

# **RESIDENTIAL MORTGAGE PRICING AND DISCLOSURE PRACTICES**

## **- OBSERVATIONS AND SUPERVISORY EXPECTATIONS FROM THEMATIC INSPECTIONS**

INFORMATION PAPER

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**MAS**

Monetary Authority of Singapore

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## 1 Introduction

1.1 A housing or residential property loan (referred to as “mortgage” henceforth) is a major long-term financial commitment for most borrowers. An individual’s decision to borrow from a financial institution (FI) to finance a place of residence should be made judiciously, taking into consideration the affordability of the mortgage, as well as its terms and conditions (T&Cs). It is therefore important that FIs provide adequate information to customers on their mortgage packages and treat them fairly throughout the lifetime of the loan.

1.2 FIs typically determine the mortgage interest rate that is charged to the borrower based on the cost to the FI of granting the mortgage (which includes the cost of funding and other costs), competitors’ pricing and other strategic considerations such as business strategy. FIs disclose the mortgage T&Cs in the letter of offer and a document on General Terms and Conditions. Information critical to the customer’s decision to take up the mortgage is also disclosed in the Fact Sheet<sup>1</sup>.

1.3 Mortgages can be broadly classified into two categories<sup>2</sup>:

Type	Description
Fixed Rate Mortgages	Interest rate is fixed and cannot be changed in the first few years, i.e. monthly repayment instalments are fixed for this period (assuming no further mortgage disbursements or prepayments during the period and no change in the mortgage tenure).
Variable Rate Mortgages	Interest rate is not fixed and can be varied by the FI at any time. This interest rate comprises two components, a reference rate and a spread.  The reference rate is pegged to (i) publicly available market indicators (e.g. Singapore Interbank Offered Rate (SIBOR), Singapore Swap Offer Rate (SOR), Singapore Overnight Rate Average (SORA)), or (ii) an administered rate which is determined by each FI (e.g. fixed deposit rate or internal board rate).

1.4 MAS Notice 632 on Residential Property Loans<sup>3</sup>, MAS Notice 632A on Residential Property Loans – Fact Sheet and MAS Notice 645<sup>4</sup> on Computation of Total Debt Servicing Ratio for Property Loans set out MAS’ requirements governing credit facilities, disclosures at point of sale, and affordability assessments respectively. Other relevant documents that

<sup>1</sup> Notice 632A on Residential Property Loans – Fact Sheet:

<https://www.mas.gov.sg/regulation/notices/notice-632a>. This Notice specifies information banks must include in the Fact Sheet to borrowers before granting the mortgage.

<sup>2</sup> These categories are extracted from Consumer Guide to Housing Loans, and updated based on latest market developments:

[https://abs.org.sg/docs/library/housingloans\\_english9bc6a69f299c69658b7dff00006ed795.pdf](https://abs.org.sg/docs/library/housingloans_english9bc6a69f299c69658b7dff00006ed795.pdf)

<sup>3</sup> [https://www.mas.gov.sg/-/media/MAS/Notices/PDF/2020-04-06-Notice-632\\_LTV.pdf](https://www.mas.gov.sg/-/media/MAS/Notices/PDF/2020-04-06-Notice-632_LTV.pdf)

<sup>4</sup> [https://www.mas.gov.sg/-/media/MAS/Notices/PDF/2020-02-17-MAS-645\\_TDSR.pdf](https://www.mas.gov.sg/-/media/MAS/Notices/PDF/2020-02-17-MAS-645_TDSR.pdf)

customers can reference are the Code of Consumer Banking Practice<sup>5</sup> and Consumer Guide to Housing Loans<sup>6</sup> published by the Association of Banks in Singapore (ABS), and the guides published on MoneySense's website<sup>7</sup> on what customers can reasonably expect of a bank.

1.5 While MAS does not intervene directly in mortgage pricing, MAS expects FIs to perform their obligations under mortgages in accordance with the T&Cs and as FIs have explained and led customers to expect. How the interest rate of a mortgage fluctuates depends on various factors, including market conditions, the FI's business strategy, and the T&Cs of the mortgage that the borrower had chosen. For floating rate mortgages that reference FI-determined interest rates, MAS expects them to be adjusted in a fair manner, in line with sustained trends in the FI's cost of funding for such loans. MAS also expects FIs offering mortgages to uphold high standards of transparency in their disclosures and prioritise customer interests.

1.6 In 2020 and 2021, MAS conducted thematic inspections of large mortgage lending banks, taking into consideration public feedback relating to mortgages. The inspections focused on:

- (a) adequacy of disclosures in the mortgage sales process;
- (b) whether the mortgages performed as banks had led customers to expect and whether sales practices resulted in customer detriment; and
- (c) robustness of governance frameworks and processes to exercise oversight of mortgage pricing and sales practices, as well as compliance with regulatory requirements<sup>8</sup>.

1.7 MAS observed that banks generally have established controls to oversee their mortgage pricing and sales practices, and comply with the relevant regulations. MAS also noted concrete examples of how banks prioritised customer interests and improved customer outcomes. These include incorporating fair dealing considerations in assessments of new or revised mortgages, implementing measures to mitigate impact on customers when mortgage interest rates were raised, conducting mystery shopping exercises to assess employees' competency and compliance with internal policies, and using data analytics to proactively identify and help customers experiencing difficulties in meeting repayment obligations. MAS did not find any pervasive or systematic weaknesses, but noted some areas for improvements:

- (a) There were uneven practices on what banks considered to be key information, and how such information was presented prominently to the

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<sup>5</sup> [https://abs.org.sg/docs/library/cocbp\\_nov2017.pdf](https://abs.org.sg/docs/library/cocbp_nov2017.pdf)

<sup>6</sup> [https://abs.org.sg/docs/library/housingloans\\_english9bc6a69f299c69658b7dff00006ed795.pdf](https://abs.org.sg/docs/library/housingloans_english9bc6a69f299c69658b7dff00006ed795.pdf)

<sup>7</sup> [https://www.moneysense.gov.sg/search?content\\_type=Guides&content\\_type=Articles&sc\\_lang=en&topic\\_s=Property](https://www.moneysense.gov.sg/search?content_type=Guides&content_type=Articles&sc_lang=en&topic_s=Property)

<sup>8</sup> Regulatory requirements include MAS Notice 632 on Residential Property Loans, MAS Notice 632A on Residential Property Loans – Fact Sheet and MAS Notice 645 on Computation of Total Debt Servicing Ratio for Property Loans.

customers. One example relates to the “floor rate”, where some banks were silent on whether this rate could be changed.

- (b) Some banks did not incorporate fair dealing outcomes in their mortgage proposals and approval process of new mortgage packages or revisions to T&Cs of existing packages.
- (c) There were isolated instances where banks did not lower fixed deposit (FD) rates that were pegged to mortgages, when the FD rates for other tenors were lowered in general and in line with market trends.

1.8 This information paper discusses the practices at banks in the areas of: i) transparency; ii) consideration of customer interests; and iii) accountability and product governance. While not covered in this thematic exercise, the robustness of banks’ complaints handling processes and ability to communicate mortgage features to customers clearly and effectively, are also important aspects in building trust with customers that banks should pay attention to.

1.9 MAS expects all banks offering mortgages to consider customer impact and customer interests when developing new mortgage packages or revising the T&Cs of existing mortgage packages, including changes in interest rates. Banks should provide clear disclosures to customers on the banks’ rights to revise the T&Cs and interest rates, as well as the possible circumstances that will trigger such revisions, during the mortgage sales process. Where banks revise the T&Cs or interest rates following the inception of the mortgage, banks should clearly communicate such revisions, and provide sufficient notice to customers so that they could consider alternatives. Banks should also ensure that their mortgages perform as they have explained and led customers to expect.

1.10 This paper is especially relevant as Singapore transitions to the use of SORA as the main interest rate benchmark for SGD financial markets. SOR and SIBOR will be discontinued by end-June 2023 and end-2024, respectively.<sup>9</sup> MAS expects FIs to provide information to customers on how new mortgages referencing SORA would work and where relevant, the options available to them to transit their existing mortgages referencing SOR or SIBOR to SORA, taking reference from the recommendations issued by the Steering Committee for SOR & SIBOR Transition to SORA<sup>10</sup>.

1.11 Mortgage lenders that were not inspected as part of the thematic exercise are expected to benchmark their practices against this paper and take steps to address any gaps in a risk-appropriate manner. As a follow-up to the inspections, MAS will:

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<sup>9</sup> Ahead of these discontinuation timelines, the financial industry has ceased the offering of new SOR loans from end-April 2021, and the offering of new SIBOR loans from end-September 2021.

<sup>10</sup> <https://www.abs.org.sg/docs/library/media-release-on-sc-sts-recommendations-for-legacy-sor-transition.pdf>

- (a) review Notice 632A on Residential Property Loans – Fact Sheet<sup>11</sup>, to enhance disclosures relating to interest rate changes, such as floor rates and circumstances under which they may be changed, as well as alternative arrangements that banks will provide to borrowers should they make unexpected interest rate changes.
- (b) review the Guidelines on Fair Dealing<sup>12</sup> (FDG) in consultation with the industry – to extend their application beyond investment products under the Financial Advisers Act, to products such as mortgages, and assess the need to incorporate additional principles.

1.12 MAS will also work with the ABS to further strengthen industry standards and raise consumer awareness on mortgages. This would include improving the consistency of disclosures in mortgage contracts across the industry, and facilitating the comparison of any fire insurance or Mortgagee Interest Policy (MIP)<sup>13</sup> that may be bundled with the mortgages.

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<sup>11</sup> Please refer to Consultation Paper on Proposed Amendments to Notices on Residential Property Loans Fact Sheet: <https://www.mas.gov.sg/publications/consultations/2021/proposed-amendments-to-notices-on-residential-property-loans-fact-sheet>

<sup>12</sup> While the FDG was written with investment products in mind, the FDG states that FIs are strongly encouraged to also apply the principles in the FDG to other products that are not covered under the Financial Advisers Act. Please refer to <https://www.mas.gov.sg/-/media/MAS/Regulations-and-Financial-Stability/Regulations-Guidance-and-Licensing/Financial-Advisers/Guidelines/Fair-Dealing-Guidelines--20-Feb-2013.pdf>

<sup>13</sup> The MIP protects the FI's interest. It allows the FI to claim for repayment of the outstanding mortgage amount from the insurer, in the event of damage to the property due to an insured event (such as fire) and the FI has concerns over the borrower's mortgage repayment. The borrower remains liable for the outstanding mortgage amount.

## 2 Observations from the Thematic Inspections

2.1 MAS' inspection approach included reviews of banks' policies and processes, management reports and mortgage documents, as well as discussions with management and staff. MAS also benchmarked practices amongst the banks included in the thematic exercise.

2.2 MAS' supervisory expectations (summarised in grey boxes below), key observations, and identified areas for improvement from this thematic exercise, are highlighted under each theme.

### A Transparency

**Bank provides adequate and clear disclosures on mortgage features and T&Cs in their marketing materials, Fact Sheet and mortgage contracts.**

- Information provided is accurate and not misleading.
- T&Cs are written in clear and simple language.
- Key mortgage information is disclosed in a clear, balanced and prominent way.

2.3 Banks have generally established processes and controls to ensure that key clauses in the mortgage contracts were communicated clearly to customers. Banks also provided required disclosures at the point of sale as set out in the Fact Sheet, for example, key features such as lock-in period, type of reference rate, and whether the bank has the right to vary the type of reference rate and/or spread.

2.4 However, disclosure of key information related to interest rate changes in the mortgage contract (i.e. letter of offer and general T&Cs) could be enhanced. For example, banks were silent on whether the floor rate could be revised. The floor rate has been generally used to prevent the reference rate falling below zero (resulting in potentially negative interest rates). Customers would hence not ordinarily expect a floor rate to change. If a bank does intend to change the floor rate as a matter of practice, it should be highlighted to customers in the Fact Sheet and the T&Cs of the mortgage contract during the sales process. Some banks also did not disclose the circumstances under which the value of their administered rate would change.

2.5 MAS expects banks to disclose clearly in their mortgage contracts:

- (a) which component(s) of the interest rate can be revised, e.g. spread over reference rate, type and value of reference rate;
- (b) the possible circumstances which will trigger such revisions;
- (c) that minimum 30 days' notice<sup>14</sup> will be given to customers; and

<sup>14</sup> This is in line with the ABS Consumer Guide to Housing Loans:

[https://abs.org.sg/docs/library/housingloans\\_english9bc6a69f299c69658b7dff00006ed795.pdf](https://abs.org.sg/docs/library/housingloans_english9bc6a69f299c69658b7dff00006ed795.pdf)

- (d) if applicable, whether the administered rate is different for different packages.

2.6 MAS intends to review the requirements in MAS Notice 632A to enhance disclosures so that customers are clear on key features of the mortgage package<sup>15</sup>.

2.7 For administered rate mortgages where banks decide the frequency and quantum of rate changes, banks are encouraged to disclose information on historical administered rate vis-à-vis market rate changes to help customers make an informed decision at mortgage inception. When making any changes to administered rates, the bank should explain the triggers leading to the rate change to customers and maintain adequate internal documentation around the rate change.

**Bank provides customers with:**

- **adequate details of how interest rates, repayment amount, fees/penalties, etc. are computed.**
- **advance notice and clear explanation for changes to interest rates, T&Cs, fees/penalties imposed, etc.**

*This is particularly pertinent for the transition from SOR and SIBOR to SORA, which the industry would undertake in the coming years. Information should be provided to customers on how new mortgages referencing SORA would work and where relevant, the options available to them to transit their existing mortgages referencing SOR or SIBOR to SORA.*

2.8 Banks' mortgage contracts contained details of how interest rates, repayment amount and fees/penalties will be computed. Banks typically also provided 30 days' advance notice to customers for any changes to interest rates and the T&Cs as set out in the Code of Consumer Banking Practice by the ABS. The letters notifying customers of changes to interest rates also contained pertinent information on the changes.

2.9 However, several banks did not disclose explicitly the notice period for changes to fees and charges. Banks should state the advance notice that would be given to customers for changes to fees and charges, and communicate this to customers so that they know what to expect if banks make changes to their mortgage contracts.

2.10 Some banks engaged external consultants to conduct mystery shopping exercises or customer surveys as a way to identify market conduct issues early. These results are taken into consideration in the sales unit's performance evaluation. Where there are serious breaches, the relevant unit would be subjected to disciplinary action. This is a good practice and proactive means for banks to self-assess and identify market conduct practices for improvement.

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<sup>15</sup> Please refer to Consultation Paper on Proposed Amendments to Notices on Residential Property Loans Fact Sheet: <https://www.mas.gov.sg/publications/consultations/2021/proposed-amendments-to-notices-on-residential-property-loans-fact-sheet>



## B Consideration of customer interests

2.11 The board and senior management of banks should foster an organisation culture that emphasises the importance of prioritising customer interest throughout the life cycle of the mortgage product – from sales, underwriting, processing, monitoring and servicing of the mortgages.

2.12 MAS' FDG promotes fair dealing by FIs when conducting business. While the FDG was written with investment products in mind, banks have generally adopted them for their mortgage businesses as well. Some banks have also established their own principles on treating customers fairly, adopted from their Group or Head Office policies.

2.13 Some banks have incorporated these FDG outcomes and their own principles on treating customers fairly as part of a structured assessment that must be conducted for the launch of new mortgage packages or revisions to the T&Cs of existing mortgage packages, including changes in interest rates.

2.14 Some banks used data analytics to proactively identify customers whose mortgages are nearing the end of their lock-in periods, and engaged them to sign on packages that may be more favourable than their existing ones (i.e. repricing). One bank also used data analytics to identify customers who might potentially experience difficulties in meeting repayment obligations, and proactively reached out to them to offer options to reprice even though the mortgages were still within the lock-in period.<sup>16</sup>

**Bank does not engage in practices that disadvantage individuals or groups of individuals without good justifications, and mortgages perform as bank has explained and led customers to expect.**

- Bank pays due regard to customer interests and treats customers fairly.
- Bank has safeguards in place to ensure that the right of review clause, if exercised, is done so with care and prudence.
- Bank does not misrepresent any product features or T&Cs.

2.15 Early 2020 saw market interest rates declining, resulting in a challenging market condition for mortgage lenders due to pressure on net interest margins. Nonetheless, banks generally adjusted their administered mortgage interest rates in line with market conditions and expectations. MAS noted a couple of instances where banks took pricing decisions that were not aligned with what the bank had led customers to expect and were perceived by customers to be unfair:

- (a) MAS noted isolated instances where banks adjusted FD rates for the tenor to which mortgage interest rates were pegged more slowly compared to other FD rates when market rates were trending down. This resulted in a delayed downward revision of the corresponding mortgage interest rates that were pegged to these FD rates for a few months. While customers had

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<sup>16</sup> As FIs increasingly use Artificial Intelligence and Data Analytics (AIDA) to gain insights on customer behaviour, FIs should take reference from the set of principles to promote fairness, ethics, accountability and transparency (FEAT Principles); to use AIDA responsibly and effectively.

the option to reprice to other mortgage packages at no cost, this could be perceived as unfair by customers who could have expected FD rates of all tenors to be adjusted in tandem with market conditions.

- (b) One bank had intended to increase the floor rate on SIBOR and SOR for SIBOR/SOR-pegged mortgages. This was perceived as unfair by customers as customers would not ordinarily expect a floor rate to be changed.

2.16 In the above cases, the banks had taken actions to identify customers who were adversely impacted, and offered the option of repricing at no additional cost. Some banks also identified customers who might be experiencing repayment difficulties and engaged them to offer repricing options where there were changes in interest rates that were not in the customers' favour.

2.17 MAS expects banks to clearly explain to customers how their mortgage interest rates fluctuate, especially those that reference administered rates, and the circumstances under which changes to rate components could be triggered. In revising the mortgage interest rates, banks should also assess the impact of such changes to customers, and proactively offer customers alternative options where such changes affect customers adversely.

2.18 Some banks gave customers the flexibility to reprice or repay without additional costs under such circumstances. One bank had deferred the interest rate increase for a group of customers who had just taken up the mortgages. We encourage banks to proactively engage customers, especially when adjustments may come across as unexpected by customers.

2.19 Banks typically include a broad "right of review" (RoR) clause in their mortgage T&Cs that gives them the discretion to change any term or condition by giving notice to customers. MAS understands that the RoR clause provides banks with the flexibility to act under unforeseen circumstances, such as when the reference rate of the mortgage interest rate is no longer available.

Example of a RoR clause:

*We may increase, reduce or vary the rate of interest at any time and from time to time by giving you one month's notice in writing or such other period as we may determine.*

2.20 While the RoR clause is an industry norm and not uncommon in other jurisdictions, it gives banks wide discretion to revise their mortgage T&Cs unilaterally. Such discretion should be exercised carefully, and banks should have safeguards to ensure that such decisions are subject to robust deliberation, internal governance and approval frameworks, which include consideration of customer interests. Banks should be guided by the principles of transparency and fairness to customers when invoking the RoR clause in their mortgage T&Cs. MAS expects banks to provide customers with sufficient written notice before any changes to their mortgage T&Cs takes effect. This written notice should explain clearly the banks' reasons for the changes, the impact that the variation will have on their customers and the options that their customers can consider if they do not agree with the changes.

2.21 MAS also expects banks to embed principles on fair dealing and treating customers fairly into their operational processes and business strategy for the mortgage business. Any proposals seeking to change the pricing or T&Cs of existing mortgages should explicitly include considerations on how principles of fair dealing and treating customers fairly are met. This would include an explanation of the impact that the changes are expected to have on customers, and how the bank intends to mitigate any potential detriment that customers may experience.

**Bank imposes interest rates and fees/penalties according to the T&Cs in the mortgage contract.**

- Bank has controls in place to ensure that the computation of interest rates, fees/penalties is correct.

2.22 Banks generally have established processes and controls to ensure compliance with the T&Cs stated in the mortgage contract. They have loan administration systems to process and update account and facility information for both new and existing mortgages. Banks also conduct validation checks and periodic reviews to ensure the T&Cs of each mortgage are recorded accurately.

**Bank does not unfairly bundle other products with the mortgage.**

- T&Cs of the bundled product are communicated clearly to the customer.
- Bundled products are offered on terms and at prices comparable to similar products offered on the market.

2.23 Banks typically bundle mortgages with fire insurance or a MIP<sup>13</sup>. These policies are intended to provide protection to the borrower and the bank respectively, against risks arising from damage to the property under mortgage.

2.24 It is currently an industry norm for banks to partner with a preferred insurer. Banks do not restrict the customer's choice of the insurance provider, although they typically impose an annual administrative charge if the customer selects a third-party insurer. MAS understands that the annual administrative charge is meant to cover the additional operational costs incurred by the bank to process the insurance policy as some manual intervention may be required.<sup>17</sup> Nonetheless, MAS noted one bank that does not impose such an administrative charge even if the customer chooses a third-party insurer.

2.25 Banks generally communicate all T&Cs related to the bundled insurance product clearly to customers. A bank's mortgage specialist would typically provide the premium amount and key features of the bundled insurance product to the customer, and direct the

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<sup>17</sup> Banks in their arrangements with their preferred insurers to provide the insurance associated with the mortgage, would be assured of acceptable policy terms and coverage. The banks would have established automated processes with these insurers to enable automatic annual premium deductions from customers' accounts, sending of annual insurance coverage notifications and processing of renewals. With third-party insurers, banks would need to go through additional operational steps to review the insurance terms and coverage to assess that they are acceptable, remind customers to show evidence of renewal each year, and arrange for alternative insurance if customers fail to do so.

customer to an insurance specialist from the appointed insurer should the customer require more details.

2.26 Banks also work closely with their preferred insurers to ensure that the premiums and features of the bundled insurance product are generally competitive by comparing it against similar products in the market. In addition, banks channel feedback received from their customers on the bundled insurance product to the preferred insurer and work with the insurer to address the feedback.

2.27 Where bundled insurance products are offered, MAS expects banks to make such offers on terms and at prices comparable to similar products offered by third-party insurers on the market, and to communicate the T&Cs of the bundled insurance products clearly to customers. However, as fire insurance and MIP vary in features, sums insured, coverage, tenor and other T&Cs, comparisons of bundled insurance products with similar products offered by third-party insurers is not straightforward. MAS will explore with ABS further opportunities to improve customer outcomes, such as ways to enhance ease of comparison amongst different mortgage packages.

## C Accountability and product governance

**Bank has a comprehensive approval and governance framework for the mortgage business, with adequate management oversight of product pricing and sales practices.**

- Roles and responsibilities are assigned for the entire product life cycle.
- Bank has a well-established process to approve the launch of new mortgage packages and variation to existing packages.
- Frameworks and processes are in place to ensure that pricing decisions are made in accordance with the bank's core values, strategic directions and policies.

2.28 Banks generally have clearly defined the roles and responsibilities of relevant teams and officers, and levels of authority required for various activities throughout the life cycle of the mortgage, such as the launch of new mortgage packages, changes to the pricing or features of existing packages, and waiver of fees or charges.

2.29 However, some banks did not document the considerations or basis of decisions related to pricing matters. Banks should document such discussions and decisions to ensure management accountability and proper governance.

2.30 Frameworks and processes should be in place to ensure that pricing decisions are made in accordance with the bank's core values, strategic direction and policies. Banks should consider their funding structure when pricing mortgages, including potential changes to the interest rate environment. Banks should assess the interest rate risk arising from granting mortgages, such as projecting the potential impact of different rate change scenarios and including these considerations in their decision-making process.

2.31 A number of banks applied material judgemental overlays as part of price setting (e.g. to remain competitive). In such cases, these should be robustly deliberated and approved by management. If the overlay constitutes a significant proportion of the

mortgage pricing and/or is applied frequently, additional care should be taken, such as periodic reviews:

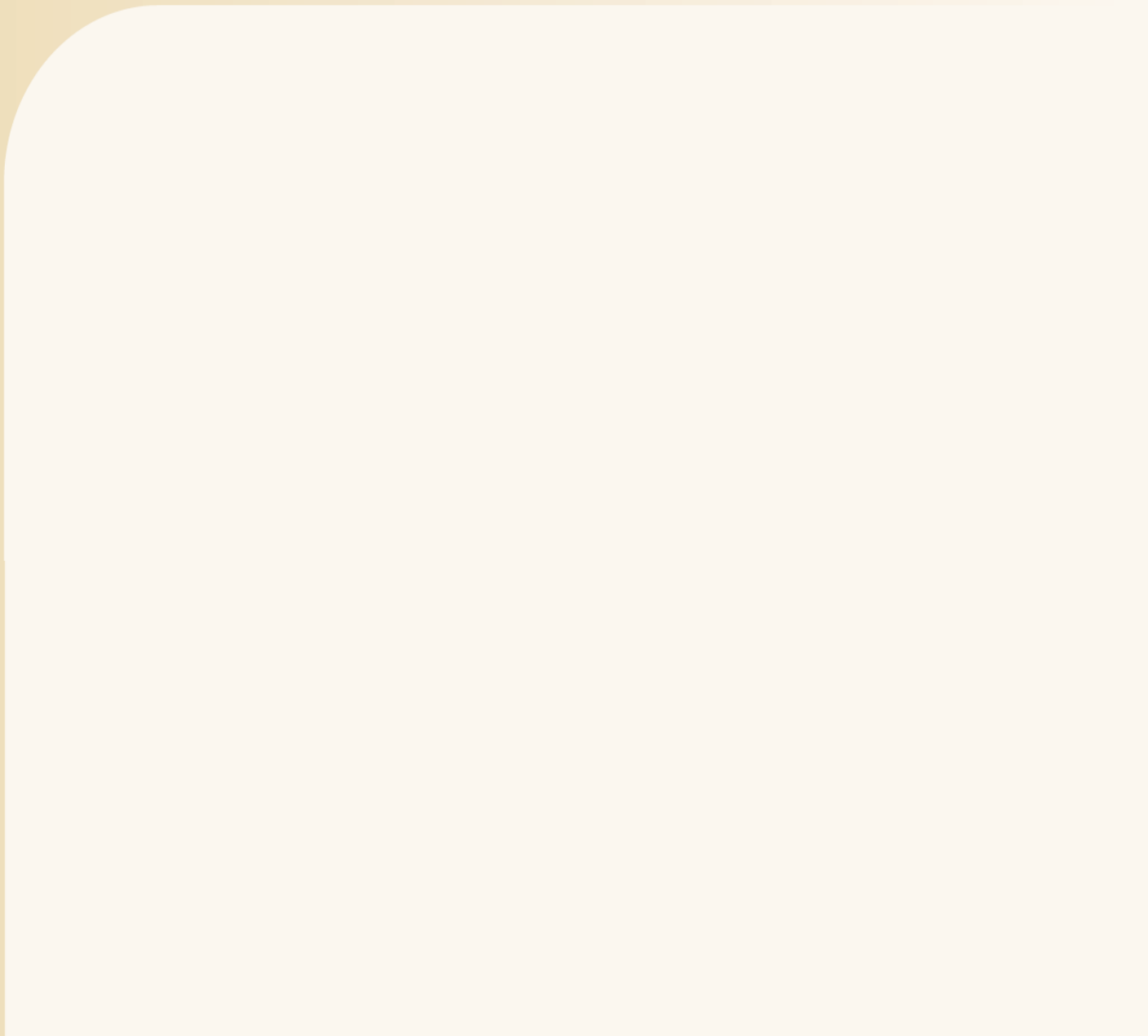
- (a) to ensure that the bank is aware of the causes (e.g. due to a higher cost of funds relative to competitors) and potential impact of such overlays (e.g. negative or lower margin) including the longer-term sustainability; or
- (b) on the continued adequacy of its Funds Transfer Pricing (FTP) framework (e.g. whether there is any missing factor that should be systematically included in the FTP framework).

2.32 For administered rate mortgages, as banks have control over the frequency and quantum of rate changes, banks should exercise internal discipline by having processes to trigger a review of interest rates charged, and efforts should be made to ensure that any interest rate change process adequately considers customer interests. For example, banks could set triggers to review their administered rates based on changes to their cost of funds or market rates.

**Bank has a well-established process to monitor compliance with regulations.**

2.33 Banks have established processes to ensure compliance with regulatory requirements relevant to the mortgage business. For example, regulatory and internal policy guidelines are embedded in their processes and systems, maker-checker systems are in place for processing mortgage documents, and processes are in place for reporting regulatory breaches to the bank's management and MAS, analysing causes for the breaches and rectifying any identified weaknesses.

3 In summary, MAS' thematic inspections showed that banks generally comply with the regulatory requirements related to the mortgage businesses, and have established governance frameworks to oversee mortgage sales practices and pricing decisions. However, banks could enhance the disclosure of key mortgage information, especially information and conditions relating to changes in mortgage interest rates. Banks should also prioritise customer interests in their assessments for the launch of new mortgage packages or revisions to the T&Cs of existing mortgage packages, by considering principles on fair dealing and treating customers fairly, assessing impact of their proposals on customers, providing sufficient notice and adequate disclosures, and implementing measures to mitigate impact on customers where changes to interest rates are not in customers' favour. Banks have taken, or are taking, remedial actions to improve their frameworks and processes following the thematic inspections.



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