

Residential Properties (First-hand Sales) Ordinance

Practice Note on financing plans offered by vendors or vendors' designated financing companies

This Practice Note sets out the best practices recommended by the Sales of First-hand Residential Properties Authority (SRPA) (as shown in *italic* below). For the avoidance of doubt, this Practice Note does not contain any requirement as stipulated in the guidelines issued under section 88 of the Residential Properties (First-hand Sales) Ordinance (the Ordinance).

The best practices are NOT part of the guidelines.

Non-compliance with the best practices per se will not be regarded as a contravention of the Ordinance or a commission of an offence under the Ordinance.

General

- 1. The SRPA has observed that vendors of first-hand residential properties may from time to time offer different kinds of financing plans (such as mortgage, charge or loan) themselves or through their designated financing companies (Designated FC). According to the Ordinance, vendors are required to set out in a price list for a development/ phase, inter alia, the terms of payment, and any gift, or any financial advantage or benefit, to be made available in connection with the purchase of a specified residential property (as defined under section 2 of the Ordinance) in the development/ phase.*

Recommended Best Practices

- 2. To further enhance the transparency of the sales of first-hand residential properties and the protection of purchasers, vendors are recommended to adopt the following best practices before the*

signing of preliminary agreement for sale and purchase of a specified residential property where the prospective purchaser indicates to the vendor at the sales office an intention to apply for one or more of the financing plans offered by the vendor or Designated FC as set out in any of price list(s) for the development/ phase made available by the vendor for the purpose of section 32 of the Ordinance:

- (a) Provide the prospective purchaser with a document (the Document) setting out information of the financing plan, which should be the same as that specified in the relevant price list(s), for which the prospective purchaser intends to apply. The Document should be specific about a financing plan. If the prospective purchaser intends to apply for more than one financing plan, he should be provided with more than one Document. There is no need to set out in the Document information of other financing plans as may be available to the prospective purchaser according to the relevant price list(s) for the development/ phase. The vendor should ensure that information contained in the Document is accurate;*
- (b) Print the Document in English and Chinese. For English text, the size of the letters and numbers in the Document should not be smaller than the size of the same letter or number in 12 point Times New Roman typeface. For Chinese text, the size of the characters or numbers in the Document should not be smaller than the size of the same character or number in 12 point “新細明體” typeface;*
- (c) Remind the prospective purchaser verbally to directly enquire with the vendor or Designated FC concerned (as the case may be) if in doubt about the details of the terms and conditions of the financing plan(s), approval conditions and application procedures;*
- (d) Provide the prospective purchaser with a copy of “Reminder to Prospective Purchasers”. A recommended template is at the Annex;*

- (e) *Allow sufficient time for the prospective purchaser to read the Document(s) and “Reminder to Prospective Purchasers”; and*
- (f) *Unless the vendor can provide the guarantee, remind the appointed estate agent(s), as set out in any of the price list(s) for the development/ phase made available by the vendor for the purpose of section 32 of the Ordinance, not to make any claim or statement either verbally or through any promotional materials that the prospective purchaser will be able to secure any mortgage, charge or loan or any desired terms to finance his/ her purchase in promoting the sale of any specified residential property.*
3. *Vendors are encouraged to adopt the arrangements as set out in this Practice Note and follow the template as far as practicable. The SRPA will be delighted to see that vendors will start taking on board the recommended practice as set out in this Practice Note from 17 March 2023.*

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17 February 2023

Sales of First-hand Residential Properties Authority

Reminder to Prospective Purchasers

If you intend to opt for any financing plan (such as mortgage, charge or loan) offered by the vendor or vendor's designated financing company(ies) (Designated FC), BEFORE entering into a preliminary agreement for sale and purchase (PASP), you should:

- (a) **Study carefully** the information of the financing plans (including terms and conditions, etc) as set out in **the Price List(s)** and other relevant document(s);
- (b) Always be **cautious about verbal undertaking**, for example, guaranteed or ease of approval of any mortgage, charge or loan, made by third party (such as an estate agent), whether the financing plan will be available at the time of completion of the transactions, etc. Verbal undertaking should be **put in writing** with endorsement from the company concerned to avoid dispute;
- (c) **Enquire with the vendor or Designated FC** (as the case may be) **direct** about the details of the terms and conditions of the financing plan(s) (including any penalty on early redemption), approval conditions and application procedures, including whether there will be time limit within which the financing plan is available;
- (d) **Do NOT enter into PASP rashly** before ascertaining from the vendor or Designated FC (as the case may be) **in writing** the amount of loan that can be obtained and the terms under the financing plan(s). Read the contractual documents carefully and seek legal advice if considered necessary before you sign any document; and
- (e) **Remain cool-headed** and critically consider the followings:
 - Be mindful of any requirement on minimum income level, provision of income proof and passing of stress test. Check the maximum loan repayment period, interest rate and loan limit under the first mortgage and second mortgage;

- Be mindful of risk of change of financial condition, approval criteria and other circumstances that may occur between the date of purchase and date of payment and may affect your ability to obtain loan under the financing plan;
- Pay attention to mortgage loan plans with high loan-to-value ratio, particularly if you are selecting stage payment. Should the market value of the residential property fall below the original transaction price or when there is an increase in the interest rates during the interim period, you may not be able to borrow enough money from the vendor or Designated FC or bank to complete the transaction. If you have no extra funds to complete the transaction, your down payment will very likely be forfeited;
- Affordability and repayment ability - after the end of interest and repayment holidays, the mortgage repayment amount and the interest incurred may increase significantly. Taking into account the rising cycle of interest rate, the interest payable will likely increase further; and
- Seek legal advice on your rights and obligations under the financing plan and the sale and purchase agreement. For instance, what are your options if the financing plan is no longer available or you are not able to obtain a loan thereunder?