

## **Personal Tax loan - Frequently Asked Questions**

### **1. What should I consider before applying for a personal tax loan?**

Besides the consideration of interest rate, you should read the terms and conditions carefully and pay attention to whether handling fees would be levied for loan application or any other fees would be charged.

### **2. How to determine the loan amount?**

Loan amount should be determined in accordance with your actual need and repayment ability as well as considering your monthly expenditure for ensuring that you are able to afford the monthly repayment while keeping sufficient cash flow to meet your daily needs.

The Bank offers personal tax loan amount as high as HKD2,000,000 or 8 times of your monthly salary (whichever is lower).

### **3. When I apply for a loan, will the Bank access my Consumer Credit Data from credit reference agencies?**

In general, the Bank will request a credit report of the borrower from a credit reference agency "TransUnion Limited" for credit assessment purpose. If you who wish to access the credit report, you may contact the TransUnion Limited directly, or you may request the Bank to provide you with the contact details of the TransUnion Limited.

### **4. How to determine which repayment period is suitable?**

As the repayment period directly affects on the monthly repayment amount, you should balance the loan amount with the monthly repayment amount that you are able to afford in order to determine the most suitable repayment period.

The Bank offers 12 months repayment period of personal tax loan.

### **5. What expenses would be incurred in a personal loan besides**

**interest payment?**

In general, the common expenses include (i) loan application handling fee, (ii) late repayment charge, and (iii) early repayment fee.

The Bank waives the handling fee for the application of personal tax loan. The late repayment charge is 3% per month on the amount of any overdue monthly repayment(s) or HKD400 (whichever is higher) while the early repayment fee is 2% or HKD500 (whichever is higher) plus the interest payable on the next monthly repayment date.

**6. What is the Annualised Percentage Rate (APR)?**

An annualised percentage rate (APR) is a reference rate which includes the basic interest rate and other fees and charges of a banking product expressed as an annualized rate. The APR is calculated based on the guidelines as set out in the Code of Banking Practice, including the loan handling fee waiver, and is rounded to the nearest two decimal places.

**7. Is it necessary to open an account with Shanghai Commercial Bank before applying a personal loan?**

No, but customers should open a HKD current savings account or a checking account with the Bank for loan disbursement and repayment before the loan drawdown. Customers may visit any branch of the Bank to open the relevant account.

**8. What is the minimum requirement for a personal tax loan application?**

The applicant needs to be a Hong Kong permanent resident aged 18 or above, with the loan amount of HKD200,000 or above.

**9. What documents are required for a personal tax loan application?**

The required documents for a personal tax loan application include:

1. The personal tax loan application form
2. Copy of Hong Kong Permanent Identity Card
3. Residential address proof within the latest 3 months (e.g. electricity bill, bank statement)
4. Income proof within the latest 3 months (salary slip / bank statement or savings passbook showing salary record - including the first page of the passbook with the name of account holder and the account number)
5. 2020/21 personal notice of assessment and demand for tax
6. Latest mortgage loan repayment slips or annual statement (for mortgaged property owners)

**10. As I know, the Bank will apportion principal and interest in the monthly instalment amounts by using “Rule of 78”. What is meant by “Rule of 78”?**

For details of the “Rule of 78”, please refer to Hong Kong Monetary Authority’s website under the [“Smart Consumers / Personal Credit”](#), or the example below of the “Rule of 78” to apportion principal and interest in the monthly instalment amounts:

$$\begin{aligned} \text{Borrow Amount} &= \text{HKD}500,000 \\ \text{Monthly Flat Rate} &= 0.0841\% \\ \text{Repayment Period} &= 12 \text{ months} \\ \text{Monthly Repayment Amount} \\ &= [\text{Borrow Amount} + (\text{Borrow Amount} \times \text{Monthly Flat Rate} \times \\ &\quad \text{Repayment Period})] / \text{Repayment Period} \\ &= [\text{HKD}500,000 + (\text{HKD}500,000 \times 0.0841\% \times 12)] / 12 \\ &= \text{HKD}42,087.17 \\ &= \text{HKD}42,088 \end{aligned}$$

(Note: round up the decimal point to the nearest dollar)

$$\begin{aligned} \text{Total Interest} \\ &= \text{Total Repayment Amount (i.e. Monthly Repayment Amount} \times \\ &\quad \text{Repayment Period)} - \text{Borrow Amount} \\ &= (\text{HKD}42,088 \times 12) - \text{HKD}500,000 \\ &= \text{HKD}5,056 \end{aligned}$$

Based on the "Rule of 78", the amount of interest paid each month  
 = (Total Interest x Remaining number of monthly repayments) /  
 Sum of the number of monthly instalments in the loan (For 12  
 monthly repayment, it will be 1+2+3+ ... +12 = 78)

For example (HKD):

Instalment No.	Repayment Amount	Principal Payment	Interest Payment	Outstanding Balance
1*	42,088.00	41,310.15 (42,088 – 777.85)	777.85 (5,056 x 12 / 78)	458,689.85 (500,000 – 41,310.15)
2*	42,088.00	41,374.97	713.03	417,314.87
3*	42,088.00	41,439.79	648.21	375,875.08
4*	42,088.00	41,504.62	583.38	334,370.46
5*	42,088.00	41,569.44	518.56	292,801.03
6*	42,088.00	41,634.26	453.74	251,166.77
7*	42,088.00	41,699.08	388.92	209,467.69
8*	42,088.00	41,763.90	324.10	167,703.79
9*	42,088.00	41,828.72	259.28	125,875.08
10*	42,088.00	41,893.54	194.46	83,981.54
11*	42,088.00	41,958.36	129.64	42,023.18
12*	42,088.00	42,023.18	64.82	0.00

Note: Instalment No. with \* denotes that interest saved by early repayment made after repayment of that instalment may be unable to cover 2% of outstanding loan principal amount of the early repayment fee (min. HKD500) and the interest payable on the next monthly repayment date. For details of the calculation, please refer to FAQ no.11.

**11. What are the conditions that I need pay attention to early repayment of the loan? For example, whether the fees or other expenses to be incurred would outweigh the interest saved for early repayment.**

Customers who choose to fully repay their personal tax loan should check with the Bank in advance whether there is any early repayment fee or other expenses to be incurred for early repayment.

In accordance with the Personal Tax Loan Terms and Conditions of the Bank, early repayment of the Loan should repay the outstanding principal amount of the Loan on the actual repayment date, the interest payable on the next monthly repayment date and the early repayment fee equal to 2% of the outstanding principal amount of the Loan (Minimum Charge HKD500). Besides, customers should also pay attention to whether interest saved by early repayment would be outweighed by the early repayment fee and interest payable on the next monthly repayment date. Per the example in FAQ 10 above, the calculation is as follows:

Hypothesis	Early repayment made after the 10 <sup>th</sup> instalment
Outstanding Balance	<b>HKD83,981.54</b>
Interest saved from early repayment	<b>HKD194.46</b> (i.e. sum of interest from the 11 <sup>th</sup> instalment to the 12 <sup>th</sup> instalment)
Expenses to be incurred for early repayment	<p><b>HKD1,809.27</b></p> <p>= 2% of outstanding balance (or min. HKD500) plus next month interest payable</p> <p>= HKD83,981.54 x 2% + HKD129.64 (i.e. interest payable on the 11<sup>th</sup> instalment)</p> <p>= HKD1,679.63 + HKD129.64</p> <p>= HKD1,809.27</p>
Whether interest saved from early repayment would be outweighed by the expenses incurred	<ul style="list-style-type: none"> <li>Interest saved <b>is unable to</b> cover the expenses incurred for early repayment fee</li> <li>Interest saved is less than the expenses by <b>HKD1,614.81</b> (HKD194.46–HKD1,809.27)</li> </ul>

**For further enquiry, please visit or call any of our branches.**