

LCQ11: Student financial assistance schemes for tertiary students

Following is a question by Reverend Canon the Hon Peter Douglas Koon and a written reply by the Secretary for Education, Dr Choi Yuk-lin, in the Legislative Council today (February 19):

Question:

Regarding the various student financial assistance schemes (SFASs) administered by the Student Finance Office (SFO) of the Working Family and Student Financial Assistance Agency, including (i) the Tertiary Student Finance Scheme—Publicly-funded Programmes, (ii) the Financial Assistance Scheme for Post-secondary Students, (iii) the Non-means-tested Loan Scheme for Full-time Tertiary Students, (iv) the Non-means-tested Loan Scheme for Post-secondary Students and (v) the Extended Non-means-tested Loan Scheme, will the Government inform this Council:

(1) among the students enrolled in recognised University Grants Committee-funded or publicly-funded programmes in each of the past five academic years, of the respective numbers of students who had successfully applied for the aforesaid SFASs and the percentages of those who had been granted full level of assistance, as well as the respective total amounts involved;

(2) of the respective numbers of default cases of the aforesaid SFASs (i.e. cases with two or more consecutive overdue quarterly instalments/six or more consecutive overdue monthly instalments) and the average amounts in default in such cases in each of the past five academic years, as well as the respective total amounts in default and their percentages in the total amount of loans granted under the schemes concerned;

(3) in respect of the default cases of the aforesaid SFASs in each of the past five academic years, of the respective numbers of (i) letters issued to loan borrowers by the Department of Justice before legal proceedings were initiated or judgments were obtained, and cases where Charging Orders, Writs of Fieri Facia and Garnishee Orders were enforced, and (ii) cases in which the SFO wrote off the outstanding loans, as well as the respective total amounts of such write-offs and their percentages in the total amount of the loans;

(4) whether it will consider further lowering the annual interest rates of the loans under the aforesaid SFASs and extending the standard loan repayment period, so as to alleviate the burden of loan borrowers; if so, of the details; if not, the reasons for that;

(5) whether it has provided further support measures for students who are unable to repay loans under the aforesaid SFASs due to financial pressure, including allowing them to suitably defer the repayment and opt for

Individual Voluntary Arrangement under reasonable circumstances, so as to help them tide over difficulties; if so, of the details; if not, the reasons for that; and

(6) as there are views that the continuous rising trend of students defaulting on loan repayments under the aforesaid SFASs may be related to their poor financial management, whether the Government will allocate additional resources to enhance financial management education in schools, so as to help students in making proper financial planning; if so, of the details; if not, the reasons for that?

Reply:

President,

The Government's policy on student finance is to ensure that no student is denied access to education due to a lack of means. The Student Finance Office (SFO) of the Working Family and Student Financial Assistance Agency currently administers five student financial assistance schemes for post-secondary and tertiary students, including two means-tested financial assistance schemes (namely the Tertiary Student Finance Scheme – Publicly-funded Programmes and the Financial Assistance Scheme for Post-secondary Students which provide grants and/or living expenses loans) and three non-means-tested loan schemes (namely the Non-means-tested Loan Scheme for Full-time Tertiary Students, the Non-means-tested Loan Scheme for Post-secondary Students and the Extended Non-means-tested Loan Scheme which provide loans to applicants for paying tuition fees).

Our reply to the questions raised by Reverend Canon the Hon Peter Douglas Koon is as follows:

(1) Registered full-time students taking up an exclusively University Grants Committee-funded or publicly-funded student place of recognised post-secondary programmes may apply for financial assistance under the Tertiary Student Finance Scheme – Publicly-funded Programmes or the Non-means-tested Loan Scheme for Full-time Tertiary Students. The relevant figures of these two schemes in the 2020/21 to 2024/25 academic years are set out at Annex I.

(2) Cases with two or more consecutive overdue quarterly instalments/six or more consecutive overdue monthly instalments are regarded as default cases. Figures relating to student loan default under the five student financial assistance schemes in the 2020/21 to 2024/25 academic years are set out at Annex II.

(3) If loan repayers do not respond or settle the arrears after the SFO's repeated reminders and urge, the SFO will proceed to take legal recovery actions on the defaulted loan accounts. In addition, the SFO will only consider writing off outstanding loans when the defaulted amounts are confirmed to be irrecoverable (for example when the loan borrower concerned has deceased while his/her indemnifier is unable to repay the loan, or both the loan borrower and his/her indemnifier are bankrupt). Figures relating to

legal recovery actions and write-offs under the five student financial assistance schemes in the 2020/21 to 2024/25 academic years are set out at Annex III.

(4) and (5) The means-tested financial assistance schemes provide non-repayable grants to students for meeting their tuition fees and academic expenses, as well as low-interest loans for meeting their living expenses. The interest rate of the loans concerned is currently set at 1 per cent per annum.

The non-means-tested loan schemes provide loans for students who do not intend to undergo or fail to pass the means tests for paying their tuition fees. The schemes concerned are operated according to the principles of "no-gain-no-loss (NGNL)" and "full-cost recovery". The interest rate is also derived on a NGNL basis and comprises a risk-adjusted-factor rate (reduced to zero since July 2012), and will be adjusted regularly or in response to changes in the market interest rates in accordance with the established mechanism. The current interest rate of non-means-tested loans is 1.795 per cent per annum, which is far below the interest rate for unsecured loans in the market in general. A further reduction of the annual interest rate may result in abuse of the schemes, encourage unnecessary borrowing and increase the future repayment burden of students. Furthermore, subsidising further reductions with taxpayers' money will deviate from the intent of the schemes and principle of prudent finance.

In respect of repayment arrangements, the standard repayment period has already been extended to 15 years having regard to the repayment burden of loan borrowers. Moreover, new graduates can choose to commence loan repayment one year after graduation. Loan borrowers with proven repayment difficulties (e.g. financial hardship, further full-time study or serious illness) may apply to defer repayment of their loans without interest for up to a maximum of two years, meaning that the repayment period of the borrowers concerned can be up to 17 years.

Furthermore, to ease the financial burden of student loan repayers amid the COVID-19 epidemic, the Government has been providing an interest-free deferral arrangement for loan repayment for five years from April 1, 2020 to March 31, 2025, (suspension period). In other words, the entire repayment period can be up to 22 years. Eligible student loan repayers are not required to repay the principal and instalment interest payable during the suspension period. The annual administrative fee chargeable on all loan repayment accounts under the non-means-tested loan schemes is also waived at the same time. New loan repayers who have graduated or completed their studies during the suspension period may choose to further defer the commencement of loan repayment for a maximum of one year after March 31, 2025.

For loan borrowers with genuine difficulties in repaying their loans, the SFO will provide assistance on a case-by-case basis, such as working out adjustments to the repayment plan, or allowing them to opt for Individual Voluntary Arrangement under the Bankruptcy Ordinance.

(6) The SFO has all along been promoting education on financial management, and reminding applicants to carefully consider their needs and repayment abilities before applying for and deciding to take out the loans. The SFO also updates information on its website from time to time to promote the message of financial prudence, credit management and responsible borrowing, as well as the possible consequences of default in loan repayment, so as to strengthen the deterrent effects.

The SFO also collaborates with various post-secondary institutions. Apart from communicating with their student affairs offices from time to time to provide them with the latest information on loan application and messages about financial management for students, the SFO also distributes relevant promotional materials to institutions for use in their annual student activities. This helps instil a prudent attitude towards financial management in students while reminding them of the points to note in making applications under the financial assistance schemes for post-secondary and tertiary students.

In addition, in collaboration with the Investor and Financial Education Council (IFEC), the SFO promotes, through its website, the IFEC's financial education platform "The Chin Family" and its annual financial education campaign "Hong Kong Money Month", to provide financial management information to student loan applicants and their parents, and educate them about the importance of early financial planning.