

## **Matter pertaining to Practice Note No. PN01/23**

### **Financing plans offered by vendors or vendors' designated financing companies**

1. The Sales of First-hand Residential Properties Authority (SRPA) expects vendor(s) to adopt the arrangements, from 17 March 2023 onwards, concerning different kinds of financing plans (such as mortgage, charge or loan) offered by vendor(s) or through their designated financing companies (Designated FC) as set out in any price list(s) in accordance with the recommendations by the SRPA as set out in the Practice Note No. PN01/23.
2. Before the signing of preliminary agreement for sale and purchase (PASP) of a specified residential property, vendors are recommended to:
  - 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);
  - Remind the prospective purchaser to directly enquire with the vendor or Designated FC concerned (as the case may be) if in doubt about details of the terms and conditions of the financing plan(s), approval conditions and application procedures;
  - Provide the prospective purchaser with a copy of “Reminder to Prospective Purchasers” (a recommended template at the Annex to Practice Note No. PN01/23) to remind the prospective purchaser
    - to study carefully the information of the financing plans;
    - to be cautious about verbal undertaking made by third party which should be put in writing with endorsement from the company concerned to avoid dispute;
    - to enquire with the vendor or Designate FC direct if in doubt;
    - not to enter into PASP rashly before ascertaining in writing the amount of loan that can be obtained and the terms under the financing plan(s); and
    - to remain cool-headed and critically consider:
      - i. approval criteria (including whether passing of stress test is required or not) and repayment details of the first mortgage and second mortgage;

- ii. risk of change of financial condition, approval criteria and other circumstances that may occur and affect his/her ability to obtain loan under the financing plan;
  - iii. in case there is a drop in the market value of the residential property or an increase in the interest rate during the interim period, the amount that can be borrowed may be insufficient. If he/she has no extra funds to complete the transaction, the down payment will very likely be forfeited;
  - iv. to pay attention to the end of interest and repayment holidays and the rising cycle of interest rate which may adversely affect his/her affordability and repayment ability; and
  - v. to seek legal advice on his/her rights and obligations under the financing plan and the PASP.
- Allow sufficient time for the prospective purchaser to read the Document(s) and “Reminder to Prospective Purchasers”; and
- Unless the vendor can provide the guarantee, remind the appointed estate agents(s) 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.