

**Speech in Parliament by the Minister for National Development
On Public Housing Policies
During The Committee of Supply Debate, Monday 7 March 2005**

The “HDB Experience”: Bonding Our People

1. HDB was set up in 1960 to tackle Singapore’s acute housing shortage at that time. With the majority of the population living in city slums and squatter colonies, HDB had to build thousands of flats in the quickest time possible. It was a challenge HDB resolved to overcome.
2. Today, almost 9 in 10 Singaporeans are HDB dwellers. Almost all own their flats. No other country, developed or developing, has achieved this.
3. Now that it has largely met its objective of providing affordable housing for the majority of the population, what is HDB’s role going forward?
4. To answer this, we need to look at the broader context of our public housing programme. From the start, it has not just been about providing a roof and a shelter. Public housing is also very much about promoting rootedness, to give Singaporeans an asset and a physical stake in the nation. The Government has therefore encouraged home ownership from the beginning. To own a home is to own a part of this country. It is what makes Singapore worth defending and contributing to.
5. Rootedness also means being a part of the community and contributing to its well-being. In the design and planning of our HDB estates, we have consciously set out to create a strong community spirit and to foster social integration in our multi-racial and multi-religious society. So we carefully guide the ethnic balance in our housing estates and mix different flat types within the same block. We provide recreational facilities to draw HDB residents out of their flats and create plentiful opportunities for them to mix and mingle in the common spaces. The walkways and corridors in HDB estates are not just connecting routes. They also help to connect lives and people.
6. The HDB void decks in particular, are unique to Singapore. Walk around any HDB void deck today and you can see youngsters strumming guitars or senior citizens playing chess or practising *qigong*. You will also spot housewives catching up on the latest neighbourhood gossip on their way to market; young parents exchanging parental tips while watching out for their children at play. Most Members would have attended a wedding feast at the void deck, or the wake of a friend or resident.
7. Our HDB estates, with their flats, hawker centres and shops, have become a common point of emotional reference for many Singaporeans, in the same way that National Service for our males and our schools have brought Singaporeans of different races and socio-economic groups closer together. The “HDB experience” has become an integral part of

the “Singapore experience” for many Singaporeans.

8. Two National Days ago, the Parade organizers produced this little red book entitled “*Things that make us Singaporean*”. I still keep my copy, as it contains many excellent snippets. One of my favourites is by Mr Ong Wee Loong, a full-time national serviceman.

He says and I quote: “*A foreign friend once asked me: How come you know so many languages? I told him I live in a cultural language centre called a HDB flat, learning Malay from the left, Tamil from the right, dialects from top and bottom.*” Indeed, each HDB estate is like a “mini-Singapore”, racially, culturally and religiously diverse, yet living harmoniously together as one.

9. Our public housing programme has played a crucial role in bonding Singaporeans. I grew up in an HDB flat and have many fond memories of my childhood. My children, however, grew up in a private property. But for a while, we lived in an HDB flat in Eunos. The experience had a big impact on my children. They had the chance to meet and mingle with Chinese, Malay and Indian children living in the same neighbourhood, at the playground, at the car-parks waiting for the school bus to take them to the neighbourhood school, or at the local provision shop. The “HDB experience” has been a valuable one for me and my family.

10. Today, the first home for 9 in 10 Singaporean first-time homeowners is an HDB flat. More than 8 in 10 first-timers who bought their HDB flats 10 years ago are still residing in a HDB flat. Even for the minority who upgrade to private housing, I believe their HDB years form an important and cherished part of their memory and life experiences.

11. We must endeavour to make the “HDB experience” a pleasant, memorable and rewarding one for all HDB residents – for the young and old, for newcomers, as well as long-staying ones. That is the challenge for HDB. HDB will have a major role to play, in planning and executing our home ownership policy. It must ensure that one, public housing subsidies are fairly disbursed; two, quality and affordable flats are built; three, leases are properly administered; four, towns with supporting amenities are comprehensively planned and developed to meet demand; and five, older estates are systematically renewed and revitalized so that vibrant communities will continue to evolve. Where possible, we will also get the private sector and our people more involved in contributing to this “HDB experience”.

Private Sector Participation In Public Housing

12. Public housing currently accounts for about 80% of total housing stock. Yet, all HDB flats are developed by HDB. Most of them were also designed by HDB’s in-house architects. This is not the case in other countries, even though they have a smaller share of public housing than Singapore. Countries such as Hong Kong or Malaysia, have experimented with various forms of private sector participation in public housing, including private sector development of public housing.

13. In 2003, together with the formation of HDB Corp, I announced that the public housing building programme would be opened up to the private sector gradually – starting with 10% in July 2006 and reaching 50% in July 2008. Private sector participation will enable our public housing programme to be more responsive to the needs and aspirations of Singaporeans. Market competition would also result in greater innovation in building and design, greater choice of flats, and better value for money for flat buyers.
14. My Ministry has been studying various options for private sector participation in public housing development. We have narrowed them down to two modes. Under the first mode, the private sector will provide the consultancy services, for example, architectural design and project management, as well as the building works as a package. This is known as Design & Build, or D&B. This is a familiar, tried and tested method. Under the second mode, which we will call the Design, Build and Sell Scheme (DBSS), the private sector will undertake the entire development process for HDB flats, from tendering for the land, to designing, building and selling the flats. Upon building completion, the developer will pass the common areas back to HDB. The flats will remain as HDB flats, and be subject to prevailing HDB rules and conditions. They will be sold to Singaporeans who are eligible to purchase subsidised public housing. The Ethnic Integration Policy will also continue to apply.
15. Under the DBSS, developers can price their flats based on what the market can accept. To ensure affordability, eligible 1st-timers will receive a \$30,000 or \$40,000 CPF housing grant from the Government, similar to the grant for 1st-timers buying HDB resale flats. Those eligible can also obtain an HDB concessionary loan to finance their flat purchase.
16. Developers will be free to decide on the design and flat mix, so long as the character of public housing is preserved.
17. The DBSS scheme is untested, and unfamiliar to HDB as well as flat buyers. We will therefore take a cautious approach and test out the concept via a pilot project. HDB has identified a site at Tampines Avenue 6 for the pilot project. It will tender out the site to interested developers in the second half of this year.
18. I expect that the majority of HDB projects that will be outsourced to the private sector will be under the tried and tested D&B mode. HDB will continue to be the developer, and set prices, for the bulk of new HDB flats. HDB-developed flats, along with HDB resale prices, will set the benchmark for the prices of the DBSS flats. This will ensure that public housing remains affordable for Singaporeans.
19. MND will evaluate the pilot DBSS project carefully before deciding whether to implement the scheme more widely. If we do, it will be done selectively, probably in the more popular mature estates. We will modify the terms of the scheme, if necessary, depending on the outcome of the pilot, to ensure that the overall objectives are met, and that DBSS flats

remain affordable for HDB flat buyers.

20. The liberalisation of the public housing market is a key milestone in the development of our public housing programme. It will re-shape the way HDB provides public housing in future. It will introduce different ideas, and designs for public housing. I want to assure Singaporeans that, even as we involve the participation of the private sector in the provision of public housing, we will continue to provide housing subsidies for young couples to set up home and start a family, and those who need to upgrade from their smaller flats. I hope that private sector participation in the development of public housing will help to enhance the “HDB experience” for Singaporeans.

Affordability Of HDB Flats

21. The Government is committed to keep the prices of HDB flats affordable to Singaporeans, especially first-timers. How do we measure affordability? The universally accepted way is to compare prices against income.

Specifically, this means comparing the monthly mortgage instalments that a household has to pay with its gross monthly income. This is known as the debt-service ratio. Last year, those who bought flats from HDB needed to use, on average, less than 20% of their monthly income to service their housing loans. A 20% debt-service ratio is reasonable and affordable by any standard. It is well within the 40% guideline which most banks use in credit assessment. It is also in line with international benchmarks of household expenditure on housing, which are typically around 25% to 30%. Most flat buyers would be able to service their housing loans entirely with their CPF contributions, i.e. they would not need to touch their take-home pay.

22. To enhance the affordability of HDB flats, HDB resumed the building of 3-room flats under the Build-To-Order (BTO) system last year. The first contract in Sengkang in August last year achieved a high take-up rate of 90%. The resumption of the building of new 3-room flats by HDB has helped to moderate price increases of resale 3-room flats, thus benefiting flat-buyers, including singles.

23. In the coming year, HDB’s focus will continue to be on selling its stock of flats and building new 3- and 4-room flats under the BTO System. HDB will monitor the overall flat demand and adjust the supply of new HDB flats accordingly.

Freeing Up HDB Rules and Regulations

24. Let me now turn to the issue of rules and regulations for purchase of HDB flats. HDB’s rules and regulations are put in place to support existing policies, and for good reasons. For example, our ethnic integration quotas ensure that racial enclaves do not form in our HDB neighbourhoods. As a result, we not only maintain the multi-racial character of our HDB estates, but also that of our neighbourhood schools, our hawker centres and shops. Together, they create the comfort level, the familiarity with each other’s customs and traditions, languages and

idiosyncrasies, which bind us together as Singaporeans.

25. Having said that, our rules and regulations are not cast in stone. HDB regularly reviews its policies and rules. Where the environment has changed and the rule is no longer relevant, HDB will modify or even remove the rule altogether. As Singaporeans become better educated, they want to make their own choices and are prepared to take responsibility for the choices they make. With greater individual responsibility, HDB can relax more of its rules and regulations. This will improve the “HDB experience” for residents.
26. Over the last two years, HDB has made several changes to key policies and rules aimed at giving HDB residents greater flexibility in the use of their flats. Let me briefly mention just three. First, bank origination of HDB market rate loans was implemented in January 2003. Through this move, flat buyers have been able to take advantage of the different loan packages and the attractive home loan rates offered by the banks. To-date, 50,000 bank loan applications have been processed, with almost \$9 billion of bank loans disbursed.
27. Second, in June 2003, HDB implemented the HDB Home Office Scheme. The scheme has enabled HDB residents to start a small business in their HDB flat and use their flat for business registration. This has enabled residents to work from the comfort of their homes, saving them both time and money. More than 15,000 HDB dwellers have benefited from the scheme since its introduction.
28. Third, since October 2003, HDB has freed up the subletting rules for HDB flats. Prior to this, flat owners could not sublet their whole flat except under very exceptional circumstances. Now, those who have occupied their flats for at least 15 years can sublet their whole flat. Those with no outstanding HDB loan could do so after 10 years. To-date, more than 2,300 lessees, have sublet their flat.

This policy change has helped HDB flat owners, particularly the elderly, to monetize their flat into cash. It has also promoted stronger family ties by encouraging the elderly to live with their children.

29. These major changes illustrate how HDB has freed up its rules and regulations over time to encourage HDB residents to be more self-reliant, responsible and entrepreneurial. I am happy to announce that HDB will further liberalise its rules in two areas.
30. First, we will reduce the time bar for households who have bought one subsidised flat to apply for a second subsidised flat from the current 10 years to 5 years. The 10-year time bar was implemented in 1997, together with other measures such as the graded resale levy, to better manage the demand for new flats among 2nd-timers. As the graded resale levy system has been effective in managing the demand from 2nd-timers and curbing the over-consumption of housing subsidies, we no longer need to maintain the time bar at 10 years. We will reduce it to 5

years, so that second-timer households who need to upgrade to bigger flats can do so sooner. This will take immediate effect.

31. Second, we will further relax the subletting rules for HDB flats. Flat owners who have no outstanding HDB loan will now be able to sublet their flat after occupying them for 5 years, compared to the current 10 years. Those who have occupied their flats for at least 10 years will now be able to sublet their whole flat even if they still have an outstanding HDB loan, compared to the current 15 years. These changes will give flat owners greater flexibility to monetise their flat. It will also provide more rental housing options for those who are not ready to buy a flat.
32. This move will make about 537,000 flats, or 65% of all HDB flats, potentially eligible to be rented out. Of these, about 300,000 can be rented out immediately as the flat owners have met the 10-year occupation period or the 5-year occupation period and do not have any outstanding HDB loan.
33. While the number of flats that can be sublet appears large, we expect most flat owners to continue to owner-occupy their flats. The actual number of flats sublet is therefore likely to be much smaller. HDB will announce more details of the two policy changes shortly.

Building A More Inclusive Society

34. PM has spoken of his vision of building a more inclusive society. Public housing will continue to play an important role in helping us to realise this vision. In particular, I will now touch on the housing needs of two groups – the low-income and those in financial difficulty, and the elderly – and how we intend to meet them.

Meeting the Housing Needs of The Low-Income and Those In Financial Difficulty

35. HDB has in place various financial assistance measures to help needy Singaporeans who have difficulty paying their housing loan instalments. These include reduced or deferred loan instalments, extension of loan tenure and payment of mortgage arrears by instalments. HDB will work closely with individual flat owners to advise them on the appropriate assistance measure. Last year, HDB approved 40,000 applications for financial assistance from HDB mortgagors. Existing assistance measures are generally adequate in helping flat owners tide over their temporary financial hardship so that they need not sell their flats.
36. However, in cases where the flat owners are in severe financial hardship, for example, they have been retrenched or suffer a substantial pay cut, it may be better for them to downgrade to a smaller flat to reduce their financial burden. To assist them, HDB is prepared to waive the minimum occupation period to allow resale of the flat or grant another concessionary loan for the next flat purchase, depending on the circumstances of each case.
37. So far, there has been one case of mortgagee sale of an HDB flat by a

bank out of the 50,000 bank loan cases approved. Flat-buyers who take bank loans are generally financially better off, or have already bought a flat earlier, with an HDB loan. Through its information materials, InfoWeb, newspaper advertorials and other channels, HDB constantly hammers home the message that buying a flat is a long-term financial commitment, and that flat-buyers should do their sums carefully. Those who take bank loans are aware that they would be subject to the mortgage financing policies of the banks. I urge all flat buyers, whether they are taking a HDB loan or a bank loan, to exercise financial prudence and buy a flat within their means. HDB will help buyers by providing financial counselling.

Rental Flats

38. The Government provides 1- and 2-room rental flats to meet the housing needs of low-income Singaporean families who are unable to afford home ownership flats. The rentals under the Public Rental Scheme are heavily subsidised. For this reason, there are strict eligibility conditions on citizenship, income, family nucleus and property ownership in place to ensure that rental subsidies are given to those who need them most. In October 2003, the Government raised the monthly household income ceiling from \$800 to \$1,500, thus making subsidised rental housing accessible to more low-income households.
39. As our rental flats are heavily subsidised, they are reserved for citizen households. While a citizen with a foreigner spouse is not eligible to rent from HDB, they can do so once the spouse obtains PR or has a citizen/PR child.
40. In the case of single unmarried mothers, we treat them the same as other singles for rental of HDB flats, i.e. they need to be aged at least 35 and pair up with another single to qualify.

This is not to penalise single mothers, but to encourage them to look first to their families for care and support. However, for those who are victims of circumstances and face severe hardship, HDB may exercise flexibility on a case-by-case basis, depending on the merits of each case.

41. Let me stress that even as we provide more rental flats for low-income families, we will continue to assist low-income families to buy flats and become homeowners when they are financially ready, under HDB's Special Housing Assistance Programme. It is important that we keep this dream of home ownership alive for as many Singaporeans as possible, including lower-income Singaporeans, so that they too feel that they have a stake in this country and are not left behind.

Meeting The Housing Needs Of The Elderly

42. Let me now move on to the topic of housing for the elderly. Our elderly are not a homogenous group. They have different financial, health care, housing, social and psychological needs, and lifestyle preferences. For MND, the challenge is to provide a comprehensive range of housing options that will meet these diverse needs. Our public housing policies encourage our elderly to "age in place", i.e. continue living in the home

that they are familiar with, with strong family and community support. New HDB estates are designed to be barrier-free. Individual HDB flats can also be modified to enable residents to stay in the same flat over the various phases of their life cycle.

43. Beyond ensuring that our HDB estates are elderly-friendly, we also need to look at how we can help retirees who are “asset rich but cash poor” to monetize their assets for their retirement.
44. There have been suggestions for HDB to remove the 30-month time bar preventing elderly lessees who have sold their flats from renting a flat from HDB immediately. Allowing the elderly to sell their flat and rent from HDB may appear to be an attractive idea to help them monetize their flat for their retirement. But is it really a solution to the problem? HDB’s rental flats are part of the social safety net provided by the Government for low-income Singaporeans who cannot afford to own their own homes. The monthly rentals are low and substantially below market rents. This is to ensure that low-income families can afford the rental flats.
45. The fundamental issue is not whether we should retain or remove the 30-month moratorium. Rather, it is whether we should widen our safety net and institute another welfare scheme for elderly HDB flat owners who have already enjoyed at least one, if not more, housing subsidy. If we do so, it will increase the demand for HDB rental flats. Based on the appeals HDB received last year for waiver of the 30-month debarment, we would have to build 2,300 more rental flats. How will it be funded? If we take it from MND’s existing public housing budget, we will have to scale back on other areas of expenditure such as upgrading or subsidies for first-time homeowners. If we ask the Ministry of Finance for more money, it means less funding for other worthy purposes, like healthcare and education.
46. At the end of the day, the Government has to prioritise its resources to meet many competing needs. Giving elderly flat owners who already own a flat another subsidised rental flat is not a sustainable option in the long-term.
47. So what are the options available to ensure that the elderly have enough funds for their retirement? First, HDB has built elderly-friendly studio apartments, so that the elderly can sell their flat, use the sales proceeds to buy a smaller and more affordable unit, and keep the remaining proceeds for their old age needs. Second, we have liberalised our subletting rules for HDB flats. The elderly can rent out a room or the whole flat, and move in to stay with their children. As I mentioned earlier, many elderly have sublet their flat and this has also helped to promote closer families. Third, the elderly can sell their flat and rent a flat or room from the open market. With the further relaxation of the subletting policy, more HDB flats can be let out and this will help to keep rentals competitive.
48. The Government will look into other options to facilitate monetization of their flats by the elderly. There have been suggestions for MND to allow

reverse mortgages for HDB flats. Earlier feasibility studies of reverse mortgage schemes were not promising. The monthly payments that owners would receive were low. Besides, since the reverse mortgage had a fixed tenure, the elderly risked losing their homes if they outlived their reverse mortgage term and were unable to repay the loan. However, in-principle, reverse mortgage is a good option. MND will continue to pursue this issue with banks or insurers who can offer such schemes on favourable terms for HDB flats.

Fostering Community Ownership

49. Under the Lease, HDB flat owners have agreed not to create nuisance to other residents. HDB can take enforcement action under the Housing & Development Act against flat owners who deliberately cause a nuisance to others, including compulsorily acquiring their flat. For certain types of nuisances such as excessive noise and unruly behaviour, the Police can also prosecute HDB flat owners under the Miscellaneous Offences (Public Order and Nuisance) Act. Hence, there are sufficient legislative powers in place for the authorities to take action.
50. In the event of ceiling leaks caused by the upper floor flat owner's renovation works, HDB will hold the upper floor owner responsible. However, if the leak is due to natural wear and tear, both the upper and lower floor units must share the repair cost as required under the Lease.
51. The more fundamental point is how we can improve people-to-people relations in HDB estates so that residents can better resolve issues amicably amongst themselves, whether they are neighbourly disputes or flat maintenance problems, without turning instinctively to the Government for help. Nurturing a strong sense of community ownership among Singaporeans is important.

Not only will it create a more harmonious living environment and enhance the "HDB experience" for all, it will encourage a more active and self-reliant citizenry and strengthen the social bonds that bind us together as a nation.