

**LEGISLATIVE COUNCIL PANEL
ON PLANNING, LANDS AND WORKS**

**Information Paper on
the Implementation of the
Comprehensive Building Safety Improvement Loan Scheme**

Background

In April 2001, the Finance Committee approved the merger of the Fire Safety Improvement Loan Scheme and the Building Safety Improvement Loan Scheme into a new loan scheme called the “Comprehensive Building Safety Improvement Loan Scheme” (also known as Building Safety Loan Scheme (BSLS)) with a commitment of \$700 million to provide loans to building owners who need financial assistance to improve the safety of their premises. The BSLS commenced operation in July 2001. This paper provides details on the implementation of the BSLS and its progress for Members’ reference.

The New Loan Scheme

(a) Scope and Loan Ceiling

2. In order to provide comprehensive assistance to building owners, the BSLS provides assistance to registered owners of private buildings who have to carry out all types of works to upgrade or improve the safety of their buildings or slopes, whether such works are carried out in response to statutory directions/orders or on a voluntary basis. Costs involved in appointing qualified building professionals and / or competent contractors to supervise and

carry out the necessary works are also covered.

3. We have also increased the maximum loan amount per owner for building / slope repair works from \$200,000 under the previous schemes to \$1 million. This enables building owners to carry out the majority of the works required for building / slope safety.

(b) Streamlined Application Procedures

4. Under the streamlined procedures for the new loan scheme, applicants need only to provide the basic and essential information in their loan applications. They are no longer required to show proof of ownership by providing Land Registry records. Instead, the Buildings Department will carry out the necessary land searches to verify that an applicant is the owner of the property requiring repair work.

5. Applicants of interest-bearing loans do not need to go through any means tests. Applicants in the low income category applying for interest-free loans are only required to make a declaration under the Oaths and Declarations Ordinance to affirm the amount of income and assets declared in their application.

6. For the aged or infirm who need special assistance, staff from the Buildings Department or the Home Affairs Department would attend upon the applicant to arrange for the signing of the loan agreement.

(c) Vetting of Applications

7. An advisory committee has been set up to advise the Director of Buildings in the administration of the BSLS. The committee comprises representatives of various Government bureaux/departments, District

Councillors, chairmen of owners' corporation (OC), private building professionals, accountants and a social worker. To speed up the processing of loan applications, applications for loans up to \$50,000 and all loan applications to finance the removal of unauthorized building works are processed by a designated officer of the Buildings Department. For loans of \$50,000 or above, they are scrutinized by two vetting committees. These committees comprise technical experts of relevant Government departments, District Councillors and private building professionals. The Buildings Department will complete the vetting of an application and notify the applicant of the result within two weeks for the removal of unauthorized building works and within three weeks for all repair works, upon submission of all the required supporting documents.

(d) Security Requirements

8. For loans below \$50,000, no security is required. For loans of \$50,000 or above, security is required in one of the following forms :

- (a) for loans between \$50,000 and \$150,000 : applicants are required to complete a deed of indemnity, which takes the form of a personal guarantee by a relative or friend of the borrower acting as the indemnifier. No cost is incurred by the applicant in the provision of the deed of indemnity;
- (b) for loans between \$150,001 and \$250,000 : applicants are required to complete a deed of indemnity similar to the one described in (a) above, and the Buildings Department will assess the borrower's repayment ability; or
- (c) for loans over \$250,000 : applicants are required to execute a legal charge registered against the title of a property in Hong Kong or to obtain a letter of guarantee issued by a restricted licence bank/licensed bank in Hong Kong.

In addition, special arrangements apply to aged applicants suffering financial

hardship. (Please see para. 10 below.) They are required to provide security by execution of a legal charge registered against the title of the property to which the loan relates.

(e) Release of Loan

9. Approved loans are released in stages with reference to the proposed work schedule and actual progress of works. An approved loan is released by direct credit to an account designated by the applicant. Where repair works in the common parts of a building are concerned, the applicant would normally opt for loans to be paid into the designated account of the OC of the building concerned, or, where an OC does not exist, a designated account of the Authorized Person appointed for the project so as to facilitate funding assembly for payment to the contractor for works. Officers in the Buildings Department and other relevant departments, viz Fire Services Department, Electrical and Mechanical Services Department, Civil Engineering Department or Water Supplies Department, will conduct audit inspections to ensure that the required works are carried out according to the planned schedule and that the loans are used for the intended purposes.

(f) Repayment of Loans

10. Borrowers will repay the principal and interest of their loans in up to 36 equal monthly installments, which is due one month after the final draw-down of the loan. For borrowers who have financial difficulty and hence cannot continue repayment in the course of the 36-month repayment period, they may apply to defer repayment for a six-month period, on the condition that the entire repayment period does not exceed 72 months. Borrowers granted interest-free loans may also apply to repay their loans in 72 equal monthly installments. For successful applicants aged 60 or above of interest-free loans who have demonstrated financial difficulty to repay one month after the final

draw-down of the loan, the Director of Buildings may extend the repayment of loan for an unspecified period until the transfer of the property or death of the applicant, whichever is the earlier, with appropriate security arrangements. (Please see para. 8.)

(g) Review of Unsuccessful Applications

11. An applicant dissatisfied with the outcome of his / her application may apply in writing to the Director of Buildings for an administrative review of his application.

Publicity

12. We have publicized the BSLS through the following means:
- a) special television mini-programmes and radio Announcements in the Public Interest (APIs);
 - b) advertisements on bus body (on two cross-harbour tunnel routes) and bus shelter advertising;
 - c) seminars and briefings to OCs, building management professionals and welfare workers;
 - d) distribution of pamphlets on the BSLS to owners in receipt of advisory letters/orders requiring building repair/improvement works; and
 - e) distribution/display of publicity pamphlets at branches of major banks.

We will continue our publicity efforts.

Progress

13. Since the implementation of the new scheme in July 2001, the Buildings Department has, up to March 2002, received 1,450 applications,

approved 1,359 applications with loans amounting to \$46.5 million. These amount to an average of:

- a) 181 applications received per month, representing 6 times the number under the previous schemes;
- b) 170 applications approved per month, representing 7 times the number under the previous schemes; and
- c) \$5.8 million of loans approved per month, representing 8 times the monthly average under the previous schemes.

Planning and Lands Bureau

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