

Proposed rate increases slated

Alliance calls for easy student loans

By Cynthia Wan

A POLITICAL party has proposed a low interest rate on student loans.

The Democratic Alliance for Betterment of Hong Kong (DAB) suggests students pay 2.5 per cent on their tuition loan and 5.8 per cent for their borrowed living expenses.

The 2.5 per cent was the existing rate for all grants and loans, but consultants have recommended the rate be raised.

The DAB calculated the 5.8 per cent on a similar formula to the one used in the civil servants' home purchasing scheme.

Dab representative Chan Tak-ming said the period of repaying the loans could be fixed by the Joint Committee of Student Finance.

A consultancy study by Ernst & Young Management Consultants Ltd commissioned by the Student Financial Assistance Agency (SFAA) suggested 5.8 per cent interest on loans in the

first five years after graduation and 8.5 per cent for the next 10 years. If the scheme was implemented, the accumulated returns from student debtors could offset about \$2.1 billion credit financed by the government by 2005.

The DAB proposal did not set a date when the government would be paid off for the loans. Mr Chan said the government and taxpayers had an obligation to support students.

"The government will be rewarded by students' contribution to society," he said.

The party was also concerned that the government might eventually force up the interest on loans to recoup the credit it extended to students, who were facing another huge tuition fee increase this autumn.

Students had been a good credit risk, with less than one per cent defaulting.

But with the higher rates recommended by the consultant, more and more students may fail to repay within 15 years. "That means the

government won't be compensated by 2005," he said. "In order to recover the loss, the interest rates will need to be increased again. The burden will go to the students and their families."

DAB members would not approve the advisory proposal if there were no amendments, Mr Chan said.

SFAA Acting Controller Alfred Tse Wai-tak said it was inappropriate to comment on his group's recommendations at this stage.

But the agency would consider the party's suggestions in the Joint Committee on Student Finance meeting in early September, Mr Tse said.

The new scheme was scheduled to take effect in the 1997-98 academic year so opinions of new students would be canvassed as well.

The consultants' proposal, made in January, has been denounced by critics for "commercialising education". The scheme also proposed cutting the annual number of recipients to 18 to 50 per cent, at least 10 per cent less the current figure.

Student
P. 1/1/1996