

LCQ17: Statistics and policies on residential mortgages

Following is a question by the Hon Chan Hak-kan and a written reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (January 27):

Question:

Regarding the statistics and policies on residential mortgages, will the Government inform this Council:

- (1) in respect of the mortgages (a) newly approved and (b) newly drawn down in each of the past three years, of the respective numbers of such cases as well as the total and average amounts of such loans, with a breakdown by type of property transactions (i.e. (i) primary market, (ii) secondary market and (iii) refinancing);
- (2) of the respective percentages of mortgage cases with a loan-to-value (LTV) ratio of (a) 60 per cent and (b) over 60 per cent to 90 per cent in the total number of cases in each of the past three years, with a breakdown by (i) type of property transactions and (ii) the age group to which the borrowers belonged (i.e. aged 18 to 28, 29 to 38, 39 to 48, 49 to 58, and 59 or above);
- (3) among the mortgage cases in each of the past three years, of the respective percentages of those adopting (i) the Hong Kong Interbank Offered Rate (HIBOR), (ii) the Best Lending Rate (BLR) and (iii) fixed-rate loan schemes, and the relevant total amounts of money involved, together with a breakdown by type of property transactions;
- (4) of the number of outstanding mortgage cases and the total amount of money involved in each of the past three years, with a breakdown by property type (i.e. (i) subsidised housing and (ii) private housing);
- (5) in respect of those mortgages which were (a) delinquent for more than three months, (b) delinquent for more than six months and (c) written off ultimately, in each of the past three years, of the respective (i) numbers of such cases and their respective percentages in the total numbers, (ii) average amounts of arrears per case and (iii) total amounts of arrears, with a breakdown by property type;
- (6) given that the mortgage rates for subsidised housing are currently set with reference to BLR across the board, whether the authorities have plans, by drawing reference from the practice adopted for private residential mortgages, to allow borrowers of subsidised housing mortgages to opt for schemes adopting a mortgage rate set with reference to HIBOR, so that they may select a suitable loan scheme in the light of their personal circumstances (e.g. interest rate expectations and ability to bear

fluctuations in repayment amounts); if so, of the details; if not, the reasons for that; and

(7) given that in recent years, more and more young people have become "slashies" (a term referring to a group of people who do not rely on a single and regular job for income, but earn irregular income by engaging in multiple occupations and taking up multiple identities), but it is learnt that quite a number of banks and the Hong Kong Mortgage Corporation Limited still adopt the conventional calculation method to assess the income levels of mortgage applicants and, as a result, the repayment ability of slashies is underestimated, hence making it difficult for them to apply for high LTV mortgages, whether the authorities have plans to review such calculation method and revise the relevant guidelines, so as to cater for changes in the labour market; if so, of the details; if not, the reasons for that?

Reply:

President,

Having consulted the Transport and Housing Bureau and the Hong Kong Monetary Authority (HKMA), the Government's reply to the various parts of the question is as follows:

(1) Table 1 sets out the statistics on new mortgage loans approved by banks in each of the past three years, based on the Residential Mortgage Survey of the HKMA.

Table 2 sets out the statistics on new loans drawn down in each of the past three years.

(2) Table 3 sets out the respective proportions of mortgage loans with a loan-to-value (LTV) ratio of (i) 60 per cent or below, and (ii) above 60 per cent but below 90 per cent as a percentage of the total number of new loans approved in each of the past three years. The higher proportion of loans with an LTV ratio above 60 per cent but below 90 per cent in 2020 was primarily attributable to a larger number of property buyers making use of the Mortgage Insurance Programme (MIP) to obtain mortgage loans with higher LTV ratios.

(3) Table 4 sets out the values of new mortgage loans approved broken down by types of interest rate plans and by types of property transactions (Note 1) in each of the past three years.

(4) Table 5 sets out the values of outstanding mortgage loans in each of the past three years.

(5) Table 6 sets out the statistics on private housing mortgage loans which had been delinquent for more than three months and six months and were ultimately written off in each of the past three years.

(6) To encourage banks and authorised financial institutions to provide mortgage loans and better mortgage terms for purchasers of subsidised sale flats, the Hong Kong Housing Authority (HA) provides a mortgage default

guarantee for banks and authorised financial institutions participating in the provision of mortgage loans (participating financial institutions) for such flats.

The Best Lending Rate (BLR), as compared to the Hong Kong Interbank Offered Rate (HIBOR), is more stable. As such, the mortgage interest rate as provided in the Deeds of Guarantee entered between the HA and participating financial institutions is based on the BLR. As for allowing participating financial institutions to offer mortgage loans that make reference to HIBOR, the HA will approach the participating financial institutions to understand the matter better and consider whether a review of the relevant arrangements is required.

(7) The HKMA requires banks to carefully evaluate applicants' repayment ability and compute the debt-servicing ratio (DSR) in assessing mortgage applications. The HKMA, however, does not issue guidance on operational details such as how the DSR should be computed. The HKMA notes that, despite slight differences among banks' computation methods for the DSR, banks would in general take into account the incomes from all of the jobs of the applicant and assess the stability and sustainability of these incomes having regard to the nature of the relevant jobs.

As for the MIP of the HKMC Insurance Limited, earnings from more than one job would be counted in calculating the income of applicants. For risk management purpose, applicants of mortgage insurance for loans of LTV ratio above 80 per cent have to be regular-salaried. The applicants' regular income must be sufficient to fulfil the debt-to-income ratio requirement, so as to ensure that they have stable income to repay the mortgage loans. As regards mortgage loans with an LTV ratio of 80 per cent or below, applicants can apply even if they are not regular-salaried. All applicants must provide supporting documents in respect of their incomes.

HKMC Insurance Limited will consider from time to time the need to review the MIP in light of changing market conditions, taking into consideration the risk borne by the MIP, affordability of homebuyers, and impacts on the property market.

[Latest arrangements for EPD services](#)

To align with the announcement by the Government to resume the provision of some basic public services, the Environmental Protection Department (EPD) said today (January 27) that the department's public services will be adjusted with effect from January 28 until further notice. The detailed arrangements are as follows:

(1) The instant call answering service of the EPD's general customer service

hotline (2838 3111) will resume on a limited scale, with operating hours between 8.30am and 6.30pm from Monday to Friday. Since the EPD has reduced the number of staff answering calls to increase social distancing among staff, the waiting time is expected to be longer for connecting to the service hotline. Members of the public can also leave voice messages or make enquiries by email (hq-hotline@epd.gov.hk).

(2) Counter and licence application services of four EPD regional offices will resume during adjusted office hours (10am to 4pm, Monday to Friday):

- 8/F, Tsuen Wan Government Offices, 38 Sai Lau Kok Road, Tsuen Wan, New Territories;
- 10/F, Sha Tin Government Offices, 1 Sheung Wo Che Road, Sha Tin, New Territories;
- 5/F, Nan Fung Commercial Centre, 19 Lam Lok Street, Kowloon Bay, Kowloon; and
- 2/F, Chinachem Exchange Square, 1 Hoi Wan Street, Quarry Bay, Hong Kong.

Counter and licence application services of one regional office will continue to be temporarily suspended:

- 8/F, Cheung Sha Wan Government Offices, 303 Cheung Sha Wan Road, Kowloon.

Members of the public may also place application documents in the drop-in boxes located at the above five regional offices (opening hours of the drop-in boxes: 9am to 5pm, Monday to Friday), or submit applications online or by post. The EPD will continue to process all licence applications as normal.

(3) Members of the public can place their applications for vehicle exhaust and noise emissions compliance/exemption with relevant documents in the drop-in box located at the EPD's office at 34/F, Revenue Tower, 5 Gloucester Road, Wan Chai, during office hours (9am to 5pm, Monday to Friday). The applicants will be informed of the arrangement for collection of the approved letters.

(4) Members of the public can place their applications and submissions under the Environmental Impact Assessment Ordinance in the drop-in box at the EPD's office located at 27/F, Southorn Centre, 130 Hennessy Road, Wan Chai, during office hours (9am to 5pm, Monday to Friday). The EPD will process the submitted documents.

(5) Members of the public can submit applications for non-road mobile machinery online (nrmm.epd.gov.hk/application/common/home), and registrations and enquiries for the "Waste Cooking Oils" Scheme by email (wco_admscheme@epd.gov.hk) or by post (address: Waste Reduction and Recycling Section (4), Environmental Protection Department, 5/F, Centre Parc, 11 Sheung Yuet Road, Kowloon Bay).

(6) For the Construction Waste Disposal Charging Scheme, members of the public may call 2872 1838 for an application for an account; call 2872 1854 or 2872 1856 for chits application and billing account enquiries; or email enquiry@epd.gov.hk for both enquiries. The telephone service hours are adjusted to 9am to 12.30pm and 1.30pm to 3pm, Monday to Friday.

(7) For Waste Transfer Service Accounts, members of the public may call 2872 1704 or email rts@epd.gov.hk for enquiries. The telephone service hours are adjusted to 9am to 12.30pm and 1.30pm to 3pm, Monday to Friday.

(8) Members of the public can submit applications for the EV-charging at Home Subsidy Scheme online (www.EVhomecharging.gov.hk) or by post (address: Electric Vehicle Section (3), Environmental Protection Department, Room 1403-05, Chinachem Exchange Square, 1 Hoi Wan Street, Quarry Bay), or place the application documents in the drop-in box located at 2/F, Chinachem Exchange Square, 1 Hoi Wan Street, Quarry Bay, during office hours (9am to 5pm, Monday to Friday).

In addition to the services above, the EPD is gradually stepping up inspections and investigations to accelerate the handling of enquiries and complaints.

Regarding EPD facilities, EcoPark visitor centre, T•PARK visitor centre and T•SPA, WEEE•PARK visitor centre, Lung Fu Shan Environmental Education Centre and Mobile Environmental Resource Centre, and the facilities at restored landfills will continue to be temporarily closed until further notice.

All Recycling Stations and Recycling Stores will remain open to collect recyclables, and their Recycling Spots (weekly kerb-side collection booths) will maintain limited services.

LCQ9: Uses of divested shopping centres in public housing estates

Following is a question by the Hon Cheung Kwok-kwan and a written reply by the Secretary for Transport and Housing, Mr Frank Chan Fan, in the Legislative Council today (January 27):

Question:

It has been reported that two shopping centres, which are located in Tin Wan Estate in Aberdeen and Hing Man Estate in Chai Wan and have been divested by the Hong Kong Housing Authority, were rented out in the year before last and last year respectively to international schools for use as school

premises. Due to the substantial reduction in the area of shops catering for people's daily living, residents of the public rental housing (PRH) estates concerned not only have to travel a long distance to purchase daily necessities but also are left with fewer shopping choices, causing much inconvenience to their daily lives. In this connection, will the Government inform this Council:

(1) of the names, addresses and types (e.g. Direct Subsidy Scheme and private) of kindergartens, primary schools and secondary schools whose school premises are currently located in the shopping centres of PRH estates;

(2) whether the Education Bureau, when vetting and approving in future applications for registration of schools whose premises are located in the shopping centres of PRH estates, will include "if putting the relevant premises to such a use will cause inconvenience to the residents of the PRH estates concerned in their purchase of daily necessities" as one of its considerations;

(3) whether the current land leases of the various divested shopping centres of PRH estates have specified the maximum percentage of area in the gross floor area allowed for non-livelihood related uses (e.g. school premises and residential care homes for the elderly); and

(4) of the new policies or measures put in place to ensure that residents of PRH estates can purchase daily necessities near their homes and have more choices?

Reply:

The President,

Having consulted the Education Bureau (EDB) and the Development Bureau, my reply to the question raised by the Hon CHEUNG Kwok-kwan is as follows:

(1) According to EDB's record of the address of registered schools, as at mid-January 2021, there are 1 private secondary school, 1 private primary school and 24 kindergartens located in shopping centres of public housing estates. No Direct Subsidy Scheme schools are located in shopping centres of public housing estates.

(2) For application of school registration, if a proposed school is to be operated in premises which are not designed for the purpose of a school, EDB would request the clearance from the Lands Department that the relevant use of premises is in compliance with the lease conditions, as well as the clearance from the Town Planning Board that the proposed school use does not require planning permission or planning permission has already been obtained (subject to the circumstances of each case). Furthermore, in accordance with section 12(1) of the Education Ordinance, the relevant premises are also required to obtain certificates/ notices issued by the Fire Services Department and the Buildings Department / competent authority, proving that the premises are safe and suitable for school purposes. The relevant

requirements aim to ensure the safety and well-being of the students as well as making sure that students can study in safe premises. Therefore, in addition to the documentary proof issued by the aforesaid government bureaux/departments and the documents and information in respect of the curriculum, tuition fees, registration of school manager, etc., an applicant for school registration is also required to submit to the EDB documents such as the duly signed tenancy agreement or sales and purchase agreement etc., to prove the right to use the premises. The EDB will consider issuing a Certificate of Provisional Registration after the relevant documents are checked and found in order. In other words, at the time of submitting application for school registration to EDB, the applicants should have signed the tenancy agreement with the landlord of the concerned premises and started carrying out renovation work for schools. As regards whether there are other impacts caused by using the relevant premises as school, it is not a consideration in school registration applications.

(3) Conditions of government leases (commonly known as "land leases") for non-domestic properties divested by the Hong Kong Housing Authority (HA) vary depending on the individual circumstances of each housing estate. Generally speaking, the lease conditions would stipulate users of the concerned lot; total gross floor area (GFA); GFA restrictions on residential, commercial, as well as community and social welfare facilities (if applicable). Whether there are further restrictions on different types of commercial uses under the commercial GFA stipulated in the leases (if applicable) would depend on the divestment arrangements at that time. Taking the shopping centres in Tin Wan Estate and Hing Man Estate as examples, there are no restrictions on the percentage of area to be occupied by commercially-operated educational facilities or residential care services for the elderly under the commercial GFA permitted in the leases.

(4) As members of the general public, residents of public housing have their shopping needs fulfilled through different channels, including facilities provided by all kinds of public and private organisations.

As regards the non-domestic properties divested by HA, the owners of the divested properties are governed by laws, conditions of land leases, Deed of Mutual Covenant and the relevant restrictive covenants in the assignment deeds. As long as the owners comply with the statutory requirements and land lease conditions, the Government cannot interfere with their lawful right to use their properties, including leasing arrangements and trade mix. Likewise, as long as the owners concerned do not breach the aforementioned covenants with HA, HA cannot and will not interfere with their daily operation and commercial decisions.

The retail facilities in HA's non-domestic properties are determined when developing new public housing estates. During the process, HA will follow the relevant government policies and planning requirements, and take into account the scales of the estates under planning, the provision of shopping centres and retail facilities in the vicinity, etc. Relevant department / organisations will also be consulted.

GLD's latest service arrangements

The Government Logistics Department (GLD) announced today (January 27) that provision of the Gazette service will continue. Meanwhile, starting from tomorrow (January 28), the GLD Collection Office on the 10th floor of North Point Government Offices will provide collection of Gazette fee services on Monday and Tuesday from 8.30am to 1pm and from 2pm to 5pm until further notice. For enquiries, please call 2564 9570 from Monday to Friday between 9am and 6pm.

LCQ15: Love Upgrading Special Scheme

Following is a question by the Hon Vincent Cheng and a written reply by the Secretary for Labour and Welfare, Dr Law Chi-kwong, in the Legislative Council today (January 27):

Question:

Entrusted by the Government, the Employees Retraining Board (ERB) launched in October 2019 the first tranche of the Love Upgrading Special Scheme (the Scheme) to provide employees affected by the economic downturn with two to three months' integrated training so as to assist them in upgrading their skills and pursuing self-enhancement, with a view to their re-entering the employment market expeditiously. The ERB launched the second and third tranches of the Scheme in July last year and in January this year respectively. Under the Scheme, each trainee may attend up to four training courses. Trainees who have completed a course with an attendance rate of 60 per cent may be disbursed a special allowance. The amount of allowance payable monthly to each trainee is subject to a ceiling, which was initially set at \$4,000 and increased to \$5,800 in May 2020. In this connection, will the Government inform this Council:

(1) whether it knows, in respect of (a) the first tranche and (b) the second tranche of the Scheme, the respective (i) numbers of trainees who completed the courses, (ii) highest, lowest and median amounts of special allowance disbursed to such trainees, and (iii) numbers and percentages of trainees, among those to whom special allowance was disbursed, who were disbursed an amount of allowance that reached the monthly ceiling for at least one month (set out in a table);

(2) whether it has reviewed the effectiveness of the Scheme and conducted a questionnaire survey on the trainees who have completed the courses

(including looking into their levels of satisfaction with the Scheme/courses); if so, of the details and the findings; if not, the reasons for that;

(3) given that eligible trainees who have completed full-time vocational skills courses under the Scheme may be provided with follow-up placement services (including employment counselling, job referral and placement follow-up) for three to six months, whether it knows how such services have helped the trainees under the first and second tranches of the Scheme successfully secure employment, including the number of trainees who have found a job as a result of the services;

(4) of the reasons why trainees are encouraged under the Scheme to participate in cross-industry training; whether it has compiled statistics on the respective numbers and percentages of trainees, among the trainees under the second and third tranches of the Scheme, who have enrolled in cross-industry training courses; if so, of the details;

(5) given that unemployed persons who dropped out of school or graduated on or after June 10, 2019 may participate in the Scheme, whether it knows the number of fresh graduates who have enrolled in the courses offered under the second tranche of the Scheme;

(6) whether it knows, since the implementation of the Scheme, the respective top 10 courses with (i) the highest number of enrolment and (ii) the highest number of trainees who found a related job within the first three months upon completion of the training; and

(7) whether the authorities will consider further raising the ceiling of the amount of the special allowance?

Reply:

President,

The Employees Retraining Board (ERB) launched the first and second tranches of the "Love Upgrading Special Scheme" (the Special Scheme) in October 2019 and July 2020 respectively to provide employees affected by economic downturn with integrated training courses for two to three months. The ERB launched the third tranche of the Special Scheme in January this year, with the quota doubled to 20 000 trainees and the number of training courses increased to about 450 covering "Vocational Skills", "Generic Skills" and "Innovation and Technology" in 28 trades. Special allowance is provided to trainees during the training period. The Special Scheme imposes no restriction on the trade or education attainment of trainees, and provides both full-time and part-time (half day/evening) training modes. Trainees who have completed full-time "Vocational Skills" courses would receive follow-up placement services. My reply to various parts of the Member's question is as follows:

(1) As at December 31, 2020, about 14 700 trainees completed 16 600 training courses (Note 1: a trainee may enrol in more than one course) under the first

tranche of the Special Scheme. The highest amount of special allowance disbursed to a trainee who had completed course was about \$8,700; the lowest amount was about \$230 (Note 2: duration of this course was 12 hours), or about \$3,100 per trainee on average (Note 3: including full-time and part-time courses). Under the second tranche of the Special Scheme, about 13 700 trainees completed 16 400 training courses. The highest amount of special allowance disbursed to a trainee who had completed course was about \$8,700; the lowest amount was about \$230 (Note 2), or about \$2,200 per trainee on average. The allowance is calculated based on the actual number of class sessions attended and disbursed upon completion of each course. The ERB does not separately maintain the amount of special allowance disbursed to trainees per month.

(2) The ERB invites trainees to complete opinion survey before the end of each training course to understand their views. According to the surveys completed from October 2019 to September 2020, over 90 per cent of trainees were satisfied with the training course they enrolled in.

(3) The training bodies of the ERB start the follow-up placement period of three to six months upon completion of classes of full-time "Vocational Skills" courses under the Special Scheme. As at December 31, 2020, the placement rate of trainees enrolled in the full-time "Vocational Skills" courses under the first tranche of the Special Scheme was about 81 per cent. The follow-up placement period of respective classes under the second tranche of the Special Scheme was extended to the first half of 2021 due to the COVID-19 situation. Hence, no relevant information is available at this stage.

(4) The ERB provides market-driven and employment-oriented courses and placement follow-up services, with a view to enhancing the competitiveness of local employees and facilitating their sustainable employment. Trainees may participate in training courses having regards to their interest and needs, including cross-industry training, to meet the fast changing needs of the employment market. Under the second tranche of the Special Scheme, about 90 per cent of trainees enrolled in courses of another industry. The third tranche of the Special Scheme was launched in January 2021, and no relevant information is available at this stage.

(5) Under the second tranche of the Special Scheme, about 1 400 trainees declared their employment status as "non-engaged" in their application for enrolment.

(6) As at December 31, 2020, the top 10 training courses under the Special Scheme by application for enrolment and placement rate respectively are at Annex.

(7) The statutory cap of retraining allowance was increased from \$4,000 to \$5,800 in May 2020, i.e. a 45 per cent increase. There is currently no plan to further raise the cap.