

**For information**

On 7 January 2002

**Legislative Council Panel on Housing  
Information paper on relief measures for flat owners or loan  
recipients of projects administered by  
the Hong Kong Housing Society**

**Purpose**

This paper sets out the Administration's response to the issues raised by Members with regard to relief measures for flat owners or loan recipients of projects administered by the Hong Kong Housing Society (the Housing Society), at the meeting of the Legislative Council Panel on Housing on 3 December 2001.

**Setting up a secondary market for SCHS flats**

2. At the meeting of the Panel on Housing on 3 December 2001, Members suggested the setting up of a secondary market for Sandwich Class Housing Scheme (SCHS) flats. The Administration has an open mind towards the proposal but will need time to study the feasibility and work out the details for setting up a secondary market scheme, including the target group, impact on existing secondary market of subsidized housing, proper use of subsidized housing resources, legal consideration, administrative arrangement and double subsidy etc..

**Requesting other financial institutions to offer low-interest loans to SCHS flat owners**

3. Members have requested the Administration to approach financial institutions to offer low-interest loans to SCHS flat owners. According to the Hong Kong Monetary Authority (HKMA), some banks which have been active in providing mortgage loans to SCHS flat owners have approved applications from some SCHS flat owners for restructuring their first mortgage loans at lower interest rates. It is,

however, the business decision of individual banks to decide the interest rates charged on mortgage loans made to different mortgagors based on their repayment ability, affordability and the market trend. Some banks have set up centralized units and hot-lines to handle applications for restructuring of mortgage loans in negative equity, including those made to SCHS flat owners. The HKMA has also urged the Hong Kong Association of Banks and the Deposit-taking Companies Association to encourage their members to make similar arrangements with a view to facilitating the handling of such applications. These measures should help to alleviate repayment difficulties of property owners in negative equity, including SCHS flat owners.

#### Suspension period for repayment of Home Starter Loan

4. One of the proposed relief measures is to allow eligible loan recipients of Home Starter Loan Scheme (HSLs) to suspend loan repayment for 12 months with the deferral period not exceeding the original loan repayment period of 13 years. There are requests for extending the repayment period from 13 years to 14 years correspondingly. This proposed relief measure is intended to alleviate short term genuine financial hardship encountered by HSLs loan recipients. It is considered unlikely that loan recipients suffering from temporary financial hardship will not regain the ability to repay the outstanding loan within the remaining repayment period. Also, allowing loan recipients to suspend repayment for 12 months while maintaining the repayment period at 13 years has already involved further subsidy to the loan recipients because of low interest rate charged on the deferred repayment loans. It is estimated that the net present value of interest forgone, discounted at the average no-gain-no-loss interest rate for each \$600,000 HSLs loan will rise from \$162,000 to \$169,000 over a 13 year repayment period with 12-month suspension. Extending the repayment period to 14 years will entail further subsidy. In this connection, the Administration considers that any request for extension beyond the original repayment period of 13 years has to be considered on an individual basis.

## Extension of relief measures to Sandwich Class Housing Loan Scheme loan recipients

5. To alleviate possible financial hardship encountered by some beneficiaries of Sandwich Class Housing Loan Scheme (SCHLS) in repayment of Sandwich Class Housing loans, we propose to extend the proposed relief measures to cover SCHLS loan recipients as set out in paragraphs 7 and 8 of the information paper on 'Relief measures for flat owners or loan recipients of projects administered by the Hong Kong Housing Society' (LC Paper No. CB(1) 429/01-02 (07)) submitted to the Panel on Housing at its meeting on 3 December 2001. To guard against any abuse of the proposed relief measures so that only those in genuine financial difficulty will be benefited, only applicants meeting the eligibility criteria stated in the Annex to the above paper can apply for the relief measures.

Housing Bureau  
Government Secretariat  
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