

MAS 116

1 Jan 2003

Last revised on 24 Aug 2006\*

NOTICE TO DIRECT INSURERS  
INSURANCE ACT, CAP 142

## **Bridging Loans for the Purchase of Immovable Properties**

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

2 A direct insurer shall not grant a bridging loan to an individual whose annual income is less than \$30,000 unless the bridging loan is fully secured.

3 In the case of an individual whose annual income is \$30,000 or more, a direct insurer shall not grant a bridging loan to such an individual where the amount of such bridging loan, aggregated with the amount of all unsecured credit facilities granted by the direct insurer to the individual, would exceed twice his monthly salary, unless the excess amount is fully secured.

4 Notwithstanding paragraphs 2 and 3, 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 2 applies) the bridging loan or (where paragraph 3 applies) the excess amount referred to in paragraph 3, 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)).

[MAS Notice 116 (Amendment) 2006]

5 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.

[MAS Notice 116 (Amendment) 2003]

6 In this Notice –

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

[MAS Notice 116 (Amendment) 2006]

7 This Notice does not apply to any bridging loans granted by a direct insurer to its officers or employees.

8 The Authority's Guidelines on Unsecured Credit Facilities to Individuals and on Car Loans are varied to the extent stated in this Notice. This Notice does not affect the requirements of section 32 of the Insurance Act or any other written law pertaining to unsecured credit facilities.

9 This Notice shall take effect on 1 Jan 2003.

#### Guidance Note

For the purposes of paragraphs 2 and 3 of this Notice, MAS will leave it to the direct insurer to determine the appropriate form of security to take. Generally, the requirements of paragraphs 2 and 3 will be satisfied if the direct insurer 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.

#### \*Notes on History of Amendments

1. MAS Notice 116 (Amendment) 2003 with effect from 29 Jan 2003.
2. MAS Notice 116 (Amendment) 2006 with effect from 24 Aug 2006.