



MAS Notice 1107

1 April 2010

**NOTICE TO MERCHANT BANKS
MONETARY AUTHORITY OF SINGAPORE ACT, CAP 186**

(MAS Notice 1107 dated 1 January 2003 is cancelled with effect from 7 April 2010)

Bridging Loans for the Purchase of Immovable Properties

This Notice is issued pursuant to section 28(3) of the Monetary Authority of Singapore Act (Cap. 186) (the "Act").

2 This Notice does not affect the requirements of MAS Directive 8 to Merchant Banks or any other written law pertaining to unsecured credit facilities.

Definitions

3 In this Notice –

- (a) "affiliated corporation", in relation to a merchant bank, means –
 - (i) a related corporation, incorporated in Singapore, of the merchant bank ;
or
 - (ii) where the merchant bank has a related corporation incorporated outside Singapore, the branches and offices, located within Singapore, of the related corporation;
- (b) "bridging loan" means a credit facility granted for the purchase of immovable property by the borrower, pending the receipt of proceeds of sale of another immovable property owned or co-owned by the borrower;
- (c) "HDB" means the Housing and Development Board, a body corporate established under the Housing and Development Act (Cap. 129);
- (d) "HDB flat" means –
 - (i) a flat, house or living accommodation sold by HDB under the provisions of Part IV of the Housing and Development Act (Cap. 129) and includes any such flat, house or living accommodation which is sold on the resale market; or
 - (ii) a housing accommodation, as defined in section 65M of the Housing and Development Act, sold by an approved developer (as defined in the same section of the same Act) under Part IVB of the Housing and Development

Act and includes any such housing accommodation which is sold on the resale market;

- (e) "overall credit limit", in relation to a borrower, means 2 months' income (if his annual income is \$20,000 or more but less than \$30,000) or 4 months' income (if his annual income is at least \$30,000) of the borrower; and
- (f) "total outstanding unsecured amount" means the total amount of the following –
 - (i) the aggregate of the outstanding balances of all unsecured credit facilities granted to the borrower by a merchant bank and its affiliated corporations;
 - (ii) the borrower's share of the outstanding balance of every unsecured credit facility granted jointly to the borrower and one or more other persons by the merchant bank and its affiliated corporations; and
 - (iii) any amount of credit granted to the borrower by the merchant bank and its affiliated corporations under section 57G(b) of the Banking Act (Cap. 19).

4 The expressions used in this Notice shall, except where defined in this Notice or where the context otherwise requires, have the same meanings as in the Act and the Banking (Credit Card and Charge Card) Regulations, save that references to "a card issuer" in the various definitions should read as "a merchant bank" and references to "a cardholder" should read as "a borrower".

5 Where an expression is used in the Act and the Banking (Credit Card and Charge Card) Regulations with different meanings, the expression as used in this Notice shall, except where defined in this Notice or where the context otherwise requires, have the same meaning as in the Banking (Credit Card and Charge Card) Regulations.

6 A merchant bank shall not grant a bridging loan to an individual whose annual income is less than \$20,000 unless the bridging loan is fully secured.

7 In the case of an individual whose annual income is \$20,000 or more, a merchant bank shall not grant a bridging loan to such an individual if that would result in the individual's total outstanding unsecured amount exceeding his overall credit limit, unless the excess amount is fully secured.

8 Notwithstanding paragraphs 6 and 7, where a bridging loan is to be used for the purchase of an HDB flat, if security is taken over the property that is to be sold or the proceeds from the sale thereof, it shall be sufficient, for the purposes of this Notice, that (where paragraph 6 applies) the bridging loan or (where paragraph 7 applies) the excess amount referred to in paragraph 7, does not exceed the value of the property or the proceeds after deducting the amount secured under any prior mortgage (other than a charge in favour of the Central Provident Fund Board, a body corporate established under the Central Provident Fund Act (Cap. 36)).

9 The amount of bridging loan that may be granted to joint borrowers shall not exceed the aggregate of the amounts of bridging loans which the borrowers severally could have obtained under this Notice.

Disclosure of finance and late payment charges

10 Any merchant bank which grants an unsecured bridging loan shall include, in a clear and conspicuous manner, the following information in its statement of payment issued to a borrower:

- (a) any finance charge or late payment charge which is or will be imposed by the merchant bank and the method of computing such charges;
- (b) any other penalty or consequence for late payment which is or will be imposed by the merchant bank; and
- (c) a notice advising prompt settlement of the amount outstanding under the statement.

Credit checks with credit bureau

11 A merchant bank shall, prior to granting any unsecured bridging loan to any individual, conduct or cause to be conducted comprehensive checks with one or more credit bureaus for the purpose of assessing the credit-worthiness of that individual.

12 This Notice does not apply to any bridging loans granted by a merchant bank to its officers or employees.

13 Paragraph 2(a) of the Authority's Circular on Unsecured Credit Facilities to Individuals and on Car Loans dated 13 Feb 95 (CIR No. BFIG 14/95) is hereby cancelled.

14 This Notice shall take effect on 7 April 2010. MAS Notice 1107 dated 1 January 2003 is cancelled with effect from 7 April 2010.

Guidance Note

For the purposes of paragraphs 6 and 7 of this Notice, MAS will leave it to the merchant bank to determine the appropriate form of security to take. Generally, the requirements of paragraphs 6 and 7 will be satisfied if the merchant bank takes an equitable mortgage of the property to be purchased or the property to be sold, with the security interest being duly notified by means of the lodgment of a caveat.