CHAPTER V

HOUSING FINANCE: AN INTERNATIONAL SCENARIO

➤ SINGAPORE
➤ CHINA
➤ UNITED KINGDOM
5. HOUSING FINANCE: AN INTERNATIONAL SCENARIO

I. SINGAPORE

The Singapore economy is an example of vibrant free market economy that is developing at a rapid pace. The per-capita income of the country is very high and it has been supported and strengthened by a corruption free environment, an educated and motivated workforce, and well established legal and financial framework.

Singapore far-sighted economic policies have helped to transform the Singapore economy into an Asian powerhouse its economy is heavily dependent on export activities. The country's geographical location is also a major contributor to its steady financial growth. It has one of the busiest seaports in the world and is used for both import and export activities. Since Singapore has an export dependent economic policy;

A Snapshot of the Singapore economy is 2007.¹
GDP- Purchasing power parity- U$ 222.7 Crore.
GDP- real growth rate - 7.5%
GDP per capita (purchasing power parity) - U$ 48900
Rate of Inflation - 4.4%

Proportion of investment in housing to GDP- 57% with the help of above data we can understand the financial situation of the country.

The economic strategy that is followed by the country is successful enough to provide it with steady real growth rates. During the period between 2000 and 2003, the economy of the country was hit by a global economic slump, recession in economies of US and other countries.

¹ WWW. Economy watch.com
Like any other countries Singapore has a proper channel also for the providing of housing and housing finance. Before describing the condition and structure of housing finance of the country and banks related to catering of housing loan, here it is necessary to explain the condition of housing in Singapore.

Singapore has two types of houses. One is built by the government and second are the private houses. Govt. built flats are called HDB flats (Public housing) and about 85% people of Singapore live in these houses. Rest of the people live in private houses. Housing Schemes are different for HDB and private houses.

**Public Housing :-**

The public housing system is strictly under the authority of the Housing Development Board (HDB), which covers duties such as housing production, housing management, housing finance and formulation housing policies.

The HDB a statutory board under the ministry of National Development (MND) is Singapore’s public housing authority. It was established in 1960 to address then pressing national housing shortage. Govt. build flats are called HDB flats. Today about 85 percent of Singaporeans live in HDB flats. Rest of the people live in private houses. Housing schemes are different for both type of houses.

Besides building affordable houses, HDB also :-

- Provides infrastructural facilities.
- Clears land for redevelopment
- Reclaims land for new development
- Sells and provides rental flats to lower income families.
In recent years, the HDB has been paying increasing attention to its flat designs.

**CONDITION OF PUBLIC HOUSING :-**

**PUBLIC HOUSING (SELECTED YEARS, 1960-1980)**

<table>
<thead>
<tr>
<th>Year</th>
<th>HDB flats</th>
<th>Percent of population Living in public housing</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Number</td>
<td>Percent Owner-occupied</td>
</tr>
<tr>
<td>1960</td>
<td>24,701</td>
<td>-</td>
</tr>
<tr>
<td>1970</td>
<td>118,544</td>
<td>26.3</td>
</tr>
<tr>
<td>1971</td>
<td>126,710</td>
<td>29.4</td>
</tr>
<tr>
<td>1972</td>
<td>138,027</td>
<td>32.6</td>
</tr>
<tr>
<td>1973</td>
<td>161,312</td>
<td>36.4</td>
</tr>
<tr>
<td>1974</td>
<td>185,581</td>
<td>39.7</td>
</tr>
<tr>
<td>1975</td>
<td>211,079</td>
<td>42.8</td>
</tr>
<tr>
<td>1976</td>
<td>23,966</td>
<td>46.7</td>
</tr>
<tr>
<td>1977</td>
<td>274,048</td>
<td>53.0</td>
</tr>
<tr>
<td>1978</td>
<td>305,540</td>
<td>55.0</td>
</tr>
<tr>
<td>1979</td>
<td>328,562</td>
<td>58.2</td>
</tr>
<tr>
<td>1980</td>
<td>346,371</td>
<td>61.8</td>
</tr>
</tbody>
</table>


According to above table it is clear that in 1970 total no. of HDB flats were 118,544 and percent of owner occupied was 26.3 while 34.6% population lived in HDB flats and 9.1% lived owner-occupied HDB flats. But in 1980 68% population lived in HDB flats and 42% in owner-occupied HDB flats. So there is increasing order of percent of population living in HDB and owner occupied HDB flats.
HOMES FOR THE PEOPLE, 1996-2002 :-

<table>
<thead>
<tr>
<th>Year</th>
<th>Housing &amp; Development Board (HDB) Flats</th>
<th>Percentage of Resident Population</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Number Built</td>
<td>Number sold under home ownership scheme</td>
</tr>
<tr>
<td>1996</td>
<td>27,484</td>
<td>26,532</td>
</tr>
<tr>
<td>1997</td>
<td>31,312</td>
<td>28,220</td>
</tr>
<tr>
<td>1998</td>
<td>36,609</td>
<td>36,966</td>
</tr>
<tr>
<td>1999</td>
<td>34,836</td>
<td>29,893</td>
</tr>
<tr>
<td>2000</td>
<td>27,678</td>
<td>26,329</td>
</tr>
<tr>
<td>2001</td>
<td>23,913</td>
<td>19,987</td>
</tr>
<tr>
<td>2002</td>
<td>10,141</td>
<td>19,629</td>
</tr>
</tbody>
</table>

Source: Housing & Development Board, Year book of Singapore 2003, p. 192

Total No. of HDB flats, built, no. of flats sold under Home ownership scheme and percentage of resident population who lived in HDB flats are shown in above table. In 2002 10,141 flats built and 19,629 flats were sold under Home ownership scheme while 85% population lived in such type of flats.

POPULATION IN SINGAPORE IN HDB FLATS

<table>
<thead>
<tr>
<th>Year</th>
<th>% Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>9</td>
</tr>
<tr>
<td>1965</td>
<td>23</td>
</tr>
<tr>
<td>1970</td>
<td>35</td>
</tr>
<tr>
<td>1975</td>
<td>47</td>
</tr>
<tr>
<td>1980</td>
<td>67</td>
</tr>
<tr>
<td>1985</td>
<td>81</td>
</tr>
<tr>
<td>1990</td>
<td>87</td>
</tr>
<tr>
<td>1995</td>
<td>86</td>
</tr>
<tr>
<td>2000</td>
<td>86</td>
</tr>
<tr>
<td>2005</td>
<td>83</td>
</tr>
<tr>
<td>2007</td>
<td>81</td>
</tr>
</tbody>
</table>
Table indicates that there were 9% population lived in HDB flats in 1960 and after it. Percentage of population had been increasing till 1990 and its percentage started to decrease since 1995. In 2007, 81% population lived in HDB flats.

**HDB’S ACHIEVEMENTS**

**Population Housed in HDB Flats**

Estimated Resident Population* by town as at 31st March 2007

<table>
<thead>
<tr>
<th>HDB Town</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ang Mo Kio</td>
<td>148,700</td>
</tr>
<tr>
<td>Bedok</td>
<td>195,200</td>
</tr>
<tr>
<td>Bishan</td>
<td>67,400</td>
</tr>
<tr>
<td>Bukit Batok</td>
<td>113,500</td>
</tr>
<tr>
<td>Bukit Merah</td>
<td>141,000</td>
</tr>
<tr>
<td>Bukit Panjang</td>
<td>109,200</td>
</tr>
<tr>
<td>Choa Chu Kang</td>
<td>150,700</td>
</tr>
<tr>
<td>Clementi</td>
<td>72,800</td>
</tr>
<tr>
<td>Geylang</td>
<td>95,800</td>
</tr>
<tr>
<td>Location</td>
<td>Population</td>
</tr>
<tr>
<td>-----------------------</td>
<td>------------</td>
</tr>
<tr>
<td>Hougang</td>
<td>172,000</td>
</tr>
<tr>
<td>Jurong East</td>
<td>80,200</td>
</tr>
<tr>
<td>Jurong West</td>
<td>233,300</td>
</tr>
<tr>
<td>Kallang/Whampoa</td>
<td>99,800</td>
</tr>
<tr>
<td>Pasir Ris</td>
<td>107,700</td>
</tr>
<tr>
<td>Punggol</td>
<td>52,700</td>
</tr>
<tr>
<td>Queenstown</td>
<td>81,700</td>
</tr>
<tr>
<td>Sembawang</td>
<td>62,400</td>
</tr>
<tr>
<td>Sengkang</td>
<td>140,000</td>
</tr>
<tr>
<td>Serangoon</td>
<td>74,800</td>
</tr>
<tr>
<td>Tampines</td>
<td>230,600</td>
</tr>
<tr>
<td>Toa Payoh</td>
<td>103,100</td>
</tr>
<tr>
<td>Woodlands</td>
<td>219,300</td>
</tr>
<tr>
<td>Yishun</td>
<td>167,200</td>
</tr>
<tr>
<td>Other Estates:</td>
<td></td>
</tr>
<tr>
<td>Central Area</td>
<td>30,500</td>
</tr>
<tr>
<td>Bukit Timah</td>
<td>8,400</td>
</tr>
<tr>
<td>Marine Parade</td>
<td>22,600</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,980,600</strong></td>
</tr>
</tbody>
</table>

**Source:** HDB Annual Report 2006-07, p.78

*Refers to Singaporeans and Permanent Residents only. Figures are rounded off to the nearest '00.

Above table shows that total 2,980,600 population lived in HDB flats. In Jurong west maximum 233,300 people lived and minimum in Bukit Timah as 8,400 people.

**DEMAND FOR FLATS:**

<table>
<thead>
<tr>
<th>Period</th>
<th>Rental Flats</th>
<th>Home Ownership flats</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960-1965</td>
<td>52,408</td>
<td>2,967+</td>
</tr>
<tr>
<td>1966-1970</td>
<td>66,005</td>
<td>40,013</td>
</tr>
<tr>
<td>1971-1975/76</td>
<td>57,034</td>
<td>123,213</td>
</tr>
<tr>
<td>Year</td>
<td>Rental Flats</td>
<td>Home Ownership Flats</td>
</tr>
<tr>
<td>--------------</td>
<td>--------------</td>
<td>----------------------</td>
</tr>
<tr>
<td>1976/77-1980/81</td>
<td>47,958</td>
<td>141,430</td>
</tr>
<tr>
<td>1981/82-1985/86</td>
<td>38,628</td>
<td>205,502</td>
</tr>
<tr>
<td>1986/87-1990/91</td>
<td>15,995</td>
<td>194,206</td>
</tr>
<tr>
<td><strong>1991/92-2006/2007</strong></td>
<td><strong>Rental Flats</strong></td>
<td><strong>Home Ownership Flats</strong></td>
</tr>
<tr>
<td>1991/92-1995/96</td>
<td>39,200</td>
<td>308,454*</td>
</tr>
<tr>
<td>1996/97-2000/01</td>
<td>27,787</td>
<td>126,413*</td>
</tr>
<tr>
<td>2001/02-2005/06</td>
<td>22,968</td>
<td>50,308*</td>
</tr>
<tr>
<td>2006/2007</td>
<td>5,643</td>
<td>8,455*</td>
</tr>
</tbody>
</table>

*Source: HDB annual Report 2006-07*

+ Only for application received in 1964 and 1965 to purchase Home Ownership Flats.

*From FY 1989/1990, applications for resale flats are not included in the figure on demand for Home Ownership flats.

**Note:-**

i. Demand for flats from FY 1991/1992 to FY 1993/1994 refers to new requests received for direct purchase flats in mature and non-mature estates under the Booking System.

ii. Figures from FY 1994/1995 to FY 1996/1997 include new applications received under the Registration for Flat System (RFS) and new requests made for mature estates during the year. The new requests for flats in mature estates exclude requests from applicants who were on the RFS queue and those who had previously applied for flats in mature estates.

iii. Figure from FY 1997/1998 to FY 2001/2002 refers to new applications received under RFS. These include 3-room applications received under RFS up till May 1999 and booking for 3-room flats under Walk-in Selection (WIS) with effect from June 1999. These exclude requests received under the Balloting Exercise.
iv. Figures from FY 2003/2004 to FY 2005/2006 are based on bookings by the public for 3-room and bigger flats under the various allocation exercises. The figure for FY 2006/07 is based on booking received by HDB for 2-room and bigger flats under the various allocation exercises, as well as bookings for the pilot batch of Design, Build & Sell Scheme flats launched for sale by Sim Lian Group in October 2006.

v. Figure exclude, booking by the public for Studio Apartments.

According to above table demand for flats are shown included rented and home Ownership Flats. In 2006-07 Demand for rental was minimum and in case of rental flats demand was maximum during 1966-1970 and demand of house ownership flats was maximum in 1991-1992 to 1995-96 and minimum during 1960-1965.

**BUILDING STATISTICS :-**

<table>
<thead>
<tr>
<th>1960-1990</th>
<th>Total</th>
<th>Dwelling units</th>
<th>Commercial Developments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960-1965</td>
<td>54,430</td>
<td>53,777</td>
<td>653</td>
</tr>
<tr>
<td>1966-1970</td>
<td>66,239</td>
<td>63,448</td>
<td>2,791</td>
</tr>
<tr>
<td>1971-1975</td>
<td>113,819</td>
<td>110,362</td>
<td>3,457</td>
</tr>
<tr>
<td>1976-1980</td>
<td>137,670</td>
<td>130,981</td>
<td>6,689</td>
</tr>
<tr>
<td>1981-1985</td>
<td>200,377</td>
<td>189,299</td>
<td>11,078</td>
</tr>
<tr>
<td>1986-1990*</td>
<td>121,400</td>
<td>119,708</td>
<td>1,692</td>
</tr>
<tr>
<td>1991-2006</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1991-1995</td>
<td>99,557</td>
<td>98,994</td>
<td>563*</td>
</tr>
<tr>
<td>1996-2000</td>
<td>158,621</td>
<td>157,919</td>
<td>702</td>
</tr>
<tr>
<td>2001-2005</td>
<td>55,515</td>
<td>55,135</td>
<td>380</td>
</tr>
<tr>
<td>2006</td>
<td>2,752</td>
<td>2,733</td>
<td>19</td>
</tr>
</tbody>
</table>

*Source: HDB annual Report 2006-07*
* Includes HUDC Units built by the Urban Redevelopment Authority (URA)

# Before July 1992 commercial developments referred only to eating houses, shops with living quarters, and lock up shops.

Above table shows about building statistics since 1960 to 2006 included dwelling units and commercial developments. In 1981-85 maximum dwelling units were built and in 2006 only 2,733 dwelling units were built by HDB.

**STOCK OF PRIVATE RESIDENTIAL UNITS**

<table>
<thead>
<tr>
<th>Housing Type</th>
<th>Central</th>
<th>East</th>
<th>North-East</th>
<th>North</th>
<th>West</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Detached</td>
<td>6,022</td>
<td>1,625</td>
<td>1,475</td>
<td>227</td>
<td>569</td>
<td>9,918</td>
</tr>
<tr>
<td>Semi-detached</td>
<td>7,445</td>
<td>4,765</td>
<td>5,691</td>
<td>1,129</td>
<td>1,271</td>
<td>20,301</td>
</tr>
<tr>
<td>Terrace</td>
<td>11,896</td>
<td>8,806</td>
<td>11,473</td>
<td>704</td>
<td>3,114</td>
<td>35,993</td>
</tr>
<tr>
<td>Apartments</td>
<td>42,676</td>
<td>4,997</td>
<td>4,205</td>
<td>462</td>
<td>2,946</td>
<td>55,286</td>
</tr>
<tr>
<td>Condominium</td>
<td>36,914</td>
<td>15,939</td>
<td>6,411</td>
<td>1,940</td>
<td>15,652</td>
<td>76,856</td>
</tr>
</tbody>
</table>


Above table shows the stock of private residential units on the basis of type of housing e.g. Detached, Semi-detached, Terrace, Apartments etc. Stock is classified according to different parts of the country as central, East, North-East, West etc.

**HOME OWNERSHIP :-**

The home ownership for the people scheme introduced in 1964 enables citizens to buy HDB flats. Singapore’s home ownership is segmented into two types like private home ownership and public home ownership. Among them public housing is in dominating situation because about 85% of the total households from low income group to upper middle income groups.
For an equitable distribution of flats among first time applicants and upgraders, HDB allocates its flats through a queue system known as the Registration for the flat system (RFS). “In 2001, a total of 19,987 flats were sold and 82 percent of the resident population lived in home ownership flats.

In November 1998, the Government announced a package of measures to help HDB mortgagors in financial hardship and affected by the 10 percentage point cut in the employer’s CPF contributions which took effect in January 1999.” During the second off-budget measures announced by the Government on 12 October 2001, the Government decided that HDB would continue to help mortgagors and applicants of HDB flats in financial hardship.

The public home ownership sector is divided into three sub-sectors as follows:-

i. The Public new housing sector
ii. The HDB resale market
iii. The HDB executive condominium market

In the new housing market the dwellings are newly built and are sold at subsidized prices.

HDB resale market has important place in public housing.

“Resale transactions decreased by about 24% from about 8110 cases in 3rd quarter 2008 to about 6,190 cases in 4th Quarter 2008. The total number of resale transactions for 2008 was 28,419 about 3% lower than in 2007.”

Discussion of HDB rental market is necessary. According to data the number of subletting transactions is about 20% higher than that in 2007. In addition, the total number of HDB flats approved for

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2 Year book of Singapur 2002, p.140
subletting rose to about 22,200 Units as at Dec. 2008, compared to about 21,400 units in 3rd Quarter 2008.”

1. **STANDARD INSTALLMENT SCHEME:**

   Installments are calculated based on the full loan amount. This way borrower will enjoy savings on interest payment and complete his repayments earlier.

   Under banks promotional Differed Repayment scheme borrower can also opt. to defer his first installment to a maximum period of 6 months later if he has an existing property to sell. This will be help to reduce his financial commitment as he need does not service two home loans at the same time. It is the only bank that offers this flexibility currently.

2. **PROGRESSIVE INSTALLMENT SCHEME:**

   The loan is disbursed progressively unit the Top for the property is issued. Borrower pay installments calculated based on the outstanding disbursed amount. Therefore, borrower’s installments will start out lower and gradually increase in tandem with the progressive payments called for by the developer.

3. **INTEREST SERVING SCHEME:**

   As the loan is disbursed progressively Borrower pays only the interest on the partially disbursed loan unit top. This scheme is useful if he has other financial commitments to fulfill before his new home is completed.

   OCBC disburses home loans for the private property also. This loan is also provided for additional financial for upgraders, property

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4 Ibid
under construction and completed property. In the case of buying property under construction-standard installment scheme, progressive installment scheme and interest servicing scheme are available as like HDB home loan.

The private owner occupier housing market accommodates less than 10% of the total number of households. "There is an indication of rising private housing stock which increased 14% in 1989 to 18% in 1999." The private sector gets comparatively less subsidies from the Government and thus is less regulated.

SE CKING HDB FUNDS FROM DEBT CAPITAL MARKET: -

HDB is one of the first statutory boards to seek from the debt capital market. "In embarked on a $3 billion Medium term note (MTN) Programme in 1999. The $500 million 5-year unsecured fixed rate notes were issued in February and September 2001, bringing the total issuance under the MTN programme to $ 2.9 billion."6

Percent point above the CPF rate is also open to those paying market interest rates and have purchased their flats or submitted their flat applications before the implementation of the CPF cut.

CPF HOUSING GRANT SCHEME: -

HDB introduced the CPF Housing Grant Scheme in 1994. This was to help married citizens purchasing resale HDB flats for the first time. The grant obtained can be used for capital payment to reduce the mortgage loan, or for the down payment in the flat purchase. The scheme was later extended to the same category applicants buying executive condominiums (ECs) and to single citizen. "The current grant quantum was $30,000 for the family Grant, $40,000 for the

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5 www.economywatch.com  
6 yearbook of Singapore 2002 p.140
family grant (Provided applicants stay near parents / married child), 30,000 for the EC Grant, $11,000 for the single citizen grant and $22,000 for the joint single grant 2003.”

REVISED HOUSING POLICIES FOR SINGLES:-

In 1991, the Government introduced the single Singapore citizen scheme. This was to enable singles aged 35 and above, to purchase a three-room and smaller resale HDB flats from the open market under the scheme, singles can buy flats in any HDB new town.

CONTRA PAYMENT FACILITY:-

The contra payment is to assist lessees buying another resale flat to use the cash sale proceeds from their existing flat. Simultaneously in the open market. From June 2000 lessees, could also use CPF refunds from the resale of their existing flat to pay for the resale flat.

STAGGERED DAWN PAYMENT SCHEME:-

This scheme allows first-timers applying for a flat to pay their 20 percent down payment in two stages. The first 30 percent is paid when the Agreement of lease is signed and the balance when taking possession of the flat.

MAIN UPGRADING PROGRAMME:-

The main upgrading programme (MUP) was implemented in July 1989 for HDB blocks that are 18 year old and above on 31 December 1993 from March 2001, this criterion had been extended to include flats completed up to 1980.

Upgrading will only be implemented if at least 75 percent of flat owners in the precinct vote for it. This cost of upgrading is borne

7 Yearbook of Singapore 2003, p.187
by both the Government and the flat owner, with the Government paying a substantial share. The amount paid by the flat owner depends on the type of flat.

**SPECIAL HOUSING ASSISTANCE PROGRAMME (SHAP):**

From September 2000, HDB grouped its existing home ownership assistance schemes under a special Housing Assistance programme (SHAP). SHAP’s main objective is to assist the lower-income households own their first subsidized HDB flats. It also facilitates two-room flat lessees to upgrade to three-room or bigger flats when they can afford it SHAP’s major enhancements are:

1. Raising the monthly income ceiling from $1,500 to $2,000 for those wanted to buy a flat under the 3-room. Buy-back flats and Rent & Purchase scheme. They could also be eligible for the higher loan limit under the law income family incentive scheme.

2. Raising the maximum tenancy discount from $10,000 to $15000 per flat for tenants buying over their rental flats under the Rents & purchase scheme and the sale of flats to sitting tenants' schemes.

**RENT AND PURCHASE SCHEME:**

The rent and purchase scheme enables families with a gross monthly household income of between $800 and $2,000 to first rent a three-room flat from HDB and subsequently, buy it over when their financial situational improves. “By the end of 2002, 517 flats had been allocated under the scheme and 112 tenants had brought over their flats subsequently.”

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8 Ibid p.191
HOUSING FINANCE IN SINGAPORE :-

There are mainly two types of financial system in Singapore, which are as follows:-

1. The HDB public finance sector.
2. The commercial finance sector.

HDB flats owners can enjoy the subsidized mortgage rates if they are eligible for the subsidized loans. The HDB can grant a subsidized loan to first time Homebuyers are also to second time homebuyers who upgrade to another HDB flats. The private home owners and homeowners who do not qualify for the subsidized loan will however, have to secure their financing from banks and financial institutions.

The private owner-occupier housing market accommodates less than 10% of the total number of households. "There is an indication of rising private housing stock, which increased from 14% in 1989 to 18% in 1999. The private sector receives comparatively less subsidies from the Government and thus is less regulated."9

The unique feature for mortgage particularly housing finance in Singapore is the role of the mandatory saving scheme, central provident fund (CPF). The home purchase in Singapore is mainly financed through the use of central provident fund (CPF). This CPF was introduced in 1 July 1955 as the national funded pension scheme by the colonial British Government. The relaxation of the CPF regulation has allowed residential property purchases in mid 1970s for public housing and early 1980s for private property. The total amount of withdrawals for housing is increased by about 14 fold in its peak in 1999 as compared to the year 1981. According to the Singapore

9 www.economywatch.com
census 2000, the scheme has become very successful in promoting home ownership whereby 92% of the Singapore own a home.

**HOUSING LOANS FROM HDB:**

HDB provides housing loans to eligible flat buyers according to its mortgage loan policy guidelines. Each eligible Singaporean family may obtain up to two concessionary rate housing loans from HDB if they are able to meet all the eligibility requirements. Second-timers who have enjoyed a concessionary rate housing loan from HDB flat type. Second timers who have brought a private property after disposing their HDB flat would not be eligible for another concessionary rate housing loan when the next purchase an HDB flat after selling their private property.

All flat buyers will be credit assessed to determine the amount of loan that can be granted to them. This will depend on the buyers age, their income, the Prevailing loan ceiling and available balance in their CPF ordinary Account.

If customer’s income has been used in the calculation of the loan, they will not be allowed to apply for another housing loan from HDB with in 30 months after taking possession of the flat.

**HDB CONCESSIONARY LOAN:**

HDB provides housing loan at concessionary interest rate to eligible flat buyers, subject to HDB’s credit assessment and prevailing mortgage loan criteria.

Since 1 January, 2003 flat buyers who are not eligible for an HDB loan will have to take a loan from a bank/financial institution that is licensed by the monetary Authority of Singapore housing loans.
HOUSING LOANS FROM BANKS :-

Before 1 January, 2003 HDB has been provided both concessionary and market rate loans to HDB flat buyers. But HDB has since stopped providing market rate loans. HDB flats buyers, who would have previously applied for HDB market rate loans, would now have to apply for a housing loan from banks and financial institutions that are licensed by the Monetary Authority of Singapore (MAS).

The participation of the private sector is to allow HDB to better fulfill its core responsibility of providing affordable housing to Singapore. At the same time, flat buyers can enjoy the most competitive interest rates and a greater variety of loan packages.

Those who have to obtain bank loans to buy HDB flats include.

1. Private property owners;
2. Singapore permanent Residents;
3. High income earners (Household income exceeding $ 8,000 per month);
4. Buyers who have enjoyed two HDB concessionary loans;
5. Second time buyers. Who have enjoyed one HDB concessionary loan and are buying a similar-sized or smaller HDB flat.

With this, HDB flat buyers on bank loans will be subjected to the bank’s mortgage and forbearance policies. They will have to exercise financial prudence in their purchase flat buyers who do not enjoy housing or mortgage subsidies would be given more flexibility through the partial relaxation of the Minimum occupation period (MOP) and subletting rules. With these changes, such “non-subsidised” HDB flats will be treated like private properties. These flat buyers need only to complete a one-year MOP before they can
resell their-flats in the open market. They can sublet the entire flat if they have completed a 10-year occupation period.

In Singapore the average of the mortgage rates are offered by HSBC, Hong Leong Singapore finance, NTUC OCBC, DBS, May Bank and United overseas Bank Group.

**DBS BANK :-**

DBS Bank is the largest bank in Singapore as measure by assets, with dominant positions in consumer banking, treasury and markets, securities brokerage, Singapore dollar loans, deposits and equity and debt fund raising. With the receipt of executive and legislative approval for the merger of its wholly owned Dao Heng Bank and DBS Kwong on Bank operations in Hong Kong, DBS Bank is now the fourth largest Banking group in Hong Kong. Beyond the anchor markets of Singapore and Hong Kong, DBS Bank serves corporate, institutional and retail customers through its operations in Thailand, The Philippines and Indonesia. The bank's credit ratings are amongst the highest in the Asia-pacific region.

DBS is popular Bank among the banks catering home loans. Bank disburses home loan for completed property and property under construction.

**LOAN LIMIT :-**

The maximum financing for the purchase of a residential property is up to 80% of the purchase price or the market valuation, whichever is the lower. This is inclusive of the CPF funds that year have decided to use towards the purchase. If CPF savings are to be used for the purchase of property, the property must be built on a freehold land or a leasehold land of at least 60 years remaining.
The financing of the property is calculated as follows:
Cash 20% + [CPF Savings + Housing Loan (80%)] = Purchase Price (100%)

**OCBC Singapore :-**

It is the longest established local bank of Singapore, with a rich heritage that can be traced as far back as 1912. Today, OCBC is one of Asia's leading financial services group, with group assets of $184 billion. OCBC is also one of the largest financial institutions in the combined Singapore - Malaysia Market in terms of assets.

Full spectrum of specialist financial services solutions is delivered through an extensive global network. Bank has a network of more than 470 branches and representative offices in 15 countries and territories. Including Singapore, Malaysia, Indonesia, Thailand, Vietnam, China, Hong-Kong SAR, Taiwan, Brunei, Myanmar, Japan, Korea, Australia, UK and USA. The network includes more than 360 branches and offices in Indonesia operated by OCBC Bank's subsidiary, Bank OCBC NISP.

OCBC offers many types of home loans e.g. HDB home loan, private home loan & Reverse mortgage. HDB home loan is to buy HDB flats, second type is loan for private flats and third reverse mortgage is a unique financial scheme specially designed for senior citizens to unlock the value of their property into cash flows. It allows the property owner, to receive a sum of monthly payout by mortgaging owner's paid up property to the bank without having to move out or sell the property.

Under HDB home loan it is necessary to understand the meaning of this loan. It is a housing loan for individuals who want to
purchase or refinance their HDB flats but are not eligible for the HDB concessionary loan scheme.

In HDB home loan there are three varieties of loans-

1. Loan for home ownership
2. Additional Financial for upgraders
3. Loan for property Under Construction

Under loan for property under construction the bank disburses payment to the developer in stages according to the work progress on site potential home owners can choose any of the following repayment options prior to issuance of the Temporary Occupation Permit (TOP).
II. CHINA

Housing is a crucial social issue that any country of the world has to face up. As the most populous country in the world, China has always made great efforts in improving Chinese residential environment and increasing people's residential standards.

China's economy is huge and expanding rapidly. "In the last 30 years the rate of China's economy growth has been almost miraculous, averaging 8% growth in Gross Domestic Product (GDP) per annum."¹⁰

Family life and homes are very important to the Chinese, which explains partly why housing is a serious issue in China. The Chinese government has been making sustained efforts to provide housing for its huge population.

Since new China was founded in 1949, especially since China adopted the "reform and opening up" policy in 1978, great changes have taken place in China. The national economy has been developed by leaps and bounds, and people's living standard has been increased rapidly as well. Chinese government has taken a series of reform measures in the housing sector, which has strongly promoted the development of housing construction and has achieved an unprecedented success in the construction of the urban and rural housing in China for the time being the total amount of the annual urban and rural housing has reached 1 billion square meters, while investment on housing construction takes 26.6% of which on the total social fixed assets. Along with the increasing of residential areas, the level of housing planning and design, the quality of housing construction, the construction of public facilities, as well as the

¹⁰ www.EconomyWatch.com
standard of residential environment and property management have also been enhanced. Even though considerable achievements have been made in the sector of housing construction, housing standard in China, no matter from usable floor area per capita, quality of residential environment or standard of housing industrialization is rather low, comparing with the developed countries in the world. The housing construction in China still lags behind at an extensive developing stage.

Land in this country has been nationalized and owned by the state since the formation of people’s Republic of China in 1949. State owned Enterprises (SOE) in turn provided housing to their employees as part of compensation. After the open door policy in late 1970s and the beginning of 1980s where the privately owned residential units (commodity houses) formed the basis for the private residential property market. Chinese housing policies underwent a series of Changes in the 1980s. But the most interesting one happened in 1998, according to the policy, the practice of providing houses by SOE is stopped and government began to encourage workers to buy their own homes. Since the land is nationalized, home purchasers could hold legal rights to occupy the building for a specific period (typically the tenure for residential property is 70 years; commercial building 30-50 years; and industrial property, 20 years) and could transfer the title to another party. People’s Bank of China issued the guidelines to others banks in the country on granting housing loans. The new policies speeded up the privatization of residential housing and led to the full-scale development of the primary mortgage market. “By the end of 2005, the majority of the residential units were traded at market
prices, and the subsidised segment accounted for less than 10% of the private housing market (Haibin Zhu, 2006)."\(^{11}\)

In recent years, High-rise apartment buildings have sprung up all over China at an incredible rate. Such growth has never before been seen in China. Not only has the number of buildings increased, but the average living area has grown. As part of the government’s effort to provide housing in large cities, rundown sections of the city are being renovated. Because the costs of such improvements are high and can not always be absorbed by the consumers, the government has designed housing projects for low-income families using public funds. The “Warm home Project” in Beijing is an example.

As a result of the improvement in China’s housing, the demand for accommodations has grown, in the past apartment buildings were built and given to residents who paid a nominal rent. This practice, however, is changing, as part of the comprehensive economic system reform urban housing system which can fit the socialist market system with these reforms the government will use the money from increase in rent to finance the construction of more apartment building for its population.

**URBAN HOUSING IN CHINA :-**

Housing in China has proved problematic for many years. Since economic reforms started in the 1980s, urbanisation has become a taken of modernisation and, consequently, housing provision in urban areas has been a major social and economic issue. Virtually all urban housing in state’s property and is public-owned. It is allocated to the urban population either by the work-units or housing bureaux in each

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city. The fundamental problems of China’s urban housing provision have been scarcity of supply, a low standard and under maintenance.

China has made many efforts to build houses. However, the housing problem is still serious and it is believed that the major housing problem is in urban areas. Although there is a lack of detailed statistics on rural housing, there are apparently fewer major complaints from people living in rural areas about their housing. Families in rural areas usually provide their own housing, including the finance. The economic reforms have meant that many rural families have more disposable capital and building costs in rural areas are lower.

For many years, scarcity of housing has been a major problem for urban people. It was still the case the almost 25 percent of families had too few room. The usual form of urban dwelling is a flat.

In urban areas, the major responsibility for providing housing rests with work-units and housing bureaux. The work-units include the state-owned enterprises (SOEs) and other public-sector organisations that are responsible for providing housing for their employees. The housing bureaux are responsible of providing and allocating housing—mainly for those. Households who do not have work-units to ask for housing or whose work-units do not have housing stock to provide. These work-units and housing bureaux provide more than 80% of urban housing in each local city council.

Traditionally, housing in China has been viewed as a non-productive cost of population that must be borne to produce a ‘truly’ value-added output, which mainly consists of manufactured goods. Effective housing reforms involves not only finding a way to pass the responsibility for housing from public to private ownership but, more importantly, finding a way constructively to alter the traditional
socialist treatment of housing. The major objective of housing reforms is to move gradually from a complete socialist-planned housing system towards a market-based housing system. The socialist-planned housing system is a rent mode which is marketed by subsidized housing low rent, and works-units and housing bureaux being responsible for providing housing which is, essentially, free of charge, Housing has been treated as an in-kind element of benefits for employees. A market-based housing system is, basically; a buy mode, which is marketed by private ownership and market rent of housing. Housing can be traded Freely according to its market value. The reforms involve introducing market mechanisms in what has been an administratively managed urban housing system. This step is particularly dramatic in a socialist country where ownership of property has been considered anathema for decades.

**INITIAL HOUSING REFORMS PRIOR TO 1994 PHASE 1:**

The initial phase 1 housing reforms (1984-93) focused on setting up a rental market for housing plus selling public-owned dwelling by providing large government subsidies. Furthermore the reforms were seen as a way to ease inflationary problems. The hope was that saving for housing ownership would consumer durables. The reforms were also seen as a means of raising funds to build new housing.

**REFORM PROGRAMME:-**

The reforms were announced in 1984. Since then, housing has been regarded as a commodity and therefore, should have a market value. The 14 cities were selected to carry out housing, reform in live with the central government policy. The housing bureaux also set
housing prices to encourage people to buy their own houses. However, since the housing market had not yet been established, market rents, the usual focus of analysis in considering the demand and usual focus of analysis is considering demand and supply of rental housing had not been observed in China and the housing prices set by the housing bureau might not reflect even the construction cost. In order to encourage people to buy their houses and therefore, to ease the burdens on SOEs for supplying housing and, at the same time, meet demand for new housing both of which were growing rapidly in the 1980s a large number of municipal governments adopted programmes in mid-1980s to promote individual home ownership by providing subsidies to those individuals who were willing to buy houses-of up to 70 percent of the purchase price.

It soon became apparent that the 1984 programmes were unable to generate significant housing sales. This is because although rents were still very low and subsidized pricing had been provided, it appeared that most people still could not afford to buy houses. There was also no financial support system, such as mortgages, available. In view of the worsening problems in 1988 the central government decided to stop promotion of the subsidy on housing sales and to encourage an experiment towards establishing a market-based system of housing provision. Privatization of housing was announced, with the aim of introducing market mechanisms in what had so far been an administratively managed urban housing system.

They central government also encouraged the creation of housing funds, partly to support individual home ownership and more generally, to augment the resources for housing construction. To manage the housing funds, local specialised institutions were established in Yantai and Bengbu as part of the 1988 reform
experiment. Beginning in 1991 the newly created housing funds has been supplemented with provident funds, contributed equally by individuals and their employers and kept in employees accounts. Essentially this amounted to creating a trust for earmarked funds with rates for both deposits and loans lower the other prevailing rates. However, in most cities, both the housing funds and the provident funds were handled by the real estate credit Department belonging to local branches of the people’s construction Banks of China or the industrial and commercial Bank of China. Most of the funds were deposited by SOEs as part of their welfare reserves.

EXPERIENCE OF PHASE 1 REFORMS:-

Progress of the phase 1 reforms has proved disappointing without any substantial solutions towards the housing problems. The government strategy of rent increase and promotion of home ownership has fallen short of the modest target. Even the combination of low prices for housing and low interest rates has failed to generated significant housing sales to the general public, mainly because of low levels of income and savings and the disincentives to buy, created by low rents. The indication is that price adjustment if not accompanied by other reforms, could end up making very little contribution to solving china’s fundamental housing problems.

Second offering housing sales with large subsidies although officially banned by the central government in 1988, was still common in many municipalities. This has occurred in the hope of reducing the burdens of the SOEs. However, this has occurred is somewhat unrealistic.

Third, some aspects of the efforts to provide financial instruments for housing loan repayments remained rudimentary for
instance, low-interest-rate. Loans could be provided to encourage purchase of housing, however these could lead to inflationary pressures if the interest subsidies are not financed by explicit taxes and other. In contrast, the short repayment schedules normally require with these types of loans, implied unrealistically high household saving rates which discouraged ownership. Furthermore, the housing funds had not achieved their objective of promoting individual home ownership. Because the demand for individual loan was insignificant, most of the housing funds were used as short-term loans to SOEs for housing construction or purchase approved by the local government.

Fourth much of the housing stock was seriously under-maintained which made old housing of low quality most housing still remains. The responsibility of work units and housing bureau. Meanwhile, few signs existed of preparing prospective owners to assume responsibility for maintenance.

The picture that emerges is of permanently distorted rental market in which the benefits of market allocation are lacking with losses on housing sales extending into the indefinite future and with chronic tension between the rationed markets (States-allocated housing) and unrationed markets (commercial housing).

**THE HOUSING SYSTEM REFORMS SINCE 1994- PHASE 2 :-**

Since 1994, drawing lessons from the failure of the phase I reforms, the central government has announced essential housing system reforms. These are associated with the whole country’s economic reform progress.

Having succeeded in facilitating fast economic growth through the introduction of new management arrangements and market mechanism, the central government has begun fundamental reforms in
fiscal, financial and macro-economic management and enterprise and labour systems in order to move towards the next stage of economic development.

**NEW REFORM PROGRAMME :-**

The new housing reform programme announced in 1994 by the central government includes.

1. "Raising rent by big margin: from 0.13 to 1.00 Yuan/m² about 10 percent of monthly income of a standard family (which was 3 percent of monthly income during phase 1 reforms) and, in 2000, to 3.25 Yuan/m², 17 percent of monthly income, at current prices, the employees of the SOEs would be fully compensated by wage adjustments and gain more freedom of choice."

2. Selling Public-owned dwellings in the cities to their tenants at three kinds of prices: standard price for high-income families, low-profit price for middle-income families and preferential price for low-income families;

3. Offering mortgage loans over 25 year;

4. Allowing buyers to sell their houses in the real estate market offer 5 year of ownership.

This programmer aims to commercialise housing by establishing a market based housing system. The central issue is how to implement to programme, and what measures and in which order they should be taken.

**A MARKET-BASED HOUSING SYSTEM :-**

There is general agreement on the desirability of a market-based housing system in which end-users select housing solutions

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12 Balchin N; Pal & Issa-Urban Economics: A Global perspective p.140
from a wide range of options offered by independent commercial providers. In such a system, SOEs would not have any direct responsibility for their employees' housing other than providing full, competitive wages. Figure 4.5 illustrates a market-based housing system in typical Chinese cities. Supply and financing of housing functions now performed mainly by employers in China would instead be carried out by independent housing consumers, suppliers, and financial intermediaries in the market system. In order for commercial suppliers to sell or rent housing without subsidies, sales prices would have to recover all costs over the economic life of the housing. Consumers would deal directly with suppliers to choose housing according to their needs and affordability.

![Flow diagram of housing system](image)

**Key:**
- Flow of housing
- Flow of funds
- Housing Contributed as equity
- Dividends

**Figure** : A Market-based system (Source: Urban Housing Reforms in China World Bank's Staff report, World Bank, Washington DC)

Above figure shows the flow of housing, flow of funds, housing contributed as equity and dividends in market-based housing system in China.
With help of above figure we can understand the housing system of China. In which Banks, Builders and Enterprises play their role to provide housing.

As Costs of housing assets are large compared to the homeowner's income or to rental receipts, long-terms credit is an essential ingredient of a well-functioning housing market. In order to establish and sustain the housing market, financial institutions would have to offer competitive returns on deposits and charge interest rates cover the cost of funds and their administration. Further, a fully developed housing finance system should include a variety of institutional channels and financial arrangements to allow secondary mortgages markets to emerge and encourage the participation of different types of investors.

**Housing Management Companies (HMCs):**

As an alternative strategy for initiating a market-based housing system and helping the divestiture of enterprise housing, joint stock housing management companies (HMCs) have been established in some cities such as Beijing Yatai and Ningbo. Their task is to make
housing a fully functioning contributor to the national economy, largely by correcting the major deficiencies of the supply of housing stock. The HMCs would administer the housing stock contributed by the SOEs as equity capital in return for ownership shares.

There are other types of companies, such as profitable private and joint-venture companies, which usually have cash capital but no housing stock because, both the central and local planning authorities restrict them to building new residential houses for their employees. It is hoped that successful access to the housing market would induce these companies to invest in HMCs by making cash equity contributions. It would also be necessary to encourage more HMCs and other housing suppliers to enter the housing market and compete in order to prevent a few HMCs from monopolising the market.

FINANCE:

Commercial levels of housing rents and increased cash wages of individuals would make commercially priced housing loans for HMCs and individuals feasible. Financial projections have been prepared for all HMCs established by the end of 1993, reflecting current operational plans.

EXTENSION OF THE PHASE-2 REFORMS:

According to the plan for establishing HMCs as a solution to the housing problems, equity SOEs can contribute their housing stock to the HMCs.

There are two typical types of family in China as far as housing is concerned. In the first there is at least one member of the family belonging to an equity SOE which has housing stock to contribute to the HMC or, at least, one who works for a profitable joint venture or a
private company which can pay a comparatively high salary in comparison with local standards. This kind of family appears to be able to afford the increasing rents. In the other type of family nobody works for an equity enterprise or perhaps all members of the family are unemployed. Therefore, this kind of family would be unable to afford the rent increase.

**POSSIBILITY OF MONOPOLY :-**

But due to only a limited number of HMCs are being established, and these are supported by the central government, they may begin to monopolize the housing market. They can take advantage of the reform and so manipulate the housing market.

**LACK OF KNOWLEDGE OF HOUSING ECONOMICS AND EXPERTISE :-**

There has been little attention paid to the need for better knowledge of housing economics and management that would make it possible to advise more effective selling terms or estimate how much housing can be sold and to help housing reforms contribute to the economy of China.

**WEAKNESS OF REGULATORY FRAMEWORK :-**

The proposed new housing reform programme require the strengthening of a number of legal and regulatory instruments in China, including those governing registration and valuation of property, property rights, landlord-tenant relationships, foreclosure, eviction, condominiums and financial regulations.

**HOUSING FOR THE POOR'S IN CHINA:-**

In 1998 the government launched a national programme to help low-income families buy homes. "Under the programme,
apartments officially rated as ‘inexpensive but comfortable’ were sold for 1,240 yuan (US $150) per Sq. meter in 2001, about 60% of the asking price for apartments sold on the open market. The developers of such housing, enjoy reductions in or exemptions from 21 different taxes with the profit margin limited to no more than 3%.”

Families living below the poverty line and in overcrowded homes may apply to local governments for low-rent housing. “In Shanghai, 4,80 families occupying living space of fewer than six. Square meters per person on average applied for low-rent housing from October 2001 to June 2003.”

**HOUSING CONSTRUCTION IN CHINA:**

After issuing the new policy on housing reforms, the ordinary people have an increasing demand for the housing quality. It is very important to transfer the housing development method from an extensive way to an intensive one. The most effective way that can significantly improve the housing quality is to introduce advanced science and technology into the housing industry.

After 10 years of reforming, however, certain system on planning, designing, and managing have come into being. Since 1987, a lot of experiences have been accumulated from hundreds of pilot and demonstration projects, which has constituted a solid foundation for the housing industry in China. This period is considered as the first stage of the housing industry.

With the two crucial transfer of the nation economy, the chinese housing industry moved up to the second stage. The dominated characters are that houses become a merchandise instead of a welfare

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14 Ibid
and housing industry will play amore and more important role in the economic stage of China.

**THE AFFORDABLE HOUSING PROJECT:**

In order to establish the Chinese housing industry which is suitable for the national economic and social development at the beginning of the 21\textsuperscript{st} century the Affordable Housing Project was first carried out in March 1995 initiated by the state. Science and Technology committee, the ministry of construction and other ministries and bureaus concerned. The Affordable Housing Project has manifested to be a systematic projects which aims at taking the science and technology as the guidance, promoting the integrity of the housing science and technology with the housing construction and to motivate the housing industrialisation in China.

The programme of the Trans-century Housing Industrialisation Policy on China has finished the framework at the end of 1996, which has raised up the developing objectives and the overall guidelines of the housing industrialisation in China, and has offered some key proposals emphasizing on housing construction field, housing market, housing pricing, housing financing housing technologies, housing quality, property management, housing restructuring as well as housing industrialisation organisation.

The implementation of the Affordable Housing project have played a favourable role in promoting the housing industrialisation, improving the housing function and quality, guiding housing consumption, and fulfill people's increasing demands for housing. Consequently in the nationwide this project will further enhance the efficient and benefit of the housing industry, foster new economic
growth rate and promote the national economy and social development.

China government is looking forward to enhancing the mutual understanding and the international cooperation to improve our national housing construction level in the fields of the housing planning and design, the licensing system on housing products and components, the evaluation system on housing natures and functions, the technology services as well as the joint investment on housing construction.

China is the country with the largest population in the world and people's demand for housing is enormous. After solving the food and clothing problems, house become the most costly and prominent merchandise for the Chinese people.

Policies on housing reforms issued by the state has created a favorable condition for speeding up the urban housing construction. By selling the state-owned houses and building up commercial houses such as "the affordable housing," more and more people will be able to have their own houses, personal purchase will become the main body of the housing market.

Based on the mathematical model provided by the world Bank, incentive effect out of housing construction in China may preliminarily estimated as follows: "1470~220RMB of demand for related industries is created by injecting every 100 RMB housing fund, 330~150RMB of sales of other products is activated by selling every 100 RMB housing."\(^{15}\)

The people's Bank of China together with some departments of the state council have taken a series of effective measures in order to suit the development of the housing construction, to further improve

\(^{15}\) Report of Ministry of construction, China
the housing mortgage system, to actively support the housing construction and consumption, and to promote the system reforms on urban and rural housing.

**Mortgage in China:**

In today’s world the meaning of the term mortgage is better understood only when we see that the maximum number of people purchases their homes with a mortgage.

The term mortgages which has flourished the world’s housing market is simply meant as process by which the individual and the business can purchase the residential and the commercial property without paying the total value.

Mortgage is defined as a loan to an individual or a businessman of purchasing a real estate.

**China Mortgage:**

The growth of the China Mortgage can be better understood from its construction industry. “In the year 1998, the total value of outstanding mortgages was about 427 billion RMB CUS $517 billion. By the end of 2003, the value had reached more than 1,2000 billion RMB (US $1,452.8 billion).”

“In the end of June 2004, the total value of outstanding China Mortgages increased to 13,800 billion RMB CUS $1,670.7 billion.”

According to another data “Mortgage lending in China had been growing at a rate of 54.9% between 2000 and 1 to 2000. The total mortgage lending stood merely at 8.5% of total loans and 11.1 % of total GDP in 2003.”

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16 www.economywatch.com
17 Ibid
18 Ibid
The housing mortgage in China is not so old in comparison to others. In China the biggest provider of home mortgage loans is the China construction Bank (CCB). "The housing loans made by the four state-owned commercial Banks were RMB 355.6 billion in the 1999 from the total loans, RMB217.2 billion went to real estate developers and RMB 126 billion to the mortgage loan sector accounting for about 35% of the country’s overall real estate loan amount at the end of 1999." Presently the foreign lenders are allowed in to home loan areas after China’s accession to the WTO.

**HOUSING INVESTMENT IN CHINA:**

The success of the reforms in 1998 has translated into a booming domestic property sector and acceleration in housing investments in China. To stimulated housing purchases and develop the housing market, it is necessary to set up housing-related banks in a number of Cities that are expected to provide financial guarantees, loans and mortgages.

China has initially established a nationwide public housing fund system covering 225 cities above the prefecture level and 443 cities at country level. "The country’s accumulated public housing fund totaled 123.1 billion yuan in 1998, up 54% over the previous year."

Individual housing loans in 1999 is quite small in size compared with the country’s total outstanding loans, according to experts.

"By the end of 1999 individual housing loans amounted to 126 billion yuan. The proportion of housing loan against total loans was 1.5 percent for lower than the general 30 percent in other countries."
"The share of residential housing investment as a percentage of GDP had risen to 5.6 percent in 2003, up from less than 3% before 1998 and less than 1% before the 1990s."\(^{22}\) This is in comparison to other developed or emerging economies that had undertaken a higher share of residential housing investments for decades.

### Housing Investment as Percentage of GDP

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
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<tbody>
<tr>
<td>1980</td>
<td>0.9%</td>
</tr>
<tr>
<td>1990</td>
<td>2.4%</td>
</tr>
<tr>
<td>2000</td>
<td>4.6%</td>
</tr>
<tr>
<td>2005</td>
<td>7.00%</td>
</tr>
</tbody>
</table>


According to above table it is clear that the housing investment as percentage of GDP has been increasing continuously. It is the positive approach towards this sector. Old dates of housing investment are not available because history of housing finance in China is not so old.

### Year to Year Growth of Real Estate Loans and Investments in China

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth of real estate loans</td>
<td>39%</td>
<td>117%</td>
<td>35%</td>
<td>42%</td>
<td>37%</td>
<td>23%</td>
</tr>
<tr>
<td>Growth of real estate investment</td>
<td>14%</td>
<td>19%</td>
<td>27%</td>
<td>24%</td>
<td>30%</td>
<td>28%</td>
</tr>
</tbody>
</table>


It is evident from the above table that the growth of real estate loans and investments are given though the year 2000 witnessed a huge given hike comparing to 1999 in terms of loans. After 2002 there is decreasing tendency in real estate loans.

\(^{22}\) www.economywatch.com
“By the end of 2004, the outstanding of real estate credit in China reached RMB 2.63 trillion yuan. Development loans RMB 781 billion including land development RMB 147.1 billion (Govt. land reserve institution RMB 82.8 billion); housing loans RMB 1.6 billion, 83 times up than in 1997 at RMB 19 billion and average annual growth was 88.4%. In 2004, policy entrusted loans were RMB 249.1 billion and provident fund entrusted loans RMB 209.4 billion.”

“The lending to individual house buyers by China’s commercial banks in 2005 totaled 1.84 trillion yuan which accounted for 8.9 percent of the bank’s total Renminbi lending. It’s equivalent to 10 percent of the GDP.”

According to another date “Investment in China’s real estate sector topped two trillion yuan in 2006, four times the figure for 2000.”

CHINA CONSTRUCTION BANK:

China Construction Bank (CCB) is state-owned commercial bank with business focusing on medium-and long-term lending. Headquartered in Beijing, CCB conducts operations across the territory of China as well as in Major international financial centre.

China construction Bank, one of four largest state owned commercial banks in China has pledged to provide more housing loans to individual buyers to promote the development of this banking service.

“According the statistics, by the end of April 2000 the bank had extended a total of 150 billion yuan of housing loans to Chinese

23 Report of the Financial Market Department, people’s Bank of China
25 www.cctv.com/program/bizchina
individuals with total outstanding loans estimated to 100 billion yuan.\textsuperscript{26}

The bank has also promised to provide policy banking loans at lower interest rates which house buyers can obtain with public housing funds and common commercial banking loans at higher interest rates.

"According to figures provided by the bank, the CCB had granted 155 billion yuan in private housing loans to 2.67 million urban and rural residents by the end of last April 2000."

"The Bank held a balance of 106.3 billion yuan in private housing loans\textsuperscript{27}"

CCB provides all types of housing loan. eg-personal commercial housing loan, personal housing re-mortgage loan, personal second-hand housing loan and personal housing fund loan etc.

**ICBC CHINA :-**

*(INDUSTRIAL AND COMMERCIAL BANK OF CHINA)*

As the biggest mortgage bank in China now, since its fully stepping into the financial market in 1991. ICBC has always devoted to the construction and consumption of urban housing, support and foster large high-quality real estate development enterprises, expand the credit business of large high-quality residential quarters, and vigorously advance the large-and medium-sized city-backed housing financial development strategies. By virtues of its of its solid strength, sound reputation, standard management, and advanced instruments, it has realised the active, steady, high speed development of housing

\textsuperscript{26}\text{English.people.com.cn/English/200005/27}
\textsuperscript{27}\text{English.people.com.cn/English/200006/06}
financial business, already formed a real estate financial service system having a complete business variety and modern service instruments, and become an indispensable financial pillar of housing system reform, housing construction and housing consumption.

ICBC’s housing financial business was originated and emerged along with China’s housing system reform. In 1991 ICBC devotes itself to the housing financial market and has become a fledged real estate financial service system of complete business products and modern service facilities with an active, stable and fast pace. Taking its advantages of powerful force, renowned reputation, disciplined management and advanced maneuvers, ICBC takes an indispensable role in China’s housing system reform, housing construction and housing consumption.

ICBC PROVIDES HOUSING LOANS WHICH ARE FOLLOWING:

PERSONAL HOUSE PURCHASE (MORTGAGE) LOAN: Personal house purchase loan means a loan lent by ICBC to the borrower for purchasing a self-used common housing.

PERSONAL SECOND-HAND HOUSING LOAN: Personal second-hand housing loan means a loan lent by ICBC to the borrower for it to purchase a personal housing or a commercial housing whose house property certificate the seller has acquired and which has a complete right of disposal and is legally traded in the secondary market.

PERSONAL COMMERCIAL HOUSING LOAN: Personal commercial housing loan means a loan by ICBC to the borrower for it to purchase a selfoperated commercial housing or a self fused official housing.

PERSONAL HOUSING ACCUMULATION FUND LOAN: Personal housing accumulation fund loan means a special housing consumption
loan lent to any employee participating in the housing accumulation fund system taking the housing accumulation fund as its fund source, and orienting its use at purchasing, building rebuilding, or overhauling its self-owned housing. The self-owned housing purchased by the employee includes commercial housing economically affordable housing, private-owned housing, financing built housing, returned housing for dilapidated building renewal, and public-owned completed housing.

**PERSONAL HOUSING DECORATION LOAN**:

- Personal housing decoration loan means a loan by ICBC to the borrower for it to decorate a self-owned housing.

"The industrial and commercial Bank of China (ICBC), the country’s largest commercial bank, said its total home loans had reached 335 billion yuan (42.9 billion US dollars) on October 31st 2002 or 6.6 times more than the figure in 1997." 28

**COMMERCIAL BANKS IN CHINA**

1. Agricultural Bank of China
2. Industrial & Commercial Bank of China
3. China Construction Bank
4. Bank of China
5. Bank of America (Asia) Limited
6. Bank of East Asia
7. Chekiang First Bank Ltd.
8. China Merchants Bank
9. Citibank Hong Kong
10. Dah.Sing Bank

11. Dao Heng Bank Group
12. Hang Seng Bank
13. Hong Kong Bank
15. Jardine Fleming
16. Kwong on Bank
17. Shanghai Commercial Bank
18. Standard Chartered
19. Domestic & Foreign Banks and financial institutions in Shanghai
20. Union Bank of Hong Kong Limited
21. Wing Hang Bank
22. Wing Lung Bank

Commercial Banks are currently the dominant lender in the primary mortgage market, supplemented by the housing Provident Fund (HPF) scheme, established in 1990. The HPF Scheme, which follows the Singapore model, requires compulsory saving by employees (Plus contributions form employers) for entitlement to a housing loan in the future. "Currently, HPF loans represent approximately 12% of total mortgage balance outstanding."29
The United Kingdom of Great Britain and Northern Ireland (UK) was created by the Act of Union 1800 and constitutes the greater part of the British Isles, a group of Islands laying off the northwest coast of Europe. The largest of the islands is Great Britain, which comprises England, Wales and Scotland. The next largest is Ireland, Comprising, Northern Ireland, which is part of the United Kingdom, and, in the south, the Republic of Ireland.

The UK Economy is the largest in Europe after Germany, at the same time it is also ranked as the fifth worldwide as per the market exchange rates, that is, in terms of GDP.

The GDP of the UK Economy grew by around 3 percent in the preceding fiscal (2006). The UK Economy is Characterised by a free market involving a low taxation and regulation on the part of the administration.

**Housing:**

The Government's housing objectives is to after everyone the opportunity of a decent home and so promote social cohesion, well being and self dependence. The secretary of state for the Environment, Transport and the Regions in England and the secretaries of state for Wales, Scotland and Northern Ireland are responsible for formulating housing policy and supervising the housing programme. In Great Britain, they work closely-with local authorities, which are responsible for preparing local housing strategies, have important statutory duties and own a number of homes. In Wales and the Scottish parliament, respectively from mid-1999. The Government also works in partnership with regional and public bodies, such as the Housing
corporation, which regulates social landlords in England and provides financial support, and with the private and voluntary sectors. The Northern Ireland Housing Executive, which is a public body, is the sole housing authority in Northern Ireland; it assesses all social housing requirements and manages its own stock of homes.

The office of Deputy Prime Minister (ODPM) has responsibility for determining housing policy in England and supervising the housing programme. Responsibility for housing policy in Wales, Scotland and Northern Ireland rests with the devolved administrations. They work with local authorities, or the Northern Ireland Housing Executive (NIHE) in Northern Ireland, and with the private and voluntary sectors. Local authorities and the NIHE are responsible for preparing local housing strategies.

**HOME OWNERSHIP:**

“The number of owner-occupied dwellings in Great Britain amounted to 16 million at the end of 1995, compared with 4.1 million in 1950.”

“Between 1991 and 2003 the number of owner-occupied dwellings in the United Kingdom increased by 33 percent to 18.0 million, while the number of rented dwellings increased by around 15 percent to 7.6 million.”

Northern Ireland had the highest proportion of owner-occupied dwellings.

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30 Britain 1997 p.386  
31 UK2005 p.307
### HOUSEHOLDS BY TYPE OF DWELLING 1998-99 & 2002-03

<table>
<thead>
<tr>
<th></th>
<th>1998-99</th>
<th>2002-03</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purpose-built flat or marionettes</td>
<td>14%</td>
<td>16%</td>
</tr>
<tr>
<td>Detached house</td>
<td>22%</td>
<td>22%</td>
</tr>
<tr>
<td>Semi-detached house</td>
<td>30%</td>
<td>31%</td>
</tr>
<tr>
<td>Terraced House</td>
<td>28%</td>
<td>27%</td>
</tr>
<tr>
<td>Other*</td>
<td>6%</td>
<td>4%</td>
</tr>
</tbody>
</table>

* Includes converted flats

**Source:** General Household survey, office for National statistics; continuous household survey, Northern Ireland statistics and Research Agency.

Above Table shows the difference of households, by type of dwellings between 1998-99 and 2002-03. Percentage of Detached house has been unchanged. Percentage of other diminished but Percentage of purpose-built flat or maisonette was increased in 2002-03 from 14% to 16% In 2003, and Scotland the lowest.

"The average prices of dwellings brought and sold in the United Kingdom in 2003 was £155,500 although there were marked regional variations, with buyers in London and the south East paying the most." However, in 2003, the North East and the East Midlands recorded the largest Percentage increases.

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TENURE OF DWELLINGS, 2003, UK

<table>
<thead>
<tr>
<th></th>
<th>Owner Occupied</th>
<th>Rented from local authority</th>
<th>Rented privately or with job or business</th>
<th>Rented from registered social landlord</th>
</tr>
</thead>
<tbody>
<tr>
<td>England</td>
<td>71</td>
<td>11</td>
<td>10</td>
<td>8</td>
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<tr>
<td>Wales</td>
<td>73</td>
<td>14</td>
<td>9</td>
<td>4</td>
</tr>
<tr>
<td>Scotland</td>
<td>64</td>
<td>22</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>75</td>
<td>16</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>70</td>
<td>13</td>
<td>10</td>
<td>7</td>
</tr>
</tbody>
</table>

1. As at 31st March for England and Northern Ireland, and 1st April for Wales. Figures for Scotland are for 31 December 2002.

2. Including dwellings purchased with a mortgage or loan as well as those owned outright.

3. Including the Northern Ireland Housing Executive.

Source:- Office of the Deputy Prime Minister; National Assembly for Wales; Scottish Executive; Department for Social Development, Northern Ireland.

According to above table it is clear that 70% of total dwellings belongs to owner occupied, 13% were rented from local authority, 10%, were rented privately or with job or business and 7% were rented from RSL. In England, Wales, Scotland and Northern Ireland owner occupied dwellings were maximum and rented from RSL were Minimum.

There are a number schemes that exist which aim to increase low-costs home ownership. In England, these include the Right to Buy, Right to Acquire and voluntary purchase Grants, which offer tenants in social housing a discount against the market value of the
homes they rent if they choose to buy them. In additions, funding to support low-cost ownership is also provided through the housing corporation and local authorities including:

1. Conventional Shared ownership, which allows people to part buy and part rent homes developed by RSLs. The scheme allows people to increase their share of ownership in their home over time;

2. ‘Do-It-yourself shared Ownership’, which enables people to select a house in the private market and then part own and part rent it, with the RSLs taking on ownership of the rented share of the property;

3. Home buy, which allows people to buy a home in the private market with an interest-free-equity loan from an RSL For 25 percent of the value of the property. The loan is repayable, at 25 percent of current market value, when the home is sold; and

4. The cash Incentive Scheme, where local authorities offer cash grants for the purchase of a home in the private market.

In Wales, local authorities and housing associations operate a low-cost home ownership scheme allowing purchasers to buy a home for 70% of its value, the balance being secured as a charged on the property. Scottish Housing Operates a scheme to encourage private developers to build for owner-occupation in areas they would not normally consider. The Northern Ireland co-ownership Housing Association administers the ‘buy half, rent half’ (Shared ownership) scheme operating in the province.

**Housing Stock and House Building:**

"It was estimated that there was a stock of 25.0 million dwelling in the U.K. at the end of 1998. Completions of dwellings in
Great Britain numbered 169,700 in 1998 and rose by 1 percent to 171,400 in 1999.\textsuperscript{33}

"The number of households in England was projected to increase from 20.2 million in 1996 to 24.0 million in 2021, an increase of 19 percent over the 25 year period, according to household projections produced by the DETR. The biggest increase is expected in the number of grow by 2.7 million from 5.8 million in 1996 to 8.5 million by 2021, 71 percent of the total increase in the number of households."\textsuperscript{34} The size of the projected increase in the number of households varies across England.

"In 1998-99, 22 percent of households in the United Kingdom lived in detached home, while 30 percent and 28 percent lived in semi-detached or terraced accommodation respectively. A further 14 percent lived in a purpose-built flat or marionette."\textsuperscript{35}

"In 1951 there were 14.1 million dwellings in the United Kingdom. By 2003 the number had increased to 25.6 million. House building peaked in 1968 when total completions amounted to 426,000 dwellings, 53 percent by private enterprises and 47 percent by the social sector (Primarily local authorities)."\textsuperscript{36} "By comparison there were 183,900 dwellings completed in 2002/03, of which 89 percent were by private enterprise. RSLs (Predominantly housing associations) now dominate building in the social completions."\textsuperscript{37} Local authorities and the NIHE are no longer major developers of new social housing but they still play an important role as landlords.

\begin{itemize}
\item [\textsuperscript{33}] National Statistics, official Year book, U.K. 2001, p.343
\item [\textsuperscript{34}] Ibid
\item [\textsuperscript{35}] Ibid
\item [\textsuperscript{36}] U.K. Year book 2005 p.306
\item [\textsuperscript{37}] Ibid
\end{itemize}
“By 2002 there were 25 million dwellings and 24.3 million households in Great Britain compared with 19.2 million and 18.8 million, respectively in 1972.”38

<table>
<thead>
<tr>
<th>Year</th>
<th>England</th>
<th>Wales</th>
<th>Northern Ireland</th>
<th>United Kingdom 1</th>
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</thead>
<tbody>
<tr>
<td>Owner occupied</td>
<td>13434</td>
<td>13553</td>
<td>13700</td>
<td>13865</td>
</tr>
<tr>
<td>Rented</td>
<td>6553</td>
<td>6586</td>
<td>6606</td>
<td>6603</td>
</tr>
<tr>
<td>Local Authority</td>
<td>3760</td>
<td>3666</td>
<td>3565</td>
<td>3470</td>
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<tr>
<td>Privately</td>
<td>2079</td>
<td>2141</td>
<td>2184</td>
<td>2191</td>
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<tr>
<td>Registered Social Landlords</td>
<td>714</td>
<td>779</td>
<td>857</td>
<td>942</td>
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<tr>
<td>All dwellings</td>
<td>19987</td>
<td>20139</td>
<td>20305</td>
<td>20468</td>
</tr>
<tr>
<td>Owner occupied</td>
<td>854</td>
<td>862</td>
<td>870</td>
<td>878</td>
</tr>
<tr>
<td>Rented</td>
<td>350</td>
<td>352</td>
<td>354</td>
<td>355</td>
</tr>
<tr>
<td>Local Authority</td>
<td>216</td>
<td>213</td>
<td>210</td>
<td>207</td>
</tr>
<tr>
<td>Privately</td>
<td>99</td>
<td>101</td>
<td>102</td>
<td>104</td>
</tr>
<tr>
<td>Registered Social Landlords</td>
<td>35</td>
<td>38</td>
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<td>45</td>
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<tr>
<td>All dwellings</td>
<td>1204</td>
<td>1214</td>
<td>1224</td>
<td>1233</td>
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<tr>
<td>Owner occupied</td>
<td>395</td>
<td>411</td>
<td>409</td>
<td>422</td>
</tr>
<tr>
<td>Rented</td>
<td>194</td>
<td>189</td>
<td>188</td>
<td>186</td>
</tr>
<tr>
<td>Local Authority</td>
<td>161</td>
<td>155</td>
<td>152</td>
<td>148</td>
</tr>
<tr>
<td>Privately</td>
<td>21</td>
<td>21</td>
<td>22</td>
<td>22</td>
</tr>
<tr>
<td>Registered Social Landlords</td>
<td>12</td>
<td>13</td>
<td>14</td>
<td>15</td>
</tr>
<tr>
<td>All dwellings</td>
<td>590</td>
<td>600</td>
<td>597</td>
<td>608</td>
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<tr>
<td>Owner occupied</td>
<td>15848</td>
<td>16027</td>
<td>16239</td>
<td>16445</td>
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<tr>
<td>Rented</td>
<td>8098</td>
<td>8108</td>
<td>8102</td>
<td>8085</td>
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<tr>
<td>Local Authority</td>
<td>4923</td>
<td>4795</td>
<td>4651</td>
<td>4521</td>
</tr>
<tr>
<td>Privately</td>
<td>2353</td>
<td>2417</td>
<td>2462</td>
<td>2472</td>
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<tr>
<td>Registered Social Landlords</td>
<td>822</td>
<td>896</td>
<td>989</td>
<td>1092</td>
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<tr>
<td>All dwellings</td>
<td>23946</td>
<td>24135</td>
<td>24341</td>
<td>24529</td>
</tr>
</tbody>
</table>

Source: Office of the Deputy Prime Minister National Assembly for Wales Scottish Executive Department for Social Development

Above table shows the condition of dwellings in U.K., (in Terms of England, Wales, Scotland, Northern Ireland Separately also)

38 National Statistics social Trends UK. 2004 No. 34
& rented from 1993 to 2003. Data are given according to owner occupied, rented. If we talk about the data of U.K.'s stock of dwelling, we find that no. of dwellings of owner occupied has been increasing continuously and no. of Rented dwellings has been decreasing. Data of Rented dwellings are classified according to local authority, Privately & RSLs

SOCIAL HOUSING :-

"Much of the Government’s expenditure on social housing (rented housing at below market rent) is provided as subsidies to local authorities to help pay for the costs of over 3 million rented council homes. More than 2000 housing associations (Most of them RSLs) provide other social housing."\textsuperscript{39} The RSLs manage and build new homes for rent and sale with the aid of government of grants.

Most social housing in England is provided by local housing authorities that are responsible for preparing local housing strategies. The finance for authorities’ housing capital programmes comes partly from local authorities’ own resources (mainly from receipts from sales of assets not used to repay debt and from contributions from the authorities’ Housing Revenue Account and general fund) and partly from central government. “In recent years, around £1 billion (about 40 percent) of housing capital expenditure of local authorities had been financed by their own resources.”\textsuperscript{40}

Central government resources are allocated annually through the housing investment programme in England, Based on indices of relative need for housing investment in each authority and assessments by Government offices for regions of the quality of

\textsuperscript{39} National Statistics, U.K. 2000 p.343
\textsuperscript{40} Ibid p. 343
authorities housing strategies and their performance in delivering housing services. "Allocations for 2000-01 total just under £2.1 billion, around 50% more than the 1999-2000 total."41

The extra resources have been provided mainly to improve the quality of local authority housing, but they can also be used to fund private sector Renovation grants are to support the building or acquisition of homes by housing associations where this is local priority.

Since the late 1980s, Government policy has aimed to promote a wider range of social landlords. Through stock transfer. "In England, a large scale Voluntary Transfer (LSVT) programme has been running since 1988. By April 2004, almost 820,000 dwellings had been transferred from local authorities to RSLs with the support of tenants and the approval of the secretary of state."42

The Housing Corporation, which regulates housing associations in England, gives capital grants to provides homes for sale primarily from the Approved Development Programme (ADP). The planned ADP budget for 2004/05 is £1.6 billion.

"Local authorities in Wales own around 200,000 or about 14 percent, of all welsh homes. By low they have to manage their own stock efficiently and in consultation with their tenants, address housing needs and demands."43 The Housing Bill provides for a social Housing Ombudsman for Wales, to investigate complaints against RSLs.

Communities Scotland is responsible for the regulation and inspection of both RSLs and local authority landlords. "In 2004/05 it

41 Ibid p. 343
42 U.K. Yearbook 2005, p.310
43 Ibid p.310
plans to invest £284 million. In housing projects, helping to complete more than 4,600 new and improved homes and allowing work to start on another 5,350, mainly for rent through housing associations."

The NIHE, the strategic housing authority, is the landlord of 102,000 properties nearly one-third of rented properties in Northern Ireland. It assesses the need for, and arranges the supply of, social housing. “The Government’s contribution to housing of £370 million in 2004/05, supplemented by rented income and capital receipts, meant that gross resources available were £710 million.”

**RURAL HOUSING:**

Social Changes have put pressure on rural housing in many areas. Where there is a need for low-cost housing in rural areas, therefore, the Government has announced that sites which would not normally be released for housing development can exceptionally be used, provided arrangements are made to reserve the housing for local needs. The housing corporation has also funded a special rural programme to build houses in small Villages. “Between 1989-90 and 1992-93 it approved the building of around 5,500 such homes.”

The Housing Corporation finance a special rural programme in England to build houses in villagers with a population of 3,000 or less. “The Sustainable Communities Plan included a government target for the Corporation to provide 3,500 affordable home in small villages between 2004-05 and 2005-06. This was in addition to the target of 1,600 for 2003-04.” The plan also included measures to make it

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44 Ibid, p.310
easier for local authorities to limit the resale of ex-council housing in rural areas so that it is reserved for local people.

The National Assembly for Wales supports the development of housing in rural areas if it is a strategic priority for the authority.

"The Scottish Executive's rural housing Investment Programme provided 1,450 new and improved homes across Scotland in 2003/04 and aims to approve a further 1,400 in 2004/05. A £10 million Special Rural Development Programme for affordable housing was announced in 2003. Funding will be allocated over 2004/05 and 2005/06." 48

"In Northern Ireland, between 2001/02 and 2003/04, 363 new social rented homes were provided in rural areas outside district and larger towns." 49 Disrepair and housing unfitness in the private sector is tackled through the house.

PRIVATE HOUSING:--

Local authorities in England and Wales have wide discretionary power to help homeowners and tenants to repair, improve and adopt their properties and to assist in the regeneration of communities. Assistance can include grants, loans and equity release schemes.

The Government offers help through house renovation grants to owners of private housing who are on low incomes and unable to afford necessary repairs and improvements. Specific help is available to disabled people needing adaptations to their home. Since 1990, house renovation grants, disabled facilities grants and minor works assistance grants have provided up to 100 percent support for essential repairs and improvements to the poorest homeowners. "In all 460,000

48 Ibid, p.312
49 Ibid, p. 312
grants were made in England between 1991-92 and 1995-96, totalling almost £2,200 crore.”

The Government has recently legislated in the Housing, Grants, construction and Regeneration Act 1996 to reform the renovation grant system in order to give local authorities greater discretion in deciding applications for renovation grant. The aim is to enable local authorities to target more resources towards:

1. Renewal areas declared by the local authority;
2. Improving the housing conditions of vulnerable people; and
3. Supporting community care policies and enabling elderly, ill or disabled people to continue to live independently.

In Scotland, local authorities award grants for improvement and repair. Scottish Home also has the power to provides grants to complement the role of local authorities in private house renewal. In Northern Ireland Grants are allocated on a similar bases to that in England and wales through the house renovation grants scheme, administered by the Northern Ireland Housing dwellings which cannot be restored is also available through this scheme.

“In all, 529,700 grants have been made in England since 1991, totalling £2563 million. In wales some 64,000 grants were completed between April 1991 and March 1997 at the cost of £861 million. In addition, some 32,000 minor works assistance grants were completed at a cost of £26.5 million.”

Local authorities expected to invest about £275 million in private housing renewal of in 2000-01 providing repairs for some 75,000 households. Local authorities also pay disabled facilities grants (DFG) to disabled people to so that they can live more
independently. Subsidy of £72 million generating £120 million of local authority investment is expected to provide adaptations for over 25,000 households.

In October 2003 the grants system was modified to target help to people on the lowest incomes and encourage homeowners to carry out priority work. The Scottish executive setup a housing improvement Task force in 2001 to examine the issues affecting the condition and quality of private sector housing and the process of buying and selling houses in Scotland.

RENTED SECTOR :-

Local authorities work with RSLs and the private sector to increase the supply of low-cost housing without necessarily providing it themselves RSLs are the main supplier of new social housing Rents on new private sector lettings in Great Britain were deregulated (Free from controls) in 1988, with the aim of stimulating the private rented sector, which had been declining for most of this century.

"At the end of 1998, 21 percent of all homes were rented to tenants by public sector and non-profit-making bodies (such as housing association) in England, compared with 20 percent in Wales and 25 percent in Northern Ireland. The highest level in the United Kingdom was in Scotland, with around 30 percent of homes,“\(^{52}\)

"In 2003, 20 percent of UK dwelling were rented from the social sector (local authorities and housing association). While 10 percent were rented privately,"\(^{53}\)

\(^{52}\) U.K. Year Book 2001 p. 346
\(^{53}\) U.K. Year Book 2001 p. 310
TABLE: TENURE OF DWELLINGS, 2003, UK

<table>
<thead>
<tr>
<th></th>
<th>Owner-occupied</th>
<th>Rented from local authority</th>
<th>Rented privately or with job or business</th>
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</tr>
</thead>
<tbody>
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<td>England</td>
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<td>11</td>
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<td>8</td>
</tr>
<tr>
<td>Wales</td>
<td>73</td>
<td>14</td>
<td>9</td>
<td>4</td>
</tr>
<tr>
<td>Scotland</td>
<td>64</td>
<td>22</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>75</td>
<td>16</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>70</td>
<td>13</td>
<td>10</td>
<td>7</td>
</tr>
</tbody>
</table>

1. As at 31 March for England and Northern Ireland, and 1 April for Wales Figures for Scotland are for 31 December 2002.
2. Including dwelling purchased with a mortgage or loan as well as those owned outright.
3. Including the Northern Ireland Housing Executive.

Source: Office of the Deputy Prime Minister; National Assembly for Wales; Scottish Executive; Department for Social Development, Northern Ireland

Above table shows the tenure of dwellings as per 2003. Data are given according to England, Wales, Scotland, Northern Ireland & U.K. as a whole owner-occupied is maximum (70%) dwelling, rented from local authority is 13%, Rented Privately or with job or business is 10% and rented from RSL is 7%.

PRIVATELY RENTED HOUSING:—

"The proportion of households who rent from private landlords declined to a low point of 8.6 percent in the late 1980s, but this has now increased to over 10.0 percent."\(^{54}\) The Government's policy has been to increase the availability of privately rented accommodation. The Housing Act 1998 further deregulated rents, and introduced

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\(^{54}\) National Statistics, Britain 1997, p.388
assured and assured short hold tenancies, which allow landlords to charge a reasonable market rent and recover possession of their property when they need to. The Housing Act 1996 is introducing measures to improve landlords' confidence in letting property by reducing paperwork for letting on an assured shorthold tenancy and by speeding up action on rent arrears.

A 'Rent a Room' scheme enables homeowners to let rooms to lodgers without having to pay tax on rents up to a level of about £62 a week. Housing investment trusts, provided for in the finance Act 1996, will be companies set up to own residential property for rent. They will benefit from tax provisions designed to encourage institutional investment in the private rented sector.

"In Northern Ireland the private rented sector accounts for approximately 5 percent of the total housing stock." Less than half of this is subject to statutory control on rents. Rent levels of controlled properties are linked to those of the Northern Ireland Housing Executive. Short hold tenancies are available; the only assured tenancies in Northern Ireland are those on properties made available under the former Business Expansion scheme. Around 10 percent of households rent from a private landlord, and the assured and assured short hold tenancies enable landlords to charge a reasonable market rent and recover possession of their property when they need to. Assured and short assured tenancies in Scotland are broadly similar. The Housing Act 1996 has introduced measures to encourage small landlords in England and Wales to let property, by reducing paperwork for letting on an assured short tenancy and by speeding up action on rent arrears.

Ibid
The Government wants to see a healthy private rented sector. It funds two independent statutory housing services in England. The Rent service Agency, which was established in October 1999 as an executive agency of the DETR, provides impartial rental valuations, which are designed to be fair to tenants and landlords. Rent Assessment panels deal mainly with appeals against rent officers.’

Determinations and disputes between leaseholders and their landlords. A report on a review of the panels in England was published in July 2000, recommending a range of measures for improving the quality and effectiveness of the panel service.

The Government published a draft bill on leasehold reform, for consultation in summer 2000, which included a range of proposals to improve the rights of leaseholders to purchase their freehold and protect themselves against abuse by unscrupulous landlords.

The size and nature of the UK Private rented sector has changed. Before the second world war 57 percent of the population lived in private rented accommodation. Most tenancies were unfurnished, subject to rent control and occupied by the same tenants for many years. For many people today, private renting is a more temporary tenure, occupied by those such as students and young professionals who may need to move frequently and by people who are saving to buy. There are, in addition, people who have no other option because they cannot afford to buy and do not qualify for social rented accommodation. “In 2002-03 just over a fifth of households in the private rented sector in England received rent assistance in the form of housing benefit.”56

56 U.K. 2005 p.311
HOMELESSNESS:

Local authorities have a legal duty to secure accommodation for households which are eligible for assistance and which they accept are unintentionally homeless and in priority need. The latter category includes pregnant women, people with dependent children, and those who are vulnerable because of old age mental reasons. Visitors to Britain and certain other groups of people who require leave to enter the country, are not eligible for homelessness assistance or to be allocated council housing. The number of households accepted as homeless has fallen since 1991 in England and since 1993 in Wales.

Provision in the housing Act 1996, which while come into force in January 1997, will reform the law on homelessness and the allocation of council housing. This will ensure fairer access to long-term social housing by creating a single route to such accommodation - the local authority housing register while ensuring a safety net for families and vulnerable people who lose their home through no fault of their own. In Scotland, where the number of homeless households continued to rise until 1993-94 the policy on homelessness in under review following consultations in 1994. In Northern Ireland, where the number of households accepted as homeless has remained stable since the homelessness legislation was extended there in 1989, consideration is being given to the most appropriate way to effect the reforms provided for in the Act.

Most people accepted as homeless have same form of accommodation, even through this may be temporary, Those entitled to rehousing are found accommodation by local authorities. Only a small proportion of the homeless are 'roofless' - that is, literally without accommodation.
Where applicants are homeless but not owed the main duty (for example, because they do not fall within a Priority need group) the housing authority must assess their needs and ensure that they are provided with advice and assistance in their own attempts to find accommodation. Authorities also have a general duty to ensure that advice about homelessness and the prevention of homelessness is available free of charge to everyone in their district. In most areas, such advice is available from housing aid centers, shelter (a charity that offers housing advice to homeless and badly housed people), citizens Advice and other local agencies.

Local authorities in England and Wales also have a duty to carry out reviews of homelessness within their area at least every five years and produce strategies for tackling and preventing it. The first strategies were published in July 2003.

**HOMELESS HOUSEHOLDS IN ENGLAND**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
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<tbody>
<tr>
<td>1989</td>
<td>122,180</td>
</tr>
<tr>
<td>1990</td>
<td>140,350</td>
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</tr>
<tr>
<td>1996</td>
<td>116,870</td>
</tr>
<tr>
<td>2003/04</td>
<td>137,000</td>
</tr>
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</table>

**Source:** Dept. of Environment, Transport & Regions

a. 1989, 90 and first quarter 1991 figures are based on estimates in line with a new definition introduced in the second quarter of 1991.

Above table shows that there are maximum number of homeless households in 1991 and minimum in 1996. Tendency of
continuous improvement is not present in this field so it may be said that Govt., has to take special attention towards this field.

"The Government provided £80 lakh in 1997-78 to voluntary groups helping single homeless people in England; grants of £6 lakh for 1997-98 were made to voluntary organizations tackling homelessness is Scotland, and £623000 in wales. The Northern Ireland Housing Executive provided £367,000 to voluntary groups involved with homelessness there."  

**HOME IMPROVEMENT AGENCIES (HIAs):**

HIAs provide independent advice and help to assist elderly people, people with disabilities and those on low incomes to carry out repairs, improvements and adaptations to their properties. They are usually small-scale bodies operating on an authority-wide basis. HIAs are managed by a variety of organisations, often housing associations but also local authorities and independent bodies such as age concern, local authorities in England had been allocated £67 lakhs year 2000-01 to support agencies operating in their areas. In Scotland a care and Repair service provides similar assistance to that provided by HIAs.

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57 Year book of Britain 1998 p. 388
The UK Housing Market

<table>
<thead>
<tr>
<th>Second Hand</th>
<th>New Houses</th>
<th>House Prices</th>
<th>Housing Turnover</th>
<th>New Housing Starts</th>
<th>Market Value of UK Housing stock</th>
<th>Average Mortgage Rates</th>
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<tr>
<td>1990-100</td>
<td>1990-100</td>
<td>% Change in second hand house prices</td>
<td>% Change Year beginning Q 1</td>
<td>000s</td>
<td>000s</td>
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<tr>
<td>1990</td>
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<td>1400</td>
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<td>137</td>
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<td>2000</td>
<td>151</td>
<td>150</td>
<td>13</td>
<td>9.6</td>
<td>1499</td>
<td>2000 160.7</td>
</tr>
</tbody>
</table>

Source: www.marketoracle.com

Housing Turnover: Number of house transactions agreed each year
New Housing Starts: Number of new houses currently under construction

Above table shows about the conditions of the U.K. Housing market during 1990 to 2000. It is clear that house prices of second hand houses were diminished after 1990 and before 1996.

RECESSION IN THE EARLY 1990S:

In the early 1990s the U.K. Housing market experienced a severe slump. High interest rates, rising unemployment and a deep recession led to a sharp fall in demand for all types of housing and caused prices to plummet in some areas. By the summer of 1993, over 16 lakh households were living in dwelling whose market value was
less than the outstanding mortgage debt on the property—a phenomenon known as negative equity.

Prices remained static for most of the first half of the 1990s. It was only following a sustained pick-up in UK economic activity from 1996 onwards that the housing sector enjoyed significant returns of housing demand. With the help of table we can understand.

**RECOVERY IN THE MARKET 1995:**

A boom in 1999-2000 average price inflation picked up through 1996-97 before falling back in 1998 and early 1999. The market was adversely affected by increased interest rates from the Bank of England soft-landing in 1999. Recession was easily avoided (aided in large part by big cuts in interest rates) and by the summer of last year the housing sector was experiencing sharply higher inflation. At its peak the rate of increase in average houses prices reached 16% using the Halifax data and 17.5% on the nationwide survey. After 1996 prices of second hand & New houses were increased after 1994. There were increasing natures of market value of U.K. housing stock.

A mortgage is a loan taken out on a property; In the case of a UK mortgage this can mean a flat apartment, house etc. UK mortgage does not cover non real estate loans, a car loan, for example, A UK mortgage is usually repaid to the lender over a period roughly covering 15-30 years. The lender profits from interest paid on the loan, Regarding U.K. mortgages, this interest can be fixed, capped or variable and this is a very important point which must be clarified before committing to a UK mortgage. Most typically the mortgage pay a down payment of around 5%-10% on the property and the lender provides the remainder. The UK mortgage market does include 100% mortgages, through these will only be available to customers
whom the lender considers to be in a very secure position, Repayments are made on a monthly basis. As is the norm with UK mortgages; should the mortgage fall behind in repayments and default on the loan, the lender can repossess the property and the mortgagee is evicted.

In today's world the meaning of the term mortgage is better understood only when we see that the maximum number of people purchase their homes with a mortgage.

The term mortgage which has flourished the world's housing market is simply meant as a process by which the individual and the business can purchase the residential and the commercial property without paying the total value.

Mortgage is defined as a loan to an individual or a businessman for purchasing a real estate. In this case the real estate also acts as a collateral for the loan.

In a mortgage dealing with the borrower is called as the mortgagor on the one hand and the lender is called as the mortgagee on the other.

**PARTS OF MORTGAGE :-** The mortgage contains two parts;

1. Mortgage that is also the pledge and
2. The promissory note that is the promise for repayment.

**SOME MORTGAGE TYPES IN UK :-**

**ENDOWMENT MORTGAGE :-** With an endowment mortgage, the money is lent against the security of one or more life insurance policies, which will be paid out in the event of the death of the person insured or mature during or at the end of the mortgage period. Each month, the mortgagor pays interest on the loan, together with the
premiums for the insurance policies. These mortgages can often be transferred from one property to another.

When the policy or policies mature, the amounts paid out by the insurance company are offset against the amount lent by the mortgage. An advantage of this type of mortgage is that sometimes the amount paid out on the policy is more than the outstanding debt, so there is some money left over for the mortgager. Occasionally, however, it may not be sufficient to pay off the debt. This, too, can be insured against in order to ensure that the mortgagee is not out of pocket. Other investments, such as personal equity plans, unit trusts or personal pension plans can also sometimes be used as security, but the same considerations apply.

**REPAYMENT MORTGAGES:** With a repayment mortgage, the mortgagor repays the interest on the loan plus a proportion of the capital sum borrowed at regular intervals, usually monthly. At the end of the life of the mortgage, the total amount is paid off, but there is no chance of having any money leftover.

One advantage of a repayment mortgage is that if interest rates rise to the extent that the monthly repayments are more than can be afforded, it is sometimes possible to agree with the lender to reschedule the mortgage to extend over a longer period, thus reducing the monthly outgoing. Of course, if the mortgagor should die before the end of the mortgage period it is unlikely that other member of the family living in the house would wish to be forced to move out. Most lenders therefore require some life insurance cover to be taken out, the proceeds from which will pay off the mortgage. In addition, a mortgage protection policy is often taken out by the borrower. This
will cover the monthly payments for a predetermined period in the event of sickness, unemployment or similar catastrophe.

**INDIVIDUAL SAVINGS ACCOUNT (ISA) MORTGAGES:** Work on the same principle as endowments, but an individual saving account is used as the loan repayment method. If your investment performs badly you could face a shortfall at the end of the mortgage term.

**PENSION MORTGAGE:** Pension mortgages are similar to both ISA and endowment mortgages, but work on the basis that pensions provide tax-free cash on retirement. After the end of the mortgage term the loan is paid out of your tax-free lumpsum.

**TYPES OF INTEREST RATES ON MORTGAGES IN U.K.:**

In addition to the different ways in which a mortgage loan can be repaid, there are also a number of ways that the interest is charged.

1. **Fixed rates,** where the interest rate remains fixed for a period of time, after which it changes to the current variable rate or to a new fixed rate;

2. **Variable rate mortgage,** where payments vary according to mortgage rate changes. Some lenders adjust the amount that is paid on an annual basis, so that changes which occur during the year are incorporated when calculating the following year's repayment;

3. **Discounted rate mortgage,** where a discount to the lender's standard variable rate of interest is offered. Some lenders also offer cash backs where a specified sum of money is returned to the borrower on completion of the mortgage; and

4. **Capped rates:** These are fixed but if rate falls borrower has to pay the lower rate such deals can be a good budgeting.
5. **Cash back deals**: This when lenders offer money back if you take out a particular product.

**PROCESS OF MORTGAGE IN UK**:

In the mortgage market of UK, lenders usually charge a valuation fee, which pays for a chartered surveyor to visit the property and ensure it is worth enough to cover the mortgage amount. Such type of survey is not a full survey. That is why it may not identify all the defects that a house buyer needs to know about. Even if it does not form a contract between the surveyor and the buyer.

**MORTGAGE COMPANY**:

The term ‘mortgage’ is often used in the same breath as a ‘mortgage loan.’

A mortgage company can be defined as a company specialising in offering mortgage services such as free mortgage quotes, calculators and guides and unmatched customer services such as instant approval of mortgage loan applications.

Mortgage properties usually entail restriction on the use or disposal of the property such as paying any outstanding debt before selling the property. Investing in mortgage properties through loans has become the accepted practice in the developed countries such as the USA and UK. It is also the trend in India where you can avail of a high risk loan by securing your property thereby also getting lower interest rates.

Mortgage loans are structured as long term loans based on the formula of time value of money. The loan amortization period or the rate of mortgage can be reduced by availing of mortgage refinancing options offered by all leading mortgage companies.
Mortgage companies offer the best quality of customer services such as refinancing at a lower mortgage rate, getting a new home mortgage or a home equity loan or second mortgage. As previously mentioned mortgage companies offer a mortgage refinance calculator, which can calculate the refinance rate that you can avail depending on your post refinance circumstances, the property you want to buy and whether it has a good possibility of appreciating in value over time, its location and above all, your credit rating. Mortgage companies do not want to offer high risk borrowers loans even if they exhibit sufficient liquidity in recent time.

The key features of mortgage companies can thus be summarized as debt consolidation service, home equity loans, latest mortgage quotes, real estate lending, new home loans and mortgage refinancing. Most importantly free online loan application facilities giving instant approval can boost the popularity of the mortgage company a great deal.

U.K. MORTGAGE MARKET :-

The UK Mortgage market offers a choice of around 4,000 products to customers. It is one of the most competitive where there is a growing need for lenders to devise winning strategies. However in such types of markets innovation is proved to be one of the determining factor in differentiating the winners and losers in the future.

Market of UK mortgage is a top most innovative and competitive market in the world. The mortgage market of UK differs in comparison to the other countries in the ground that there is no intervention in the market by the state or state funded entities.
Due to the poorer economic conditions, the mortgage market in UK has contracted more in 2005 than predicted before. There was general slowdown in the total secured lending mortgage market for the year 2004. “The progression of the buy-to-let mortgage market in terms of market share from 2003 to 2004 was the lowest observed (0.6 percentage point compared to 1.3 percentage points in the previous period.”

Making better customer relationships Lloyds TSB gained market share in 2004 and moved into second place in terms of gross advances. In contrast, Barclays was the only lender in the top ten to witness a decline in both its mortgage book and its new mortgage business in 2004.

“According to the figures from the major British banking groups net mortgage lending in November-2005 rose by an underlying £5.1 bn; the strongest rise since July 2004. It is much higher than both October’s rise of +£4.3 bn and the average of +£4.4 bn over the previous six months. A lower growth is being marked in overall unsecured personal lending. Both loans and overdrafts have risen by Just £0.1 bn, on the recent average (£0.4bn)”

“The majority of borrowers (58 percent) chose a fixed rate mortgage because fixed rate mortgage have increased in popularity.” The cost of tracker rate mortgages is going up.

At present recession comeback and UK property market is in poor condition rate of interest on mortgages has been cut. The Royal Institute OF Chartered Surveyors (RICS) has called on the Government to act now to help save the UK property market.
With house prices in freefall all over the country, property sales have hit their lowest level in the last 30 years.

**MORTGAGE LOANS:**

Most people buy their homes with a mortgage loan, using the property as security. These are obtained through building societies, banks or other financial institutions such as specialist mortgage lender.

Additionally, some companies grant loans for house purchase to their employees. The amount that lender are prepared to advance to a would-be house purchaser is generally calculated as a multiple of his or her annual income, typically up to two-and-a-half or three times earnings, and the term of the loan is approximately 25 years, "Owner-occupiers can claim tax relief on interest payments on the first £30,000 of their mortgage on their main home."\(^{61}\)

In the recession in the early 1990s, many homeowners saw a fall in the value of their homes, and some have had trouble keeping up with mortgage payments. The Government is encouraging the mortgage lending industry to develop flexible mortgage with allow borrowers to pay more than their normal monthly payments and then make lower payments, or else take a payment holiday, during periods of financial pressure. This arrangement can be particularly helpful to self-employed people and others whose income tends to fluctuate, and it can help prevent temporary gaps in mortgage payments being treated as arrears.

"In 1999, loans for home purchase were obtained mainly through banks (756,000) and building societies (304,000), with

\(^{61}\) Yearbook, Britain 1998, p.382
122,000 loans being obtained from other lenders. Some companies offer low-interest loans to their employees." 62

Lenders differ in the amount they will lend relative to annual income but will commonly be prepared to lend up to three times earnings. There are two main types of mortgage: a repayment mortgage, which provides for life of the mortgage (usually 25 years), the debt, together with interest, is entirely repaid. The second type of mortgage is the investment-linked mortgage. With this type of mortgage, only the interest on the loan is paid from the beginning, so that the capital sum borrowed does not decrease. Usually the borrower makes a long-term investment at the same time as taking out the mortgage which should produce a capital sum sufficient to repay the mortgage loan. Different types of investments can be taken out including endowment policies, personal pensions or ISAs (Individual savings Accounts).

Other types of mortgage exist for those who wish to retain flexibility over their payments to allow for variations in their personal circumstances and accelerated schemes to provide the opportunity to repay the debt more quickly.

Endowment mortgage have recently become less popular with borrowers because of the possibility that investments may not grow fast enough to repay the capital borrowed. "In 1998, endowment policies reached a peak of popularity when 83 percent of new mortgages for house purchase were of this type. By 1999, this had fallen to 27 percent. Since 1998 there has been a revival of the repayment mortgage. Around 46 percent of new mortgages were

62 U.K. yearbook 2001, p. 344
repayment mortgage in 1999. The Take-up of interest-only mortgages had also increased since 1992 to 27 percent in 1999."^{63}

There has also been an increase in the take-up of fixed-rate loans and a greater willingness to remortgage in order to take advantage of price differentials between lenders. Over one-third of loans in 1999 were at a fixed rate. In October 1999, the Government announced measures aimed at improving the home buying and selling process in England and Wales. The proposals include a requirement for sellers to provide a pack of standard documents and information for prospective buyers before the property is marketed for sale.

A feature of UK home ownership is the relatively high proportion of homes purchase with a mortgage. About three-quarters of house purchases are financed in this way. "In 2003, 71 percent of such loans were obtained through banks and 14 percent through building societies, with 15 percent through other specialist mortgage lenders. Around 71 percent of all new mortgages were standard repayment mortgages in 2003."^{64} Interest-only mortgages, usually involving endowment policies, ISAs (individual savings accounts) or personal pensions, account for the bulk of other mortgages. Since the late 1980s there has been a decrease in the popularity of endowment mortgages because of the possibility that investment may not grow fast enough to repay the capital borrowed. "In 1988, 83 percent of new mortgages for house purchase were endowment mortgages, by 2003 this had fallen to 5 percent."^{65} Flexible mortgages are a type of repayment mortgage and incomes over the lifetime of the loan. Borrowers are given the options of making overpayments or underpayments, as well as taking payment breaks. Flexible mortgage

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63 National Statistics UK 2001 pp. 346
64 National Statistics UK 2005 pp. 307-308
65 Ibid, p. 308
have been growing in popularity and 73 percent of new mortgages in 2003 had at least one flexible feature. In the first quarter of 2003 UK base rates fell to their lowest level since the early 1960s.

However, due to rising house prices, first-time buyers accounted for 33 percent of loans for house purchases during this period, the lowest since records began in 1969. "By the fourth quarter of 2003 first-time buyers accounted for 28 percent of loans, illustrating the affordability gap for would-be homeowners. In response to rising house prices, the base rate was increased during 2004 reaching 4.75 percent by August 2004." 66

"There were over 25,000 new equity release mortgage advanced in the United Kingdom in 2003, 55 percent more than in the previous year." 67 These funds are commonly used by elderly homeowners to pay for day-to-day living expenses, home repair and improvement, or episodes of care.

66 Ibid, p. 309
67 Ibid, p. 309