

MAS 115

30 Aug 2002

Last revised on 30 Aug 2010*

NOTICE TO DIRECT INSURERS
INSURANCE ACT, CAP. 142

Housing Loans

This Notice is issued pursuant to section 64(2) of the Insurance Act (Cap. 142).

New Credit Facility

[MAS Notice 115 (Amendment No. 2) 2009]

2(a) Except for a re-financing facility, a direct insurer shall not –

- (i) grant any credit facility for the purchase of residential property to any person (“borrower”):
 - (1) which exceeds the relevant amount;
 - (2) 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; or
 - (3) 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
- (ii) 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 paragraph 2(a)(i)(3).

[MAS Notice 115 (Amendment No. 2) 2009]

(b) Except for a re-financing facility, a direct insurer granting a credit facility for the purchase of residential property to the borrower shall:

(i) obtain a written declaration from the borrower on:

- (1) 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;
- (2) 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 direct insurer or as a benefit to the borrower, and the amount paid or payable; and
- (3) whether the borrower was granted any credit facility by any other financial institution or any vendor's loan, and the amount of such credit facility or loan, as the case may be, for the purchase of the residential property;

(ii) take such other reasonable steps necessary to ensure that the total quantum of credit facilities obtained for the purchase of that residential property by the borrower from the financial institutions regulated by the Authority or in the form of vendor's loans will not exceed the relevant amount; and

[MAS Notice 115 (Amendment No. 2) 2009]

(iii) prior to the grant of the credit facility, conduct or cause to be conducted relevant comprehensive checks with one or more credit bureaus and the HDB on the information held by such parties:

- (1) 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 person, and either obtained from the HDB or from financial institutions regulated by the Authority) for the purchase of another residential property, such verification being in connection with an assessment of the credit-worthiness of the borrower; and
- (2) to comply with paragraph 2(a)(i)(1) and paragraph 2(c),

and where the borrower reasonably satisfies the direct insurer that the direct insurer should take into account additional information in order to ascertain whether or not the borrower has an outstanding credit facility for the purchase of another residential property, the direct insurer may for the purpose of sub-paragraphs (1) and (2) supplement the information held by any one or more credit bureaus or the HDB with information provided by the borrower from a credible source.

PROVIDED THAT –

- (a) paragraph 2(a)(i)(2) shall not apply to any facility –
 - (i) 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; or
 - (ii) to which paragraph 2(a)(i)(3) does not apply by virtue of subparagraph (b) of this proviso,and in the case of either facility,
 - (iii) paragraph 2(b)(i)(2) shall not apply; and
 - (iv) subparagraph (ii) of the definition of “adjusted purchase price” in paragraph 4(a) shall not apply; and

- (b) paragraph 2(a)(i)(3) shall not apply to any facility where before 14 September 2009 –
 - (i) 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 direct insurer 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
 - (ii) 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,and in the case of such facility,
 - (iii) paragraph 2(b)(i)(2) shall not apply; and
 - (iv) subparagraph (ii) of the definition of “adjusted purchase price” in paragraph 4(a) shall not apply.

- (c) Except for a re-financing facility, a direct insurer 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 a credit facility granted by any financial

institution regulated by the Authority or a vendor's loan, at least the difference between:

- (i) the purchase price of the property; and
- (ii) A% of —
 - (1) the adjusted purchase price; or
 - (2) current market valuation,
 of the residential property, whichever is lower,

where “A%” is the percentage determined in accordance with the table below:

| A% | Type of Property & Date |
|-----|---|
| 90% | <p>(a) In the case of an HDB flat of the type specified in paragraph 4(ac)(i) or 4(ac)(ii) that is purchased on the resale market, the date on which the resale application is received by the HDB; or</p> <p>(b) in the case of an HDB flat of the type specified in paragraph 4(ac)(i) that is purchased directly from the HDB, the date on which the borrower booked the flat from the HDB,</p> <p>falls within the period 19 July 2005 to 19 February 2010¹.</p> |
| | <p>In the case of a residential property other than —</p> <p>(a) an HDB flat of the type specified in paragraph 4(ac)(i) that is purchased directly from the HDB; or</p> <p>(b) an HDB flat of the type specified in paragraph 4(ac)(i) or 4(ac)(ii) that is purchased on the resale market,</p> <p>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, falls within the period 19 July 2005 to 19 February 2010.</p> |
| 80% | In the case of a residential property (whether or not an HDB flat), 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, falls within the period 20 February 2010 to 29 August 2010. |
| 80% | In the case of a residential property (whether or not an HDB flat), 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 |

¹ This includes an HDB flat purchased on the resale market or directly from the HDB (as the case may be) where the date on which the option to purchase was granted falls within the period 19 July 2005 to 19 February 2010.

| | |
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| | 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 person, and either obtained from the HDB or from a financial institution regulated by the Authority) for the purchase of another residential property. |
| 70% | In the case of a residential property (whether or not an HDB flat), 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, has any outstanding credit facility (either in his own name or jointly with another person, and either obtained from the HDB or from a financial institution regulated by the Authority) for the purchase of another residential property. |

[MAS Notice 115 (Amendment No. 2) 2010]

Re-financing Facility

2A A direct insurer 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.

PROVIDED THAT this paragraph shall not apply to -

- (a) 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; and
- (b) any re-financing facility the agreement in respect of which was entered into before 14 September 2009.

[MAS Notice 115 (Amendment No. 2) 2009]

3 Paragraphs 2 and 2A shall not apply to:

- (a) any credit facility granted by a direct insurer to its employee for the purpose of purchasing residential property for occupation by the employee; or
- (b) a bridging loan, and for this purpose a “bridging loan” refers to 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.

[MAS Notice 115 (Amendment No. 2) 2009]

Definitions and interpretation

4 In this Notice,

- (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 direct insurer or as a benefit to the borrower,

and the amount of interest referred to in subparagraph (a)(ii) shall be the amount declared by the borrower under paragraph 2(b)(i)(2) as verified by the direct insurer 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 direct insurer shall make its best estimate of such amount based on documents evidencing the amount paid or payable and prevailing interest rates;

[MAS Notice 115 (Amendment) 2009]

- (aa) "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 property but does not include any amount withdrawn for payment of stamp or legal fees);

[MAS Notice 115 (Amendment) 2005]

- (ab) “HDB” means the Housing and Development Board, a body corporate established under the Housing and Development Act (Cap. 129);

[MAS Notice 115 (Amendment) 2006]

- (ac) “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;

[MAS Notice 115 (Amendment) 2006]

- (b) "re-financing facility" means a credit facility granted to repay an outstanding credit facility obtained by the borrower for the purchase of residential property or to repay an outstanding re-financing facility;
- (c) "relevant amount", in relation to a residential property (whether or not an HDB flat), means –

(A) $X\% \times V$; or

(B) $(Y\% \times V) - CPF$,

whichever is lower,

where "X%" and "Y%" are the percentages determined in accordance with the table below:

| X% | Y% | Type of Property & Date |
|-----|-----|--|
| 90% | 95% | <p>(a)(i) In the case of an HDB flat of the type specified in paragraph 4(ac)(i) or 4(ac)(ii) that is purchased on the resale market, the date on which the resale application is received by the HDB²;</p> <p>(ii) in the case of an HDB flat of the type specified in paragraph 4(ac)(i) that is purchased directly from the HDB, the date on which the borrower booked the flat from the HDB³; or</p> <p>(iii) in the case of an HDB flat of the type specified in paragraph 4(ac)(ii) that is purchased directly from an approved developer under Part IVB of the Housing and Development Act, 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,</p> <p>falls within the period 1 January 2006 to 19 February 2010; or</p> <p>(b) in the case of a residential property</p> |

² This includes an HDB flat purchased on the resale market or directly from the HDB (as the case may be) where the date on which the option to purchase was granted falls within the period 19 July 2005 to 19 February 2010.

[MAS Notice 115 (Amendment) 2010]

³ Refer to footnote 2.

[MAS Notice 115 (Amendment) 2010]

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| | | that is not an HDB flat, 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, falls within the period 19 July 2005 to 19 February 2010. |
| 80% | 95% | In the case of a residential property (whether or not an HDB flat), 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, falls within the period 20 February 2010 to 29 August 2010. |
| 80% | 95% | In the case of a residential property (whether or not an HDB flat), 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 person and either obtained from the HDB or from financial institutions regulated by the Authority) for the purchase of another residential property. |
| 70% | 90% | In the case of a residential property (whether or not an HDB flat), 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, has any outstanding credit facility (either in his own name or jointly with another person, and either obtained from the HDB or from financial institutions regulated by the Authority) for the purchase of another residential property. |

[MAS Notice 115 (Amendment No. 2) 2010]

(d) "residential property" means property in Singapore used for residential purposes;

[MAS Notice 115 (Amendment) 2002]

- (da) "V", in relation to relevant amount, means the adjusted purchase price or current market valuation of a residential property, whichever is lower;

[MAS Notice 115 (Amendment) 2005]

- (e) "vendor's loan" means a loan granted by the vendor of the residential property;
- (f) 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;
- (g) a reference to purchase of residential property includes purchase of a part share in residential property and -
- (i) except where paragraph 4(g)(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 paragraph 4(c) 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 direct insurer to an existing part owner of a residential property to enable him to purchase another part share in that 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 paragraph 4(g)(i) was applied, and
 - (2) an amount which, when aggregated with the amount of outstanding credit facilities granted by financial institutions regulated by the Authority 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 paragraph 4(c) 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 property owned by him after the purchase⁴.

⁴ For example, a borrower owns a half share in a residential property, which is subject to a mortgage for an outstanding housing loan of \$350,000 and a CPF charge of \$100,000. The original cash downpayment was \$50,000. He purchases the other half share at the market price of \$500,000. Assuming that the current market value of the whole 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 housing loan of the lower of \$800,000 (80% of \$1,000,000) or \$850,000 (95% x \$1,000,000 - \$100,000 of CPF monies). Therefore, the maximum outstanding loan that can be

[MAS Notice 115 (Amendment) 2003]

- (h) where credit facilities are granted to more than one person jointly, a reference to "person" or "borrower" shall be read accordingly to refer to the joint borrowers, except that in paragraph 2(b)(i)(1), (2) and (3), 2(b)(ii), 2(c) and 4(c), such a reference shall be read to also refer to each of the joint borrowers individually..
- (i) 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 115 (Amendment) 2004]

5 The Directive on Housing Loans (Circular No. BFIG 7/96) is hereby cancelled.

Effective date

6 This Notice shall take effect on 1 September 2002.

Transitional provisions

7 The transitional provision in paragraph 8 applies in respect of purchases of residential property other than HDB flats where:

- (a) the option to purchase or, where no option to purchase was granted, the sale and purchase agreement, was entered into before 1 September 2002; and
- (b) the borrower has not elected to have the charge in favour of the Central Provident Fund Board ("CPF Board") rank after the direct insurer's mortgage and therefore CPF Board has a first charge over the residential property.

[MAS Notice 115 (Amendment) 2002]

8 Notwithstanding paragraph 6 and the definition of "relevant amount" in paragraph 4, in respect of purchases of residential property described in paragraph 7, "relevant amount" shall be $(80\% \times V) - CPF$,

where:

"V" = adjusted purchase price or current market valuation of the residential property, whichever is lower;

granted to the borrower (who does not have any outstanding credit facility for the purchase of another residential property) for his purchase of the other half share is \$800,000. The borrower is able to obtain a housing loan for \$450,000 in respect of the other half share.

[MAS Notice 115 (Amendment No. 2) 2010]

"CPF" = the amount withdrawn from the borrower's Central Provident Fund ("CPF") account for payment towards the purchase price of the residential property and for payment of stamp or legal fees.

Guidance Notes:

1. Paragraph 2 applies to credit facilities granted for the purchase of residential property, and not to other credit facilities secured on residential property. Direct insurers should note that where such other credit facilities exceed the value of the security after taking into account prior charges on the property, they are treated as unsecured, and are subject to the Authority's Guidelines on Unsecured Credit Facilities to Individuals.
2. Deleted by MAS Notice 115 (Amendment) 2004.

*Notes on History of Amendments

1. MAS Notice 115 (Amendment) 2002 with effect from 1 Jan 2003.
2. MAS Notice 115 (Amendment) 2003 with effect from 7 Mar 2003.
3. MAS Notice 115 (Amendment No. 2) 2003 with effect from 17 Oct 2003.
4. MAS Notice 115 (Amendment) 2004 with effect from 6 Sep 2004 in respect of all housing loan applications submitted to the direct insurer on or after 13 Sep 2004.
5. MAS Notice 115 (Amendment No. 2) 2004 with effect from 30 Nov 2004.
6. MAS Notice 115 (Amendment) 2005 with effect from 19 July 2005.
7. MAS Notice 115 (Amendment) 2006 with effect from 24 Aug 2006.
8. MAS Notice 115 (Amendment) 2009 with effect from 14 Sep 2009.
9. MAS Notice 115 (Amendment No. 2) 2009 with effect from 8 Dec 2009.
10. MAS Notice 115 (Amendment) 2010 with effect from 19 Feb 2010.
11. MAS Notice 115 (Amendment No. 2) 2010 with effect from 30 Aug 2010.