

Speech by Mr Mah Bow Tan, Minister for National Development, on Helping Home Owners in Financial Difficulty, during the Committee of Supply Debate

1 Mr Chairman, Sir, several Members have asked how my Ministry intends to help those home-owners who are facing financial difficulties during this time. Let me explain what we have done and will be doing

Short-term assistance measures

2 Firstly, as a short-term assistance measure, if households show that their income has been affected, because of retrenchment or a wage reduction, HDB will temporarily reduce or even defer their loan repayments for up to six months. This gives them time to make adjustments to their lifestyles and consider longer-term options. However, reducing the loan repayment cannot be a solution in itself, especially in cases where the poor financial situation is likely to persist.

3 The longer we stretch the reduced repayments, the more the interest accumulates. More seriously, households may be lulled into a false sense of financial security, and reduce their resolve to settle their financial problems decisively.

4 I am not talking about hypothetical situation, if you look at the number of arrear cases, During the last economic slowdown in 2003/2004, HDB allow very long periods of reduced repayments. Today, what we have in file, there are still some 6,500 households in arrears who were granted periods of reduced or deferred repayments that accumulated to more than 2 years. Some of them are owing 3, 4 years. We had hoped that by giving them more time, they would be better able to resolve their financial problems. Instead, they remain unable to service their loan and they are not nearer to a sustainable solution. In fact, their circumstances have worsened significantly, and their arrears have gone up.

5 This is a salutary lesson for us. If a patient needs surgery to get well, we cannot just keep on giving him painkillers. We do him more harm in the long run by storing up more problems for the future. This is why HDB has shifted the focus from giving short-term relief, to helping our arrear cases find longer-term sustainable solutions. To do this, we also need individual households to be realistic and prepared to make tough but necessary adjustments.

Sustainable, long-term solution

6 For some, such an adjustment entails subletting a room or even the whole flat, where circumstances permit. In many cases, the most viable solution is for the household to right-size their flat and reduce their loan by downgrading.

7 HDB will help households in financial difficulty to downgrade. They will facilitate

this process. First, we will provide them an additional loan. Mr Charles Chong, Mr Teo Ser Luck and Mr Baey Yam Keng called for HDB to give downgrading loans. HDB generally would not provide another loan to downgraders. Why? Because they usually have enough proceeds from the sale of their larger flat. But for those who need help in these difficult times, HDB will be flexible and will help them with another loan, to buy a smaller flat. So there's no overall change in policy but recognizing the situation, HDB will be more flexible to help those in difficulty to get another loan.

8 Second, HDB will make available low-cost flats where necessary to help those in need to downgrade. This is what Mrs Amy Khor requested for just now. For this small vulnerable group, HDB will help them source for affordable resale flats. If need be, HDB will directly purchase flats from the open market to sell to them. In this way, these households do not need to pay any cash-over-valuation or HDB resale levy. So, they will be sold flats from the open market at market prices but bought from HDB. HDB will also make available some of HDB's unsold stock of lower-cost flats to these cases in financial difficulty. HDB has some stock of low-cost flats and are still available, and these can be sold to some of these households who are in severe financial difficulties. I want to stress that these are special measures for exceptional cases of financial difficulties.

9 Finally, we recognise that some households in difficulty may need a temporary accommodation as they downgrade from their current flat. Some may be waiting for their new 2R flat to be completed. To tide them over this period, HDB will refer deserving cases to its managing agent, for temporary rental of a room at below market rate.

10 So by helping families to right-size their flats, we allow them to remain as home owners. But for those in financial difficulty who cannot afford a smaller flat in spite of our help, HDB will consider allocating a rental flat to them if they have no other housing option.

Advice and Counselling

11 To make sure that families in financial difficulty are given proper advice, HDB has deployed special "Housing Counsellors" at every HDB Branch Office. The job of these "Housing Counsellors" is to look into each and every case holistically and comprehensively. So when you talk about sustainable solutions, you are really talking about painstakingly going through each and every case, making sure that they know what are the options available, working out the sums and having available those options that the HDB will have at their disposal, that HDB will be able to guide them and direct them to the right solution. This is a very complex and painstaking task, as I have said. But I have asked HDB to press on, because we want homeowners to find a viable long-term solution. We want them to sleep easily, soundly at night, with a roof over their heads without having to worry about financial problems.

12 No effort will be spared. Last year, HDB officers made more than 60,000 house visits on arrears-related matters and conducted over 35,000 interviews and financial counselling sessions. I have asked for these figures because I have been pressing HDB to do more and they tell me that all their officers have been harnessed for this effort. I have to encourage them and also have to explain to them why it is important for us to do so, even though it is a lot more work. A lot of these interviews, counseling sessions have to be conducted even outside office hours, because sometimes the flat owners are not home during the day. But they must press on, because if they don't, the problems facing these homeowners will accumulate and become worse over time.

Compulsory acquisition

13 But despite our best efforts, some households are still not prepared to face up to the reality of their circumstances. Today, there are more than 15,000 HDB loan cases are in arrears for over a year. Some deliberately ignore HDB's frequent calls and house visits.

14 While HDB has exercised patience, at some point the line must be drawn. If the lessee remains unmoved, HDB has no choice but to issue a notice to acquire the flat. Otherwise, his debt may spiral to the point of negative equity. This would be even worse for the flat owner.

15 Even when HDB issues the notice of compulsory acquisition, it is still with the intent and hope that the lessee comes to realise the seriousness of his situation. If he is serious about selling his flat without any more delay, HDB may withdraw the compulsory acquisition notice. Otherwise, they will have to proceed but HDB will ensure that the lessee has a viable housing option including a rental flat if need be.

Conclusion

16 For those who fall into financial difficulty, HDB will spare no effort to help them work towards a financially sustainable housing solution. In particular, we will help them downgrade to a more affordable flat with another loan.

17 Downgrading is a tough decision, requires some adjustment to lifestyles, even with some discomfort. But it is ultimately in the best interest of the family as it allows them to get a fresh start to rebuild and recover from their financial setback.

18 I want to end by highlighting a family which made such a decision. She was in this predicament, she took the advice after quite a long consultation process. She wrote a letter to Zaobao to explain her experience and give some good advice, This was Mdm Tan Suay Yan. When her husband lost his job, the family started to accumulate arrears. They downgraded to a flat that HDB found for them. They

cleared their arrears. I am happy to note that their overall financial situation is now much improved. She wrote a letter to Zaobao, and in her letter to Zaobao, she used the term “苦口婆心”, in other words, the HDB officers patiently and painstakingly giving them advice. She also urged those in financial woes to “脚踏实地，量入为出” in other words – be realistic, spend within your means. This is indeed what I urged loan mortgagors who find themselves in difficulty to do. And we will do our best to support them every step of the way.