

One-off Relief Measure on Deferment of Loan Repayment Without Charging Interest during Deferment Period

To alleviate the financial burden of students with proven repayment difficulties, the Government announced the one-off relief measure on loan deferment (relief measure) to extend the total loan repayment period for a maximum of two years without charging interest during the approved deferment period. The details of the arrangement are illustrated below.

Application Period for the Relief Measure

The relief measure will be applicable to those deferment applications made during the two-year period from **1 August 2009 to 31 July 2011** and are subsequently approved. If the deferment applications concerned are approved, the deferment will commence from the repayment quarter* of October 2009 the earliest, subject to a maximum of two years.

For loan borrowers whose deferment requests have been approved before 1 August 2009 under the existing deferment mechanism, if the first repayment quarter falls in January 2010 or any repayment quarter thereafter (i.e. the expiry date of the deferment falls on the last day of the third quarter of 2009 or the last day of a quarter thereafter) upon resumption of repayment, they will also benefit from the relief measure.

* Repayment quarter – loan borrowers are required to repay their loans and interest accrued thereon quarterly. Demand notes will be issued in March, June, September and December every year with the due date for payment falling on 1st April, 1st July, 1st October and 1st January respectively. Repayment quarter refers to January, April, July and October.

Eligibility

Individual loan borrowers unable to repay their loans owing to **further full-time studies, financial hardship or serious illness** may make application to the Student Financial Assistance Agency (SFAA) for deferment. Applicants will benefit from the relief measure if their requests for deferment are subsequently approved.

Defaulters wishing to benefit from the abovesaid deferment measure have to approach SFAA for assistance in loan restructuring or deferment arrangements, and provide supporting documents to prove their economic difficulty, further studies or serious illness.

Application Procedures

The same set of existing procedures for deferment applications will apply to those made during the application period under the relief measure. If loan borrowers have difficulty in repaying their loan(s) for reason of further full-time studies, financial hardship or serious illness, they may apply for deferment of loan repayment. Applications will be considered on individual merits. Application forms

in PDF format can be downloaded from SFAA's website (<http://www.sfaa.gov.hk/eng/public/index.htm>).

In making his application, an applicant has to submit the following documentary evidence in support of his application:-

On ground of Further Studies

- (i) a copy of the admission letter or other supporting document issued by the institution certifying the applicant's being a full-time student and his earliest expected date of graduation;
- (ii) a photocopy of the applicant's up-dated permanent student identity card with expiry date stated for his full-time studies; and
- (iii) receipt for payment of tuition fees.

On ground of Financial Hardship

- (i) a photocopy of all the bank account book(s) (including the applicant's payroll bank account) in his possession for the last 6 months (should indicate salary transactions);

If the applicant is unemployed, also submit: -

- (ii) a photocopy of termination letter issued by the applicant's former employer; and
- (iii) documentary proofs showing that the applicant has been looking for jobs in the last couple of weeks/ months, e.g. records of registration for jobs with the Labour Department.

On ground of Serious Illness

- (i) a photocopy of all the bank account book(s) in the applicant's possession for the last 6 months; and
- (ii) a copy of the medical certificate(s) issued by a hospital/ clinic/ registered medical practitioner certifying the applicant's health condition and the period of sick leave granted.

The application must be submitted together with documentary evidence to the Deferment Unit of this Agency by mail, email or fax **before the due date** of the instalment under application. If the applicant is going to apply for deferment of the repayment quarter of October 2009, he must submit his application on or before 30 September 2009. SFAA's correspondence address and contact methods are as follows: -

Student Financial Assistance Agency
(Attn: Deferment Section)
12/F Cheung Sha Wan Government Offices
303 Cheung Sha Wan Road
Kowloon

Fax No.: (852) 3102 1256
Email: wg@sfaa.gov.hk
Enquiry Tel no.: 2150 6230

The Agency may approach the applicant for further information upon receipt of his application, if necessary. All applications will be considered on individual merits.

If an application for deferment is subsequently approved, the applicant will be informed of the deferment period, interest-free period, date of resumption of repayment and the revised repayment schedule.

If the application for deferment is not approved, the applicant will be informed of the date of resumption of repayment.

How Loan Borrowers Benefit from the Relief Measure

Means-tested loan under The Tertiary Student Finance Scheme – Publicly-funded Programmes (TSFS)

(i) **Loan borrowers who have been approved for loan deferment**

If loan borrowers have previously been approved for deferment of loan repayment and their first repayment quarter upon resumption of repayment falls in January 2010 or any repayment quarter thereafter (i.e. the expiry date of the deferment falls on the last day of the third quarter of 2009 or the last day of a quarter thereafter), the period from 1 July 2009 up to the expiry of the approved deferment will be counted for calculating the deferment period, and the total repayment period will therefore be extended accordingly. In case of need, the loan borrowers may apply for further deferment upon expiry of the previously approved deferment period or before 31 July 2011, but the total extended periods so accumulated will be subject to a maximum of two years. If needed, SFAA will inform the loan borrowers concerned and seek their affirmation of the relevant changes to the deferment arrangement.

Example 1: Approval has been given for a loan borrower to defer his loan repayment for two years from the April quarterly instalment in 2008 and he is required to resume repayment in the April quarterly instalment in 2010.

Two deferred quarterly instalments (i.e. covering the repayment quarter of October 2009 and January 2010) fall within the deferment period under the relief measure. The total repayment period will therefore be extended by two quarterly instalments, up to 10 years and 6 months.

Example 2: Approval has been given for a loan borrower to defer his loan repayment for three years from the April quarterly instalment in 2009 and he is required to resume repayment in the April quarterly instalment in 2012.

A period of two years' deferment (i.e. covering the repayment quarters between October 2009 and July 2011) falls within the deferment period under the relief measure. The total repayment period will therefore be extended by two years, up to 12 years.

(ii) Loan borrowers submitted application before 1 August 2009

These applicants do not need to make a new application. Their applications will be processed in accordance with the existing procedures and, if approved, the same arrangement as stated in paragraph (i) will apply.

(iii) Loan borrowers submitting application between 1 August 2009 and 31 July 2011

Loan borrowers who apply for deferment during the period from 1 August 2009 to 31 July 2011 and whose applications are subsequently approved, they will be eligible for deferment from the repayment quarter following the date of application (from the repayment quarter of October 2009 the earliest), subject to a maximum of two years. Their total repayment period will be extended correspondingly according to the quarters of deferment approved.

Means-tested loan under the Financial Assistance Scheme for Post-secondary Students (FASP)

(a) Loan borrowers of living expenses loan introduced since the 2008/09 academic year

Since the living expenses loan was introduced in the 2008/09 academic year, loan borrowers will commence repayment in October 2009 the earliest. Loan borrowers may apply for deferment of repayment under the relief measure. Since the terms and conditions of repayment of living expenses loan are the same as those of Tertiary Student Finance Scheme – Publicly-funded Programmes (TSFS), applications from these loan borrowers will be processed in accordance with the existing guidelines for processing TSFS applications.

(b) Grant recipients whose grant becomes loan due to failure to obtain the intended qualifications

According to the terms and conditions of FASP grant, the loan must be repaid by 40 equal quarterly instalments within a period of 10 years upon termination of studies. If an application for deferment is approved, interest will not accrue during the deferment period. However, the loans will be restructured in such a way that the outstanding loan amounts will have to be repaid on a revised schedule with fewer quarterly instalments but at a larger instalment amount.

Under the relief measure, the total repayment period of the grant recipients will be extended correspondingly according to the period of approved deferment, subject to a maximum of 2 years. Since the total repayment period will be extended, the amount of quarterly instalment will remain unchanged.

(i) Loan borrowers who have been approved for loan deferment

If loan borrowers have previously been approved for deferment of loan repayment and their first repayment quarterly upon resumption of repayment falls in January 2010 or any repayment quarter thereafter (i.e. the expiry date of

the deferment falls on the last day of the third quarter of 2009 or the last day of a quarter thereafter), the period from 1 July 2009 up to the expiry of the approved deferment will be counted for calculating the deferment period, and the total repayment period will therefore be extended accordingly. In case of need, the loan borrowers may apply for further deferment upon expiry of the previously approved deferment period or before 31 July 2011, but the total extended periods so accumulated will be subject to a maximum of two years. If needed, SFAA will inform the loan borrowers concerned and seek their affirmation of the relevant changes to the deferment arrangement.

Example 1: Approval has been given for a loan borrower to defer his loan repayment for two years from the April quarterly instalment in 2008 and he is required to resume repayment in the April quarterly instalment in 2010.

Two deferred quarterly instalments (i.e. covering the repayment quarter of October 2009 and January 2010) fall within the deferment period under the relief measure. The total repayment period will therefore be extended by two quarterly instalments, up to 10 years and 6 months.

Example 2: Approval has been given for a loan borrower to defer his loan repayment for three years from the April quarterly instalment in 2009 and he is required to resume repayment in the April quarterly instalment in 2012.

A period of two years' deferment (i.e. covering the repayment quarters between October 2009 and July 2011) falls within the deferment period under the relief measure. The total repayment period will therefore be extended by two years, up to 12 years.

(ii) Loan borrowers submitted application before 1 August 2009

These applicants do not need to make a new application. Their applications will be processed in accordance with the existing procedures and, if approved, the same arrangement as stated in paragraph (i) will apply.

(iii) Loan borrowers submitting application between 1 August 2009 and 31 July 2011

Loan borrowers who apply for deferment during the period from 1 August 2009 to 31 July 2011 and whose applications are subsequently approved, they will be eligible for deferment from the repayment quarter following the date of application (from the repayment quarter of October 2009 the earliest), subject to a maximum of two years. Their total repayment period will be extended correspondingly according to the quarters of deferment approved.

Non-means-tested loan Scheme

According to the current arrangement on loan repayment, loan borrowers are required to repay the loan in 40 equal quarterly instalments within 10 years upon completion or

cessation of their studies. Since the loan borrowers are required to repay their loans within 10 years, upon approval of deferment, the loans will be restructured in such a way that the outstanding loan amounts will have to be repaid on a revised schedule with fewer number of quarterly instalments but at a larger instalment amount. Under the relief measure, interest will not accrue over the deferment period and the total repayment period will be extended up to a maximum of two years, depending on the period of approved deferment.

(i) Loan borrowers who have been approved for loan deferment

If the loan borrowers have been granted deferment of loan repayment and the first repayment quarter upon resumption of repayment falls in January 2010 or any repayment quarter thereafter (i.e. the expiry date of the deferment falls on the last day of the third quarter of 2009 or the last day of a quarter thereafter), interest will be waived within the deferment period starting from the repayment quarter of October 2009 (i.e. from 1 July 2009) up to the expiry of the approved deferment or the repayment quarter of July 2011 (i.e. 30 June 2011), whichever is the earlier. The total repayment period will be extended correspondingly according to the deferment period approved. In case of need, the loan borrowers may apply for further deferment upon expiry of the previously approved deferment period or before 31 July 2011, but the total extended periods so accumulated will be subject to a maximum of two years. SFAA will inform the loan borrowers concerned and seek their consent of the relevant changes to the deferment arrangement.

Example 1: Approval has been given for a loan borrower to defer his loan repayment for two years from the April quarterly instalment in 2008 and he is required to resume repayment in the April quarterly instalment in 2010.

Under the relief measure, interest will still accrue during the deferment of the repayment quarters from April 2008 to July 2009, and the deferment interest so accrued will be capitalized to form part of the outstanding loan principal for the calculation of the instalment amount to be repaid by the remaining instalments.

Interest will be waived for those deferred instalments covered by the period of the relief measure (i.e. covering the repayment quarters of October 2009 and January 2010). The total repayment period will be extended by two quarters, totaling to 10 years and 6 months.

Example 2: Approval has been given for a loan borrower to defer his loan repayment for three years from the April quarterly instalment in 2009 and he is required to resume repayment in the April quarterly instalment in 2012.

Under the relief measure, interest will still accrue during the deferment of the repayment quarters from April 2008 to July 2009; and from October 2011 to April 2012. The deferment interest so accrued will be capitalized to form part of the outstanding loan principal for the calculation of the instalment amount to be repaid by the remaining instalments. Interest will be waived for those deferred instalments covered by the relief measure period (i.e. covering the repayment quarters between October 2009 and July 2011). The total repayment period will be extended by two years, totaling to 12 years.

(ii) Loan borrowers submitted application before 1 August 2009

These applicants do not need to make a new application. Their applications will be processed in accordance with the existing procedures and, if approved, the same arrangement as stated in paragraph (i) will apply.

(iii) Loan borrower submitting application between 1 August 2009 and 31 July 2011

Loan borrowers who apply for deferment during the period from 1 August 2009 to 31 July 2011 and whose applications are subsequently approved, they will be eligible for interest-free deferment from the repayment quarter following the date of application (from the repayment quarter of October 2009 the earliest), subject to a maximum of two years. Their total repayment period will be extended correspondingly according to the quarters of deferment approved.

No Need to Rush at Making Application

The application period for the relief measure is two years (from 1 August 2009 to 31 July 2011). Loan borrowers should make application based on their needs. They need not rush to make application right after the commencement of the relief measure. Any applications made within the two-year application period and are subsequently approved by SFAA will be eligible for interest-free extended deferment period, subject to a maximum of two years.

Deferment Application from Defaulter

Under SFAA's prevailing mechanism of handling deferment applications, if a loan borrower applying for deferment has overdue repayment, his application will not be considered. SFAA will follow the **same principle** under the **relief measure** and **will not consider** deferment applications from applicants having overdue repayment. The SFAA hopes that these persons will approach the Agency to sort out their debts.

Student Financial Assistance Agency

(Revised on 23 June 2009)