

HONG KONG HOUSING AUTHORITY

HOME OWNERSHIP SCHEME

AND

PRIVATE SECTOR PARTICIPATION SCHEME

GUIDANCE NOTES ON

APPLICATION FOR REFINANCING

This pamphlet outlines the policy and procedures to be followed where refinancing is sought in respect of Home Ownership Scheme (HOS) and Private Sector Participation Scheme (PSPS) flats. This pamphlet is for information purpose only and shall not have any legal effect.

If further information and/or assistance is required concerning your application for refinancing, enquiries may be made to the Estate Management Offices for HOS estates and the Regional Management Offices for PSPS estates.

The Hong Kong Housing Authority reserves the right to amend the content of this pamphlet and/or its policy and procedures on refinancing without prior notification.

1Q. What is meant by refinancing of HOS/PSPS flats?

1A. Refinancing in the context of this Scheme means raising of an additional loan either within the alienation restriction period or after the said period but premium has not been paid. Refinancing will depend on the policy of the first mortgagee, the value of the property and the income available to service the repayments over the term of the loan. Where there is no existing mortgage, creation of a fresh mortgage of an HOS/PSPS flat will also amount to refinancing.

2Q. Is any approval needed before refinancing my HOS/PSPS flat?

2A. Yes. According to the Schedule to the Housing Ordinance (Cap. 283), you shall not sell, let, mortgage or in any way alienate or part with possession of the flat within the 5-year alienation restriction period or after the said period without paying the premium. If you wish to mortgage/remortgage your flat within the 5-years restriction period or after the said period without paying the premium, prior approval must be obtained from the Director of Housing who may impose such terms and conditions as he thinks fit in giving his approval. The terms and conditions must be complied with when the flat is mortgaged for the refinancing.

3Q. Under what circumstances will approval usually be given for refinancing?

3A. Refinancing will only be allowed in cases of financial hardship in which an immediate sum of money is needed to meet personal or family expenses arising out of unforeseen circumstances such as medical and funeral expenses, education expenses for family members, payment of flat purchase price or maintenance costs to spouse as a result of divorce/separation or to meet financial hardship arising from business or commercial activities.

A further consideration for giving approval is that the estimated amount of money required to meet the need must exceed one month's average household income of the applicant(s) and his/her (their) family members.

4Q. Will there be a limit on the refinancing loan if approved?

4A. Yes. The maximum amount of refinancing loan permissible will be limited to the difference of 80% of the sale price assessed by the Director of Housing as at the date of the application for refinancing and the amount of any outstanding first mortgage loan.

Examples

- I. Within the 5 year alienation restriction period or after the said period but premium has not been paid and subject to an existing mortgage loan :

The price of the subject HOS / PSPS flat if it was to be sold back to the Housing Authority as assessed by the Director of Housing as at the date of application for refinancing = \$900,000.00
= \$400,000.00

Outstanding first mortgage loan with bank

The maximum* amount of refinancing loan permissible = \$900,000 x 80% - \$400,000
= \$320,000.00

- II. Within the 5 year alienation restriction period or after the said period but premium has not been paid and without outstanding mortgage loan (either there is no first mortgage or that the first mortgage has been repaid) : -

The price of the subject HOS / PSPS flat if it was to be sold back to the Housing Authority as assessed by the Director of Housing as at the date of application for refinancing = \$900,000.00

The maximum* amount of refinancing loan permissible = \$900,000 x 80%
= \$720,000.00

* *The Director of Housing has the discretion to limit the amount of an approved refinancing loan to a sum less than the maximum amount permissible.*

5Q. Will my refinancing loan be guaranteed by the Hong Kong Housing Authority?

5A. No. Only the first mortgage for the purpose of raising purchase money for the flat will be guaranteed by the Hong Kong Housing Authority. Any subsequent fresh mortgage or remortgage for other purposes will not be guaranteed by the Authority and the lenders will not be indemnified. Furthermore, in case of default, the first mortgage guaranteed by the Authority will have priority claims over the refinancing mortgage.

6Q. Is there any restriction on financial institutions providing refinancing loans?

6A. Yes. The financial institutions providing refinancing loans will be restricted to (i) banks or deposit-taking companies licensed or registered under the Banking Ordinance, or (ii) the Government of the Hong Kong Special Administrative Region.

7Q. When should I approach the financial institution to apply for the refinancing loan?

7A. To avoid running the risk of not having financial institution to provide the refinancing loan after approval for refinancing is granted by the Housing Department, it is advisable that you should first approach the financial institution you have in mind, bringing this pamphlet, and find out if they are interested in granting you the loan. After preliminary agreement is obtained from the financial institution, you should then fill in the application form for refinancing and return it to the respective District Tenancy Management Offices. If your application is approved, a letter will be issued to you and you should then bring the letter to the financial institution to formally apply for the loan. It is then up to the lender to consider whether to approve your loan.

8Q. How should I apply to the Director of Housing for approval to refinance my flat?

8A. Forms for application (comprising Application Form, Requisition Form and Notes on how to complete the Requisition Form for Refinancing) for refinancing of HOS/PSPS flats may be obtained from the respective District Tenancy Management Offices (the addresses are shown in the Annex).

9Q. Where should I return the completed application form?

9A. You should return the Application Form and Requisition Form to the respective District Tenancy Management Offices.

10Q. Do I need to pay an administrative fee?

10A. Yes. You have to pay an administrative fee (the amount of which is specified in the annex to the Application Form) when you submit your application. The fee will not be refunded whether your application is approved or not. For cases involving separation/divorce resulting in subsequent change of ownership, you should also apply for consent to the change of ownership and pay the associated administrative fee. For information on change of ownership and its application, you should approach the respective District Tenancy Management Offices and the staff will be pleased to assist.

11Q. Are there any documents that should be submitted with my Application Form?

11A. You are required to provide documentary proof in respect of your reason(s) for application and outstanding first mortgage loan of your flat (if any). You may refer to the 'Notes on how to complete the Requisition Form for Refinancing' for full details. In general, you should provide such proofs or evidence as may be required by the Housing Department staff. Completion of the Application and Requisition forms clearly and provision of adequate supporting documents will assist in the processing of application. In case of difficulties in completing the forms, you may call at the respective District Tenancy Management Offices, and the staff will be pleased to assist.

12Q. Is any approval needed for the legal document for the refinancing loan?

12A. Yes. A legal charge must be properly executed and registered for the refinancing loan if your application is approved. The legal charge document must be prepared by a solicitor and submitted to the Legal Service Sub-division of the Housing Department for approval. An administrative fee will be charged by the Housing Department for vetting and approval of the document. All costs arising from and incidental to the preparation, completion and registration of the document will be borne by the borrower(s), i.e. the applicant(s). A copy of the registered legal charge document should also be sent to the Housing Authority for record purpose.

13Q. Is there any restriction on the use of the money obtained from the refinancing loan?

13A. The money obtained from the refinancing loan must be used for the purpose(s) stated in the application (i.e. the reason(s) for application for refinancing). False declaration in this respect or in respect of any information provided will render you guilty of an offence under S26(1)(a) of the Housing Ordinance (Cap. 283) and liable on conviction to a fine at level 5 and to imprisonment for 6 months.

14Q. Is there any channel for objection if I disagree with the decision on my application?

14A. You may apply in writing for reconsideration of your case through the respective District Tenancy Management Offices. You have to state the reason(s) for objection with supporting evidences to substantiate your case. If adequate reason(s) are given, the case will be reconsidered either in respect of the approval or the amount of maximum permitted refinancing loan.

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HONG KONG HOUSING AUTHORITY

Application Form
for Permission to Refinance a Flat Purchased under the
Home Ownership Scheme/Private Sector Participation Scheme
(Para. 4(a) of the Schedule to the Housing Ordinance, Cap. 283)

To. : Director of Housing
via Housing Manager/ Court (for HOS Flats)
Housing Manager/Regional Management Office (for PSPS Flats)

Property : _____

I/We hereby apply for permission to refinance the above property, in accordance
with para. 4(a) of the Schedule to the above Ordinance.

Signature(s) : _____

Name(s) in Block Letters : _____

Date : _____

REQUISITION

Further to your application for permission to refinance the above property, you are hereby requested to accurately and truthfully supply the information required by this Requisition. (Note 1)

WARNING

Your attention is drawn to Sections 25(1), 26(1)(a) and 27(a) of the Housing Ordinance printed in full on page 7 of this Requisition and to the possible consequences of making false statements or failing or neglecting to furnish information sought in this Requisition.

NOTE

Before completing this form, please study the 'Guidance Notes on Application for Refinancing' which is obtainable at the Estate Management Office or the Regional Management Office.

PART A

PLEASE SUPPLY FULL PARTICULARS OF YOURSELF AND FAMILY MEMBERS RESIDING IN THE PROPERTY, GIVING DETAILS OF YOUR/THEIR INCOME FROM ALL SOURCES (Particulars and full income (if any) of the applicant(s)/owner(s) and all family members residing in the property must be reported)

		Owner(s)		Family Members			
		(1)	(2)	(1)	(2)	(3)	(4)
Name							
Hong Kong Identity Card Number							
Occupation							
Particulars of Employer (see Note 2)	Name						
	Address and Tel. No.						
Monthly Income from Principal Employment (HK\$) (see Note 3)	Basic Salary						
	Allowance (see Note 4)						
	Overtime Pay						
	Bonus/Double Pay/Commissions etc.						
Monthly Income from all Business & Investments (HK\$) (see Note 3)	Net Rental Income (see Note 5)						
	Net Profits from Commercial Vehicles (see Note 6)						
	Net Profits from Commercial Investments (see Note 7)						
Dividends and Interest (see Note 8)							
Any Other Income (see Note 9)							
Total							

PART B

PLEASE SUPPLY FULL DETAILS OF ANY FIRST MORTGAGE ON THE SUBJECT PROPERTY

(Statement/Advice on monthly mortgage repayment for the previous month or letter from bank must be provided as evidence)

Name of Bank and Branch	:	
Amount of Mortgage Loan	:	
Date of Legal Charge	:	
Repayment Period	:	
Monthly Repayment	:	
Outstanding Amount	:	

PART C

PLEASE SET OUT IN FULL YOUR REASONS FOR APPLYING TO REFINANCE THE PROPERTY

Please tick as appropriate

- (a) Medical Expenses
- (b) Funeral and Related Expenses
- (c) Education Expenses
- (d) Refinancing for the HOS/PSPS flat purchase as a result of divorce or separation
- (e) Financial Hardship arising from Business Operation
- (f) Others

and provide details under (a) to (f) as appropriate

(a) Medical Expenses (see Note 10)

Name of Patient	
Relationship with Owner(s)	
Diagnosis	
Treatment recommended by Doctor	
Name of Doctor and Hospital (if applicable)	
Estimated Expenses required for Treatment	

(b) Funeral Expenses (see Note 11)

Name of Deceased	
Relationship with Owner(s)	
Date of Death	
Date of Funeral	
Funeral and Related Expenses	

(c) Education Expenses (see Note 12)

Name of Student	
Relationship with Owner(s)	
Name of school to be Attended and Country	
Level of study to be Pursued and Duration of Study	
Total Amount of School Fees Required	
Total Amount of Allowance Required	
Government Grant/Loan obtained	
Education Allowance obtained from Employer	

(d) Refinancing Arising from a Divorce or Separation (see Note 13)

Reason for Application (e.g. Divorce, Separation)	
Effective Date of Divorce or Separation	
Proof (e.g. copy of Court Order, letter from solicitor etc.)	

(e) Financial Hardship arising from Business Operation

Reason for Application	
Proof (e.g. copy of the valid Business Registration Certificate, Tax Return and Profit and Loss Accounts for the past 2 years)	

(f) Others (Details and Evidence must be provided)

PART D

Refinancing Loan (if initial approval of refinancing loan is obtained from lending institution)

Name of Proposed Lending Institution	
Amount of Intended Refinancing Loan	
Interest on Refinancing Loan	
Repayment Period	
Monthly Repayment	

I/We agree that your staff may, by prior arrangement interview me/us and/or carry out an inspection of the subject property for valuation purposes.

I/We declare that the information given above regarding myself/ourselves and my/our family members is true to the best of my/our knowledge and belief and that the refinancing loan, if permitted, will be used for the purpose(s) stated under Part C.

I/We understand that any person who knowingly makes any false statement to the Housing Authority in respect of any particulars required by this Requisition shall be guilty of an offence under Section 26(1)(a) of the Housing Ordinance, Cap. 283 and shall be liable on conviction to a fine at level 5 and to imprisonment for 6 months, and any person who refuses or neglects to furnish any of the particulars specified in this Requisition under Section 25(1) shall be guilty of an offence under Section 27(a) and shall be liable on conviction to a fine at level 4 and to imprisonment for 3 months.

I/We hereby authorize the Hong Kong Housing Authority and Housing Department to check and compare (whether by manual means or otherwise) the personal data and information provided above with the personal data and information collected by the Hong Kong Housing Authority and Housing Department or any other person, and the Hong Kong Housing Authority and Housing Department may use such comparison for the purpose of taking any appropriate action against me/us as required. I/We also expressly authorize the Hong Kong Housing Authority and Housing Department to collect the necessary information or personal data from other government departments concerned including Social Welfare Department, Treasury and those government departments responsible for dealing with various types of registration and record of the public and from my/our relevant employers for the purpose of verification of the information provided herein. I/We further expressly authorize the government departments concerned including Social Welfare Department, Treasury and those government departments responsible for dealing with various types of registration and record of the public and my/our relevant employers to supply my/our personal data and information to the Hong Kong Housing Authority and Housing Department for comparison and verification of the information provided on this Requisition.

(All household members listed on this Requisition have to sign below if they are 18 or above or if they are below 18 but with income.)

Signature : _____ Signature : _____ Signature : _____ Signature : _____ Signature : _____

Name : _____ Name : _____ Name : _____ Name : _____ Name : _____
Applicant(s)
(Owner(s))

Date : _____ Date : _____ Date : _____ Date : _____ Date : _____

A cheque/cashier order (No. _____) for \$ _____ payable to the "Hong Kong Housing Authority" being the administrative fee is attached (if applicable). I/We understand that this sum is not refundable whether my/our application is successful or not.

Signature(s) of Applicant(s) (Owner(s)) : _____
Name(s) in Block Letters : _____
Telephone Number(s) : _____ (Residence)
_____ (Office)
Date : _____

Notes on How to Complete the Requisition Form for Refinancing

The Notes below are intended to assist you to complete the Requisition form for refinancing of HOS/PSPS Flats.

Note 1 : Owners who are in financial hardship may apply for refinancing of their HOS/PSPS Flats by completing the Application and Requisition forms. Applicants must be owners of HOS/PSPS flats. The completed forms should be returned to the Estate Management Office for HOS flats and the Regional Management Office (RMO) for PSPS flats by mail or in person.

You (applicants) have to pay the administrative fee for the application when you submit your application to the Estate Management Office for HOS flats or the RMO for PSPS flats.

Note 2 : Name, Address and Tel. No. of Employer
Those who do not have a fixed employer or who are self-employed may state so in this column, e.g. 'construction site casual worker', 'garment factory worker' etc.

Note 3 : Monthly Income
The monthly income to be declared should be based on the past 6 months' income. For income which is not regular, the average monthly income should be based on the income received during the past six months.

Copies of employment certificates, salary slips, tax return or Profit and Loss Accounts, etc. must be provided to support the declared income and allowances, etc.

Note 4 : Allowance
All types of allowances have to be stated. Examples are Housing Allowance, Travelling Allowance, Education Allowance and Food Allowance etc. Old Age and Disability Allowance are excluded in the assessment. Housing Allowance includes any sum of money received from an employer towards housing cost. If a fixed sum of money is given as housing allowance, the full allowance has to be stated.

Note 5 : Rental Income
Rental income includes the net rent received from both domestic and commercial/industrial self-owned properties and those from not self-owned properties, as in the case of principal-tenants. Net rent should be calculated by deducting rates and government rent from the inclusive rent if such rates and government rent are payable by you, allowing 20% of the remaining for expenses and outgoings. Copies of rent receipts should be provided. Monthly mortgage repayment in respect of self-owned properties may be deducted. Copies of bank statements must be provided as evidence.

- Note 6** : Net Income derived from Commercial Vehicles
This includes all income derived from commercial vehicles. Depreciation and expenses like registration fee, insurance premium, hire charges, etc. may be deducted. A photocopy of the valid vehicle registration document in respect of each commercial vehicle has to be submitted together with this form.
- Note 7** : Business Proprietorship
Average monthly net profit from business run by owner(s) and/or family members, whether in sole proprietorship or in partnership, must be stated. Copies of the valid Business Registration Certificate and the tax return or Profit and Loss Accounts must be provided to support the profit stated.
- Note 8** : Dividends and Interest
This includes the monthly average amount of interest derived from savings and fixed deposits and the amount of dividends from stocks and shares. Copies of supportive statements or receipts should be provided.
- Note 9** : Any Other Income
Other income may include pension, income from part-time jobs, or any other income not covered by the preceding items.
- Note 10** : Where refinancing is sought for medical expenses, evidence such as a letter from Doctor providing diagnosis, and recommended treatment and estimated total amount of medical expenses for patient should be provided.
- Note 11** : Copy of death certificate and evidence to substantiate estimates of funeral and related expenses should be provided.
- Note 12** : Copy of admission letter from school and Demand Note/Advice for school fees must be provided. Evidence of amount of Government grant/loan obtained must be provided, where applicable. Reasons should be given if no application had been made for such grant/loan.
- Note 13** : In case the separation/divorce will result in change of ownership (for example, from joint owners to sole owner), you have to apply to the Authority separately for consent to the change of ownership and pay the associated administrative fee. Evidence to substantiate the separation/divorce should be provided.
- Note 14** : You should provide such proof or evidences as may be required by the Housing Department staff to substantiate your application, failing which your application will not be approved.

If you have difficulty in completing the Application and Requisition forms, you may call at the Estate Management Office or the RMO, the staff will be happy to assist you. (Completion of the forms clearly and provision of adequate documentary proof will speed up the processing of application.)

Housing Ordinance, Cap. 283

Section 25(1) The Authority and any authorized officer may, for the purposes of this Ordinance, serve on the owner or occupier of any land, whether or not in an estate, a requisition in the specified form requiring him to furnish to the Authority or the authorized officer, within the time stated in the form, the particulars specified in the requisition.

Section 26(1)(a) Any person who knowingly makes any false statement in furnishing the particulars specified in a requisition under Section 25(1) shall be guilty of an offence and shall be liable on conviction to a fine at level 5 and to imprisonment for 6 months.

Section 27(a) Any person who refuses or neglects to furnish any of the particulars specified in a requisition under Section 25(1) shall be guilty of an offence and shall be liable on conviction to a fine at level 4 and to imprisonment for 3 months.

(Note : As at the date of compilation of this application form, the maximum fine at level 4 and level 5 is \$25,000 and \$50,000 respectively.)

Annex to Application Form for Refinancing of HOS/PSPS Flats

The current administrative fee for application for refinancing is HK\$3,000.00.

The current administrative fee for approval of draft legal document for the refinancing mortgage is HK\$3,200 (collected by the Legal Service Sub-division).

Date : June 2008