard”. For WF applicants, the main reason was “aspiration for home ownership” (Table 4);
- (d) the median mortgage-to-income ratios were 25% and 33% for GF and WF successful applicants respectively (Table 5);
- (e) 45% of the GF successful applicants purchased flats in the HOS SM. 78% of the WF successful applicants purchased second-hand flats in the private market (Table 6);
- (f) 45% of the unsuccessful applicants intended to buy a flat in the next two years. Among them, 75% cited that they would apply for HALS when buying flats in the future (Table 7);
- (g) 76% of the GF applicants and 59% of the WF applicants indicated that they would not apply for MIP when purchasing flat if HPLS/HALS was not available (Table 8); and
- (h) the majority (93%) of the singleton WF applicants were living with other family members at the time of application. A considerable proportion (63%) of them was living in PRH or subsidized sale flat (Table 9).

## **INFORMATION**

15. This paper is issued for Members' information.

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File Ref.: HD 2153 / 2 III  
(Strategy Division)  
Date: 5 January 2004