

HIBOR-based Mortgage Plan

Why consider / Why not consider

Consider it if...

- ✓ you prefer the mortgage interest rate to closely follow money market interest rate movement
- ✓ you would like to be protected by a BLR-based interest rate cap to minimize the money market interest rate risk exposure
- ✓ you are aware of and comfortable with the frequent change of mortgage interest

Not consider it if...

- ✗ you are not familiar with HIBOR rate and do not understand money market interest rate movement
- ✗ you would like to choose fortnightly repayment for your mortgage loan
- ✗ your mortgage loan is under Government housing schemes

Highlights for your best interest

- ◆ The interest rate of the plan is calculated based on the Hong Kong Interbank Offered Rate for the interest period of 1 month for Hong Kong Dollars quoted by The Hongkong and Shanghai Banking Corporation Limited at or about 11:00 a.m. (Hong Kong time) on such date. This interest rate quoted by The Hongkong and Shanghai Banking Corporation Limited shall be conclusive and is not necessarily the same as HKD Interest Settlement Rates published by The Hong Kong Association of Banks
- ◆ If you make any prepayment (whether in full or partial), you are required to seek our prior approval. If the prepayment date is not an Instalment Repayment Date, you may be required to pay a prepayment fee
- ◆ We will assess your application by making reference to, where applicable, credit report from a credit reference agency "TransUnion Limited", your income proof, and other information as required by us
- ◆ To ensure your understanding on your obligation and commitment during the mortgage period, please carefully read all of the terms and conditions stated in the mortgage loan facility letter including but not limited to the mortgage interest rates, frequency of payment, repayment amount, number of installment and full / partial prepayment term
- ◆ Whenever you face financial difficulty in mortgage repayment, an overdue / default interest, on top of normal interest, will be levied. If your payment cannot be resumed to normal, we reserve the right to repossess your property to settle the outstanding mortgage loan amount
- ◆ To protect your property from depreciation caused by structural damage resulting from disaster during the mortgage loan period, you are required to arrange fire insurance with an insurance company acceptable by us to provide insurance coverage to reduce the potential loss
- ◆ To minimize any unfortunate events affecting your home contents and your ability to repay the mortgage, you could contact us to understand more on related protection

Product information

As your trusted mortgage partner, HSBC offers a variety of mortgage repayment plans to suit your needs. Our HIBOR-based mortgage plan adopts Hong Kong Interbank Offered Rate (HIBOR¹) as a base rate to formulate your mortgage interest rate and offer a Best Lending Rate-based (BLR²-based) interest rate cap. This plan can help you to follow more closely the money market movement in interest rate.

Key benefits

1. More choices of mortgage plan

Our HIBOR-based mortgage plan is an alternative choice for you on top of BLR-based mortgage plan.

2. Closely follow the money market interest rate movement

This plan uses HIBOR as the basis to formulate your mortgage interest rate. HIBOR is a daily-adjusted interest rate in the money market. When compared with BLR-based interest rate, it can better reflect the money market interest rate movement.

Under the low interest rate environment, this plan may enable you to enjoy a lower mortgage interest rate than BLR-based mortgage plan. Through this, you can maximize your mortgage interest saving. The example below illustrates the interest saving by using our HIBOR-based mortgage plan as compared with BLR-based mortgage plan:

Example: Based on the first instalment of a loan amount HK\$3,000,000 with the loan tenor of 20 years. Assume our HIBOR-based mortgage interest rate is 1% p.a. above 1-month HIBOR, the 1-month HIBOR is 0.07% p.a., interest rate cap is BLR-2.5% and our BLR is 5% p.a..

	HIBOR-based mortgage plan	HSBC BLR-based mortgage plan
Mortgage interest rate (for the month the loan draw down)	1-month HIBOR + 1% p.a. = 1.07% p.a.	BLR-2.5% p.a. = 2.5% p.a.
Instalment amount	HK\$13,891	HK\$15,897
Interest expenses for the first instalment	HK\$2,638	HK\$6,164
Comparison result	Under the low interest rate environment as noted in this example, HIBOR-based mortgage plan can help you to save 57% interest expenses for the first instalment!	

Note: The above example is for reference only. The actual interest expense depends on your loan drawdown date, the first repayment date and the applicable mortgage interest rate at that moment.

3. Extra protection with interest rate cap

This plan provides you an extra protection of interest rate cap. This plan will compare the HIBOR-based interest rate with the BLR-based interest rate cap, the lower rate will be adopted as the actual mortgage interest rate. In other words, the actual mortgage interest rate to be applied is no more than the absolute interest rate being calculated on the BLR-based interest rate cap. The following examples illustrate how the interest rate cap offers you an extra protection.

Example 1: Assume HIBOR-based mortgage interest rate is 1% p.a. above 1-month HIBOR, the 1-month HIBOR rate is 0.1% p.a., interest rate cap is BLR-2.5% p.a. and BLR is 5% p.a..

	HIBOR-based mortgage interest rate = 1-month HIBOR + 1% p.a.	Interest rate cap = BLR-2.5% p.a.
Mortgage interest rate (for the month the loan draw down)	1.1% p.a.	2.5% p.a.
Comparison result	The lower rate 1.1% p.a. will be used for the month after comparing the above 2 rates. In time of low HIBOR environment as noted in this example, our HIBOR based mortgage plan can help you to save mortgage interest expenses.	

Example 2: Assume HIBOR-based mortgage interest rate is 1% p.a. above 1-month HIBOR, the 1-month HIBOR rate is 2% p.a., interest rate cap is BLR-2.5% p.a. and BLR is 5% p.a..

	HIBOR-based mortgage interest rate = 1-month HIBOR + 1% p.a.	Interest rate cap = BLR-2.5% p.a.
Mortgage interest rate (for the month the loan draw down)	3% p.a.	2.5% p.a.
Comparison result	The lower rate 2.5% p.a. will be used for the month after comparing the above 2 rates. In time of high HIBOR environment as noted in this example, our HIBOR-based mortgage plan can protect you by the interest rate cap.	

Note: The above examples are for reference only.

- HIBOR herein means the Hong Kong Interbank Offered Rate for the interest period of 1 month for Hong Kong Dollars quoted by The Hongkong and Shanghai Banking Corporation Limited at or about 11:00 a.m. (Hong Kong time), on the Loan drawdown date or relevant interest rate-fixing date. HIBOR as determined by The Hongkong and Shanghai Banking Corporation Limited shall be conclusive. This HIBOR quoted by The Hongkong and Shanghai Banking Corporation Limited is not necessarily the same as HKD Interest Settlement Rates published by The Hong Kong Association of Banks.
- BLR refers to the Hong Kong Dollar Best Lending Rate quoted by The Hongkong and Shanghai Banking Corporation Limited from time to time.

 **Talk to us now and turn your dream home into reality!**

To apply for a mortgage and for more information:

- ◆ Go to our website at <http://www.hsbc.com.hk/mortgages>
- ◆ Call our Mortgage Advice Hotline on 2748 8080
- ◆ Visit any HSBC Mortgage Centre or HSBC branch

Note: The above information is for reference only. For full details on the terms and conditions, please contact our HSBC staff.

Information Pamphlet

Important Note

Please read this Information Pamphlet carefully before submitting the mortgage application form.

This Information Pamphlet outlines some of the features about the HIBOR-based Mortgage Plan (the "Plan") and is **for your reference only** and does not form part of the loan agreement between you and us and may not necessarily reflect the terms and conditions applicable to your mortgage loan. You should refer to your mortgage loan facility letter for the terms and conditions of the mortgage loan.

In the event of any inconsistency between the English and Chinese versions of this Information Pamphlet, the English version shall prevail.

Eligibility

1. The Plan is available to applicants who successfully apply for an eligible mortgage loan ("the Loan") of HK\$1,000,000 or above.
2. Not all mortgage loans are eligible for the Plan. You should check with your HSBC branch to see if your intended mortgage loan is eligible. Here are some examples of mortgage loans or schemes which are not eligible for the Plan:
 - ◆ Government Home Ownership Scheme
 - ◆ Green Form Subsidised Home Ownership Pilot Scheme
 - ◆ White Form Secondary Market Scheme
 - ◆ Tenants Purchase Scheme
 - ◆ Flat for Sale Scheme
 - ◆ Home Assistance Loan Scheme
 - ◆ Home Purchase Loan Scheme
 - ◆ Home Starter Loan Scheme
 - ◆ Home Loan Interest Subsidy Scheme of the Hospital Authority
 - ◆ HSBC's Local Staff Housing Loan Scheme
 - ◆ Employee Benefits Programme
 - ◆ Mortgages with developer's subsidy plan
 - ◆ Second mortgage loan
 - ◆ Home Assist Loan under Urban Renewal Authority's redevelopment scheme
 - ◆ Bridging Loan
 - ◆ Car Park Loan
3. Loan application is subject to HSBC's final approval. HSBC reserves the absolute right not to accept or process any application at any time without notice to you.

Mortgage Interest Rate

4. (i) The period from the Loan drawdown date to the first Instalment Repayment Date, or (ii) each period of one month thereafter from one Instalment Repayment Date to the next is called an "interest period". For each interest period, the mortgage interest rate will initially be set at a percentage (which will be set out in the facility letter) over HIBOR (as defined below) as at the beginning of that interest period (the "HIBOR-Based Rate"), but the interest rate will be capped at a prescribed percentage (as set out in the facility letter) below the Hong Kong Dollar Best Lending Rate per annum quoted by us as at the beginning of the relevant interest period (the "BLR-Based Rate"). In other words, the interest rate will be the lower of the HIBOR-Based Rate and the BLR-Based Rate as at the beginning of the interest period.

5. HIBOR (as at a particular date) means the Hong Kong Interbank Offered Rate for the interest period of 1 month for Hong Kong Dollars quoted by The Hongkong and Shanghai Banking Corporation Limited at or about 11:00 a.m. (Hong Kong time) on such date. This HIBOR quoted by The Hongkong and Shanghai Banking Corporation Limited is not necessarily the same as HKD Interest Settlement Rates published by The Hong Kong Association of Banks. HIBOR will be rounded to the nearest 4 decimal places.

If HIBOR is not available on the first day of an interest period, then we will use the HIBOR as at the preceding weekday (for the first interest period starting from the Loan drawdown date) or the next weekday (for subsequent interest periods).

If the HIBOR ceases to be available for whatever reasons for a period of more than 30 days, we may then, for the purpose of calculating the interest, replace HIBOR with another rate at our discretion.

Our determination of HIBOR, and as to whether there is effective or available HIBOR, shall be final and conclusive.

6. Interest will accrue daily on the outstanding principal amount of the Loan and calculation will be based on the number of days in a calendar year i.e. 365 days (or 366 days in a leap year). Interest shall be paid on the Instalment Repayment Dates as referred to in Clause 7 below.

Repayment Date

7. The Loan together with interest thereon is to be repaid by such number of consecutive instalments as stated in the mortgage loan facility letter commencing one month after the date of drawdown. Thereafter, the Instalment Repayment Date will usually be the day of each calendar month numerically corresponding to the Loan drawdown date. The amount of each instalment will be as specified in the repayment schedule provided to you by us. We will send to you revised repayment schedules from time to time to take into account any changes in the interest rate.

Prepayment Fee

8. If you wish to make any prepayment (whether in full or partial), you will need to submit to us a written request in our prescribed form not less than 14 days in advance for approval (which we may or may not give). If we approve the request (with or without further conditions) and the prepayment date is not an Instalment Repayment Date, you may be required to pay us a prepayment fee¹ if the "Committed Interest Rate" calculated based on HIBOR, is higher than the "Prevailing Rate". The prepayment fee is calculated as follows:

{prepayment amount x [Interest rate fixed for the interest period during which prepayment occurs ("Committed Interest Rate") – prevailing HIBID² for the date of prepayment ("Prevailing Rate")] x remaining number of days of the interest period} / 365 (or 366 for a leap year)

Note:

1. We will not accept a request to make prepayment on a Saturday. If you request to make the prepayment on an Instalment Repayment Date which happens to fall on a Saturday, we will arrange for the prepayment to be made either before or after that Instalment Repayment Date. In this case, the prepayment date technically will not be the same as the Instalment Repayment Date but we will not charge you the above prepayment fee.
2. HIBID means the Hong Kong Interbank Bid Rate quoted by us for the prepayment date for interbank deposit for the remaining number of days of the interest period.

This prepayment fee is **in addition to** the administrative fee you need to pay if you make full prepayment.

Switching to Best Lending Rate Based Mortgage plan

9. You may apply to us for approval to switch from this Plan to our Best Lending Rate based mortgage plan (at the then prevailing rate) and we may or may not approve the switch (and may impose further conditions). We may charge an application fee for change of mortgage plan at the then prevailing amount as published in our tariff guide. A further change back to HIBOR-based mortgage plan will not be allowed.
10. This document is for reference only. You should refer to your mortgage loan facility letter for the terms and conditions applicable to your mortgage loan.

Issued by The Hongkong and Shanghai Banking Corporation Limited