

**For Information  
on 13 April 2015**

**Legislative Council Panel on Education  
Student Financial Assistance Schemes for Post-secondary Students**

**Purpose**

This paper briefs Members on the financial assistance provided for post-secondary students by the Government through different means.

**Student Financial Assistance Schemes**

2. The Government's policy on student finance is to ensure that no student is denied access to education due to lack of means. At present, the Student Finance Office (SFO) of the Working Family and Student Financial Assistance Agency administers various means-tested and non-means-tested student financial assistance and loan schemes, covering students from pre-primary to post-secondary levels and people pursuing continuing education. As far as the assistance schemes for post-secondary students are concerned, the SFO administers five schemes which can be broadly categorized into means-tested and non-means-tested schemes as follows –

**(A) Means-tested Assistance Schemes**

- (a) Tertiary Student Finance Scheme – Publicly-funded Programmes (TSFS)
- (b) Financial Assistance Scheme for Post-secondary Students (FASP)

**(B) Non-means-tested Loan Schemes**

- (a) Non-means-tested Loan Scheme for Full-time Tertiary Students (NLSFT)
- (b) Non-means-tested Loan Scheme for Post-secondary

Students (NLSPS)  
(c) Extended Non-means-tested Loan Scheme (ENLS)

### **Means-tested Assistance Schemes**

3. The TSFS and FASP provide assistance to eligible students pursuing full-time publicly-funded programmes and full-time, locally-accredited self-financing sub-degree or degree programmes<sup>1</sup> respectively. Post-secondary students who have passed the income test and asset test are provided with grants to meet tuition fees and academic expenses, and low-interest loans to meet living expenses. They may also apply for subsidies under the Student Travel Subsidy Scheme (STSS) to meet the expenses spent on the journeys to and from school.

4. Under the means test mechanism of the post-secondary student assistance schemes, the gross annual family income<sup>2</sup> and family size of an applicant will be taken into account in the assessment of his / her eligibility and the level of financial assistance<sup>3</sup>. The level of assistance is then subject to discounting having regard to the net asset value of the applicant's family<sup>4</sup>. In the 2014/15 academic year, there will be no discounting of the level of assistance if the net asset value per family member<sup>5</sup> of the applicant is at or below \$229,000. Taking a four-member family as an example, the applicant will be eligible for full level of assistance if the total family asset value does not exceed \$916,000 and the average monthly family income is at or below \$15,867. An applicant with a monthly family income at or below \$27,548 on average will be eligible for at least 15% of assistance.

5. In the 2013/14 academic year, the financial assistance (including grants and living expenses loans) disbursed under the two

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<sup>1</sup> The scope of the TSFS also covers full-time publicly-funded post-graduate study programmes.

<sup>2</sup> Gross annual family income includes the full income of the applicant's parents and 30% of the annual income of the unmarried siblings residing with the applicant, as well as contributions from relatives.

<sup>3</sup> There are five levels of assistance under the income test, i.e. 100%, 75%, 50%, 25% and 15% of the maximum amount of grant.

<sup>4</sup> The level of assistance as assessed by the income test is subject to discounting according to the asset value of the applicant's family (i.e. -0%, -20%, -40%, -60%, -80% or -100%).

<sup>5</sup> The "net asset value per family member" is obtained by dividing the total assets possessed by the applicant and his / her parents by the total number of family members.

means-tested assistance schemes amounted to over \$2.7 billion and benefitted about 55 000 students which constituted about 31% of the student population. As for the STSS, subsidies of about \$166 million were disbursed to nearly 49 000 post-secondary students.

### **Non-means-tested Loan Schemes**

6. To cater for the needs of full-time students who fail to or do not wish to go through the means test under the TSFS and FASP, the Government introduced the NLSFT and NLSPS to provide non-means-tested loans to students who are eligible for the TSFS and FASP respectively to cover their tuition fees. Besides, the Government also introduced the ENLS to provide loans for eligible students pursuing specific post-secondary / professional and continuing education programmes to meet tuition fees. In the 2013/14 academic year, loans of about \$1.4 billion were disbursed to over 28 000 students under the three non-means-tested loan schemes.

### **Improvement Measures of Assistance Schemes**

7. From time to time, the Government reviews the student financial assistance schemes so as to ensure that students are provided with appropriate support. In fact, a number of comprehensive reviews on the means test mechanism and individual financial assistance schemes had been conducted in recent years, and the rates of assistance are adjusted regularly.

8. In the 2011/12 academic year, the Government reviewed the means test mechanism of various means-tested financial assistance schemes and relaxed the income ceiling for full level of assistance under the mechanism. Consequent upon the implementation of the improvement measure under the means-tested post-secondary assistance schemes, the percentage of students receiving full level of assistance increased significantly from about 30% of the beneficiaries in previous academic years to about 60%. Apart from the relaxation of the means test mechanism, the Government also adjusted the tiers of financial

assistance and increased the maximum amount of grants for academic expenses by \$1,000 in the 2011/12 academic year. With the implementation of these improvement measures, the average amount of grant disbursed to each eligible post-secondary student increased by over 20%. In the 2013/14 academic year, the average amount of grant disbursed was about \$40,000.

9. To alleviate the financial burden of student loan borrowers, the Government has lowered the interest rate of the living expenses loans of the TSFS and FASP from 2.5% to 1% per annum since the 2012/13 academic year. The standard repayment period has also been extended from five years to 15 years.

10. On the non-means-tested loan schemes, the Government has implemented since the 2012/13 academic year a series of improvement measures upon the conclusion of a two-phased public consultation on the review of the schemes in 2012. The measures include reducing the risk-adjusted-factor rate from 1.5% to zero (subject to review in three years after implementation). The current interest rate is 1.395% per annum. In addition, the standard repayment period has been extended from ten years to 15 years.

11. Borrowers of means-tested or non-means-tested loans may apply for deferment of loan repayment on grounds of financial hardship, further full-time studies or serious illness. If their deferment applications are approved, loan borrowers would enjoy an interest-free deferment and extension of the loan repayment period, subject to a maximum of two years, meaning that the entire repayment period can be up to 17 years. In addition, to ease the financial burden of loan borrowers upon graduation and to allow them more time to seek a stable job, loan borrowers are given the option of starting the student loan repayment one year after completing their studies. Besides, the loan repayment interval has been gradually revised from quarterly to monthly basis starting from the 2013/14 academic year in order to facilitate better financial management of loan borrowers.

12. To prevent excessive borrowing by students, the Government has imposed since the 2012/13 academic year a combined life-time

maximum loan limit under the NLSFT and NLSPS<sup>6</sup>. The limit is price-adjusted annually in line with the movement of the Composite Consumer Price Index (CCPI). The maximum loan limit for the 2014/15 academic year is \$325,700. Separately, an additional life-time maximum loan limit has also been imposed under the ENLS with the limit also price-adjusted annually in line with the movement of the CCPI. The maximum loan limit for the 2014/15 academic year is \$325,700. The Government has also tightened the requirements of eligible courses under the ENLS by restricting courses on the Register of Eligible Courses to those with a reasonable degree of quality assurance. Under the existing course eligibility criteria, only those who pursue the study programmes that meet the specified eligibility criteria can apply for loans under the ENLS. This helps eliminate unscrupulous course providers and programmes without quality assurance, and will prevent abuse of the loans and ensure the proper use of public funds.

13. The above measures improve the operation of the non-means-tested loan schemes, greatly ease the repayment burden of student loan borrowers and offer appropriate support to students in need.

### **Default of Student Loans**

14. Cases with two or more consecutive overdue quarterly instalments / six or more consecutive overdue monthly instalments are regarded as default cases. These do not include cases where deferment of repayment (e.g. due to financial hardship, pursuing further full-time studies or serious illness) has been approved.

15. In recent years, the SFO has stepped up measures to tackle the default problem and to recover outstanding student loans from the defaulters and their indemnifiers. In addition to the implementation of a package of improvement measures to the assistance schemes mentioned above, the SFO has streamlined the workflow of loan recovery, enhanced the system to improve the case management process, deployed more resources to expedite recovery of defaulted student loans through legal

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<sup>6</sup> If the combined life-time maximum loan limit is insufficient for a student loan borrower to complete his / her studies leading to the award of a first degree, he / she may submit an application to the SFO for the use of the loan limit under the ENLS, subject to the ceiling of \$100,000.

means, including referral of default cases to the Department of Justice (DoJ) and filing of claims directly to the Small Claims Tribunal (SCT). Moreover, the SFO has put forth new measures, including sending short messaging service and proactively making phone calls to the defaulted loan borrowers and their indemnifiers, urging them to settle the arrears and providing assistance to those who have genuine difficulties in repaying their loans (e.g. through loan restructuring). The SFO has also collaborated with tertiary institutions and related organizations in promoting prudent financial management to young people through various education and promotional activities.

16. Through all the above concerted efforts, the overall default rate in relation to the number of loan repayment accounts has dropped from 12.45% in the 2009/10 academic year to 8.03% in the 2014/15 academic year (as at 31 January 2015). The number of default cases has also reduced by 22.8% from 17 374 in the 2009/10 academic year to 13 415 in the 2014/15 academic year (as at 31 January 2015), notwithstanding an increase in the number of loan repayment accounts by 19.9% (from about 139 500 to 167 200) over the same period. Of the 13 415 default cases as at 31 January 2015, legal recovery action has been taken against about 9 500 cases, including referring the cases to the DoJ or filing claims directly to the SCT. For the remaining some 3 500 cases (debt age of which is all within one year), the SFO will take appropriate recovery action to urge the debtors to repay the outstanding loans.

17. The Government welcomes the recommendation of The Ombudsman that the Government should further discuss with the Privacy Commissioner for Personal Data (PCPD) with a view to implementing the proposal of providing negative credit data of the more serious defaulters to a credit reference agency as soon as possible to strengthen the deterrent effect on defaulters. The Government notes the concerns of the PCPD on the proposal and will continue to exchange views with the PCPD and look forward to addressing his concerns with a view to implementing the recommendation of The Ombudsman in accordance with the law.

## **Other Assistance Initiatives for Post-secondary Students**

18. In addition to the standing financial assistance schemes of the SFO, the Government has been strengthening support for needy post-secondary students through the Community Care Fund (CCF). The Government implemented the following two programmes in the 2014/15 academic year:

### **(a) Hostel Subsidy**

The programme will be implemented for three years from 2014/15 to 2016/17 academic years to provide a hostel subsidy for needy undergraduate students to meet student hostel expenses. Each eligible student will be granted an annual hostel subsidy of up to \$8,000<sup>7</sup>. With an estimated expenditure of about \$137 million, the programme is expected to benefit about 6 600 students in the 2014/15 academic year.

### **(b) Additional Academic Expenses Grant under FASP**

The programme will be implemented for three years from 2014/15 to 2016/17 academic years to provide additional academic expenses grant under FASP to strengthen support for eligible needy students pursuing locally-accredited self-financing post-secondary programmes. Each eligible student will be provided an additional academic expenses grant<sup>7</sup> of up to \$2,000 per year. With an estimated expenditure of about \$151 million, the programme is expected to benefit about 23 500 students in the 2014/15 academic year.

19. In addition to the support mentioned above, the Commission on Poverty has approved the allocation of funds from the CCF for providing additional academic expenses grant for post-secondary students with special educational needs in receipt of financial assistance under TSFS and FASP. This is to ensure that their learning will not be affected

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<sup>7</sup> The actual amount of subsidy is to be determined according to the eligible student's level of assistance as assessed by the means-test mechanism. During implementation, the maximum assistance level will be subject to annual adjustment according to the movement of the Consumer Price Index (A).

due to lack of means. The programme will be implemented for three years from 2015/16 to 2017/18 academic years. Each eligible student will be provided an additional academic expenses grant<sup>7</sup> of up to \$8,000 per year. The programme is expected to benefit about 540 students each year and the total estimated expenditure is about \$12.5 million.

20. Furthermore, from the 2014/15 academic year, the Government begins to subsidise financially needy students to join exchange programmes outside Hong Kong that are arranged by institutions to ensure that students will not be deprived of a diverse post-secondary student life due to lack of means. The subsidy ceiling for each student is \$15,000.

### **Advice Sought**

21. Members are invited to note the paper and give their views on the financial assistance for post-secondary students provided by the Government.

Education Bureau  
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