



The 1st Asia-Pacific Housing Conference 2022

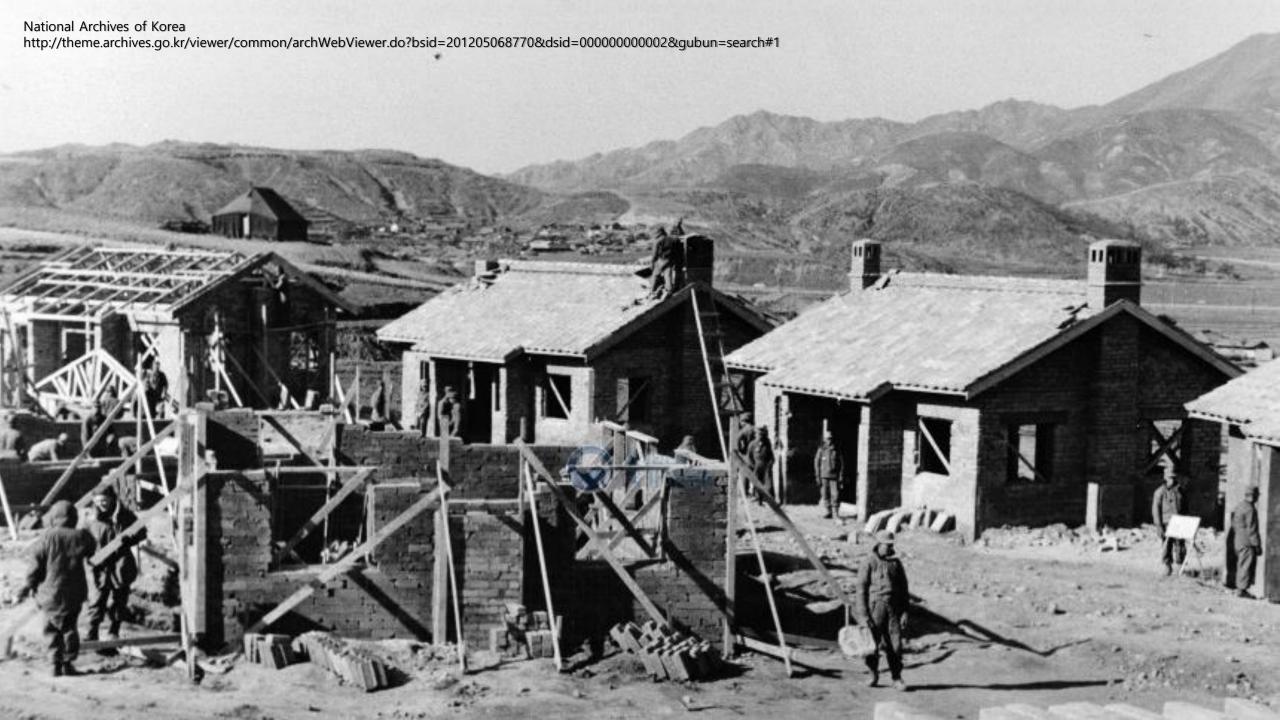
The Role of the NHUF in Increasing Affordable Housing Supply in Korea

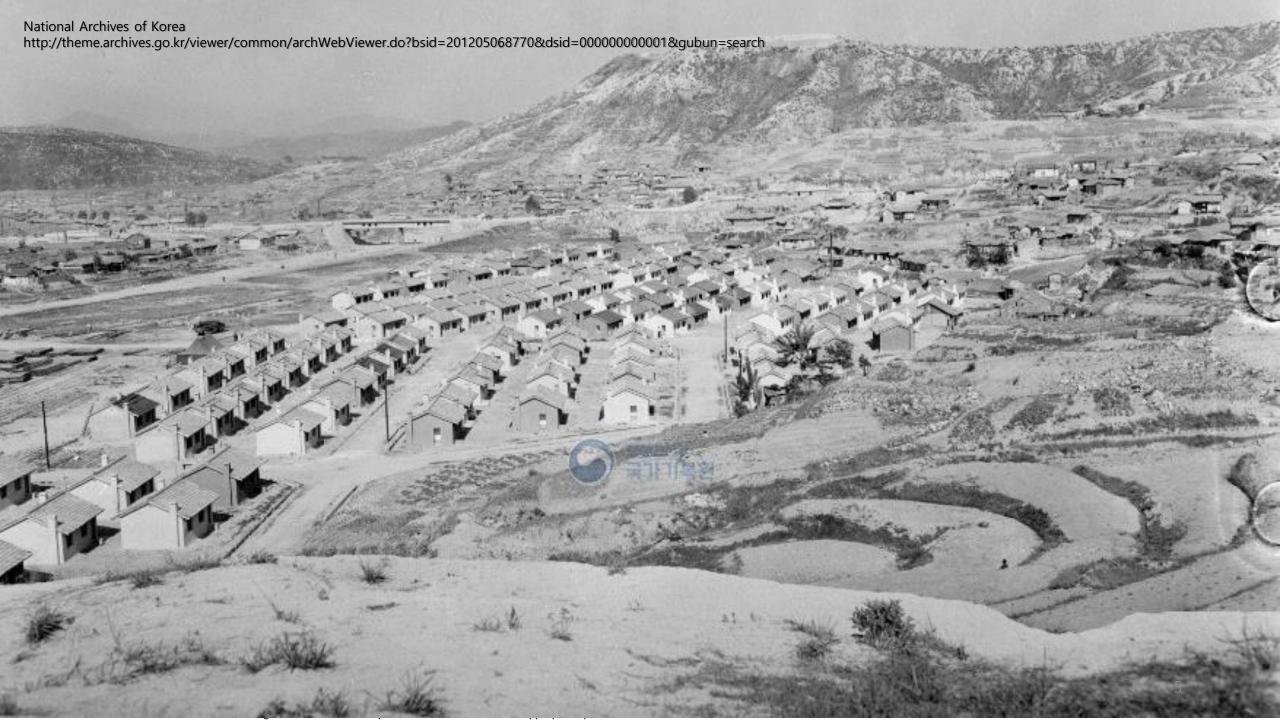
Dr. Tae Oh Kim
Nov. 09, 2022

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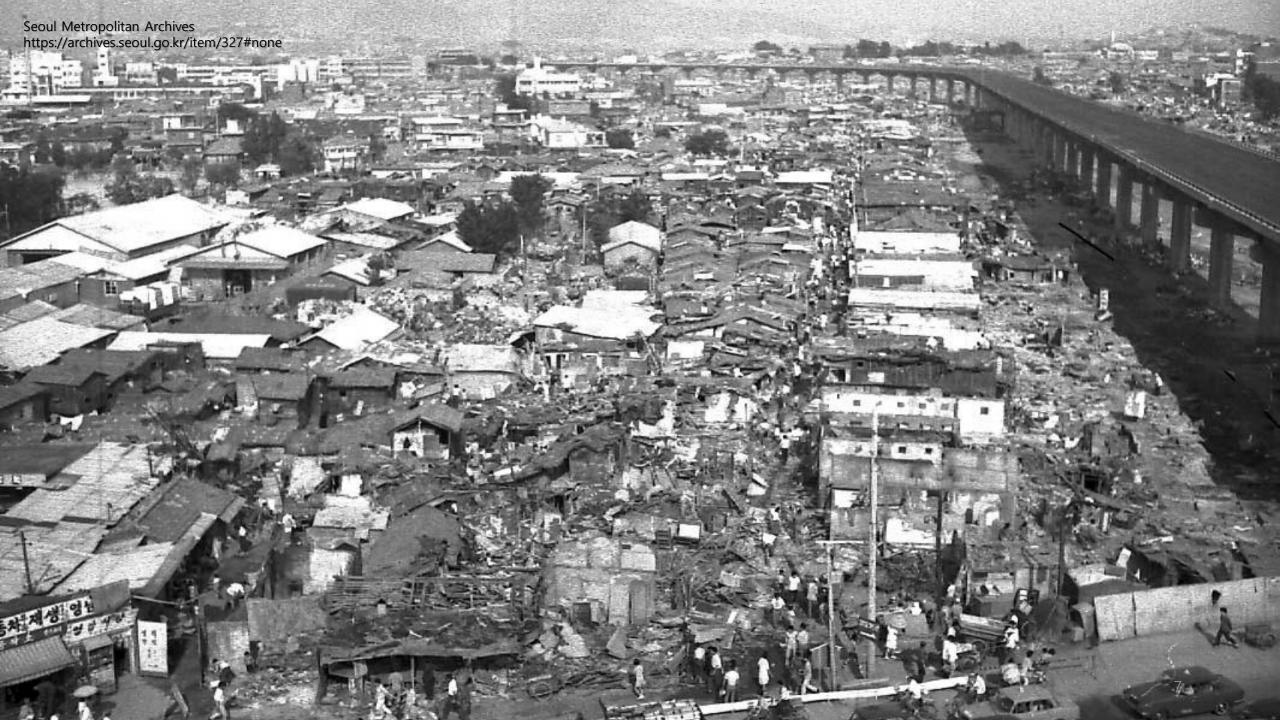
- I. Intro: Housing Shortage Problem
- II. Housing Finance System in Korea
- III. National Housing & Urban Fund (NHUF)
- **IV.** Conclusion

I Intro









MAJOR HOUSING POLICIES



PRICE-CEILING REGULATION (1977)

- The Korean government controlled the price of new houses so that houseless people could purchase new houses supplied by the public at low prices.
- The price-ceiling regulation was originally applied only to houses supplied by the public but has also been applied to new houses supplied by the private sector since 1978.

PRE-SALE SYSTEM (1977)

- Since the price-ceiling regulation is a method of supplying cheap housing by reducing the profits of private construction companies, it was necessary to create environments for construction companies to invest in the housing industry.
- To help construction companies secure funds, the Korean government enacted a pre-sale system that allows construction companies to secure funds in the informal financial sector.

HOUSING SUBSCRIPTION SAVINGS (1977)

- The Korean government predicted that housing demand would increase if conditions were created to supply new apartments at a lower price than the market price.
- The need to give priority to consumers' eligibility to purchase homes was raised, and the Korean government implemented the housing subscription savings system.

FUND RAISING by USING HOUSING SUBSCRIPTION SAVINGS (1981)

- In order to prioritize housing supply, the "Rules on Priority Supply of National Housing" were enacted and implemented in 1977, creating more funds than expected.
- Accordingly, the Korean government revised the Housing Construction Promotion Act (1981) and decided to use this fund as a financial resource for the National Housing Fund.

SUMMARY

Price Control for housing for non-homeowners who cannot afford a home

- PRICE-CEILING REGULATION (1977)

Supply of Affordable (Low Price Housing)

Institutional support for housing construction companies that suffered losses due to the price-ceiling regulation

- PRE-SALE SYSTEM (1977)

Informal Financing

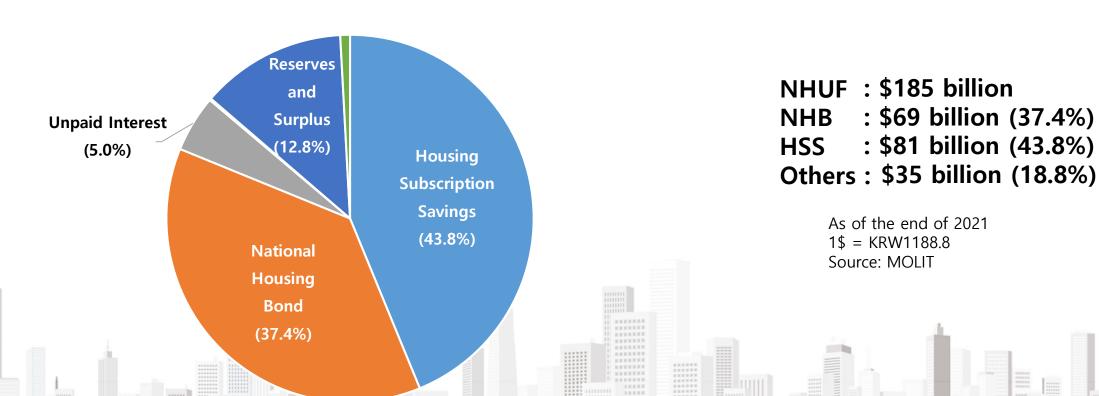
Implementation of a system that specifies the selection criteria to give priority to eligible affordable home buyers

- HOUSING SUBCRIPTION SAVINGS SYSTEM (1977) AND NATIONAL HOUSING FUND (1981)

Utilizing HSS as a Financial Resource for National Housing Fund

FINANCIAL RESOURCES

Major financial resources of NHUF are the National Housing Bond and the Housing Subscription Savings, taking up 82% of the total amount.



NATIONAL HOUSING BOND

National Housing Bond imposes obligation to buy the bond on particular cases. Some of the profit from the development can be utilized for the housing supply.

Who are obliged to buy

- Who receive license, permission, etc.
 from the government or municipalities
- Who apply for registration
- Who conclude construction contract with the government, municipalities, public organizations.

Instrument structure

- Issuer : Government (since 1973)
- Issuance form : unregistered security
- Issuance method : face value issuance
- Redemption period : 5 years
- Issuance interest rate : 2.00% APR

Issued amount

- 1985 KRW341.7 B (=\$0.4 B)
- 2021 KRW18,804.5 B (=\$15.8 B)

Effect

- Amount of issued bond is used as financial resources for NHUF
- Use some of development profit
 - → Redistribution of wealth

Park, 2018

HOUSING SUBSCRIPTION SAVINGS

Housing Subscription Savings secures the financial resources with people's saving and rationally allocate.

Introduction backdrop

- Excess demand for housing
- Lack of sufficient funding resources
- → Fund raising from home buyers (1977)

Main contents

 Potential buyers who join HSS and make payments for a certain period will receive the priority when buying a house

Instrument structure

- Qualification : Individual or foreign resident
- Agreed interest rate : 1.0%~1.8% APR
- Saved amount : ₩20,000 ~ 500,000/ month
- Contract period : until to be selected

No. of subscribers

- 1997 2,267,000 people
- 2021 28,371,714 people

Effect

- Use HSS savings as the financial resources for NHUF
- Give priority to be selected in buying a new house → Secure fairness in selecting buyers

Park, 2018

ROLES & EXPECTED BENEFITS OF NHUF

HOUSING ACCOUNT

- Funding to housing construction companies for the construction of public housing
- Funding to individual consumers who wish to purchase or rent a house

URBAN ACCOUNT

- Funding for infrastructure construction
- Funding for urban regeneration projects

EXPECTED BENEFIT

Public Housing Supply, Upgrading Residential Environment, Revitalization of Urban Regeneration Projects

THE ACHIEVEMENT OF NHUF : HOUSING STOCK

Since NHUF was launched, housing stock has been increased, financial burden on non-homeowners has been reduced, and housing quality has been improved.

- Expanded Housing Stock

Years	1981~2017
Newly Constructed Houses(A)	16,487
Housing Supported by NHUF(NHF) (B)	5,341
B/A (%)	32.4

Housing supply ratio(%)			
1980	2008		
74.4	100.7		

ark. 2018

THE ACHIEVEMENT OF NHUF : HOUSING QUALITY

Since NHUF was launched, housing stock has been increased, financial burden on non-homeowners has been reduced, and housing quality has been improved.

- Improved Housing Quality for low income families

Crit	eria	2006	2020
Residential space per person	Low Income Class (0~40%)	30.6 m²	39.5 m²
	Mid Income Class (50~80%)	22.2 m²	30.3 m²
	High Income Class (90~100%)	24.3 m²	29.7 m²

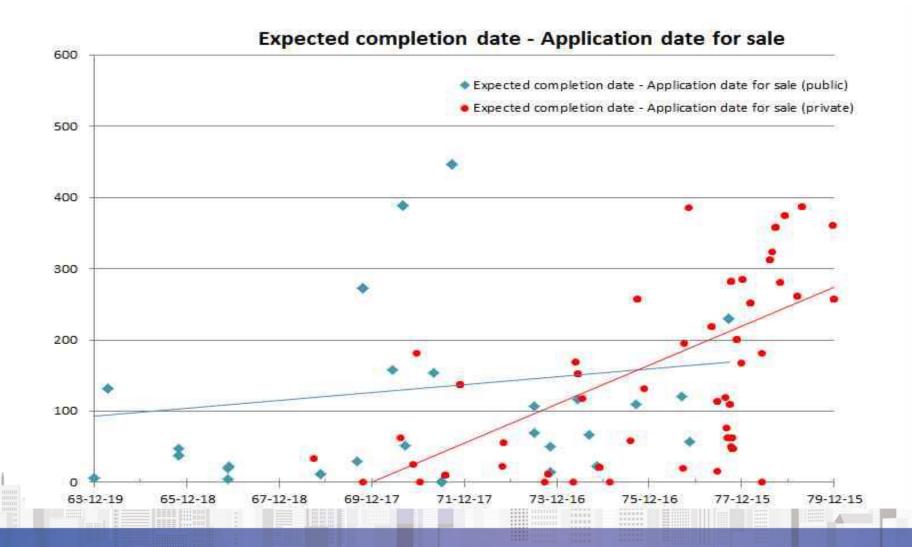
10LIT, 2020

https://www.index.go.kr/potal/stts/idxMain/selectPoSttsIdxSearch.do?idx_cd=4257&stts_cd=425701

IV Conclusion

IV. Conclusion

IMPLICATION : HISTORICAL BACKGROUND

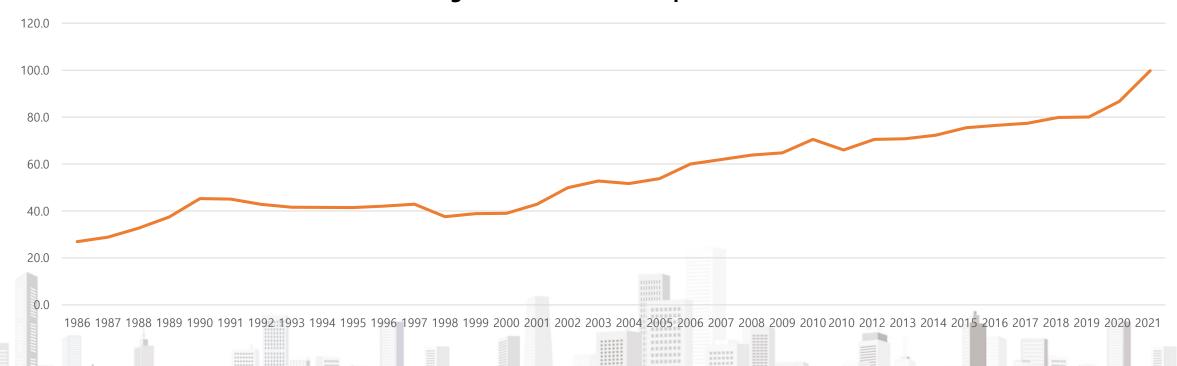


Shin (2020)

IV. Conclusion

IMPLICATION : A RISE IN HOUSING PRICES

Housing Purchase Price Composite Indices



https://data.kbland.kr/kbstats/wmh?tldx=HT01&tsldx=weekAptSalePriceInx

IV. Conclusion

IMPLICATION : GLOBAL NETWORK



Thank You