

Additional Payment Arrangement for Property Transactions (PAPT)



THE
HONG KONG
ASSOCIATION
OF
BANKS

香港銀行公會

Additional Payment Arrangement for Property Transactions (PAPT)

To enhance customer protection and efficiency of payment, the banking industry provides customers with an additional payment arrangement for property transactions (PAPT) as an alternative to the existing arrangement. Endorsed by the Hong Kong Monetary Authority, PAPT applies to refinancing transactions of residential properties in Hong Kong (including car parking space in a residential building whether independently or together with a residential unit).

Benefits of PAPT to Customers

Under the existing payment arrangement, mortgage loan proceeds are transferred to law firms for custody and subsequent issuance of solicitor's cheque for repayment of customers' original mortgage loans. PAPT is introduced with a view to going abreast with the digital payment age and enhancing customer protection by providing timely and direct electronic bank-to-bank transfer of mortgage loan funds and thus reducing the risks associated with the payment, such as a freeze of customers' funds in unforeseeable circumstances.

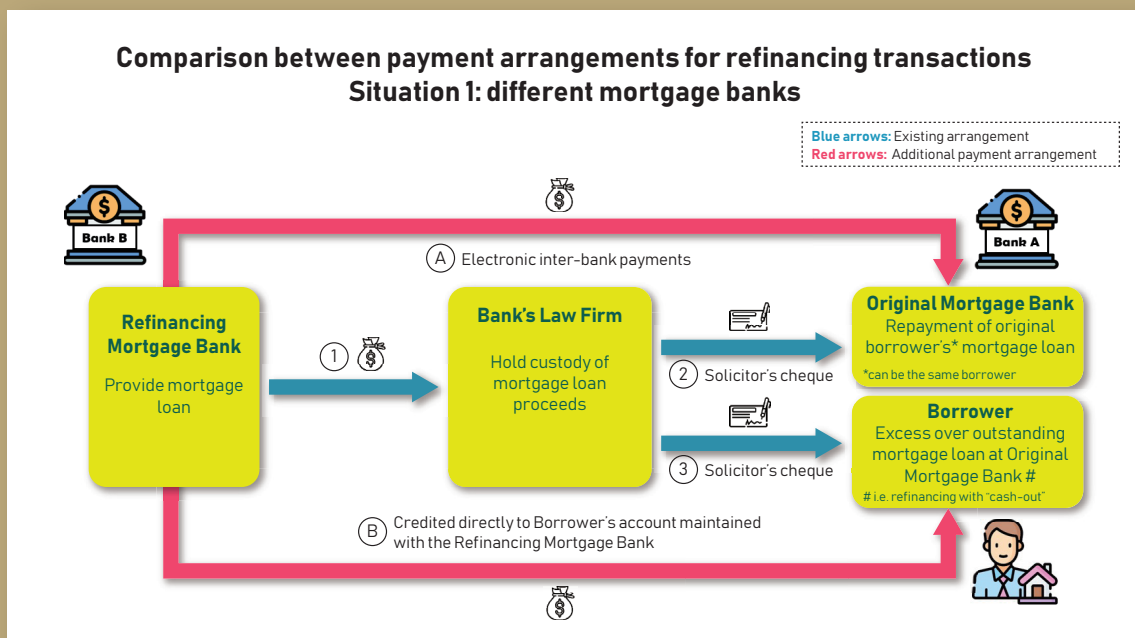
About PAPT

With respect to the most common refinancing situation (i.e. change of mortgage institution for a mortgage loan), under PAPT, the Refinancing Mortgage Institution ("RMI") will transfer the mortgage loan proceeds directly to the Original Mortgage Institution ("OMI") via the interbank payment system (Clearing House Automated Transfer System or "CHATS"). If the loan amount granted by the RMI is greater than the redemption amount, the RMI will credit the excess ("Cash Out Amount") to the borrower's account maintained with the RMI (situation 1).

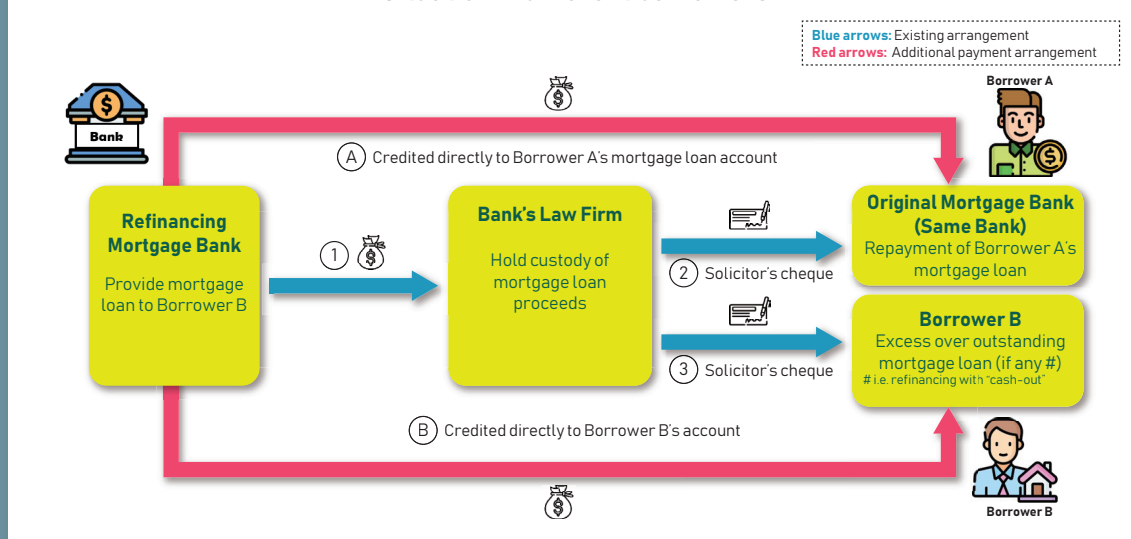
The additional payment arrangement is also applicable to other refinancing scenarios such as changing borrowers for a mortgage loan provided by the same mortgage institution (situation 2), and cash-out from a mortgage-free property (situation 3), etc.

Your Choice

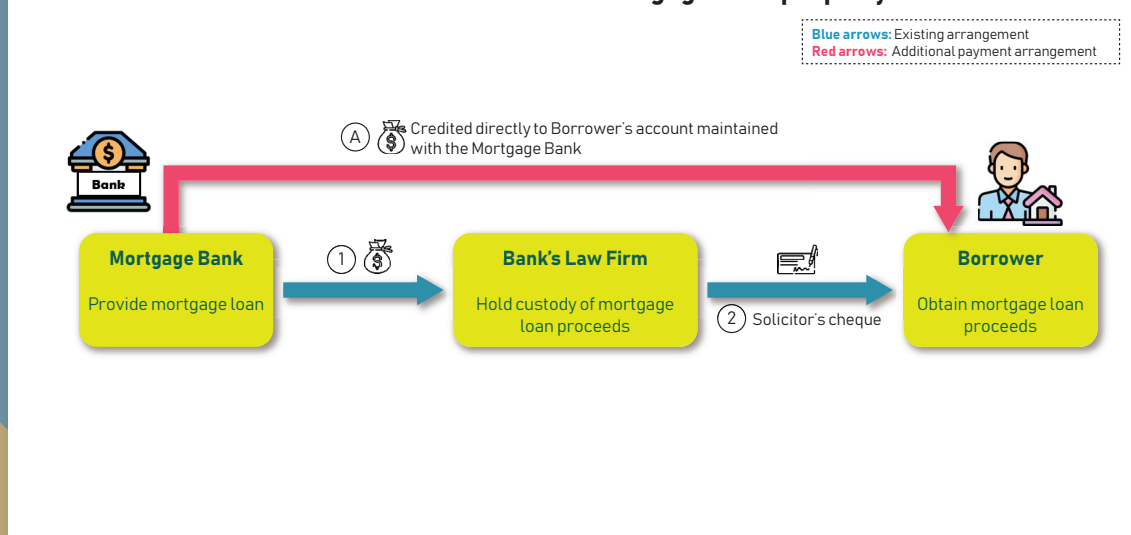
When you apply for refinancing, your Bank will tell you if your refinancing situation is likely to be eligible for PAPT. In order to make use of PAPT to reduce payment-related risks, you may choose to adopt PAPT by providing consent to the Bank. If you choose to adopt PAPT, your Bank and your Bank's solicitor will disclose the refinancing arrangement to the OMI and its solicitor to the extent strictly necessary and solely for the purpose of effecting the PAPT.



Comparison between payment arrangements for refinancing transactions Situation 2: different borrowers



Comparison between payment arrangements for refinancing transactions Situation 3: cash-out from mortgage-free property



Eligibility of Refinancing Transactions for applying PAPT

General Conditions for Eligible Refinancing Transactions

- Residential mortgage loan (including car parking space in a residential building whether independently or together with a residential unit);
- Only one or no existing mortgage over the property;
- Only one mortgage to be taken out by the RMI Borrower;
- Both OMI and RMI are banks in Hong Kong; and
- Both existing and refinancing mortgage loan are denominated in HKD

Examples of Out-scope Refinancing Transactions

- Above conditions not met
- Cash Out Amount requested to be paid to an account not with RMI
- Entire redemption amount for the existing mortgage is to be paid with OMI Borrower's own funds
- Property subject to any charging order
- Refinancing of loans for business purpose

Enquiries

If you wish to learn more about PAPT and its benefits, please contact your Bank for further details.



HONG KONG MONETARY AUTHORITY
香港金融管理局