For discussion
on 8 June 2012

FCR(2012-13)41

ITEM FOR FINANCE COMMITTEE

HEAD 173 – STUDENT FINANCIAL ASSISTANCE AGENCY
Subhead 000 Operational expenses
Subhead 228 Student financial assistance

LOAN FUND
HEAD 254 – LOANS TO STUDENTS
Subhead 101 Students of the universities, the Hong Kong Institute of Vocational Education and Hong Kong Design Institute of the Vocational Training Council, Prince Philip Dental Hospital, Hong Kong Institute of Education and Hong Kong Academy for Performing Arts

Subhead 102 Non-means-tested loan scheme

Subhead 103 Means-tested loan for post-secondary students

Members are invited to approve –

(a) a package of measures to improve the operation of the Non-means-tested Loan Schemes administered by the Student Financial Assistance Agency;

(b) related improvement measures on the means-tested assistance schemes, namely the Tertiary Student Finance Scheme – Publicly-funded Programmes and the Financial Assistance Scheme for Post-secondary Students; and

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(c) an increase in the ceiling placed on the total notional annual mid-point salary value of non-directorate posts in the permanent establishment of Head 173 – Student Financial Assistance Agency from $177,892,000 by $8,207,520 to $186,099,520 in 2012-13 for the creation of 28 non-directorate posts.

PROBLEM

We need to improve the operation of the Non-means-tested Loan Schemes (NLS) under the Student Financial Assistance Agency (SFAA) to ease the repayment burden of student loan borrowers, reduce excessive borrowing of loan borrowers and enhance quality assurance of eligible courses; and to make related improvements to the means-tested assistance schemes, namely the Tertiary Student Finance Scheme – Publicly-funded Programmes (TSFS) and the Financial Assistance Scheme for Post-secondary Students (FASP) administered by SFAA.

PROPOSAL

2. The Controller, Student Financial Assistance Agency (C, SFAA), with the support of the Secretary for Education (SED), proposes to implement the following improvements to the financial assistance schemes by phases with effect from the 2012/13 academic year –

(a) a package of measures to improve the operation of NLS to ease the repayment burden of loan borrowers, reduce excessive borrowing and enhance quality assurance of eligible courses; and

(b) a series of measures to improve the means-tested assistance schemes, namely TSFS and FASP to enhance the support to needy students, alleviate the repayment burden of means-tested loan borrowers and improve the current mechanism of setting and adjusting the maximum living expenses (LE) loan and academic expenses grant under TSFS.

3. In addition, we propose to increase the ceiling placed on the notional annual mid-point salary (NAMS) value of SFAA so that additional manpower support can be provided to implement the proposed improvement measures.

/**JUSTIFICATION** …..

JUSTIFICATION

(A) Improvements to Non-means-tested Loan Schemes

4. At present, SFAA administers three NLS targeting different categories of students –

(a) **Non-means-tested Loan Scheme for Full-time Tertiary Students (Scheme A)** – for full-time students pursuing publicly-funded post-secondary programmes (from the sub-degree to the postgraduate level), who are eligible to apply for means-tested grants and loans under TSFS.

(b) **Non-means-tested Loan Scheme for Post-secondary Students (Scheme B)** – for full-time students aged 25 or below pursuing self-financing, locally-accredited sub-degree and degree programmes, who are eligible to apply for means-tested grants and loans under FASP.

(c) **Extended Non-means-tested Loan Scheme (Scheme C)** – for students pursuing a wide and diverse range of full-time and part-time post-secondary and continuing and professional education courses.

5. We launched Phase 1 public consultation in mid 2010 to collect views from the public on various issues relating to the operation of NLS. Taking into account the views received, we proposed a package of 10 improvement measures for Phase 2 public consultation. They are –

Ease the repayment burden of student loan borrowers

(1) Reduce the risk-adjusted-factor (RAF) rate of the three schemes from 1.5% to zero, and review the situation after three years;

(2) Extend the standard repayment period of non-means-tested loans from 10 years to 15 years;

(3) Relax the deferment arrangements such that those borrowers whose applications for deferment have been approved would be allowed an extension of loan repayment period without interest during the approved deferment period, subject to a maximum of two years;

(4) Revise the repayment interval from quarterly to monthly basis;

/Prevent …..

Prevent excessive borrowing of loan borrowers and induce enhancement in quality assurance of eligible courses

(5) Cap the loan amount in respect of each programme at the level of tuition fee payable for all the three schemes;

(6) Impose a life-time combined maximum loan limit of $300,000 under Schemes A and B; and a separate life-time maximum limit of $300,000 under Scheme C, with annual price adjustment mechanism;

(7) Remove the age limit from Scheme B;

(8) Suitably revise the course eligibility criteria of Scheme C to restrict the eligible courses to those with a reasonable degree of quality assurance;

Tackle the student loan default problem more effectively

(9) Share the negative credit data of defaulters with the credit reference agency (CRA) under clearly defined circumstances; and

(10) Require the more mature first-time loan borrowers to produce credit reports for assessment of credit worthiness.

6. Phase 2 public consultation took place between 14 November 2011 and 29 February 2012. We consulted major stakeholders including the Legislative Council (LegCo) Panel on Education, the Joint Committee on Student Finance (JCSF)[1], Federation of Continuing Education in Tertiary Institutions, Hong Kong Federation of Students (HKFS), Junior Chamber International Hong Kong, education institutions, student groups, course providers and loan borrowers, etc, and received 61 written submissions. In addition, we have also received 1 743 views through an on-line survey on a dedicated website. The views collected from the Encl. 1 Phase 2 public consultation and the on-line survey are summarised at Enclosure 1.

7. The results of Phase 2 public consultation revealed that all 10 proposals received majority support. In particular, Proposals 1 to 8 have each garnered over 70% support from respondents. Taking into account the views received and other relevant considerations, we have drawn up recommendations on taking forward the various proposals as set out in the ensuing paragraphs.

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[1] JCSF advises the Government on the operation of TSFS and NLS. JCSF comprises lay members from the community, institutional and student representatives of the eight University Grants Committee-funded institutions, Vocational Training Council and Hong Kong Academy for Performing Arts.

Proposals 1 to 4 on easing the repayment burden of loan borrowers

8. Proposals 1 and 2 on reducing RAF to zero and extending the repayment period from 10 years to 15 years can significantly reduce the monthly repayment of borrowers by up to 40%. Taking into account the strong public support received, we propose that all new and existing loan borrowers will benefit from these proposals. Based on the current no-gain-no-loss (NGNL) interest rate[2], the interest rate will be reduced from 3.174% to 1.674%. We propose that the reduced interest rate will take effect from 1 July 2012. The reduced interest rate, however, will not apply to overdue loans which will continue to be charged at the BLR currently at 5.0833% per annum. As the proposed extended repayment period of 15 years means that borrowers will pay more interest, new and existing borrowers may choose if they wish to repay in 10 or 15 years. Irrespective of their choice between repaying in 10 or 15 years, all borrowers may repay their loans early at any time to save interest.

9. The relaxed deferment arrangement under Proposal 3 can provide necessary relief to needy loan borrowers as the approved deferment period will be interest-free during the extended repayment period, subject to a maximum of two years, meaning that for these needy loan borrowers, their entire repayment period can be up to 17 years. Loan borrowers who have difficulty in repaying their loans on grounds of financial hardship, further full-time study or serious illness and who have not fully benefitted from the one-off relief measure on deferment of loan repayment introduced in August 2009[3] will benefit from this proposal.

10. For Proposal 4 on revising the repayment interval from quarterly to monthly which can facilitate better financial management of loan borrowers, we propose to implement it in the 2013/14 academic year as it involves substantial system enhancement.

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2 The NGNL interest rate is set at a certain percentage below the average best lending rate (BLR) of the note-issuing banks. The percentage is the average differential between the BLRs and the 12-month Hong Kong Dollar Inter-bank Offered Rates over a 10-year period, and is reviewed biennially. The no-gain-no-loss interest rate is currently 1.674% per annum.

3 To relieve the financial burden of students in repaying their student loan, the Financial Secretary announced in May 2009 a one-off relief measure to allow student loan borrowers who have proven repayment difficulties owing to financial hardship, further studies or serious illness to defer repayment of their loan without interest being charged during the approved deferment period subject to a maximum of two years. The entire loan repayment period can also be extended for a maximum of two years. Originally the application period was for two years from 1 August 2009 to 31 July 2011. The application period has subsequently been extended for one more year until 31 July 2012.

Proposals 5 to 7 on preventing excessive borrowing

11. Proposals 5 to 7 also received strong public support. These proposals can ensure that reasonable financial support is provided to students pursuing post-secondary and continuing & professional education while discouraging unreasonably high tuition fees and preventing excessive borrowing. Upon implementation of the proposals, loans available to students under all the three schemes will be aligned and capped at the level of tuition fee payable[4]. There will be no age limit under the three schemes. We propose to implement these proposals in the 2012/13 academic year.

12. Proposal 6 proposes a combined cap of $300,000 for Schemes A and B and a separate, additional life-time maximum loan limit of $300,000 for Scheme C. The cap is a life-time maximum loan limit for each eligible loan borrower and it will be price-adjusted annually by SED in accordance with the Composite Consumer Price Index. Over 99% of the loan accounts of NLS activated in the 2010/11 academic year incurred a total loan amount below $300,000. The loan ceiling will be applied to the loans disbursed to loan borrowers from the 2012/13 academic year and onwards[5] and the NLS loans they obtained prior to the 2012/13 academic year will not be counted towards the loan ceiling. The loan ceiling is a life-time limit on the loan borrower and is not of revolving nature.

13. Some stakeholders have expressed concerns about whether the life-time loan limit of $300,000 is sufficient, in particular having regard to the rising trend of tuition fee levels of self-financing programmes. In some cases, some students may need to take out NLS loans in order to complete their associate degree and first degree programmes. In response to these concerns, we propose that loan borrowers under Schemes A and B who have exhausted the $300,000 loan limit for studying programmes for attaining their first degree-level study may apply to SFAA to use up to $100,000 of their life-time loan limit under Scheme C, on a case-by-case basis. SFAA will consider factors such as whether the students are studying for their first degree-level study and the tuition fee level of the course, etc.

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[4] For loan borrowers under Schemes A or B who are also eligible for means-tested financial assistance, the maximum amount of loan that a student may obtain would be the difference between the means-tested grant and loan received and the actual tuition fee payable plus the maximum amounts of academic expenses and living expenses assistance, subject to a cap of the actual tuition fee payable, which is in line with the current arrangement under Scheme A.

[5] For Scheme C loan borrowers pursuing part-time and continuing & professional education courses which may not have a well-defined academic year, the cut-off date will be set on 1 August 2012. Loan applications with its first instalment disbursed on or after 1 August 2012 will be counted towards the loan ceiling.

14. We also note that there are some locally-accredited self-financing programmes that charge very high tuition fees e.g. the total course fee for a four-year degree programme offered by an arts and design college amounts to around $1 million. We do not recommend giving exceptional treatment for students of these institutions, on the ground that a number of local universities are currently providing comparable courses and choices are available for students pursuing these areas of study. Nevertheless, for those students who have already borrowed NLS loans to finance their study in these programmes, we reckon that the proposed loan ceiling is not adequate to finance them to complete their programmes. As these students may have reasonable expectation that they can rely on NLS loans to complete their study, we propose to grandfather these students by allowing them to borrow a cumulative loan amount exceeding the proposed ceiling in order to complete their programmes up to first degree level.

Proposal 8 on inducing enhancement in quality assurance of eligible courses

15. Proposal 8 which aims to induce enhancement in quality assurance of courses under Scheme C received nearly 80% support. We propose to implement this proposal in the 2012/13 academic year. Scheme C now provides loans for students pursuing a wide and diverse range of post-secondary and continuing & professional education courses. Many of them are not yet locally-accredited. Some Scheme C course providers have expressed concern about tightening the course eligibility criteria, as it takes time for existing courses to obtain local accreditation status.

16. We propose a transitional arrangement for existing non-accredited courses. Initially, a 3-month provisional qualified status, counting from 1 July 2012, will be given to existing courses providers. They should, within this period, submit a Statement of Intent (SOI) to Hong Kong Council for Accreditation of Academic and Vocational Qualifications (HKCAAVQ) seeking accreditation. Upon confirmation of the receipt of the SOI from HKCAAVQ, the provisional qualified status will be extended for one year to allow the course providers concerned to proceed with the accreditation process. If the courses have yet to be accredited at the expiry of the one-year provisional qualified period, the provisional qualified period may be further extended for another year if the course providers can demonstrate that they are actively seeking accreditation i.e. they have signed a Service Agreement with HKCAAVQ and made payment of the initial accreditation fee. Further extension of the provisional qualified period would be considered only on an exceptional basis on the merits of individual case. Nevertheless, if the number of courses seeking accreditation is higher than expected, HKCAAVQ will need more time to process them. In this case, we are prepared to extend the provisional qualified period to course providers so affected. We also propose a grandfathering arrangement to enable existing students to complete their study programme in case the course being pursued fails to obtain the accreditation during the transitional period.

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17. SFAA will prepare and maintain a register of eligible courses under Scheme C for reference by potential students. With the exception of institutions with self-accreditation status or Programme Area Accreditation status granted by the HKCAAVQ, all course providers have to apply to SFAA for registration of their courses. C, SFAA will approve the inclusion of these courses into the register of eligible courses after having checked their eligibility and confirmed the proper operation of the course providers. The register of eligible courses will be put under constant review.

Proposal 9 on sharing negative credit data of defaulters with CRA

18. While attracting a slight majority support, the proposal of sharing negative credit data of defaulters with CRA remains one with divided views among the stakeholder groups reflecting their different perspectives and interests. Little surprise therefore is the strong opposition of the HKFS. Furthermore, the Privacy Commissioner of Personal Data (PCPD) has expressed reservations about the proposal, mainly for fear of opening up a floodgate for similar requests from other Government departments in future. PCPD's concerns and the Administration's
Encl. 2 response are at Enclosure 2.

19. We consider that, given the similarity between SFAA's student loans and the unsecured personal loans offered by licensed banks and financial institutions (and probably to the same loan borrowers too), it should be in the overall public interest to prevent defaults involving Government loans (hence public money), in the same way as we are protecting the private sector from excessive lending by allowing licensed banks and financial institutions to share negative credit data of defaulters with the existing CRA under the Personal Data (Privacy) Ordinance (PD(P)O). Not to pursue the proposal may inadvertently send a wrong message that public funds are less deserving of prudent use and less deserving of safeguard against abuse than private sector funds. Also important is the message on responsible financial management that we wish to send to students.

20. Our proposal is similar to the on-going sharing of negative credit data of defaulters with the existing CRA amongst licensed banks and financial institutions, which is being regulated under the PD(P)O and in particular the Code of Practice on Consumer Credit Data. We are also prepared to subject SFAA to a series of more stringent regulatory measures than those currently applicable to licensed banks and financial institutions on the handling of consumer credit data. Furthermore, the scope of our proposal is far more restricted. Specifically, our initial proposal on the provision of negative credit data by SFAA is restricted to the relatively more serious default cases, say, those loan borrowers owed more than $100,000 and have ceased repayment for more than a year and who have failed to

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respond to our reminders or to provide any reasonable justification for delayed repayments. As of now, there are about 600 such cases out of 13 000 default cases, as all loan borrowers who have reached agreement with SFAA on deferment arrangements would not be counted as defaulters.

21. We will have further consultation with stakeholders, LegCo members and political parties on this issue. Since the PCPD's agreement to exercise his statutory authority under the PD(P)O is the prerequisite for implementing our proposal, we are planning to put up a detailed implementation proposal to PCPD to address his concerns and arguments.

Proposal 10 on requiring the more mature loan borrowers to produce credit reports

22. The proposal of requiring the more mature first-time loan borrowers to produce credit reports in applying for loans received marginal majority support. There are concerns about the absence of empirical data indicating that loan borrowers aged 30 or above have a higher default rate. Since the views received are rather diverse, we propose that we should monitor and analyse, with reference to age distribution of the defaulters, the default situation of various schemes after the implementation of the improvement proposals. If the default rate of Scheme C should remain much higher than other schemes upon review, we would then, based on the evidence collected, consider whether, and if so, how this proposal should be taken forward.

Other Views Collected

23. There are other views received during the consultation period, including charging no interest during the study period, capping the monthly repayment to a percentage of income, and permanently abolishing RAF or charging a different RAF based on the default situation of individual loan schemes.

Study interest

24. We consider that charging no interest during the study period goes against the fundamental no-gain-no-loss principle of NLS and will encourage excessive borrowing. With the proposal to reduce the RAF rate from 1.5% to 0%,

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subject to review in three years' time and other proposals, the interest rate for students during the study period will already be reduced by almost half and the monthly repayment amount would be reduced by around 40%. The additional interest savings for students from abolishing the study interest is only about $20 per month[6]. However, the waiving of study interest on all existing loan borrowers would lead to a substantial interest loss of around $33.7 million each year for the Government. This may also induce some to take advantage of the interest-free loans, potentially leading to unnecessary and/or excessive borrowing and increased default cases in the future.

Capping the monthly repayment amount to a percentage of income

25. We consider that lowering the interest rate and extending the repayment period are the most effective means of reducing the monthly repayment burden of borrowers. As Hong Kong lacks a "pay-as-you-go" taxation system, SFAA, being the administrator of the payment and repayment of student loans, does not have information on the monthly income of loan borrowers to facilitate calculation of the amount they should repay. Bearing in mind the tendency for fresh graduates to change jobs rather frequently, the possible salary revisions and the complex remuneration structures of some companies, the administrative implications and costs would be very significant. In addition, a self-reporting mechanism, whereby borrowers need to report to SFAA their employment status and income and to update SFAA whenever there is any change, is of dubious reliability at best. A sample check of self-reported incomes would still require substantial administrative work and might also involve issues of privacy. We have therefore decided not to pursue this option.

Permanently abolishing the RAF

26. Abolishing the RAF effectively means that the Government would absorb the loss from writing off irrecoverable debts. Therefore, reviewing the RAF in three years' time, taking into account the default situation and the amount of irrecoverable debts then, is a prudent approach. In the review, we will also consider whether we should charge a different RAF based on the default situation of individual loan schemes.

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6 Based on the assumption that a student has borrowed $100,000 to pursue a 4-year programme, the repayment period is 15 years and the interest rate is 1.674%.

(B) Improvement to Means-tested Financial Assistance Schemes

(i) Improvements to FASP

27. In connection with the NLS Review, we have proposed in the Phase 2 public consultation specifically three improvement measures for FASP to further enhance the support to needy students pursuing self-financing post-secondary education programmes. There was public support and we propose to implement the improvement measures detailed below –

(a) Relax the age limit for FASP from 25 to 30

28. At present, FASP provides grants for tuition fees (subject to a ceiling) and academic expenses as well as loans for LE to full-time students aged 25 or below pursuing self-financing and locally-accredited sub-degree and degree programmes. Having regard to the need to provide adequate support for those who have had a late start in taking up post-secondary education or have to take a longer time to complete their studies, we propose to relax the age limit for FASP from 25 to 30. According to the enrolment statistics on relevant self-financing post-secondary programmes in the 2010/11 academic year, the relaxed age limit will cover around 99% of the students.

(b) Remove the requirements/restrictions on prior academic qualification for the purpose of applying for assistance

29. According to the current eligibility criteria of FASP, needy students who have obtained sub-degree/degree level qualifications are ineligible for assistance under FASP to pursue locally-accredited programme leading to the same level of qualification. If a needy student wishes to apply for FASP assistance to pursue a degree course and if he/she possesses a sub-degree level qualification, that qualification must be locally-accredited; if a student wishes to apply for FASP assistance to pursue a top-up degree programme, he/she must have obtained a locally-accredited sub-degree level qualification. We consider that such requirements/restrictions have posed unnecessary constraints for needy students to obtain assistance for pursuing studies under FASP/Scheme B. In order to allow these students more flexibility in planning their study pathways, we propose to remove all requirements/restrictions relating to prior academic qualifications from FASP and Scheme B. This improvement will bring the requirements/restrictions on par with needy students enrolled in publicly-funded programmes and apply for assistance under TSFS.

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(c) Remove the grant repayment requirement

30. FASP grant recipients are currently required to obtain the intended qualification within a six-year period from the first date of disbursement of assistance, failing which they have to repay the tuition fee and academic expenses grants. To put students receiving FASP grants on par with their counterparts receiving grants under TSFS who are not subject to this requirement, we propose to remove this requirement for FASP grant recipients. Specifically, FASP grant recipients from the 2012/13 academic year onwards will not be required to repay the grants received[7] even if they fail to obtain their intended qualification. The improvement will further enhance our support to needy students pursuing self-financing programmes and expedite the process of releasing grants to them. We also propose that for those students who have terminated/withdrawn from studies before 2012/13 and are required to repay the grants received according to the prescribed terms and conditions, they may apply to SFAA for waiver of repayment of their outstanding grant if their cessation of studies was involuntary due to special circumstances beyond their control, e.g. suffered from mental illness or serious injury in accidents. We propose that SFAA will consider and approve such applications on a case-by-case basis.

31. We propose to implement the above measures with effect from the 2012/13 academic year.

(ii) Further Improvements to Means-tested Loans offered under the TSFS and FASP

32. Currently, the interest rate of means-tested LE loans under both TSFS and FASP is fixed at 2.5% per annum. Interest is not accrued while studying but upon commencement of the loan repayment period. The current repayment period is five years (could be extended to 10 years). Assuming that a student pursues a four-year programme and repays the loans in five years after graduation, the effective interest rate is 1.23%. For a student who has taken out the median loan amount of $40,110[8], the monthly repayment amount is $713 which includes an average interest amount of $45.

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7 Including the grants received prior to 2012/13 by continuing students of a FASP/TSFS programme (some students may switch from FASP to TSFS programmes), who have not terminated their studies and been demanded for repayment according to the prescribed terms and conditions. Students with grant paid before 2012/13 who have terminated their studies and been demanded to repay the grant according to the prescribed terms and conditions will have their outstanding grant waived if they can obtain the intended qualifications in 2012/13 or after. Otherwise, they are required to continue to repay their grant as demanded.

8 This median loan amount is based on the TSFS as at the end of 2010/11 only. LE loans were only provided to FASP beneficiaries since 2008/09. Hence, the bulk of the living expenses loan repayment accounts (34 231 out of 37 840) are under the TSFS. The median for the loan accounts under FASP is $35,670 as at end 2010/11.

33. In anticipation of the longer study period under the new academic structure, students may need to take out a larger amount of LE loans and may in return increase their repayment burden. The Financial Secretary announced in the 2012-13 Budget that we would review the interest rate mechanism of the means-tested loans. We have completed the review and recommend the following improvement measures in conjunction with the recommendations of the NLS review –

(a) Reduce interest rate and extend repayment period

34. In tandem with the improvement proposals of NLS loans, we propose to revise the interest rate of means-tested loans from the existing 2.5% to 1% and extend the repayment period from the existing 5 years to 15 years[9]. The combined effect of the above improvement measures will further alleviate the repayment burden of loan borrowers. Taking the median loan amount of $40,110 as illustration, the monthly repayment amount will be reduced significantly from $713 to $240 (about a 66% reduction). The monthly repayment amount of a borrower under FASP, with the median loan amount of $35,670, will be reduced from $634 to $214, which is also a 66% reduction.

(b) Relax deferment arrangement and revise the repayment interval from quarterly to monthly basis

35. When taken together with the other proposals of NLS Review to ease the repayment burden of loan borrowers (i.e. Proposals 3 and 4), the maximum two-year relaxed deferment arrangement will also be applied to eligible means-tested loan borrowers (i.e. they have difficulty in repaying their loans on grounds of financial hardship, further full-time study or serious illness and have not benefited from the one-off relief measure on deferment of loan repayment introduced in August 2009), and the repayment intervals of means-tested loans will also be revised from quarterly to monthly.

36. Same as for NLS loans, we propose that all new and existing loan borrowers will benefit from the proposal. As for the loan repayment period, since the proposed extended repayment period of 15 years will result in higher interest charges, new and existing loan borrowers may choose if they accept this option or not. They may also, as allowed under the current arrangement, make early or partial repayment at any time during the repayment period.

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9 The reduction of interest rate and extension of repayment period should also be applicable to the FASP tuition fee loans borrowers/ grant repayers. As at the end of 2010/11, there are about 7 400 repayment accounts with outstanding tuition fee loans amounting to about $160 million. For repayment of grants, there are about 2 700 repayment accounts with outstanding loan amount of about $99 million.

37. All the above proposed improvement measures will be implemented with effect from the 2012/13 academic year. Specifically, the reduced interest rate will take effect from 1 July 2012. As for revising the repayment interval from quarterly to monthly, the proposed measure will be implemented in 2013/14 academic year due to substantial system enhancement involved.

(iii) Improvement to the Mechanism of Setting and Adjusting the Maximum Living Expenses Loan and Academic Expenses Grant under the TSFS

38. At present, the levels of maximum LE loan (currently at $37,960) and academic expenses grant (depends on the discipline of study, varying from $5,800 to $28,340) under TSFS are based on a direct application of the results of a Student Expenditure Survey (SES) conducted in 1988 and price-adjusted annually according to the student price index compiled specifically by the Census and Statistics Department (C&SD) with input from institutions covered by the scheme. The maximum level of LE loan is also applicable to eligible FASP students. Another SES was conducted in 1999/2000. The findings revealed that the average expenditure of surveyed students was about 70% higher than the maximum loan offered at that time. Moreover, students with TSFS assistance spent an average of around 13% more than those without. The survey results thus gave rise to doubts on the usefulness and reliability of the SES, and also brought about the question of whether it is appropriate to link the level of financial support to the actual LE of students rather than to the need of students or to a level of support the public generally considers reasonable. The results of the 1999/2000 SES were subsequently shelved.

39. A consultancy study was subsequently commissioned with a view to recommending a new mechanism which is simpler, more objective, more sustainable and acceptable by stakeholders.

40. Taking into account the results of the consultancy study, we propose to revise the mechanism of setting the maximum LE loan level by adopting the median per capita household expenditure (with exclusions of housing, alcoholic drinks & tobacco, transport and education expenditures) obtained from the Household Expenditure Survey (HES) conducted every five years by C&SD as the benchmark level. The LE loan levels in the intermediate years between the conduct of HESs will be adjusted in accordance with Consumer Price Index (A) (CPI(A)) computed with similar exclusions. To avoid drastic changes to the LE levels during economically turbulent years, we will initiate a review on the mechanism when the extent of adjustment to the prevailing maximum LE loan level on the basis of the benchmark level from the HES exceeds 10% in either direction, and will adjust the maximum LE amount in subsequent years in accordance with CPI(A) pending completion of the review.

41. According to the revised mechanism, the maximum LE loan derived from the latest HES results (i.e. 2009-10 HES[10]) is $37,980, which is very close and comparable to the current maximum level of $37,960 under the existing mechanism.

42. As for the maximum academic expenses grant levels, we propose to maintain the existing amounts in view of the on-going changes in the teaching and learning activities amidst the development of the new academic structure. We also propose that the annual updating of the maximum academic expenses grant levels should be based on the CPI(A) instead of the student price index specifically compiled annually by the C&SD with institutions' input, given the small difference in the movement of the two indexes. SED will approve the annual adjustment of the maximum amount of LE loan and academic expense grant in accordance with the above revised mechanism.

43. Subject to Members' agreement, the new mechanism will be put into operation with effect from the 2012/13 academic year. We will base the maximum LE loan level on the result of the 2009-10 HES and price-adjust the amount for implementation in 2012/13 in accordance with the new mechanism.

44. A summary of the proposals and the proposed arrangement is at
Encl. 3 Enclosure 3.

FINANCIAL IMPLICATIONS

45. The proposals would have financial implications as analysed below –

Non-means-tested Loans

(a) The overall loan balance is projected to increase by $513 million from $7,859 million in the 2013/14 academic year to $8,372 million in 2022/23 (i.e. an average increase of $57 million per year over these nine years), mainly as a result of the extension of loan repayment period from 10 to 15 years. This is partly offset by the restriction of loan coverage in Scheme B,change in course eligibility criteria of Scheme C and the proposed imposition of life-time loan limts;

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[10] The results of the 2009-10 HES were released in late April 2011.

(b) The interest received from RAF seeks to cover the Government's risk in disbursing unsecured loans. The reduction of the RAF interest rate to zero will effectively mean that the Government would have to absorb the loss arising from irrecoverable default loans under all the three Schemes. As at end of 2010/11 academic year, there were about 13 000 defaulters under the NLS, involving $213 million in arrears and a total outstanding amount of about $652.7 million. Taking into account the results of SFAA's latest efforts in tackling default loans, the estimated amount of irrecoverable student loans is around $52.3 million. Following the implementation of the improvement measures, we estimate that the amount of irrecoverable debt would be around $15-20 million each year;

(c) The relaxation of deferment arrangement would bring about interest loss comprising interest waived and interest income forgone, estimated to be around $41.2 million and $14.6[11] million respectively each year, based on the number of approved deferment cases in the 2009/10 academic year and before the implementation of proposals specified in the paper. The extension of repayment period from 10 to 15 years will bring about interest income forgone of $59.1 million per year;

Means-tested Assistance

(d) The improvement measures of FASP would give rise to additional recurrent expenditure on means-tested grants and LE loans to eligible needy students. It is estimated that the relaxation of age limit to 30 and removal of requirements/restrictions relating to prior academic requirements would lead to an increase of about $17 million for means-tested grants and about $5 million for means-tested LE loans each year from the 2012/13 academic year onwards. The removal of grant repayment requirements would lead to an estimated amount of grants repayment and interest income forgone at about $44 million and $6 million each year respectively;

(e) As at the end of 2010/11 academic year, there were about 38 000 means-tested LE loan repayment accounts. The proposal to reduce the interest rate from 2.5% to 1% and extend the standard repayment period from five to 15 years will have financial implications of $63.3 million per year; and

/(f) …..

[11] $1.8 million of the interest forgone is due to deferment of means-tested loans.

(f) Under the new mechanism for setting and adjusting the LE loan ceiling, it is estimated that an additional loan expenditure of about $0.4 million per year will be incurred from 2012/13 onwards. As only minor alteration of annual adjustment is proposed for the academic expenses grants, no additional recurrent expenditure is expected for the item.

Staffing Implications

46. Additional manpower support is required to implement the package of proposals to the NLS and means-tested assistance schemes mentioned above. Specifically, SFAA will need additional staff to handle the options to be exercised by loan borrowers on extension of their repayment period, handle an increasing number of loan accounts and deferment applications, plan for and implement the change of repayment intervals from quarterly to monthly, plan and implement a course registration system to tighten the course eligibility criteria under Scheme C, and process applications from existing grant repayers under FASP for waiving the repayment requirement, etc. A total of 28 non-directorate posts (including 22 permanent posts and six time-limited posts)[12] are proposed to be created in 2012-13 and four permanent non-directorate posts[13] to be created in 2013-14 to enhance SFAA's capacity in implementing the improvement proposals. The proposed 32 non-directorate posts will bring about an additional total non-recurrent staff cost of $4,379,865 in 2012-13 and 2013-14 and a recurrent staff cost of $6,858,300 in a full year based on the NAMS value. Subject to Members' approval, the NAMS ceiling of SFAA will be raised by $8,207,520 to accommodate the additional posts in 2012-13. In addition, SFAA will seek supplementary provision to meet the salary expenditure of the additional posts in 2012-13 under delegated authority if necessary. For subsequent years, we will include sufficient provision in the Estimates to meet the requirements of the additional posts.

47. We also propose to create one permanent Principal Executive Officer post at D1 rank from 1 July 2012 or the date of approval of the Finance Committee, whichever is later, with an additional notional annual salary cost at mid-point of $1,357,200 to strengthen the senior management structure of SFAA and in particular to oversee the implementation of the improvement proposals to the NLS and means-tested assistance schemes mentioned above. We will separately consult the Establishment Sub-committee and seek approval from the Finance Committee afterwards on the creation of the proposed directorate post.

/PUBLIC …..

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[12] The 28 non-directorate posts will comprise four Executive Officer II (EOII), five Clerical Officer, 12 Assistant Clerical Officer (ACO) and one Clerical Assistant posts to be created on a permanent basis from 1 July 2012; one Senior Executive Officer, one Executive Officer I, two EOII and two ACO posts to be created on a time-limited basis from 1 July 2012 to 31 March 2014.

[13] The four non-directorate posts will comprise two EOII and two ACO posts to be created on a permanent basis from 1 April 2013.

PUBLIC CONSULTATION

48. We consulted the LegCo Panel on Education on the package of proposed improvement measures to the NLS and means-tested assistance schemes on 14 May 2012 and Members supported the proposals.

BACKGROUND

Non-means-tested Loan Schemes

49. The NLS was first introduced in the 1998/99 academic year to provide an alternative source of finance to tertiary students who did not wish or failed to go through the means test under TSFS[14] to assist them to pursue studies.

50. Borrowers of NLS loans do not need to go through any means test, or provide security for the loans. For safeguarding public resources, NLS operate on a **NGNL and full-cost recovery** basis. Interest starts to accrue upon loan drawdown. The interest rate comprises a NGNL interest rate, and a 1.5% RAF to cover the Government's risks in disbursing unsecured loans. The current interest rate is 3.174% per annum. Loans should be repaid within 10 years after the end of studies. Loan borrowers with repayment difficulties may apply for deferment of loan repayment. Those who default payment of two or more consecutive quarterly instalments will be considered defaulters.

Means-tested Financial Assistance Schemes

51. At present, needy post-secondary students can apply for financial assistance under two means-tested assistance schemes, namely TSFS and FASP. TSFS covers students pursuing University Grants Committee-funded and exclusively publicly-funded programmes while FASP covers students pursuing locally-accredited, self-financing programmes. Eligible students who pass the means test of the SFAA will be offered grants and/or loans under the TSFS and FASP as appropriate. Grants cover tuition fees and academic expenses and loans are to cover LE. Students who do not receive full level of assistance can apply for NLS loan to make up the shortfall.

Education Bureau
May 2012

[14] Formerly known as Local Student Finance Scheme before the 2007/08 academic year.

Summary of Views and Comments received

(A) Phase 2 Public Consultation on Improvement Proposals of Review of Non-means-tested Loan Schemes

For	Against
(1) Reduce the risk-adjusted factor (RAF) rate of the three schemes from 1.5% to zero, and review the situation after three years	
● The reduction can ease the repayment burden of loan borrowers, in particular those new graduates whose starting salaries are relatively low. ● It is not fair to request those who repay timely to pay RAF on top of the repayment interest for the purpose of covering the actual deficit or the potential loss arising from default cases.	● The RAF should be removed permanently instead of retaining it and reviewing it three years later. ● A reduced interest rate may induce excessive borrowing and possible abuse.
(2) Extend the standard repayment period of non-means-tested loans from 10 years to 15 years	
● The reduction of the instalment repayment amount resulting from the extension of the standard repayment period can alleviate the repayment burden of loan borrowers, in particular those new graduates whose starting salaries are relatively low.	● The extension is not an effective measure to solve the repayment difficulties of loan borrowers but will increase the total interest expenses. ● 15 years are too long as loan borrowers would have other financial commitments to deal with and hence may increase the risk of default. ● More options on the length of standard repayment period should be provided.
(3) Relax the deferment arrangements such that those borrowers whose applications for deferment have been approved would be allowed an extension of loan repayment period without interest during the approved deferment period, subject to a maximum of two years	
● The relaxation can effectively help those who are facing repayment difficulties but some consider the two-year interest-free period too short.	● The extended standard repayment period of 15 years is already too long and hence no need to allow further extension.

For	Against
	● The interest-free provision may induce unjustified deferment applications and appears unfair to those loan borrowers who repay on time.
(4) Revise the repayment interval from quarterly to monthly basis	
● It is easier to manage monthly repayment and also to get in line with the usual practice of many other bills or credit card payment. ● Auto-pay and other convenient payment options should be provided to facilitate the new monthly repayment arrangement so as to reduce the administrative cost.	● The change of repayment interval will not be of significant difference in maintaining timely repayment. ● Options on monthly, quarterly and even half-yearly repayment interval should be provided.
(5) Cap the loan amount in respect of each programme at the level of tuition fee payable for all non-means-tested loan schemes	
● The alignment can prevent excessive borrowing and abuse of loan on non-academic related expenses, such as travel and investment, etc. ● The Government should secure proper use of public money to assist students in paying tuition fees but not on their living expenses.	● Full-time students should not be deprived from receiving quality higher education by being compelled to engage in other activities to earn their living. ● Academic expenses which are study-related should be provided.
(6) Impose a life-time loan limit, with annual price adjustment mechanism	
● The proposed $300,000 loan limit should be adequate for most of the loan borrowers to finance their studies. ● The loan limit can be set lower to prevent excessive borrowing and ensure the affordability of loan borrowers for future repayment.	● There should not be a loan limit so as to encourage continuing and lifelong education. ● The loan limit may not be sufficient to pursue self-financing programmes even up to first degree level having regard to the increasing trend in tuition fee level. ● There are also worries that the limit may inadvertently prevent students from receiving quality education which may reasonably charge relatively higher tuition fee.

For	Against
(7) Remove the age limit from that imposed on the non-means-tested loan scheme for students pursuing full-time self-financed locally-accredited programmes	
● The proposal can remove age discrimination and provide financial assistance to those mature students who enroll full-time studies at latter stage.	● Financial assistance may easily be abused as those aged over 25 are working adults who should be capable of paying for their studies.
(8) Suitably revise the course eligibility criteria to restrict the eligible courses to those with a reasonable degree of quality assurance	
● It is essential to tighten up the eligibility of course providers and so as to ensure the quality of programmes from which loans can be borrowed under NLS.	● It is hard to determine a set of objective assessment criteria for the eligibility of courses. ● The new measure may reduce loan borrowers' choices of courses and hence hinder their study path. ● Existing course providers show concerns on the proposal as it takes time and resources for existing courses to obtain local accreditation status.
(9) Share the negative data of defaulters with the credit reference agency under clearly defined circumstances	
● The proposal has deterrent effect and can prevent abuse and excessive borrowing. ● Irresponsible loan borrowers should bear the consequence themselves. ● The data can provide good reference to other credit providers. ● Student loan borrowers should not be treated differently from other private loan borrowers. ● The circumstances of sharing negative credit data should be clearly defined and made known to loan borrowers at an initial stage to enhance the transparency of the policy.	● The loan is for education purpose and students may have genuine difficulty in repaying upon graduation. ● There will be great impact on students' future. ● The proposal is too "commercial" and Government loan should not be linked to the private financial sector. ● The credit data are confidential personal data and may be misused by private sector. ● The Government should use other means, e.g., restrict the emigration rights of defaulters, expedite legal recovery actions, liaise with the defaulters more proactively and demand repayment

For	Against
	through the tax system, etc. ● The proposal may open the floodgate of the present closed system, which is almost exclusive to the banks and licensed money lenders, to requests of a similar nature from other government departments or even private sectors.
(10) Require the more mature first-time loan borrowers to produce credit reports for assessment of credit worthiness.	
● The proposal which targets mature loan borrowers is reasonable in order to safeguard the proper use of public money. ● The proposal should be extended to defaulters.	● There is no empirical data to indicate that loan borrowers aged over 30 will have a higher default rate ● The proposal discriminates against mature loan borrowers and should be extended to all loan borrowers instead. ● The Government should help everyone in need, including mature students, to receive education. ● SFAA should obtain the credit reports and pay the relevant fees, instead of asking the borrowers to submit the reports.

(B) On-line Survey

	Proposal	For	Against
1	Reduce the RAF rate of the three NLS from 1.5% to zero, and review the situation after three years.	90%	10%
2	Extend the standard repayment period of NLS loans from 10 years to 15 years.	76%	24%
3	Relax the deferment arrangements such that those borrowers whose applications for deferment have been approved would be allowed an extension of loan repayment period without interest during the approved deferment period, subject to a maximum of two years.	89%	11%

	Proposal	**For**	**Against**
4	Revise the repayment interval from quarterly to monthly basis.	73%	27%
5	Cap the loan amount in respect of each programme at the level of tuition fee payable for all NLS.	75%	25%
6	Impose two life-time loan limits each of $300,000, one for Schemes A and B and one for Scheme C, with annual price adjustment mechanism.	77%	23%
7	Remove the age limit from Scheme B.	82%	18%
8	Suitably revise Scheme C's course eligibility criteria to restrict the eligible courses only to those with a reasonable degree of quality assurance.	79%	21%
9	Share the negative data of defaulters with the CRA under clearly defined circumstances.	62%	38%
10	Require the more mature first-time loan borrowers to produce credit reports for assessment of credit worthiness.	56%	44%

The Privacy Commissioner of Personal Data (PCPD)'s Concerns and Government's Responses on the Proposal of Sharing the Negative Data of Defaulters with the Credit Reference Agency (CRA)

PCPD's concerns	**Government's responses**
● providing negative credit data to CRA to deter loan default is not a function of the present system;	● there is a need to adopt additional and more effective deterrent measures to tackle the serious student loan default problem;
● it would open the floodgate of the present closed system to requests of a similar nature from other Government departments or even private sectors;	● there are no other government loans comparable to student loans, which are unsecured and have locked up a substantial amount of public funds (total outstanding principal of HK$6.85 billion as at end of 2011); ● given that the participation of any credit data provider in the credit data system would require the specific approval of PCPD, there is no cause for concern that the proposal will open the floodgate of access to the system by other Government departments;
● the transfer of consumers' sensitive data from a Government agency to a commercial enterprise will increase the privacy and data protection risks;	● at present, for default cases which have been referred to the Department of Justice for debt recovery through legal means, information on the loan borrowers will become public records and can be readily captured by the CRA. However the process is long and the costs are high; ● the Government will, like other credit providers, strictly observe the Personal Data (Privacy) Ordinance and the Code of Practice on Consumer Credit Data;
● as how the CRA assigns a credit score to individual consumers is not disclosed, whether the proposal would produce an insignificant or a disproportionately negative effect on the borrower cannot be assessed;	● only the negative credit data of the more serious default cases would be shared with CRA, say, those which owed more than $100,000 and had ceased repayment for more than a year and who had failed to respond to SFAA's

	reminders or to provide any reasonable justification for the delayed repayments;
● if the disclosure is not a purpose directly related to the original one of collecting personal data of student loan borrowers for processing loan applications, "voluntary" prescribed consent has to be obtained from the data subject, i.e. existing loan borrowers;	● SFAA will ensure that the data protection principles are fully complied with;
● even if the proposal will only cover new loan applicants and SFAA will take all practicable steps to inform the applicants of the transfer in the event of default, the question whether the borrower's personal data are collected by means which are fair in the circumstances of the case may be relevant. That is, whether NLS is the only secured source from which students irrespective of family backgrounds can obtain funds to finance their education;	● SFAA is prepared to be subject to a series of more stringent regulatory measures than those currently applicable to licensed banks and financial institutions on the handling of consumer credit data; ● SFAA will introduce measures to screen cases by an independent panel such that only very essential/limited data will be shared.
● as revealed by the findings of a survey commissioned by PCPD, the percentage of interviewees supporting the proposal dropped from 60% to 35% after relevant privacy concerns had been explained to them.	● given the similarity between SFAA's student loans and the unsecured personal loans offered by licensed banks and financial institutions, it should be in the overall public interest to prevent defaults involving Government loans (hence public money) in the same way as we are protecting the private sector from excessive lending by means of sharing of such data under the Code of Practice on Consumer Credit Data.

Summary of Proposals
to Improve the Non-means-tested Loan Schemes and
the Means-tested Assistance Schemes
vis-à-vis the Existing Arrangements

Measure	Existing Arrangement	Proposed Arrangement
Non-means-tested Loan Schemes		
1. Reducing RAF rate	1.5% per annum Effective Interest Rate = 3.174% per annum	0% per annum Effective Interest Rate = 1.674% per annum *(subject to review in 3 years' time)*
2. Extending standard repayment period	10 years	15 years
3. Relaxing deferment arrangements	• Interest charged during the approved deferment period • Upon expiry of deferment period, balance of the loan including the interest accrued has to be repaid within the remaining compressed period of less than 10 years at a higher amount per instalment	• Interest-free during the approved deferment period • Extension of the entire loan repayment period by a maximum of two years
4. Revising repayment interval	• Quarterly payment	• Monthly payment • Implement e-billing and e-enquiry services • To be implemented in 2013/14 academic year
5. Aligning loan coverage	• Schemes A & C: Loan amount of a course capped at tuition fee payable • Scheme B: Maximum loan amount equals to tuition fee payable plus academic expenses and living expenses assistance	• Schemes A, B & C: Loan amount of a course capped at tuition fee payable

Measure	Existing Arrangement	Proposed Arrangement
6. Imposing loan limits	• No loan limit over life time under each scheme	• Impose a combined life-time loan limit of $300,000 under Schemes A and B • Impose a life-time loan limit of $300,000 under Scheme C which is in addition to the combined loan limit for Schemes A and B above. • The life-time loan limits to be adjusted annually in accordance with the movement of CCPI. • Loan borrowers under Schemes A and B who have exhausted the $300,000 loan limit to study programmes for attaining their first degree-level study may apply to SFAA to use up to $100,000 of their life-time loan limit under Scheme C, on a case-by-case basis. • Grandfather existing students who have enrolled programmes charging tuition fees above the loan limit by allowing them to borrow a cumulative loan exceeding the proposed ceiling to complete their programmes up to first degree level.
7. Removing age limit of Scheme B	• Age limit of 25	• No age limit
8. Revising the course eligibility criteria of Scheme C	• There are nine categories of eligible courses under Scheme C as follows – (1) courses offered by the	• To restrict eligible courses to those with a reasonable degree of quality assurance – (i) courses accredited by

Measure	Existing Arrangement	Proposed Arrangement
	Open University of Hong Kong; (2) courses offered by Hong Kong Shue Yan University; (3) part-time publicly-funded programmes or self-financing, local award-bearing programmes (i.e. programmes of study leading to the award of local academic qualifications) or training or development courses at the post-secondary level offered by publicly-funded institutions (including their Schools of Professional and Continuing Education); (4) programmes offered under the Project Yi Jin; (5) registered courses and exempted courses under the Non-local Higher and Professional Education (Regulation) Ordinance (Cap. 493); (6) post-secondary courses, adult education courses, continuing and professional education courses offered by a school registered under section 13(a) or exempted from registration under section 9(1) of the Education Ordinance (Cap. 279); (7) courses offered by a Post Secondary College	HKCAAVQ or accredited by institutions by virtue of their self-accreditation status or Programme Area Accreditation status; (ii) courses under Yi Jin Diploma; (iii) courses covered by the Financial Assistance Scheme for Designated Evening Adult Education Courses; (iv) training and development courses provided or funded by local statutory bodies; and (v) registered courses and exempted courses under the Non-local Higher and Professional Education (Regulation) Ordinance (Chapter 493). • Set up a course registration system. • Provide a transitional period for existing non-accredited course providers/courses to obtain accreditation. • Grandfather existing students by allowing them to complete their study programme in case the course being pursued fails to obtain accreditation during the transitional period.

Measure	Existing Arrangement	Proposed Arrangement
	registered under the Post Secondary Colleges Ordinance (Cap. 320); (8) training or development courses provided or funded by statutory bodies; and (9) continuing and professional education courses offered by any institution approved by the Controller, SFAA in accordance with the criteria concerned.	
9. Sharing negative credit data of defaulters with credit reference agency	• No such arrangement	• To deliberate and engage PCPD as well as the other relevant parties with a view to identifying an effective way to deter and tackle defaults.
10. Requiring more-mature loan applicants to produce credit reports	• No such requirement	• To monitor the default situation of the loan schemes and the age profile of defaulters before deciding whether, and if so, how to take forward this proposal.
Financial Assistance Scheme for Post-secondary Students		
1. Relaxing the age limit	Age limit of 25	Age limit of 30
2. Removing the requirements/ restrictions on prior academic qualification	• For students who have obtained sub-degree/degree level qualification, they are ineligible to pursue a locally-accredited programme leading to the same level of qualification • For students who wish to pursue a degree course, if they possess a sub-degree level qualification, which	• No such requirements/ restrictions

Measure	Existing Arrangement	Proposed Arrangement
	must be locally accredited • For students who wish to pursue a top-up degree programme, they must have obtained a locally accredited sub-degree level qualification	
3. Removing the repayment requirement of grants	• Grant recipients who fail to obtain the intended qualification within a six-year period from the first date of disbursement of assistance have to repay the tuition fee and academic expenses grants	• No such requirements
Tertiary Student Finance Scheme – Publicly-funded Programmes and Financial Assistance Scheme for Post-secondary Students		
1. Reducing interest rate of living expenses loan	2.5% per annum	1% per annum
2. Extending standard repayment period of living expenses loan	5 years	15 years
3. Relaxing deferment arrangements	• Interest-free during the approved deferment period • Extension of the entire loan repayment period by a maximum of five years, i.e. up to ten years	• Interest-free during the approved deferment period • Extension of the entire loan repayment period by a maximum of two years, i.e. up to 17 years
4. Revising repayment interval	• Quarterly payment	• Monthly payment • Implement e-billing and e-enquiry services • To be implemented in 2013/14 academic year

Measure	Existing Arrangement	Proposed Arrangement
5. Revising the mechanism of setting and adjusting the maximum levels of living expenses loan and academic expenses grant under TSFS	• Based on the result of a Student Expenditure Survey conducted in 1988 and price-adjusted annually according to the student price index compiled specifically by the Census and Statistics Department (C&SD) with input from institutions covered by TSFS.	• Adopt the median per capital household expenditure (with exclusions of housing, alcoholic drinks & tobacco, transport and education expenditures) obtained from the Household Expenditure Survey conducted every five years by C&SD as the benchmark level for maximum LE loan. • Adjust the loan levels in the intermediate years by the Consumer Price Index (A) computed with same exclusions. • Conduct a review when the extent of adjustment exceeds 10% in either direction. • Maintain existing levels for academic expenses grant. Make annual adjustment in accordance with changes in CPI(A).
