



MAS NOTICE 632

13 January 2011
Last revised on 27 July 2011

NOTICE TO BANKS
BANKING ACT, CAP 19

RESIDENTIAL PROPERTY LOANS

1. This Notice is issued pursuant to section 55 of the Banking Act (Cap. 19) (the "Act").

Total Credit Facilities Not to Exceed Relevant Amount

2. A bank shall not grant –
 - (a) any credit facility for the purchase of Residential Property to a Borrower; or
 - (b) any credit facility otherwise secured by Residential Property to a Borrower who is an Individual or a vehicle set up by any Individual solely to invest in Residential Property,

where the aggregate of –

- (c) the amount granted under the credit facility;
- (d) the balance outstanding under any other credit facility granted by any financial institution regulated by the Authority or moneylender to that Borrower
 - (i) for the purchase of that Residential Property; or
 - (ii) otherwise secured by that Residential Property; and
- (e) the balance outstanding under any Vendor's Loan to the Borrower for the purchase of that Residential Property,

exceeds the Relevant Amount.

Credit Facilities for Purchase of Residential Property

Prohibition of Interest-only Loans

3. A bank shall not grant any credit facility for the purchase of Residential Property where the terms and conditions of the credit facility provide for an interest-only loan under which only interest is payable and none of the principal amount under the credit facility is repayable for a certain period during the term of the credit facility.

Prohibition of Interest Absorption Schemes

4. A bank shall not –
 - (a) grant any credit facility for the purchase of Residential Property where the vendor of the Residential Property, its agent, nominee or any other party by arrangement with the vendor has under an interest absorption scheme agreed to pay any of the interest which is payable in respect of the credit facility by the Borrower; or
 - (b) enter into any agreement or other arrangement with a vendor of Residential Property for the purpose of giving effect to a scheme referred to in sub-paragraph (a).

Purchaser's Contribution

5. A bank shall not disburse funds under any credit facility for the purchase of Residential Property until the Borrower has paid, out of funds not obtained through any credit facility granted by any financial institution regulated by the Authority or moneylender, or any Vendor's Loan, at least the difference between:
 - (a) the purchase price of the Residential Property; and
 - (b) the Relevant Amount,

which difference shall include a minimum cash payment of Cash% as referred to in paragraph 17(n).

[MAS Notice 632 (Amendment) 2011]

Verification by the Bank

Declaration

6. A bank granting a credit facility for the purchase of Residential Property shall obtain a written declaration from the Borrower on:
 - (a) whether the Borrower is applying for the grant of the credit facility for his own use or for the benefit of any other party;

- (b) whether the Borrower received any discount, rebate or any other benefit from the vendor or any other party (including the payment of legal or stamp fees for the purchase) which has the effect of reducing the true purchase price and the amount of such discount, rebate or benefit, as the case may be;
- (c) whether any interest in respect of any credit facility relating to the purchase is paid or payable by the vendor, its agent, nominee or any other person by arrangement with the vendor, irrespective of whether payment is made to the bank or as a benefit to the Borrower, and the amount paid or payable; and
- (d) whether the Borrower was granted any credit facility by any financial institution regulated by the Authority or moneylender for the purchase of, or otherwise secured by, the Residential Property and whether the Borrower was granted any Vendor's Loan for the purchase of the Residential Property, and if so, the amount of such credit facility or Vendor's Loan.

[MAS Notice 632 (Amendment) 2011]

Checks with Credit Bureaus and HDB

- 7. Prior to the grant of a credit facility that is for the purchase of Residential Property, a bank shall conduct or cause to be conducted comprehensive checks with one or more credit bureaus and the HDB, as may be relevant, on the information held by such parties –
 - (a) to verify whether the Borrower, at the time of applying for the credit facility, has any outstanding credit facility (either in his own name or jointly with another Borrower, and either obtained from the HDB or from any financial institution regulated by the Authority or any moneylender) for the purchase of any other Residential Property, such verification being for the purpose of assessing the credit-worthiness of the Borrower; and

[MAS Notice 632 (Amendment) 2011]

- (b) to comply with paragraphs 2 and 5,

and where the Borrower reasonably satisfies the bank that the bank should take into account additional information in order to ascertain whether or not the Borrower has an outstanding credit facility for the purchase of any other Residential Property, the bank may for the purpose of sub-paragraphs (a) and (b) supplement the information held by any one or more credit bureaus or the HDB with information provided by the Borrower from a credible source.

8. For the purpose of considering the Relevant Amount applicable to a Borrower who at the time of applying for a credit facility for the purchase of Residential Property has any outstanding credit facility for the purchase of any other Residential Property that he owns, either by himself or jointly,
- (a) a Borrower who reasonably satisfies a bank that before the disbursement of any funds under the credit facility applied for,
 - (i) in accordance with paragraph 9, he has taken steps to sell all such other Residential Property for the purchase of which there is any outstanding credit facility; or
 - (ii) he has discharged all outstanding credit facilities for the purchase of all such other Residential Property,shall be considered not to have any outstanding credit facility and the bank may grant the credit facility applied for based on the Relevant Amount applicable to a Borrower who does not have any outstanding credit facility for the purchase of another Residential Property; and
 - (b) in any other case, the bank shall apply the Relevant Amount applicable to a Borrower who has an outstanding credit facility for the purchase of another Residential Property.
9. A Borrower shall reasonably satisfy a bank under paragraph 8(a)(i), by providing –
- (a) where the Borrower's other Residential Property is a private property, a sale and purchase agreement signed by both the Borrower (as the seller) and the party to whom he has sold the property, as well as a certificate from IRAS showing that stamp duty has been paid on the signed agreement; or
 - (b) where the Borrower's other Residential Property is an HDB Flat, a letter from the HDB approving the sale of the HDB Flat.
10. Paragraph 7 shall not apply –
- (a) to a Borrower who is an Individual and for the purposes of computing the Relevant Amount as defined in paragraph 17(n), the LTV% to be applied by the bank, is equal to or less than 60% and the Cash% to be paid by the Borrower is equal to or greater than 10%; or
- [MAS Notice 632 (Amendment) 2011]
- (b) to a Borrower which is not an Individual.

Other Reasonable Steps

11. A bank granting a credit facility for the purchase of Residential Property shall take such other reasonable steps necessary to comply with paragraphs 2 and 5.

Credit Facilities Otherwise Secured By Residential Property

12. Paragraph 3 (only in cases where the Borrower is an Individual), paragraphs 6(a) and (d), 7, 8 and 9, paragraph 10 (excluding the reference to the Cash%) and paragraph 11 (excluding the reference to compliance with paragraph 5) shall apply in respect of a credit facility otherwise secured by Residential Property in the same manner as they apply in respect of a credit facility for the purchase of Residential Property.

[MAS Notice 632 (Amendment) 2011]

Re-financing Facilities

13. For the avoidance of doubt, paragraphs 2 to 12 shall not apply to a Re-financing Facility.

[MAS Notice 632 (Amendment) 2011]

14. A bank shall not grant any Re-financing Facility to any Borrower where the terms and conditions of the Re-financing Facility provide for an interest-only loan under which only interest is payable and none of the principal amount under the credit facility is repayable for a certain period during the term of the credit facility.

[MAS Notice 632 (Amendment) 2011]

15. Paragraph 14 shall not apply to any Re-financing Facility which is the consequence of a credit facility that is restructured because of deterioration in the financial position of the Borrower resulting in the inability of the Borrower to meet the original repayment schedule.

[MAS Notice 632 (Amendment) 2011]

Excluded Facilities

16. Paragraphs 2 to 15 shall not apply to:
- (a) any credit facility granted by a bank to its employee for the purpose of purchasing Residential Property for occupation by the employee;
 - (b) a Bridging Loan; or
 - (c) any credit facility granted by a bank to a Borrower who is a Property Developer to purchase Residential Property for development.

[MAS Notice 632 (Amendment) 2011]

Definitions and Interpretation

17. In this Notice,

[MAS Notice 632 (Amendment) 2011]

- (a) "Adjusted Purchase Price" means the purchase price after the deduction of –
- (i) the amount of any discount, rebate, or any other benefit offered by the vendor or any other party (including the payment of legal or stamp fees for the purchase), having the effect of reducing the true purchase price; and
 - (ii) any interest in respect of any credit facility relating to the purchase which is paid or payable by the vendor, its agent, nominee or any other person by arrangement with the vendor, irrespective of whether payment is made to the bank or as a benefit to the Borrower,

and the amount of interest referred to in sub-paragraph (a)(ii) shall be the amount declared by the Borrower under paragraph 6(c) as verified by the bank against documents evidencing the amount paid or payable, and in the event of any uncertainty over the amount of interest at the time of granting of the credit facility, the bank shall make its best estimate of such amount based on documents evidencing the amount paid or payable and prevailing interest rates;

- (b) "Borrower" means any party applying for a credit facility, and may be an Individual or not an Individual.
- (c) "Borrower which is not an Individual", for the avoidance of doubt, includes but is not limited to the following, whether formed, incorporated, established or existing in Singapore or outside Singapore -
- (i) a corporation as defined in section 4 of the Companies Act (Cap. 50);
 - (ii) a trust, a collective investment scheme as defined in section 2 of the Securities and Futures Act (Cap. 289) or a business trust as defined in section 2 of the Business Trusts Act (Cap. 31A);
 - (iii) a society as defined in section 2 of the Societies Act (Cap. 311);
 - (iv) a society as defined in section 2 of the Co-Operative Societies Act (Cap. 62);
 - (v) a limited liability partnership as defined in section 2 of the Limited Liability Partnerships Act (Cap. 163A);

- (vi) a partnership as defined in section 1 of the Partnership Act (Cap. 391), including a limited partnership formed pursuant to the Limited Partnerships Act (Cap. 163B);

and any person acting on behalf of such a Borrower.

- (d) "Bridging Loan" means a credit facility granted for the purchase of Residential Property by the Borrower, pending the receipt of proceeds from the sale of another Residential Property owned or co-owned by the Borrower, under which outstandings must be repaid within six months;
- (e) "CPF" means the amount withdrawn from the Central Provident Fund account of the Borrower for payment towards the purchase price of the Residential Property (including any Central Provident Fund grant for the purchase of the Residential Property but does not include any amount withdrawn for payment of stamp or legal fees);
- (f) "CPF Board" means the Central Provident Fund Board, a body corporate established under the Central Provident Fund Act (Cap. 36);
- (g) "HDB" means the Housing and Development Board, a body corporate established under the Housing and Development Act (Cap. 129);
- (h) "HDB Flat" means –
 - (i) a flat, house or living accommodation sold by the HDB under the provisions of Part IV of the Housing and Development Act (Cap. 129); 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 same Act;
- (i) "Individual" means a natural person;
- (j) "moneylender" has the same meaning as a moneylender as defined in section 2 of the Moneylenders Act (Cap. 188) but does not include an exempt moneylender as defined in the same section;

[MAS Notice 632 (Amendment) 2011]

- (k) "IRAS" means the Inland Revenue Authority of Singapore, a body corporate established under the Inland Revenue Authority of Singapore Act (Cap. 138A);

[MAS Notice 632 (Amendment) 2011]

- (l) "Property Developer" means a person carrying on the business of property development;

[MAS Notice 632 (Amendment) 2011]

- (m) "Re-financing Facility" in relation to a Residential Property, means a credit facility granted for the sole purpose of enabling the purchaser to repay –

[MAS Notice 632 (Amendment) 2011]

- (i) the balance outstanding under a credit facility obtained by the Borrower for the purchase of that Residential Property; or
- (ii) the balance outstanding under a Re-financing Facility in respect of that Residential Property;

- (n) "Relevant Amount" means –

[MAS Notice 632 (Amendment) 2011]

- (i) for a Borrower who is an Individual,
- (A) $LTV\% \times V$
(where the balance shall include the Cash%); or
- (B) $[(100\% - \text{Cash}\%) \times V] - \text{CPF}$,

whichever is lower,

where "LTV%" is the loan-to-value ratio and "Cash%" is the amount to be paid in cash, both of which are percentages determined in accordance with the table below:

Borrower who is an Individual			
Scenario	LTV%	Cash%	Description
(1)	90%	5%	The date on which the option to purchase was granted or where there is no option to purchase, the date of the sale and purchase agreement, is between 19 July 2005 and 19 February 2010.
(2)	80%	5%	The date on which the option to purchase was granted or where there is no option to purchase, the date of the sale and purchase agreement, is between 20 February 2010 and 29 August 2010.
(3)	80%	5%	In the case of a credit facility granted for the purchase of Residential Property, the date on which the option to purchase was granted or where there is no option to purchase, the date of the sale and purchase agreement, is on or after 30 August 2010, and the Borrower, at the time of applying for the credit facility, does not have

			any outstanding credit facility (either in his own name or jointly with another Borrower and either obtained from the HDB or from any financial institution regulated by the Authority) for the purchase of another Residential Property.
(4)	80%	-	In the case of a credit facility otherwise secured by Residential Property, the application date is on or after 27 July 2011, and the Borrower, at the time of applying for the credit facility, does not have any outstanding credit facility (either in his own name or jointly with another Borrower and either obtained from the HDB or from any financial institution regulated by the Authority) for the purchase of another Residential Property.
(5)	70%	10%	The date on which the option to purchase was granted or where there is no option to purchase, the date of the sale and purchase agreement, is between 30 August 2010 and 13 January 2011, and the Borrower, at the time of applying for the credit facility, has any outstanding credit facility (either in his own name or jointly with another Borrower, and either obtained from the HDB or from any financial institution regulated by the Authority) for the purchase of another Residential Property.
(6)	60%	10%	In the case of a credit facility granted for the purchase of Residential Property, the date on which the option to purchase was granted or where there is no option to purchase, the date of the sale and purchase agreement, is on or after 14 January 2011, and the Borrower, at the time of applying for the credit facility, has any outstanding credit facility (either in his own name or jointly with another Borrower, and either obtained from the HDB or from any financial institution regulated by the Authority) for the purchase of another Residential Property.
(7)	60%	-	In the case of a credit facility otherwise secured by Residential

			Property, the application date is on or after 27 July 2011, and the Borrower, at the time of applying for the credit facility, has any outstanding credit facility (either in his own name or jointly with another Borrower, and either obtained from the HDB or from any financial institution regulated by the Authority) for the purchase of another Residential Property.
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[MAS Notice 632 (Amendment) 2011]

and

- (ii) for a Borrower which is not an Individual, $LTV\% \times V$, where "LTV%" is the loan-to-value ratio, a percentage determined in accordance with the table below:

Borrower which is not an Individual		
Scenario	LTV%	Description
(8)	90%	The date on which the option to purchase was granted or where there is no option to purchase, the date of the sale and purchase agreement, is between 19 July 2005 and 19 February 2010.
(9)	80%	The date on which the option to purchase was granted or where there is no option to purchase, the date of the sale and purchase agreement, is between 20 February 2010 and 29 August 2010.
(10)	80%	The date on which the option to purchase was granted or where there is no option to purchase, the date of the sale and purchase agreement, is between 30 August 2010 and 13 January 2011, and the Borrower, at the time of applying for the credit facility, does not have any outstanding credit facility (either in his own name or jointly with another Borrower, and either obtained from the HDB or from any financial institution regulated by the Authority) for the purchase of another Residential Property.
(11)	70%	The date on which the option to purchase was granted or where there is no option to purchase, the

		date of the sale and purchase agreement, is between 30 August 2010 and 13 January 2011, and the Borrower, at the time of applying for the credit facility, has any outstanding credit facility (either in his own name or jointly with another Borrower, and either obtained from the HDB or from any financial institution regulated by the Authority) for the purchase of another Residential Property.
(12)	50%	The date on which the option to purchase was granted or where there is no option to purchase, the date of the sale and purchase agreement, is on or after 14 January 2011.

[MAS Notice 632 (Amendment) 2011]

- (o) "Residential Property" means property in Singapore, which –

[MAS Notice 632 (Amendment) 2011]

- (i) is permitted under the Planning Act (Cap. 232) for use solely or partly for residential purposes, including an HDB Flat; or
- (ii) in accordance with its zoning in the Master Plan is permissible for use solely or partly for residential purposes.

- (p) "V", in relation to Relevant Amount, means –

- (i) in respect of a credit facility for the purchase of Residential Property, the Adjusted Purchase Price or current market valuation of a Residential Property, whichever is lower; and
- (ii) in respect of a credit facility otherwise secured by Residential Property, the current market valuation of the Residential Property;

[MAS Notice 632 (Amendment) 2011]

- (q) "Vendor's Loan" means a loan granted by the vendor of a Residential Property;

[MAS Notice 632 (Amendment) 2011]

- (r) a reference to credit facilities granted for the purchase of Residential Property includes credit facilities granted for payment of stamp or legal fees incurred in connection with the purchase of Residential Property;

[MAS Notice 632 (Amendment) 2011]

- (s) a reference to purchase of Residential Property includes purchase of a part share in Residential Property and -
- (i) except where sub-paragraph (s)(ii) applies, for the purpose of applying paragraph 2 to such a transaction, the terms "Adjusted Purchase Price", "purchase price" and "current market valuation" in the definition of "Relevant Amount" in sub-paragraph (n) shall be construed to refer to the Adjusted Purchase Price, purchase price and current market valuation, as the case may be, of that part share; or
 - (ii) where the credit facility is granted by a bank to an existing part owner of a Residential Property to enable him to purchase another part share in that Residential Property, "Relevant Amount" referred to in paragraph 2 shall instead be the higher of -
 - (1) the amount that would have been the Relevant Amount if sub-paragraph (s)(i) were applied, and
 - (2) an amount which, when aggregated with the amount of outstanding credit facilities granted by financial institutions regulated by the Authority and moneylenders, and outstanding Vendor's Loans used for the purchase of the existing part share, would not exceed an amount that would have been the Relevant Amount if the terms "Adjusted Purchase Price", "purchase price" and "current market valuation" in the definition of "Relevant Amount" in sub-paragraph (n) were construed to refer to the Adjusted Purchase Price, purchase price and current market valuation, as the case may be, of the entire share of the Residential Property owned by him after the purchase¹;

[MAS Notice 632 (Amendment) 2011]

¹ For example, a Borrower owns a half share in a Residential Property, which is subject to a mortgage for an outstanding credit facility for its purchase of \$350,000 and a CPF charge of \$100,000. He purchases the other half share at the market price of \$500,000. Assuming that the current market value of the whole Residential Property is \$1,000,000 (i.e. \$500,000 x 2), a new buyer (who does not have any outstanding credit facility for the purchase of another Residential Property) would be able to obtain a credit facility for the purchase of this Residential Property at the lower of \$800,000 (80% of \$1,000,000) or \$850,000 ((100%-5%) x \$1,000,000 - \$100,000 of CPF monies). Therefore, the maximum outstanding credit facility that the Borrower may have for his purchase of the other half share is \$800,000. The Borrower is able to obtain a credit facility for \$450,000 (i.e. \$800,000 - \$350,000) in respect of the other half share.

- (t) a reference to credit facilities otherwise secured by Residential Property does not include credit facilities -
 - (i) solely for the purchase of Residential Property; or
 - (ii) secured by a charge in favour of the CPF Board;
- (u) where a credit facility is granted to joint Borrowers, a reference to "Borrower" shall be read accordingly to refer to the joint Borrowers, except that in paragraphs 2(d) and (e), 6, 7 8(a) and 9, and the tables under sub-paragraph (n), such a reference shall be read to also refer to each Borrower;

[MAS Notice 632 (Amendment) 2011]

- (v) where a credit facility is granted to joint Borrowers one of whom is not an Individual, the credit facility shall be considered to be granted to a Borrower which is not an Individual; and

[MAS Notice 632 (Amendment) 2011]

- (w) the expressions used shall, except where expressly defined in this Notice or where the context otherwise requires, have the same meanings as in the Act.

[MAS Notice 632 (Amendment) 2011]

Transitional Provisions

Interest-only Loans

- 18. Paragraph 3 shall not apply to any credit facility where the option to purchase the Residential Property was granted, or where no option to purchase was granted, the sale and purchase agreement for the Residential Property was entered into, before 14 September 2009.

[MAS Notice 632 (Amendment) 2011]

- 19. In respect of a credit facility referred to in paragraph 18, the following shall not apply:
 - (a) the prohibition under paragraph 4;
 - (b) the requirement for a bank to obtain a written declaration from the Borrower regarding the payment of interest under paragraph 6(c); and
 - (c) the requirement to deduct interest when computing the "Adjusted Purchase Price" as provided for under paragraph 17(a)(ii).

[MAS Notice 632 (Amendment) 2011]

Interest Absorption Schemes

20 Paragraph 4 shall not apply to any credit facility where before 14 September 2009 –

[MAS Notice 632 (Amendment) 2011]

- (a) the vendor of the Residential Property, its agent, nominee or any other person by arrangement with the vendor has entered into an agreement with the bank in relation to an interest absorption scheme under which the vendor of the Residential Property, its agent, nominee or any other person by arrangement with the vendor has agreed to pay any of the interest payable in respect of the credit facility by the Borrower; and
 - (b) the vendor of the Residential Property or its agent has invited any person including any person associated in any manner with the vendor, any person selected by the vendor or its agent, or any member of the public, to purchase the property,
21. In respect of a credit facility referred to in paragraph 20, the following shall not apply:
- (a) the prohibition under paragraph 3;
 - (b) the requirement for a bank to obtain a written declaration from the Borrower regarding the payment of interest under paragraph 6(c); and
 - (c) the requirement to deduct interest when computing the “Adjusted Purchase Price” as provided for under paragraph 17(a)(ii).

[MAS Notice 632 (Amendment) 2011]

Re-financing Facilities

22. Paragraph 14 shall not apply to any Re-financing Facility the agreement in respect of which was entered into before 14 September 2009.

[MAS Notice 632 (Amendment) 2011]

Effective Date

23. This Notice shall take effect on 13 January 2011.

[MAS Notice 632 (Amendment) 2011]

Guidance Notes:

Banks should note that where credit facilities secured on Residential Property exceed the value of the security, they are to that extent treated as unsecured, and are subject to the Authority's Notice on Unsecured Credit Facilities to Individuals.

*Notes on History of Amendments

1. MAS Notice 632 (Amendment) 2011 with effect from 27 July 2011.