

**立法會**  
**Legislative Council**

LC Paper No. CB(1) 1798/02-03

(These minutes have been seen  
by the Administration)

Ref : CB1/PL/HG/1

**Panel on Housing**

**Minutes of meeting held on  
Monday, 5 May 2003, at 2:30 pm  
in the Chamber of the Legislative Council Building**

**Members present** : Hon CHAN Kam-lam, JP (Chairman)  
Hon Albert HO Chun-yan (Deputy Chairman)  
Dr Hon David CHU Yu-lin, JP  
Hon LEE Cheuk-yan  
Hon Fred LI Wah-ming, JP  
Hon NG Leung-sing, JP  
Hon James TO Kun-sun  
Hon LEUNG Yiu-chung  
Hon SIN Chung-kai  
Hon Andrew WONG Wang-fat, JP  
Hon Howard YOUNG, JP  
Dr Hon YEUNG Sum  
Hon SZETO Wah  
Hon Tommy CHEUNG Yu-yan, JP  
Hon Albert CHAN Wai-yip  
Hon WONG Sing-chi  
Hon IP Kwok-him, JP

**Members absent** : Hon CHAN Yuen-han, JP  
Hon Abraham SHEK Lai-him, JP  
Dr Hon LO Wing-lok  
Hon Frederick FUNG Kin-kee  
Hon LAU Ping-cheung

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- Public officers attending** : **For item IV**  
Housing Department  
Mr K C YAU  
Senior Administrative Officer (Private Housing)  
The Hong Kong Mortgage Corporation Limited  
Mr S T Peter PANG, JP  
Chief Executive Officer  
Mr Kenny FOK  
Senior Vice President (Operations)  
Hong Kong Housing Society  
Ms L C WONG  
Executive Director  
Mr Ambrose LAM  
Director (Corporate Planning & Finance)
- Attendance by invitation** : **For item IV**  
The Sandwich-Class Housing Association  
Mr LAY Yan-piau  
Spokesman  
Ms CHEUNG Yan-yan  
Member
- Clerk in attendance** : Miss Becky YU  
Chief Assistant Secretary (1)1
- Staff in attendance** : Ms Cindy CHENG  
Senior Assistant Secretary (1)4  
Miss Mandy POON  
Legislative Assistant 4
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**I. Confirmation of minutes**

- (LC Paper No. CB(1) 1492/02-03 — Minutes of the meeting held on 18 March 2003  
LC Paper No. CB(1) 1549/02-03 — Minutes of the meeting held on 7 April 2003)

The minutes of the meetings held on 18 March 2003 and 7 April 2003 were confirmed.

**II. Information paper issued since last meeting**

2. Members noted the following information paper which had been issued since last meeting -

- LC Paper No. CB(1) 1493/02-03 — An updated information note provided by the Administration regarding the Qualification for registration as Registered Professional Housing Managers under the Housing Managers Registration Ordinance (Cap. 550)

**III. Items for discussion at the next meeting**

- (LC Paper No. CB(1) 1550/02-03(01) — List of follow-up actions  
LC Paper No. CB(1) 1550/02-03(02) — List of outstanding items for discussion)

3. As members had no particular discussion items for the next regular meeting on Monday, 2 June 2003, at 2:30 pm, the Chairman said that they could contact the Clerk later if they had any proposed items for discussion.

4. The Chairman reminded members of the joint meeting with the Planning, Lands and Works scheduled for Friday, 16 May 2003, at 8:30 am to discuss the design of sewerage system of residential buildings in Hong Kong.

**IV. Measures to relieve the financial hardship of owners under the Sandwich Class Housing Scheme**

5. Before commencing discussion, the Chairman and Mr SIN Chung-kai declared interest as directors of the Hong Kong Mortgage Corporation (HKMC).

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Meeting with the Sandwich-Class Housing Association

(LC Paper No. CB(1) 1550/02-03(03) — Submission from the Association (Chinese version only))

6. Mr LAY Yan-piau highlighted the salient points in the submission from the Sandwich-Class Housing Association (SCHA) tabled at the meeting. SCHA expressed disappointment that the Hong Kong Housing Society (HS) had sold most of the top-up loans under the Sandwich Class Housing Scheme (SCHS) to HKMC when discussion on debt restructuring between HS and the loan recipients was still underway. While welcoming the measures which HKMC put forward in helping loan recipients in financial difficulties, SCHA considered that it should apprise the loan recipients of the details of debt restructuring, including the eligibility criteria, successful rate and impact of interest payment. HKMC should also adopt a sympathetic approach in approving applications for loan restructuring. As a long-term relief measure, SCHA proposed that the mortgage rate of the top-up loans be capped at 5%. The proposed mortgage rate was already higher than that of 3.5% under the Home Starter Loan Scheme. SCHA believed that the proposal would not affect the credit ratings nor depart from the prudent commercial principles of HKMC given the expected interest return of about \$1.15 billion over the 15 years of repayment period.

*(Post-meeting note: The submission was subsequently circulated to members vide LC Paper No. CB(1) 1615/02-03.)*

Meeting with the Hong Kong Housing Society

(LC Paper No. CB(1) 1550/02-03(04) — Paper provided by the Hong Kong Housing Society)

7. The Executive Director/Hong Kong Housing Society (ED/HS) said that the sale of most of the top-up loans to HKMC was aimed at enabling HS to release more capital resources to fund further mortgage loans and to undertake other new housing initiatives. She stressed that the sale had no impact on the borrowers as the terms and conditions of the loan remained unchanged. For hardship cases, HS agreed that these should be treated sympathetically on a case-by-case basis for rescheduling of repayment arrangements. This would be a fair way to take care of individuals under different financial circumstances and with different repayment ability.

Meeting with the Hong Kong Mortgage Corporation

(LC Paper No. CB(1) 1550/02-03(05) — Paper provided by the Hong Kong Mortgage Corporation)

8. The Chief Executive Officer/HKMC (CEO/HKMC) said that HKMC adopted a sympathetic and pragmatic approach in assisting mortgage borrowers in genuine financial hardship through arranging debt restructuring on a case-by-case basis. This approach, which was in line with prudent commercial principles, applied to all mortgage loans, including those top-up loans acquired from HS, under HKMC's current retained mortgage portfolio of HK\$28 billion.

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9. With the consent of the Chairman, CEO/HKMC took the opportunity to respond to some of the points raised by SCHA. He assured members that HKMC would provide a high level of transparency of the application procedures for debt restructuring. To this end, HKMC had taken the initiative of instructing its agent bank, Standard Chartered Bank, to set up a telephone hotline to handle enquiries. There was currently no track record of the successful rate as HKMC would start receiving applications the month before the expiry of the five-year interest free repayment holiday and the expiry date for the first batch of top-up loans was September 2003. He reiterated that HKMC would adopt a sympathetic attitude and expected a high successful rate for applicants in genuine hardship. On the proposal of capping the mortgage rate of the top-up loans at 5%, CEO/HKMC said that this was not financially viable. He pointed out that as the mortgage rate of the top-up loans after repayment holiday was based on the best lending rate or prime rate, HKMC had to accordingly issue debt securities at floating rate to raise funds for the purchase of the loans so as to reduce the risk arising from mismatch of interest rates. In the event that a fixed mortgage rate were to be adopted, HKMC had to issue fixed rate debt securities which would entail an interest rate much higher than that of the proposed 5% for a period of 15 years. The interest incurred coupled with the administrative cost and reserve for bad debts would result in significant losses to the HKMC.

Meeting with the Administration,

10. The Senior Administrative Officer (Private Housing)/Housing Department remarked that the Administration hoped that in accordance with prudent operating principles and in line with the general practice of banks, both HS and HKMC would endeavour to help top-up loan recipients with genuine financial difficulties.

Discussion session

11. Given that the prevailing average interest rate for retail bonds of three years was already at 3.5%, Mr SIN Chung-kai reckoned that it would be difficult for HKMC to accede to SCHA's proposal of capping the mortgage rate of top-up loans at 5% for the repayment period of 15 years. He asked whether loan recipients would consider it feasible for mortgage rate being fixed for three years rolling over the repayment period. Mr LAY Yan-piau/SCHA said that the 5% fixed mortgage rate was only a proposal and SCHA would welcome any measures which would help reduce the financial hardship of loan recipients. He added that HS should be required to share any loss incurred to HKMC as a result of the implementation of relief measures.

12. Mr NG LEUNG-sing agreed that concerted effort was necessary to map out practicable measures to help loan recipients on the one hand and to reduce the risk of HKMC on the other. On the proposal for HKMC to provide mortgage loans at a fixed rate for three years, Mr NG enquired about the maximum funding that could be raised and the cost incurred if HKMC were to issue fixed rate debt securities to purchase these loans. Consideration should also be given to reviewing such a measure say

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every two years to take account of the changing circumstances. CEO/HKMC advised that demand for fixed rate debt securities was thin beyond maturity of five years and almost non-existent beyond 10 years. Arranging short-term fixed mortgage rate was unlikely to be useful for the borrowers as mortgage rate would be adjusted after the short fixed term.

13. Dr YEUNG Sum noted that most of the loan recipients were younger generation whose repayment ability had been deteriorating amid the economic downturn. The situation was further aggravated by the outbreak of atypical pneumonia. While they had no intention to rescind their mortgage contracts, they might have to do so unless assistance from HKMC could be secured. He enquired about the measures which HKMC would adopt to alleviate the financial hardship of loan recipients if the proposed fixed mortgage rate was considered not feasible. In reply, CEO/HKMC acknowledged that default on mortgage repayment was not in the best interests of borrowers and financial institutions such as banks and HKMC. Therefore, both parties adopted a sympathetic and co-operative approach with a view to working out debt restructuring arrangement that could help the borrowers to tie over their temporary financial hardship. This was reflected in the low rate of overdue mortgage repayment for over 90 days. In line with the general practice of banks, HKMC was prepared to consider requests for debt restructuring on a case-by-case basis in conjunction with the first mortgagee banks. Involvement of the first mortgagee bank was important as the bank loan was substantially larger than the top up loan. Full range of relief measures such as extension of loan tenor, allowing repayment of interest only or reduction in repayment amount for an agreed period of time might be offered taking into account the different repayment ability of loan recipients.

14. The Chairman enquired about the effect of the relief measures. CEO/HKMC explained that under the terms of the top-up loans, borrowers already enjoyed a five-year interest free payment holiday under which interest payments of over 35% of the value of the loan had been saved. Taking into account the savings in interest payments due to the repayment holiday, the effective mortgage rate was Prime minus 2.12%, which was lower than the prevailing mortgage rate for top-up loans of around Prime plus 2% in 1998/1999 and the current mortgage rate for negative equity loans that were covered under mortgage insurance arrangements (i.e. Prime minus 0.5% for loans above 130% loan-to-value ratio). It was expected that the monthly repayment amount would be further reduced by 26% to 32% in the event of extension of repayment period by 10 to 15 years respectively and by 47% as a result of allowing repayment of interest only for a specific period.

15. Dr YEUNG Sum expressed concern that HKMC might adopt the same stringent banks' practice in assessing applications for debt restructuring which was not beneficial to loan recipients. Expressing similar concern, Mr LEE Cheuk-yan said that the proposed debt restructuring only served as short-term solution, and that long-term measures such as an across-the-board reduction of the interest rate for the top-up loans would be required to alleviate the financial burden of loan recipients. Mr LAY Yan-piau/SCHA opined that debt restructuring and reduction of interest rate

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for the top-up loans should be offered to loan recipients in parallel. He hoped that HKMC would discuss with HS on the latter option. Mr NG Leung-sing however considered it unfair to allege that the banks and HKMC were being too harsh as they had to operate on prudent commercial principles. While assuring members that HKMC would endeavour to help borrowers with genuine financial difficulties, CEO/HKMC pointed out that the situation was not unique to SCHS owners, and that it would be at variance with prudent commercial principles for HKMC to grant adjustments to a particular category of borrowers without regard to their actual financial circumstances or repayment ability.

16. Mr Albert CHAN urged HKMC to adopt a lenient approach in assessing applications for debt restructuring from top-up loan recipients. Consideration should also be given to approving applications in principle to expedite the process. To enhance transparency, HKMC should clearly explain to the borrowers the criteria for debt restructuring and the effect of various debt restructuring arrangements on interest repayment. CEO/HKMC explained that HKMC would process applications from loan recipients starting from June 2003. It would take two to three weeks to process an application which would be assessed taking into account the repayment history and financial situation of individual borrowers. He confirmed that the application form would specify the impact of debt restructuring on interest repayment. In response to the Chairman, CEO/HKMC confirmed that loan recipients were allowed to re-apply for debt restructuring if their financial situation continued to deteriorate.

17. Mr Albert CHAN asked if HS would consider rehousing those loan recipients who had rescinded their mortgage contracts to public rental housing flats so that they would not be rendered homeless. ED/HKHS said that HS adopted a sympathetic and flexible approach to rehouse loan recipients with genuine financial hardship to Group B rental housing flats. Consideration was being given to adjusting the existing policy so that Group A rental housing flats, which would only be allocated to applicants on the Waiting List maintained by the Housing Authority, to loan recipients as well.

**V. Review of the policy on single-operator markets**

(LC Paper No. CB(1) 1550/02-03(06) — Paper provided by the Administration)

18. As representatives of the Administration did not turn up for the meeting, the Chairman instructed that discussion of the item be deferred to the next meeting. Members suggested and the Chairman agreed to bring the matter to the House Committee.

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**VI. Any other business**

19. There being no other business, the meeting ended at 3:40 pm.

Council Business Division 1  
Legislative Council Secretariat  
29 May 2003