



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

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17 March 2010

Hon Cyd HO Sau-lan
Chairman
Legislative Council Panel on Education
Legislative Council Secretariat
Legislative Council Building
8 Jackson Road
Central, Hong Kong

Dear Hon Ho,

**Review of Non-means-tested Loan Schemes
administered by Student Financial Assistance Agency**

I write to inform you that the Government has just launched Phase 1 of the review on the non-means-tested loan schemes administered by the Student Financial Assistance Agency (SFAA) for students pursuing post-secondary and continuing education. Phase 1 seeks primarily to gauge public views on how best to improve the operation of the schemes.

The Chief Executive announced in the 2009-10 Policy Agenda in October 2009 that the Government would conduct a review on the operation of the non-means-tested loan schemes, with a view to ensuring that -

- reasonable financial support is provided for students pursuing post-secondary and continuing education;
- effective measures are in place to reduce the loan default rate; and
- there is proper use of public resources.

The non-means-tested loan scheme was first introduced in 1998/99 academic year and has been in operation for more than 10 years. In recent years, the number of students assisted and the amount of loans disbursed have been increasing. At the same time, the interest rate and repayment arrangements, the increasing default rate and other operational problems such as the quality of eligible courses and alleged fraud cases of student loans have aroused wide public attention. We consider it now opportune time to review the operation of the scheme.

The review would cover the scope, eligibility criteria, application procedures, interest rate, repayment arrangements, as well as measures to address the default situation. In particular, we would like to tap public views on the following five key issues -


- (i) Should there be any restrictions on the loan amount, loan coverage (tuition fees only, with or without academic expenses and living expenses) and number of courses for which loans may be applied under the loan schemes?
- (ii) Should there be any additional eligibility criteria on the courses under the schemes, especially the Extended Non-means-tested Loan Scheme, which covers an extensive range of continuing education courses?
- (iii) Should we make any changes to the interest rate arrangements, such as whether there should be a standard risk-adjusted factor of 1.5% for all the three loan schemes?
- (iv) Should we make any changes to the repayment terms and conditions, including the repayment period and deferment arrangements?
- (v) Any more effective measures to reduce the default rate, such as extra interest concessions for early loan settlement, or sharing credit data of defaulters with a credit reference agency in clearly defined circumstances?

The first phase of the review will run for three months from 15 March 2010 to 15 June 2010. We will carefully consider the views and suggestions received from the public and stakeholders with a view to drawing up recommendations on how best to improve the schemes for further consultation with the public during the second phase of the review. We will report the views and suggestions received to the Legislative Council Panel on Education and consult the Panel on our recommendations in due course.

I attach for your reference a feature article setting out the key information and issues of concern relating to the non-means-tested loan schemes which we have prepared for the purpose of seeking public views. We have posted the article on a dedicated website on the Education and Training Cluster of the GovHK portal (<http://www.gov.hk/en/residents/education/financialassistance/index.htm>) and the website of SFAA (<http://www.sfaa.gov.hk>).

We should like to invite you and other Panel Members to provide us views and comments on the loan schemes, if any, **on or before 15 June 2010**. You may contact Miss Kathy Chan, Assistant Secretary for Education at 3540 7427 if you have any questions.

Yours sincerely,



(Ms. Esther LEUNG)
Deputy Secretary for Education

Encl.

cc Controller, Student Financial Assistance Agency

Content Item

Review of Non-means-tested Loan Schemes

The Government is reviewing the operation of the Non-means-tested Loan Schemes for persons pursuing post-secondary and continuing education. You are invited to give your views. Check out here for the essential facts and information and how to send us your views and comments.

Article

Review of Non-means-tested Loan Schemes

The Government is now reviewing the operation of the Non-means-tested Loan Schemes administered by the Student Financial Assistance Agency (SFAA) for persons pursuing post-secondary and continuing education. You are invited to give your views on how to improve the operation of the schemes. Please send us your views on or before **15 June 2010** via post, fax or email.

[Your views](#)

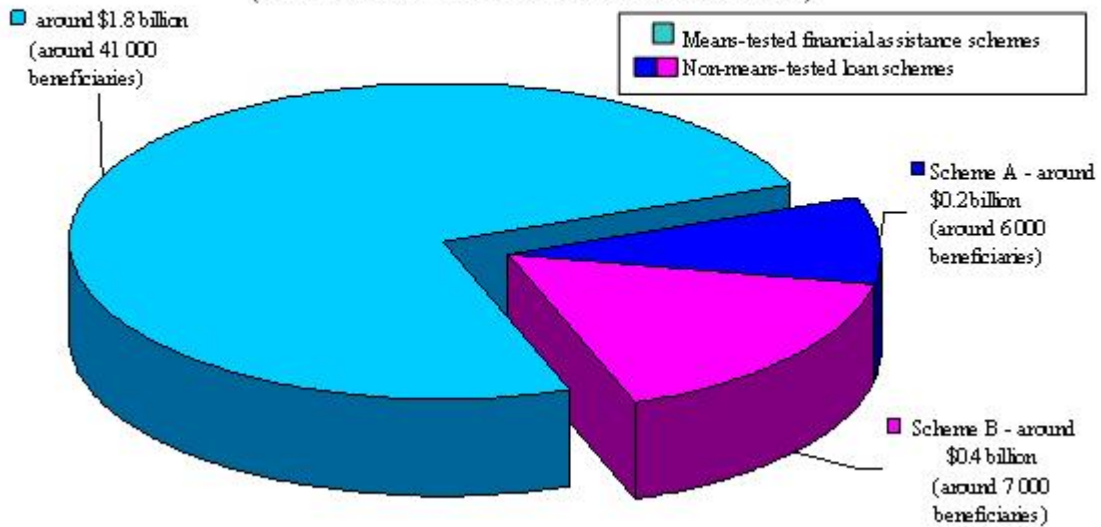
Education and student financial assistance

In 2009-10 financial year, Government's estimated recurrent expenditure on education exceeds \$53 billion, accounting for about 23% of Government's recurrent expenditure of the year. Of \$53 billion, about 25% (about \$13.5 billion) is for higher education.

To ensure that no student should be denied access to education due to lack of means, SFAA administers various student financial assistance schemes. As far as post-secondary education is concerned, SFAA administers two **means-tested financial assistance schemes** for full-time post-secondary students (i.e. Tertiary Student Finance Scheme – Publicly-funded Programmes and Financial Assistance Scheme for Post-secondary Students) to provide to eligible students non-repayable grants to meet tuition fees and academic expenses and low-interest loans to meet living expenses. In addition, SFAA administers **non-means-tested loan schemes** for these post-secondary students and other students pursuing continuing education. Eligible students **can apply for loans under these schemes regardless of their economic situation**.

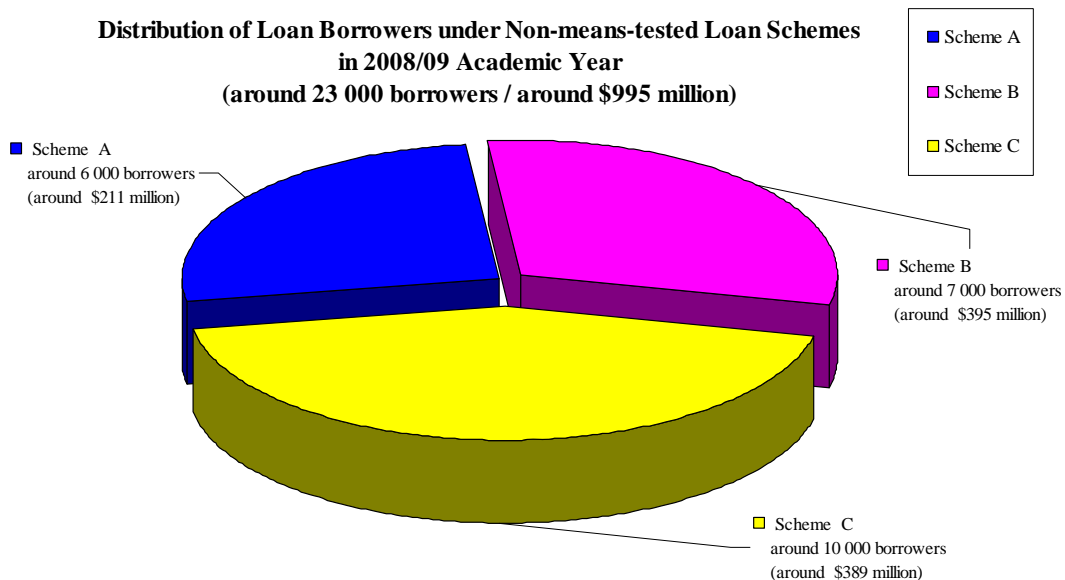
In 2008/09 academic year, there were around 136 000 full-time students pursuing publicly-funded or self-financing locally-accredited post-secondary programmes. Around 54 000 students (40%) received financial assistance, including around 41 000 students (30%) receiving means-tested grants and loans and around 13 000 students (10%) receiving non-means-tested loans. SFAA **disbursed financial assistance totalling around \$2.4 billion** to these students, including around \$1.8 billion of means-tested grants and loans and around \$600 million of non-means-tested loans.

**Distribution of Financial Assistance Disbursed to Full-time Students
Pursuing Publicly-funded or Self-financing Locally-accredited
Post-secondary Programmes in 2008/09 Academic Year
(around \$2.4 billion/around 54 000 beneficiaries)**



Apart from these 13 000 full-time post-secondary students, there were another 10 000 students receiving non-means-tested loans to pursue part-time programmes and continuing education courses. In 2008/09 academic year, SFAA **disbursed around \$995 million of non-means-tested loans to these 23 000 students**. The number of loan recipients and the amount of loans disbursed under each of the three non-means-tested loan schemes are shown below -

**Distribution of Loan Borrowers under Non-means-tested Loan Schemes
in 2008/09 Academic Year
(around 23 000 borrowers / around \$995 million)**



- Scheme A - [Non-means-tested Loan Scheme for Full-time Tertiary Students](#) – for full-time tertiary students of publicly-funded programmes
- Scheme B - [Non-means-tested Loan Scheme for Post-secondary Students](#) – for full-time students aged 25 or below of self-financing locally-accredited

post-secondary programmes

- Scheme C - [Extended Non-means-tested Loan Scheme](#) – for students pursuing a **wide and diverse range of part-time programmes and continuing and professional education courses**

Objectives and scope of the review on non-means-tested loan schemes

The non-means-tested loan scheme was first introduced in 1998/99 academic year and has been in operation for more than 10 years. In recent years, the number of students assisted and the amount of loans disbursed has been increasing. At the same time, the interest rate and repayment arrangements, the increasing default rate and other operational problems such as the quality of eligible courses and alleged fraud cases of student loans have aroused wide public attention. We consider it now opportune time to review the operation of the scheme.

The Chief Executive announced in the 2009-10 Policy Agenda that the Government would conduct a review on the operation of the non-means-tested loan schemes, with a view to ensuring that:

- **reasonable financial support is provided for students pursuing post-secondary and continuing education;**
- **effective measures are in place to reduce the loan default rate; and**
- **there is proper use of public resources.**

The review would cover the scope, eligibility criteria, application procedures, interest rate, repayment arrangements, as well as measures to address the default situation.

Issues of concern

- ◆ As the three non-means-tested loan schemes cover a diverse range of courses (especially Scheme B and Scheme C, and courses under Scheme C are not required to be locally-accredited), and there are no limits on the total number of courses for which loans may be applied and the total amount of loans that may be borrowed across academic years, the number of loan recipients and the amount of loans disbursed have been increasing. In 2008/09 academic year, Scheme B and Scheme C accounted for about 75% loan borrowers and about 80% of loans disbursed. The highest total amount of loans borrowed by a graduate of the same academic year under Scheme B was over \$300,000, while that under Scheme C was over \$500,000.
- ◆ Many concern groups considered that the Government should review the interest mechanism (uniform interest rate across the three schemes, which includes a no-gain-no-loss rate and a 1.5% risk-adjusted factor) and repayment arrangements (loan repayment upon graduation and deferment of loan repayment arrangements) of the three non-means-tested loan schemes, with due regard to the affordability of loan borrowers.
- ◆ The default problem of the three non-means-tested loan schemes has become more serious – the default rate exceeded 15%. Scheme C accounted for more

than 70% of defaulters. The age of default has been increasing (about 40% had defaulted for two years or more). There is a tendency that defaulters would continue to default (about 80% of borrowers who had defaulted payment for 2-3 years as at end of 2006/07 academic year continued to default as at end of 2008/09 academic year). The schemes had an overall shortfall of about \$280 million, and cannot operate on a no-gain-no-loss basis.

For detailed information and statistics relating to the non-means-tested loan schemes, please click [here](#).

Key questions

The Government would like to hear your views. Specifically, we would like to have your views on the following key questions:

- (i) Should there be any **restrictions on the loan amount, loan coverage** (tuition fees, with or without academic expenses and living expenses) **and number of courses** for which loans may be applied under the loan schemes?
- (ii) Should there be any **additional criteria on the type and number of courses eligible** under the schemes, especially the Extended Non-means-tested Loan Scheme, which covers an extensive range of continuing education courses?
- (iii) Should we make any changes to the **interest rate arrangements**, such as whether there should be a standard risk-adjusted factor of 1.5% for all the three schemes?
- (iv) Should we make any changes to the **repayment terms and conditions**, including the repayment period and deferment arrangements?
- (v) Would you suggest any **more effective measures to reduce the default rate** apart from stepping up current administrative measures and legal recovery procedures, such as extra interest concessions for early loan settlement, or sharing credit data of defaulters with a credit reference agency in clearly defined circumstances?

Tell us

Please send your views^(note) to us via post, fax or email on or before **15 June 2010**.

By post:

NLS Review Team
 Non-means-tested Loan Scheme Section
 Student Financial Assistance Agency
 12/F Cheung Sha Wan Government Offices
 303 Cheung Sha Wan Road
 Kowloon

By fax: 2110 4716

By email: nlsreview@sfaa.gov.hk

Note: If you do not want your views to be published or wish to remain anonymous when your views are published, please state so clearly. Otherwise, they may be published in full in future.

Non-means-tested loan schemes

The non-means-tested loan scheme was first introduced in 1998/99 academic year to provide an alternative source of finance to those tertiary students who did not wish or failed to go through the means test as required under the financial assistance scheme concerned. Its ambit has been expanded over the years. At present, SFAA administers three non-means-tested loan schemes -

	Maximum loan amount receivable in 2009/10 academic year	Age limit on applicants
Scheme A	Tuition fees payable (max. \$42,100)	No
Scheme B	Tuition fees payable (no ceiling) + \$36,880 for living expenses + \$3,200 for academic expenses	Yes (25 years old or below)
Scheme C	Total tuition fees payable (no ceiling)	No

Scheme A - [Non-means-tested Loan Scheme for Full-time Tertiary Students](#) – for **full-time tertiary students of publicly-funded programmes**, i.e. students eligible for applying for means-tested assistance under [Tertiary Student Finance Scheme – Publicly-funded Programmes](#)

Scheme B - [Non-means-tested Loan Scheme for Post-secondary Students](#) – for **full-time students aged 25 or below of self-financing locally-accredited post-secondary programmes**, i.e. students eligible for applying for means-tested assistance under [Financial Assistance Scheme for Post-secondary Students](#)

Scheme C - [Extended Non-means-tested Loan Scheme](#) – for **students pursuing a wide and diverse range of part-time programmes and continuing and professional education courses**

Terms and conditions of a non-means-tested loan

Interest rate

Borrowers of non-means-tested loans do not need to go through any means test, and the loans are not secured. As such, to ensure the proper use of public funds, the non-means-tested loan schemes **operate on a no-gain-no-loss and full cost-recovery basis** to the Government, i.e. without any subsidy by taxpayers.

Interest is accrued once the loan is drawn down and **throughout the study period**.

The interest rate comprises a no-gain-no-loss rate and a **1.5% risk-adjusted factor (RAF)** that seeks to cover the Government's risk in disbursing unsecured loans (risk of defaulted payment). **The current interest rate is 3.599%**, which is far lower than that of unsecured loans in the market (ranging from **around 7% to around 40%** and the repayment period is normally 1 to 2 years).

Repayment period

The borrower has to **repay the loan in 40 equal quarterly instalments over 10 years** upon graduation or cessation of studies or lapse of six years upon first disbursement of the loan where appropriate. The **first repayment instalment** would normally be **due after 6 months from graduation or termination of studies**.

Loan amount and number of courses for which loans can be applied

Under **Scheme A or Scheme B**, an applicant **may only apply for loans in respect of one eligible course** in an academic year.

Under **Scheme C**, an applicant **may apply for loans for more than one eligible course** in an academic year. For example, in 2008/09 academic year, around 9% of loan borrowers obtained two or more loans. These included students pursuing programmes which were conducted on a credit or modular basis. They are required to submit separate loan applications for each semester. In addition, there were students obtaining more than one loan for pursuing more than one programme in the same academic year, with each borrowing loans totalling around \$90,000.

Under Scheme C, **there is no ceiling set for the loan amount obtainable in an academic year**. The total loan amount an applicant **may obtain** in an academic year **is the total tuition fees of the eligible courses pursued and for which loans are applied for**. For example, in 2008/09 academic year, a person borrowed **over \$600,000** for studying an Executive Business Administration Master Programme.

Eligible courses under Scheme C **are not required to be locally-accredited** or reimbursable courses of the Continuing Education Fund.

An applicant may apply for loans under more than one loan scheme for pursuing different courses. Each of the three non-means-tested loan schemes has **no limits on (i) the total number of courses for which loans may be borrowed; and (ii) the total amount of loans obtainable across academic years**. For example, a person had borrowed over \$300,000 in total to pursue eight different courses from diploma to degree levels over several academic years under Scheme C.

There is also no limit on the amount of loans that may be borrowed by a person under different loan schemes at any one time.

What if a borrower has difficulty repaying the loan?

If a borrower has difficulty in repaying on grounds of financial hardship, pursuing further full-time studies or serious illness, he or she may apply to SFAA for **deferment of repayment**. In 2008/09 academic year, **over 80% of deferment applications**

made under the three loan schemes **were approved**.

What if a borrower fails to repay the loan?

If a borrower **fails to repay two or more consecutive instalments** without making any deferment application, he or she would be considered to be a **defaulter**.

SFAA tackles default cases through **sending reminders** to the defaulters and their indemnifiers to urge them to repay the defaulted loans, and **proactively negotiating** with them so as to reach a new and mutually acceptable repayment schedule. Apart from being costly and lengthy, the process is far from satisfactory mainly because:

- SFAA usually has difficulty contacting the defaulters and their indemnifiers due to un-notified changes of address/contact number; or
- the defaulters fail to provide sufficient supporting documents for review or request to extend the repayment period beyond the approved limit.

If SFAA receives no response from or cannot reach agreement on a new repayment schedule with the defaulter and his/her indemnifier, SFAA would refer the case to the Department of Justice for **legal recovery action**.

Key facts and statistics

You may be interested in knowing the following key facts:

(i) Maximum loan amount receivable for 2009/10 academic year and age limit

	Maximum loan amount receivable	Age limit on applicants
Scheme A	Tuition fees payable (max. \$42,100)	No
Scheme B	Tuition fees payable (no ceiling) + \$36,880 for living expenses + \$3,200 for academic expenses	Yes (25 years old or below)
Scheme C	Total tuition fees payable (no ceiling)	No

(ii) Total amount of loans disbursed and number of loan recipients for 2008/09 academic year

	Total loan amount disbursed	Number of loan recipients
Scheme A	\$211 million	5 936 (7.4% of eligible student population)
Scheme B	\$395 million	6 855 (12.3% of eligible student population)
Scheme C	\$389 million	10 553
Total	\$995 million	23 344

(iii) Total loan amount of graduates of 2008/09 academic year

	Median loan amount upon graduation	Total loan amount upon graduation (75th percentile)	Highest loan amount upon graduation
Scheme A	\$47,800	\$84,200	\$294,700
Scheme B	\$74,620	\$109,940	\$327,650
Scheme C	\$33,600	\$59,400	\$525,600

The total loan amount of over 80% of graduates is below \$90,000. For Scheme A, a loan borrower had borrowed nearly \$300,000 to pursue a 5-year Medicine Bachelor Degree programme. For Scheme B, a loan borrower had borrowed over \$300,000 to pursue a 4-year Accounting Bachelor Degree programme. For Scheme C, a loan borrower had borrowed over \$500,000 to pursue an Executive Business Administration Master programme.

(iv) Median monthly repayment amount of graduates of 2008/09 academic year

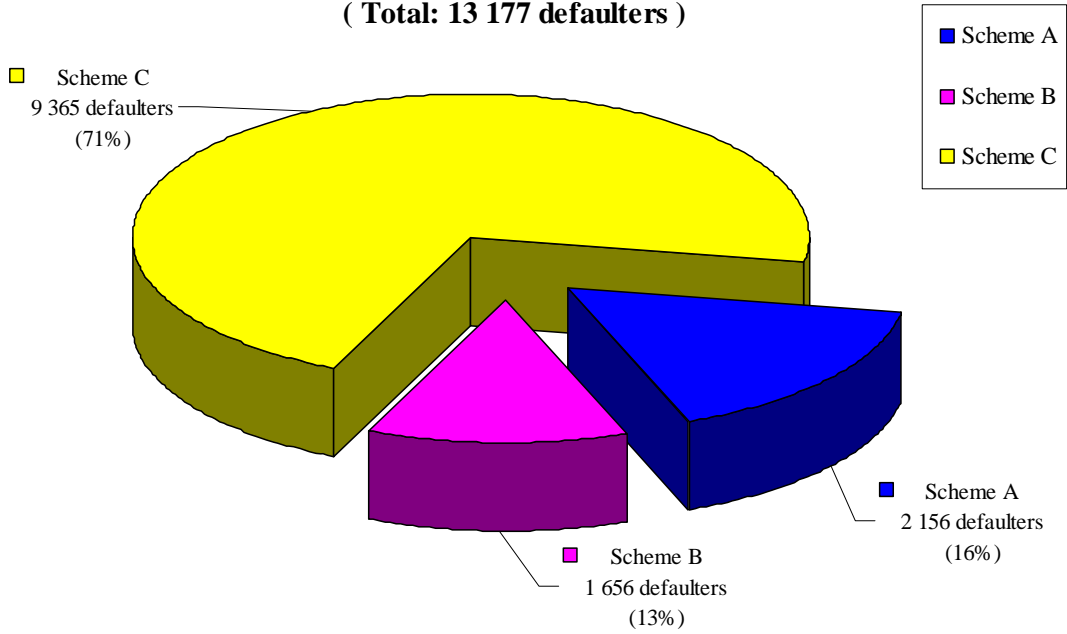
	Scheme A	Scheme B	Scheme C
(a) Median monthly repayment amount	\$519	\$788	\$372
(b) Median monthly repayment amount if removing 1.5% RAF	\$478	\$731	\$342
(c) Difference [(a) – (b)]	\$41	\$57	\$30

For reference: the average monthly salary of graduates of 2007/08 academic year of full-time UGC-funded programmes was \$15,750; and the average monthly salary of sub-degree graduates of 2007/08 academic year of full-time self-financing locally-accredited programmes was around \$9,000.

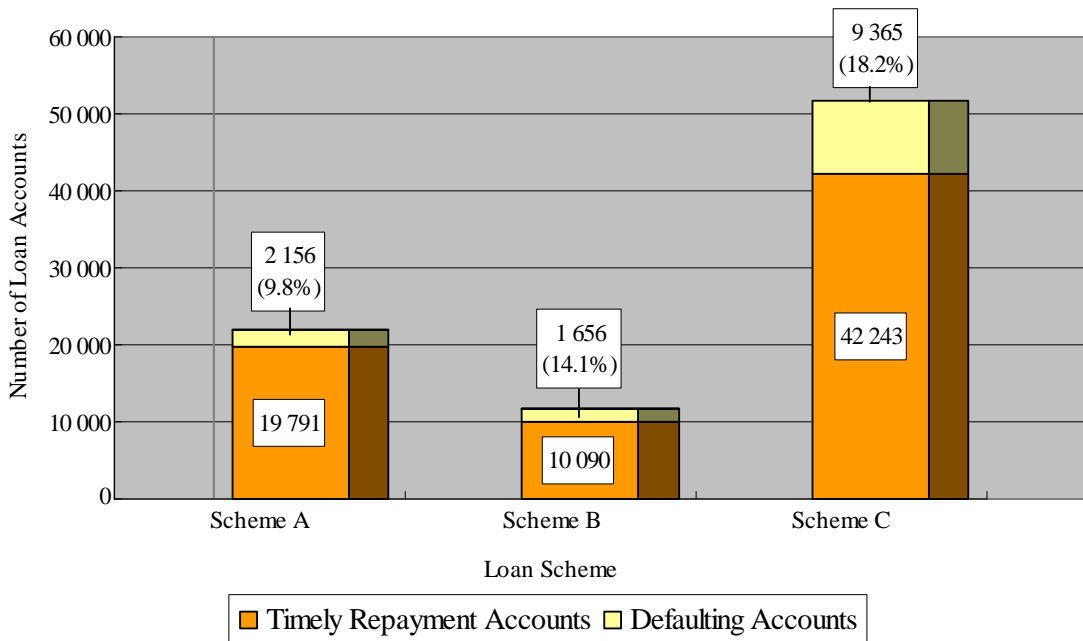
(v) Default Situation as at end of 2008/09 academic year

As at end of 2008/09 academic year, there were **13 177 defaulters** amongst 85 000 repayment accounts with a **total outstanding amount of \$641 million** in the defaulting accounts. **The overall default rate was about 15.5%. Over 70% of defaulters were loan borrowers of Scheme C.**

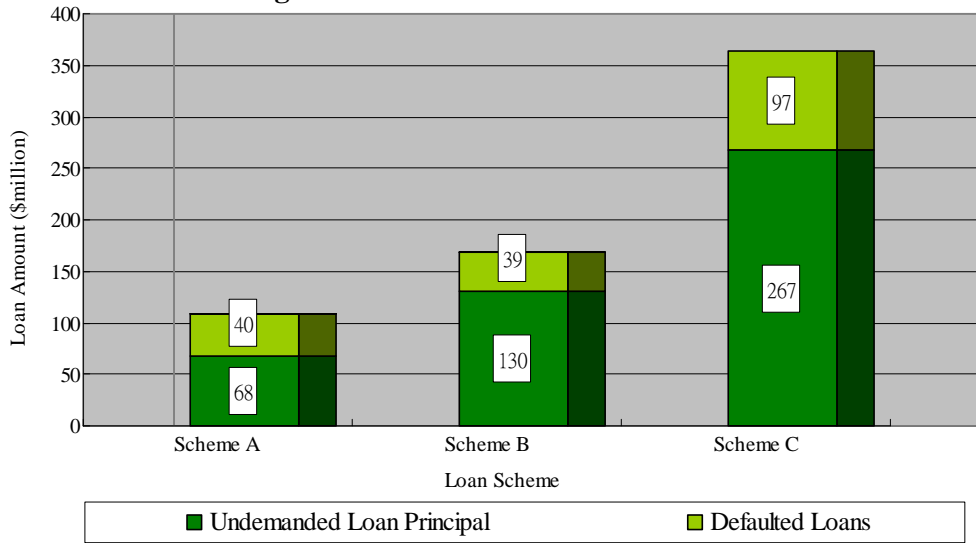
**Distribution of Defaulters as at the End of 2008/09 Academic Year
(Total: 13 177 defaulters)**



Default Rate as at the End of 2008/09 Academic Year

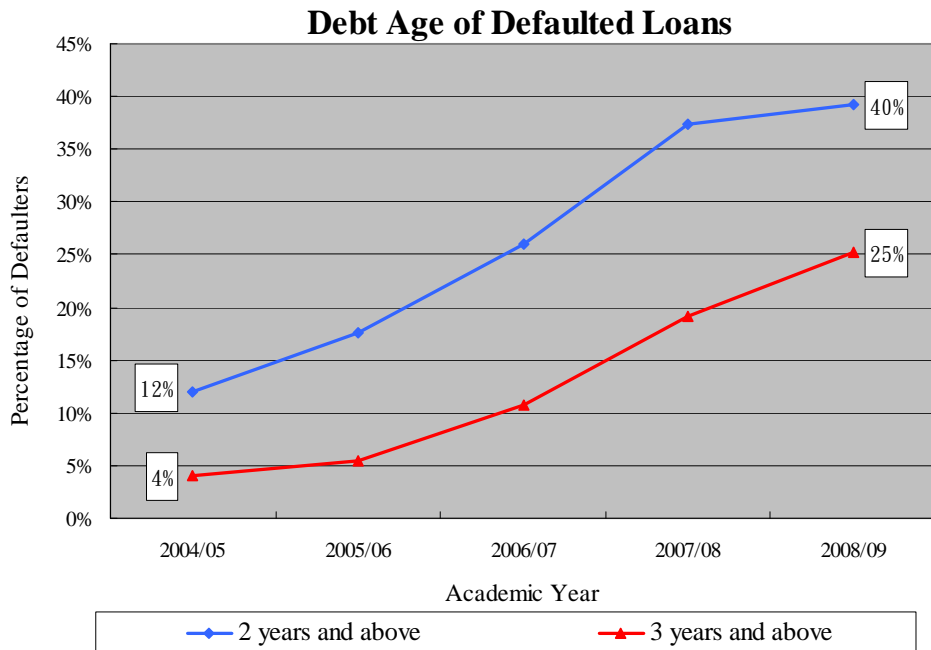


Defaulted Loans and Undemanded Loan Principal of Defaulting Accounts as at the End of 2008/09 Academic Year



(vi) Debt age analysis

The debt age of defaulted loans has been increasing. Of the 13 177 defaulters under the three loan schemes as at the end of 2008/09 academic year, **over 25% have defaulted for three years or more and about 40% have defaulted for two years or more.** These compared to 4% and 12% respectively in 2004/05 academic year.



There is a tendency that those who have defaulted would continue to default. Tracing the repayment history of those defaulters who have defaulted for six months to one year and two to three years as at the end of July 2007, **58%** and

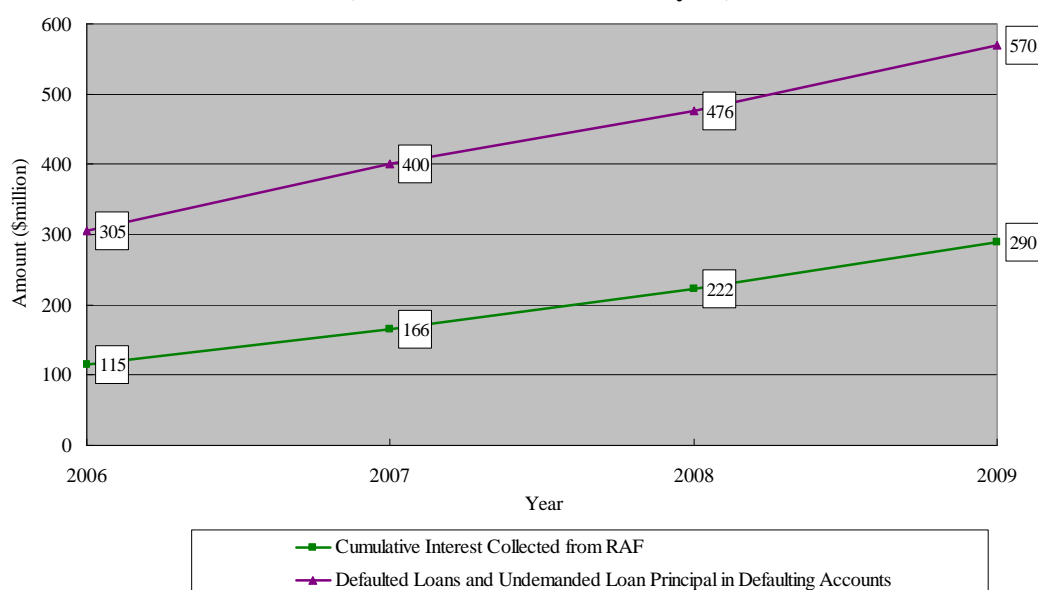
81% of them respectively were found to be still in default as at the end of July 2009.

Debt age	Six months to one year	One to two years	Two to three years	Three years and above	Total
(a) Number of defaulters as at end of 2006/07 academic year	4 527	2 690	1 488	1 055	9 760
(b) Number of defaulters in (a) still defaulting as at end of 2008/09 academic year	2 643 (i.e. have defaulted for 2.5 to 3 years)	2 053 (i.e. have defaulted for 3 to 4 years)	1 207 (i.e. have defaulted for 4 to 5 years)	761 (i.e. have defaulted for over 5 years and above)	6 664
(c) Percentage [(b)/(a)]	58%	76%	81%	72%	68%

(vii) Interest received from RAF and defaulted loans

SFAA collected \$290 million interest from RAF as at the end of 2009. This fails to cover the defaulted loans plus undemanded principal in the defaulting accounts totalling \$570 million as at the end of 2009. **The shortfall is \$280 million.**

Shortfall between Cumulative Interest Collected from RAF and Outstanding Amount in Defaulting Accounts from 2006 to 2009
(as at the end of the calendar year)



For more information on the non-means-tested loan schemes, you can refer to the following detailed statistics -

Annex	Description
A	Number of students assisted and amount of loans disbursed under Non-means-tested Loan Schemes during 2006/07 to 2008/09 academic years
B	Repayment statistics of Non-means-tested Loan Schemes as at end of July 2009 and 2008/09 graduates
C	Deferment statistics of Non-means-tested Loan Schemes for 2006/07 to 2008/09 academic years
D	Default statistics of Non-means-tested Loan Schemes for 2004/05 to 2008/09 academic years
E	Default statistics of Non-means-tested Loan Schemes for 2004/05 to 2008/09 academic years: by age of default
F	Default statistics of Non-means-tested Loan Schemes as at end of 2008/09 academic year: by age of default
G	Shortfall between cumulative interest collected from RAF and outstanding amount in defaulting accounts under Non-means-tested Loan Schemes from end of 2007 to end of 2009
H	Number of cases written-off under Non-means-tested Loan Schemes for 2006/07 to 2008/09 academic years

Related Links

[2009-10 Policy Agenda](#)

[Student Financial Assistance Agency](#)

[Relevant Papers of the Finance Committee of the Legislative Council](#)

**Papers of the Finance Committee of the Legislative Council relating to
Non-means-tested Loan Schemes**

Item for Finance Committee of the Legislative Council (FCR(97-98)74)

<http://www.legco.gov.hk/yr97-98/english/fc/fc/papers/f97-74e.doc>

Item for Finance Committee of the Legislative Council (FCR(98-99)20)

<http://www.legco.gov.hk/yr98-99/english/fc/fc/papers/fc170720.htm>

Item for Finance Committee of the Legislative Council (FCR(1999-2000)44)

<http://www.legco.gov.hk/yr99-00/english/fc/fc/papers/fc121144.pdf>

Item for Finance Committee of the Legislative Council (FCR(2000-01)39)

<http://www.legco.gov.hk/yr99-00/english/fc/fc/papers/f00-39e.pdf>

Item for Finance Committee of the Legislative Council (FCR(2001-02)30)

<http://www.legco.gov.hk/yr00-01/english/fc/fc/papers/f01-30e.pdf>

Item for Finance Committee of the Legislative Council (FCR(2006-07)9)

<http://www.legco.gov.hk/yr05-06/english/fc/fc/papers/f06-09e.pdf>

Item for Finance Committee of the Legislative Council (FCR(2008-09)17)

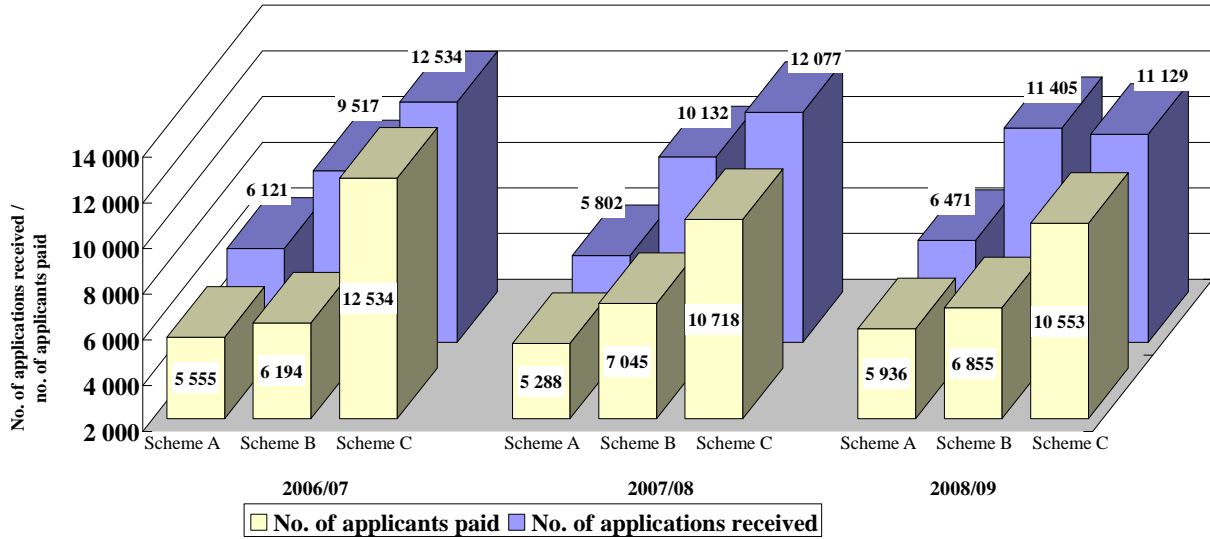
<http://www.legco.gov.hk/yr07-08/english/fc/fc/papers/f08-17e.pdf>

**Item for Finance Committee of the Legislative Council (FCR(2009-10)26)
(one-off relief measure concerning deferment applications)**

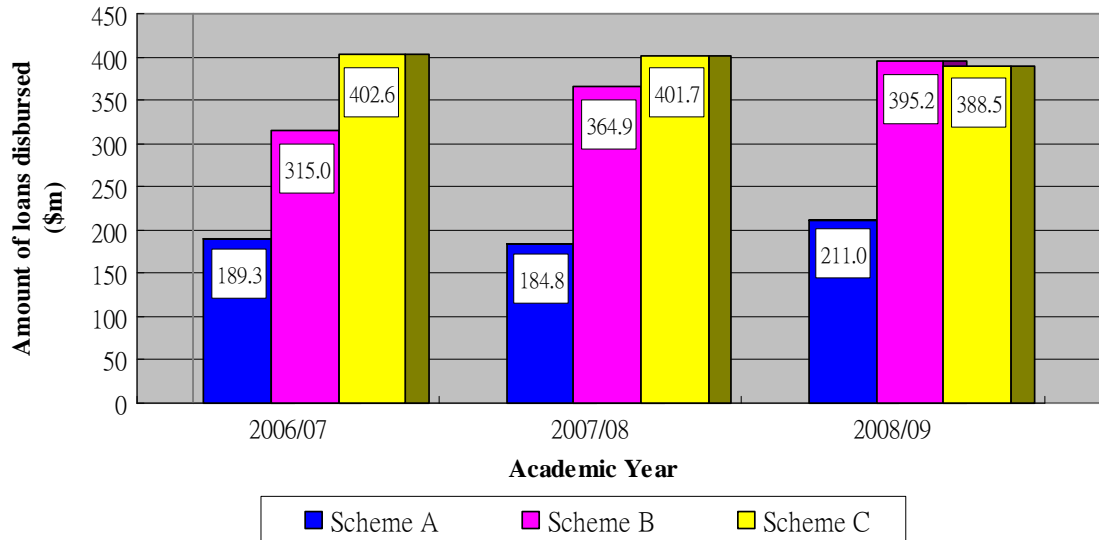
<http://www.legco.gov.hk/yr08-09/english/fc/fc/papers/f09-26e.pdf>

Annex A

Number of students assisted under Non-means-tested Loan Schemes during 2006/07 to 2008/09 academic years

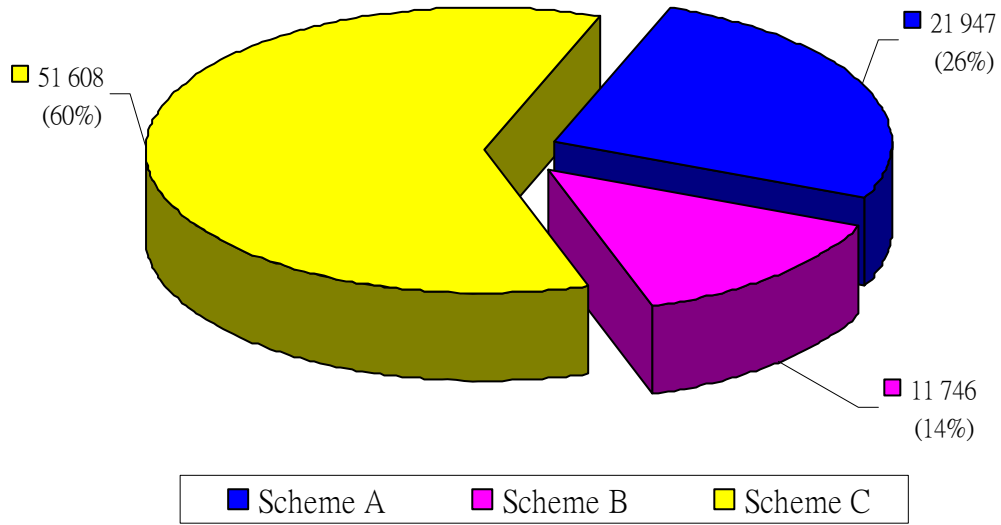


Amount of loans disbursed under Non-means-tested Loan Schemes during 2006/07 to 2008/09 academic years

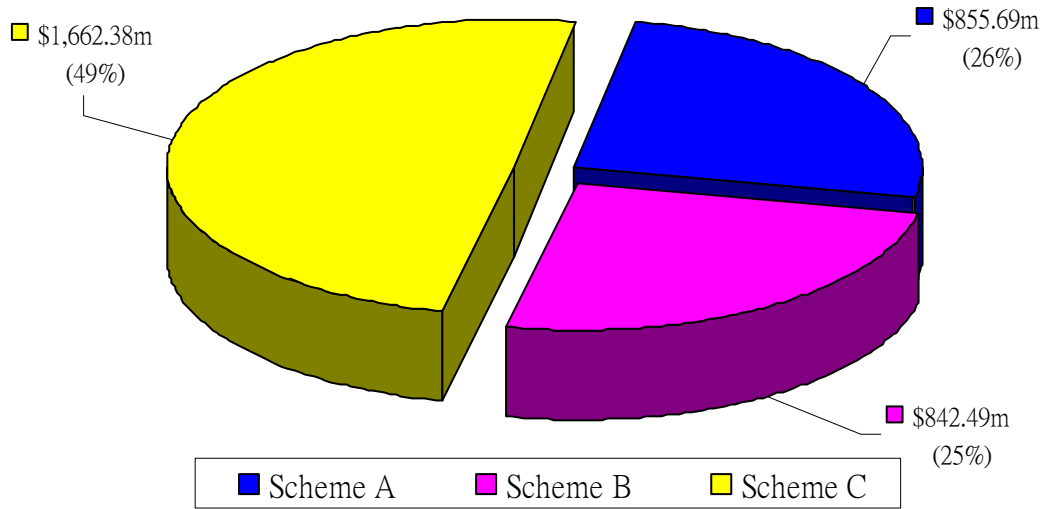


Annex B

Number of Repayment Accounts as at the end of July 2009
(Total : 85 301)



Outstanding Loan Principal of Repayment Accounts
as at the end of July 2009
(Total : \$3,360.56m)



**Average Amount of Outstanding Loan Principal of Repayment Accounts
as at end of July 2009, Loan Amounts and
Median Monthly Repayment Amount of 2008/09 Graduates**

	Scheme A	Scheme B	Scheme C
Average amount of outstanding loan principal (\$)	38,989	71,726	32,212
Median loan amount of 2008/09 graduates (\$)	47,800	74,620	33,600
75 th percentile loan amount of 2008/09 graduates (\$)	84,200	109,940	59,400
Highest loan amount of 2008/09 graduates (\$)	294,700	327,650	525,600
Median monthly repayment amount of 2008/09 graduates (\$) (interest paid in respect of 1.5% RAF)	519 (41)	788 (57)	372 (30)

The total loan amount of over 80% of graduates is below \$90,000. For Scheme A, a loan borrower had borrowed nearly \$300,000 to pursue a 5-year Medicine Bachelor Degree programme. For Scheme B, a loan borrower had borrowed over \$300,000 to pursue a 4-year Accounting Bachelor Degree programme. For Scheme C, a loan borrower had borrowed over \$500,000 to pursue an Executive Business Administration Master programme.

Annex C
Deferment Statistics of Non-means-tested Loan Schemes
for 2006/07 to 2008/09 Academic Years

<u>Scheme A</u>	Academic Year		
	2006/07	2007/08	2008/09
Applications Received ^	728	572	877
Financial hardship	324	257	548
Further studies	403	306	329
Serious illness	1	9	0
Cases Completed #	783	605	725
Applications Approved	672	523	613
Financial hardship	294	230	330
Further studies	378	288	282
Serious illness	0	5	1
Approval Rate	86%	86%	85%
Applications Rejected *	75	62	96

<u>Scheme B</u>	Academic Year		
	2006/07	2007/08	2008/09
Applications Received ^	1 529	1 415	2 157
Financial hardship	479	466	1 191
Further studies	1 048	943	966
Serious illness	2	6	0
Cases Completed #	1 613	1 426	1 821
Applications Approved	1 372	1 182	1 550
Financial hardship	414	367	684
Further studies	956	811	865
Serious illness	2	4	1
Approval Rate	85%	83%	85%
Applications Rejected *	133	161	184

<u>Scheme C</u>	Academic Year		
	2006/07	2007/08	2008/09
Applications Received ^	1 344	1 259	2 139
Financial hardship	697	698	1 575
Further studies	642	553	562
Serious illness	5	8	2
Cases Completed #	1 457	1 330	1 689
Applications Approved	1 046	981	1 258
Financial hardship	511	497	810
Further studies	534	480	445
Serious illness	1	4	3
Approval Rate	72%	74%	74%
Applications Rejected *	265	286	355

OVERALL	Academic Year		
	2006/07	2007/08	2008/09
Applications Received ^	3 601	3 246	5 173
Financial hardship	1 500	1 421	3 314
Further studies	2 093	1 802	1 857
Serious illness	8	23	2
Cases Completed #	3 853	3 361	4 235
Applications Approved	3 090	2 686	3 421
Financial hardship	1 219	1 094	1 824
Further studies	1 868	1 579	1 592
Serious illness	3	13	5
Approval Rate	80%	80%	81%
Applications Rejected *	473	509	635

^ Cases completed in an academic year have no direct relationship with applications received in the academic year, as some cases were outstanding cases carried forward from the previous academic year.

Cases completed comprise cases approved, rejected, withdrawn and miscellaneous cases handled.

* Most cases were rejected due to lack of documentary evidence to substantiate the loan borrowers' claims. A minority of applications were rejected due to unjustified circumstances or failure in partially settling the overdue arrears.

In 2008/09 academic year, **the overall approval rate of deferment applications under the three non-means-tested loan schemes was 81%.**

Annex D
Default Statistics of Non-means-tested Loan Schemes
for 2004/05 to 2008/09 Academic Years

No. of defaulters

Academic Year	2004/05	2005/06	2006/07	2007/08	2008/09
(a) No. of defaulters	4 914	7 842	9 760	10 990	13 177
Scheme A	1 613	1 882	2 142	2 130	2 156
Scheme B	449	732	981	1 283	1 656
Scheme C	2 852	5 228	6 637	7 577	9 365
(b) No. of repayment accounts	37 369	51 059	62 422	73 576	85 301
Scheme A	15 431	17 344	19 200	20 766	21 947
Scheme B	2 836	4 654	7 151	9 449	11 746
Scheme C	19 102	29 061	36 071	43 361	51 608
(c) Default rate [(a)/(b)]	13.15%	15.36%	15.64%	14.94%	15.45%

As at end of 2008/09 academic year, there were **13 177 defaulters** with a total outstanding amount of \$641 million in the defaulting accounts. **The overall default rate was 15.45%.**

Amount of defaulted loans

Academic Year	2004/05	2005/06	2006/07	2007/08	2008/09
(a) Amount of defaulted loans (\$ million)	35	66	102	139	176
Scheme A	17	25	34	40	40
Scheme B	5	11	20	32	39
Scheme C	13	30	48	67	97
(b) Principal not yet demanded in defaulting accounts (\$ million)	188	301	352	393	465
Scheme A	68	77	81	74	68
Scheme B	38	65	83	105	130
Scheme C	82	159	188	214	267
(c) Total outstanding principal in repayment accounts (\$ million)	1,525	2,075	2,547	2,971	3,360
Scheme A	693	771	829	861	856
Scheme B	209	360	543	701	842
Scheme C	623	944	1,175	1,409	1,662

Annex E
Default Statistics of Non-means-tested Loan Schemes
for 2004/05 to 2008/09 Academic Years:
by Age of Default

Number of defaulted instalments	2 - 4	5 - 8	9 - 12	13 - 16	17 - 20	Over 20	Total
2004/05 Academic Year							
Number of defaulters	3 220	1 103	394	127	60	10	4 914
% of defaulters	65.5%	22.5%	8.0%	2.6%	1.2%	0.2%	100%
Total defaulted instalments + undemanded loan principal in defaulting accounts (\$ million)	149.1	46.6	17.7	6.6	3.2	0.4	223.6
2005/06 Academic Year							
Number of defaulters	4 552	1 904	946	352	44	44	7 842
% of defaulters	58.1%	24.3%	12.1%	4.5%	0.5%	0.5%	100%
Total defaulted instalments + undemanded loan principal in defaulting accounts (\$ million)	219.4	85.0	41.9	16.3	2.6	2.3	367.5
2006/07 Academic Year							
Number of defaulters	4 527	2 690	1 488	845	149	61	9 760
% of defaulters	46.4%	27.6%	15.3%	8.6%	1.5%	0.6%	100%
Total defaulted instalments + undemanded loan principal in defaulting accounts (\$ million)	207.2	130.6	67.0	39.0	7.6	3.2	454.6
2007/08 Academic Year							
Number of defaulters	4 499	2 384	1 985	1 411	620	91	10 990
% of defaulters	41.0%	21.7%	18.1%	12.8%	5.6%	0.8%	100%
Total defaulted instalments + undemanded loan principal in defaulting accounts (\$ million)	213.1	122.6	99.7	64.8	27.9	4.5	532.6
2008/09 Academic Year							
Number of defaulters	5 510	2 482	1 831	1 772	1 368	214	13 177
% of defaulters	42.0%	18.8%	13.9%	13.4%	10.3%	1.6%	100%
Total defaulted instalments + undemanded loan principal in defaulting accounts (\$ million)	275.3	124.2	91.6	84.8	54.8	10.3	641.0

The debt age of defaulters has been increasing. Of the 13 177 defaulters as at end of 2008/09 academic year, **over 25% had defaulted for 13 or more instalments (more than three years) and about 40% for 9 or more instalments (more than two years).** These compared to 4% and 12% respectively in 2004/05 academic year.

Annex F**Default Statistics of Non-means-tested Loan Schemes
as at end of 2008/09 Academic Year: by Age of Default**

No. of defaulted instalments	2 – 4	5 – 8	9 – 12	13 – 16	17 – 20	Over 20	Total
Scheme A							
Number of defaulters	1 021	321	230	284	222	78	2 156
Average amount of loan originally drawn down (\$)	55,939	55,534	58,453	53,438	54,788	54,546	55,658
Scheme B							
Number of defaulters	854	330	249	139	74	10	1 656
Average amount of loan originally drawn down (\$)	98,360	103,651	93,976	98,190	88,307	84,390	98,201
Scheme C							
Number of defaulters	3 635	1 831	1 352	1 349	1 072	126	9 365
Average amount of loan originally drawn down (\$)	39,158	33,629	30,457	29,519	24,872	28,038	33,830
OVERALL							
Number of defaulters	5 510	2 482	1 831	1 772	1 368	214	13 177
Average amount of loan originally drawn down (\$)	50,471	44,537	41,830	38,131	33,100	40,285	44,674

As at end of 2008/09 academic year, **over 70% of defaulters were loan borrowers of Scheme C.**

Annex G

Shortfall between Cumulative Interest collected from RAF and Outstanding Amount in Defaulting Accounts under Non-means-tested Loan Schemes from end of 2007 to end of 2009

	Amount as at					
	31.12.2007		31.12.2008		31.12.2009	
(i) Interest from RAF collected (\$ million)	Scheme A	84	Scheme A	102	Scheme A	124
	Scheme B	23	Scheme B	35	Scheme B	53
	Scheme C	59	Scheme C	85	Scheme C	113
		166		222		290
(ii) Defaulted amount (\$ million)	Scheme A	31	Scheme A	35	Scheme A	35
	Scheme B	19	Scheme B	31	Scheme B	37
	Scheme C	40	Scheme C	58	Scheme C	93
		90		124		165
(iii) Undemanded loan principal in defaulting accounts (\$ million)	Scheme A	69	Scheme A	57	Scheme A	50
	Scheme B	79	Scheme B	95	Scheme B	114
	Scheme C	162	Scheme C	200	Scheme C	241
		310		352		405
(iv) Shortfall ((i)-(ii)-(iii)) (\$ million)	Scheme A	-16	Scheme A	10	Scheme A	39
	Scheme B	-75	Scheme B	-91	Scheme B	-98
	Scheme C	-143	Scheme C	-173	Scheme C	-221
		-234		-254		-280

As at end of 2009, the amount of interest collected from RAF was insufficient to cover the outstanding amount in the defaulting accounts, resulting in a shortfall of **\$280 million**.

Annex H**Number of cases written-off for 2006/07 to 2008/09 Academic Years**

	Academic Year		
	2006/07	2007/08	2008/09
Number of cases written-off due to decease of loan borrower	19	15	21
Amount written-off (\$ million)	0.80	0.58	0.95