



中華人民共和國香港特別行政區政府總部教育局
Education Bureau
Government Secretariat, The Government of the Hong Kong Special Administrative Region
The People's Republic of China

本局檔號 Our Ref. : EDB(ADMS)SFAA/25/1/2(2)

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16 February 2009

Clerk to Panel on Education
Legislative Council Building
8 Jackson Road
Central
Hong Kong
(Attn.: Miss Odelia Leung)

Dear Miss Leung,

Meeting of the Panel on Education held on 9 February 2009
Follow-up action

At the meeting of the Panel on Education held on 9 February 2009, the Administration was requested to provide the following information concerning the non-means-tested loan schemes:

- (1) loan recovery procedures;
- (2) analysis on outstanding loan instalments; and
- (3) background of the defaulters.

The information requested is set out in the ensuing paragraphs for Members' reference.

Loan recovery procedures

In accordance with the terms and conditions of the non-means-tested loan schemes, loan borrowers are required to repay their loans in 40 quarterly instalments within ten years upon completion or termination of their studies.

Before the loan repayment is activated, the Student Financial Assistance Agency (SFAA) will issue a notice of commencement of loan

repayment to loan borrowers enclosing the information notes on repayment of student loans, and a leaflet reminding loan borrowers to be prudent in financial management and to make repayment on time. We appreciate that individual loan borrowers may encounter difficulties in repaying their loans and have therefore put in place an effective mechanism for handling such problems. If individual loan borrowers are unable to repay their loans on grounds of financial hardship, further studies or serious illness, they may apply to SFAA for assistance. SFAA will, on the basis of individual merits, approve deferment of loan repayment or temporary adjustment of the quarterly repayment amount. In the notice of commencement of loan repayment, we have reminded loan borrowers to approach SFAA for assistance if they have difficulty in repayment.

Subsequent to the issue of the notice of commencement of loan repayment, SFAA will issue loan repayment demand note to the loan borrowers on a quarterly basis. If a loan borrower fails to settle the demand note by the due date, SFAA will issue a reminder advising him to settle the overdue instalment immediately. In the reminder, the loan borrower has also been advised that SFAA will request his indemnifier to settle the loan for him if the overdue instalment remains unsettled.

When the loan borrower fails to repay two or more consecutive quarterly instalments, SFAA will issue a final notice of loan repayment to the loan borrower requesting him to settle all overdue loan instalments within 14 days. In this notice, the loan borrower is again advised to approach SFAA for assistance if he has difficulty in repaying the loan. A copy of the final notice will be sent to the indemnifier concerned.

If no payment or response from the loan borrower has been received by SFAA after the 14-day period, SFAA will write to request the indemnifier to indemnify the Government against the loss arising from the loan concerned, in accordance with the Deed of Indemnity. If the indemnifier fails to do so, SFAA will arrange to refer the case to the Department of Justice for recovery action.

When the loan borrower and his indemnifier still fail to repay the loan after the specified due date and have not approached SFAA to apply for deferment of loan repayment or discuss with it on possible loan repayment arrangements, SFAA will arrange to refer the case to DoJ to recover the loan from the loan borrower and indemnifier through legal action.

Analysis of outstanding loan instalments

The number of outstanding repayment exceeding 12 quarterly

instalments (i.e. over 3 years) under the non-means-tested loan schemes has increased from 440 cases in the 2005/06 academic year to 2 122 cases in the 2007/08 academic years, and the number of cases with longer default periods has been increasing. The information on the overall number of outstanding loan instalments for the past 3 academic years is at Annex A.

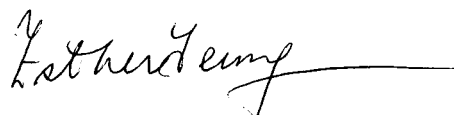
Background information on defaulters

As we have set out in LC Paper No. CB(2)771/08-09(03), SFAA categorizes loan borrowers who have failed to repay two or more consecutive quarterly instalments as defaulters. Nevertheless, SFAA appreciates that individual loan borrowers may have difficulties in repaying their loans. We have put in place an effective mechanism for handling such situations. If individual loan borrowers are unable to repay their loans owing to financial hardship, further studies or serious illness, they may apply to SFAA for assistance. SFAA will, on the basis of individual merits, approve deferment of loan repayment. **Loan borrowers who are allowed to defer loan repayment will not be classified as defaulters.**

In the 2007/08 academic year, SFAA has approved around 2 700 applications for deferment of loan repayment. The relevant statistics and breakdown by reasons are at Annex B.

SFAA does not take into account the applicants or their family members' occupation, wages or family background in processing applications for non-means-tested loans, and therefore does not have background information on defaulters. With the exception of loan borrowers who have approached SFAA to apply for deferment of loan repayment, most of the defaulters have disregarded notices of loan repayment and reminders issued by SFAA. Neither have they approached SFAA to resolve their outstanding loans, to disclose their reasons for default or to seek assistance. We are therefore unable to ascertain the reasons underlying the default loan repayments.

Yours sincerely,



(Ms Esther Leung)
for Secretary for Education

Annex A**Number of outstanding loan instalments**

Number of instalments	2 - 4	5 - 8	9 - 12	13 - 16	17 - 20	Over 20	Total
2005/06 academic year							
Total number of defaulting accounts	4 552	1 904	946	352	44	44	7 842
Amount involved (\$ million)	219	85	42	16	3	2	367
2006/07 academic year							
Total number of defaulting accounts	4 527	2 690	1 488	845	149	61	9 760
Amount involved (\$ million)	207	131	67	39	8	3	455
2007/08 academic year							
Total number of defaulting accounts	4 499	2 384	1 985	1 411	620	91	10 990
Amount involved (\$ million)	213	122	100	65	28	4	532

Annex B

Cases of deferment of loan repayment and reasons (2007/08 academic year)

Reasons	Number of cases
NLS	
Approved cases of deferment of loan repayment	523
Financial hardship	230
Further studies	288
Illness	5
NLSPS	
Approved cases of deferment of loan repayment	1 182
Financial hardship	367
Further studies	811
Illness	4
ENLS	
Approved cases of deferment of loan repayment	981
Financial hardship	497
Further studies	480
Illness	4

Notes:

- NLS – Non-means-tested Loan Scheme
NLSPS – Non-means-tested Loan Scheme for Post-secondary Students
ENLS – Extended Non-means-tested Loan Scheme