

MAS NOTICE 1106A

12 December 2017

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

(MAS Notice 1106A dated 19 January 2016 is cancelled with effect from 1 January 2018.)

RESIDENTIAL PROPERTY LOANS – FACT SHEET

- 1 This Notice is issued pursuant to section 28(3) of the Monetary Authority of Singapore Act (Cap. 186) (the “Act”) and applies to all merchant banks in Singapore approved under section 28 of the Act.

Interpretation

- 2 In this Notice,
 - (a) “Borrower”, in relation to a merchant bank, means any individual who expresses interest in applying for a Credit Facility or re-financing or restructuring an existing Credit Facility, with the merchant bank;
 - (b) “Credit Facility” means a credit facility for the purchase of Residential Property or a credit facility otherwise secured by Residential Property;
 - (b) “Fact Sheet”, in relation to a Credit Facility, means a form which sets out the features of the Credit Facility in the manner provided in Form 1;
 - (c) “Letter of Offer”, in relation to a Credit Facility, means a document, issued by the merchant bank, setting out the terms and conditions of the Credit Facility for acceptance by the Borrower;
 - (d) “Representative” in relation to a merchant bank, means a person who has an arrangement with and is authorised by the merchant bank to recommend, introduce or market any Credit Facility offered by the merchant bank or explain the Fact Sheet of a Credit Facility to a Borrower.
- 3 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 MAS Notice 1106.

Fact Sheet

- 4(1) A merchant bank shall provide, or ensure that its Representative provides, every Borrower with a Fact Sheet in written, printed or electronic form when –
- (a) the merchant bank or its Representative, as the case may be, initiates a discussion with the Borrower on the key features of a Credit Facility;
 - (b) the Borrower initiates a discussion with the merchant bank or its Representative, as the case may be, on the key features of a Credit Facility;
 - (c) the merchant bank or its Representative, as the case may be, initiates a discussion with the Borrower to re-finance or restructure an existing Credit Facility;
 - (d) the Borrower initiates a discussion with the merchant bank or its Representative, as the case may be, to re-finance or restructure an existing Credit Facility; or
 - (e) there is any change to the Fact Sheet provided under sub-paragraph (a), (b), (c) or (d).

An illustrative example of how the Fact Sheet is to be completed is shown in Form 2.¹

- (2) For the purposes of this paragraph, “key features”, in relation to a Credit Facility, means one or more of the following:
- (a) the tenure of the Credit Facility;
 - (b) the amount of credit to be extended under the Credit Facility; or
 - (c) the repayment schedule of the Credit Facility.

Provision of Fact Sheet through Digital Channels

- 5 Where a Borrower has opted to accept a merchant bank’s Letter of Offer through a mobile application or a web-based portal such as the merchant bank’s website (referred to in this Notice as a “Digital Channel”), the merchant bank may provide the Borrower with the Fact Sheet in an electronic form through that Digital Channel.²
- 6 A merchant bank that provides a Borrower with a Fact Sheet through a Digital Channel shall –

¹ For fields in the Fact Sheet which do not apply to the re-financing or restructuring of an existing Credit Facility (e.g. the field on “Regulatory minimum cash down payment”), a merchant bank shall indicate the field as “not applicable”.

² For avoidance of doubt, a Fact Sheet which is emailed to a Borrower is not considered a Fact Sheet provided through a Digital Channel.

- (a) give the Borrower an option to request that a Representative explains the Fact Sheet to him before accepting the Letter of Offer; and
- (b) put in place systems and procedures to explain the risks and features of the Credit Facility and the terms and conditions in the Letter of Offer, to the Borrower.³

Explanation and Acknowledgements

7(1)(a) In the case where a merchant bank is providing a Fact Sheet to a Borrower through a Digital Channel and the Borrower has not requested for a Representative to explain the Fact Sheet to him, the merchant bank shall obtain the Borrower's acknowledgement that he has read and understood the Fact Sheet⁴ before issuing a Letter of Offer to the Borrower; and

(b) in all other cases, a merchant bank shall carry out the following before issuing a Letter of Offer –

- (i) explain or ensure that its Representative explains the Fact Sheet to the Borrower;
- (ii) ensure that its Representative signs on the Fact Sheet, acknowledging that the Fact Sheet has been explained to the Borrower; and
- (iii) obtain or ensure that its Representative obtains the signature of the Borrower on the Fact Sheet, acknowledging that the Fact Sheet has been explained to him.

(2) For the purposes of paragraph 7(1)(b), the signature may be in written, printed or electronic form.

8 A merchant bank shall keep the Fact Sheet with the Borrower's acknowledgement for at least 5 years after the Borrower has redeemed, re-financed or restructured the Credit Facility, as the case may be.

Effective Date

9. This Notice shall take effect on 1 January 2018.

³ For example, a merchant bank may incorporate checks and prompts on the Digital Channel to assist the Borrower in understanding the features of the Credit Facility and the terms and conditions in the Letter of Offer. A merchant bank may also consider giving the Borrower a free-look period in the event that the Borrower wishes to reconsider his decision to accept the Credit Facility.

⁴ For example, a merchant bank may design its online user journey such that a Borrower has to read the contents of the Fact Sheet before he can acknowledge that he has read and understands the Fact Sheet, and accept the Credit Facility.

Form 1 – Residential Property Loans Fact Sheet

Your name Date produced

A. General information

Financial institution (FI)	<input style="width: 90%;" type="text"/>	Name of staff and branch	<input style="width: 90%;" type="text"/>
Product	<input style="width: 100%;" type="text"/>		
Loan amount	\$ <input style="width: 100px;" type="text"/> (See footnote 1)	Loan tenure	<input style="width: 100px;" type="text"/> years
Regulatory minimum cash down payment	\$ <input style="width: 100px;" type="text"/> must be paid in cash (See footnote 2)	Remaining amount to be paid using cash or CPF savings	\$ <input style="width: 100px;" type="text"/>

B. Description of interest rates for loan and repayment details

Lock-in Period (See footnote 3): years from date of first loan disbursement

Year (See footnote 4)	Type of Reference Rate (See footnote 5)	Spread	Interest rate (Value of reference rate + spread)	Monthly Repayment (Principal + Interest) (The principal is the amount you borrow.)	Yearly Repayment (Principal + Interest)
Year 1	<input style="width: 50px;" type="text"/>	<input style="width: 50px;" type="text"/> %	<input style="width: 50px;" type="text"/> %	\$ <input style="width: 100px;" type="text"/>	\$ <input style="width: 100px;" type="text"/>
Year 2	<input style="width: 50px;" type="text"/>	<input style="width: 50px;" type="text"/> %	<input style="width: 50px;" type="text"/> %	\$ <input style="width: 100px;" type="text"/>	\$ <input style="width: 100px;" type="text"/>
Year 3	<input style="width: 50px;" type="text"/>	<input style="width: 50px;" type="text"/> %	<input style="width: 50px;" type="text"/> %	\$ <input style="width: 100px;" type="text"/>	\$ <input style="width: 100px;" type="text"/>
From Year <input style="width: 50px;" type="text"/> (See footnote 6)	<input style="width: 50px;" type="text"/>	<input style="width: 50px;" type="text"/> %	<input style="width: 50px;" type="text"/> %	\$ <input style="width: 100px;" type="text"/>	\$ <input style="width: 100px;" type="text"/>

Estimated total repayment during entire loan tenure of years: (See footnote 7)

\$

This means you will pay back \$ for every \$1 borrowed.

*Can the FI make changes to:	Type of Reference Rate**	Spread**	Note: The value of a reference rate may change over time even though the type of reference rate remains unchanged.
Year <input style="width: 50px;" type="text"/>	<input style="width: 50px;" type="text"/>	<input style="width: 50px;" type="text"/>	
From Year <input style="width: 50px;" type="text"/>	<input style="width: 50px;" type="text"/>	<input style="width: 50px;" type="text"/>	

* Your FI should not, under any circumstances, revise a fixed interest rate during the period for which the interest rate is stated as fixed.

** Where "Yes" is indicated, your FI may choose to revise the type of reference rate or spread or both only under the following circumstances:

Advance notice of months of the change will be given.

C. Monthly loan repayment based on different interest rates

Note: Interest rates may change during the loan tenure. Make sure you can afford the monthly repayment.

Current <input style="width: 50px;" type="text"/> is:	<input style="width: 100px;" type="text"/> %				
If <input style="width: 50px;" type="text"/> changes by: (See footnote 8)	+1%	+2%	+3%	+4%	+5%
The interest rate on the loan (from year <input style="width: 50px;" type="text"/>) will be: (See footnote 6)	<input style="width: 50px;" type="text"/> %	<input style="width: 50px;" type="text"/> %	<input style="width: 50px;" type="text"/> %	<input style="width: 50px;" type="text"/> %	<input style="width: 50px;" type="text"/> %
Your monthly repayment will be:	\$ <input style="width: 100px;" type="text"/>	\$ <input style="width: 100px;" type="text"/>	\$ <input style="width: 100px;" type="text"/>	\$ <input style="width: 100px;" type="text"/>	\$ <input style="width: 100px;" type="text"/>

- Your loan will have an effective interest rate of 5% when reaches %.

Over the past 20 years:

- The highest _____ was _____% which happened in _____.
- The lowest _____ was _____% which happened in _____.

Note: These past trends may not reflect how high or low future interest rates may be.

D. Fees and charges due

Your FI must disclose the following fees and charges (where applicable):

Fees and charges	Amount
Processing your loan	
If you reject the loan after accepting the letter of offer	
If you make a late payment	
If you re-finance your loan with the same FI	
If you re-finance your loan with a different FI	
If you repay part or all of the loan	
Any other fees or charges (e.g. legal fees, valuation fees, recovering subsidies, etc). Please specify.	

Where you are unclear about how the fees and charges are derived, you should clarify with your FI.

If your property is a private apartment or condominium, please check with your FI if a Mortgagee Interest Policy is required.

E. Footnotes

- 1 The loan amount of \$_____ is _____% of the lower of the purchase price after deducting any discount or benefit (\$_____) and the (indicative) current market valuation (\$_____).

(a) In the case of a purchase of a resale HDB flat (i) where the option to purchase is granted on or after 1 January 2018 or (ii) where there is no option to purchase, the date of the sale and purchase agreement is on or after 1 January 2018 — FI shall replace the preceding sentence with the following:

“The loan amount of \$_____ is _____% of the value confirmed by HDB that can be used as the basis for obtaining a loan to purchase the resale HDB flat after deducting any discount or benefit (\$_____); **and**

(b) in the case where a separate valuation of the resale HDB flat has been conducted by the FI, the FI shall replace the preceding sentence with the following:

“The loan amount of \$_____ is _____% of the lower of (i) the value confirmed by HDB that can be used as the basis for obtaining a loan to purchase the resale HDB Flat after deducting any discount or benefit (\$_____) and (ii) the (indicative) current market valuation (\$_____).”

- 2 The cash down payment of \$_____ is _____% of the lower of the purchase price after deducting any discount or benefit (\$_____) and the (indicative) current market valuation (\$_____).

(a) In the case of the purchase of a resale HDB flat (i) where the option to purchase is granted on or after 1 January 2018 or (ii) where there is no option to purchase, the date of the sale and purchase agreement is on or after 1 January 2018 — the FI shall replace the preceding sentence with the following:

“The cash down payment of \$_____ is _____% of the value confirmed by HDB that can be used as the basis for obtaining a loan to purchase the resale HDB flat after deducting any discount or benefit (\$_____); **and**

(b) in the case where a separate valuation of the resale HDB flat has been conducted by the FI, the FI shall replace the preceding sentence with the following:

“The cash down payment of \$_____ is _____% of the lower of (i) the value confirmed by HDB that can be used as the basis for obtaining a loan to purchase the resale HDB Flat after deducting any discount or benefit (\$_____) and (ii) the (indicative) current market valuation (\$_____).”

This is the regulatory minimum requirement. Your FI should explain to you if you are required to pay additional cash on top of the regulatory minimum requirement.

- 3 Lock-in Period (if any) refers to the period where penalties may apply if you repay part of or your entire property loan, or if you re-finance with the same FI or a different FI.
- 4 We have assumed that the loan is given to you in full in Year 0, with repayments beginning in Year 1. For loans on uncompleted properties, Year 1 also refers to the first year after the loan has been given to you in full.
- 5 _____ refers to _____. Your FI should tell you where you can find the reference rate, how often this rate may be adjusted, and under what circumstances this rate may be changed for the purpose of the loan. The values of reference rates based on market rates such as Singapore Interbank Offered Rate (SIBOR) and the Singapore Swap Offer Rate (SOR) will vary according to market movements. If reference rates are based on your FI's internal rate, the value of the reference rate may vary as it is set internally by your FI.
- 6 If the Lock-in Period of the loan is Y years, the FI must give you illustrations for a minimum of Y+1 years.
- 7 This figure is based on the assumption that: (1) there are no changes to the tenure of the loan; and (2) there are no further changes in the interest rate.
- 8 The actual changes in the reference rate may be higher or lower than the examples we have given.

F. Important notes

- 1 If you sell your property after buying it, you may have to pay a Seller's Stamp Duty. You can find more information at IRAS' website at www.iras.gov.sg.
- 2 The interest rates used in this fact sheet are mostly based on estimates. Actual interest rates may be different, and may be higher than what is shown here.
- 3 Your FI may have the right to ask for additional payments if your property falls in value.
- 4 This fact sheet aims to provide essential information on your property loan. You should still read the loan's terms and conditions. Before you commit to a loan, please read the consumer guide 'About Home Loans – Key Questions to Ask the Bank Before Taking a Home Loan' produced by MoneySENSE and the Association of Banks in Singapore. You can ask your FI for a copy of the guide or you can download a copy at MoneySENSE's website at www.moneysense.gov.sg.
- 5 If you are using CPF savings to buy the property, you should be aware of the rules on CPF usage. In particular, you may not be able to use CPF savings to make your monthly loan repayments for the full period of the loan. This is because the use of CPF savings towards your property (including the housing loan) is governed by the relevant CPF Withdrawal Limit and CPF Valuation Limit. You should also know that you need to set aside the relevant Retirement Sum at age 55, which could reduce the CPF savings that you can use towards buying your property or paying off your housing loan at that point. Visit the CPF Board's website at www.cpf.gov.sg for more information.
- 6 If you miss a monthly repayment, your FI can:
 - (i) declare 'an event of default' and make you repay the full loan;
 - (ii) charge you a higher rate of interest;
 - (iii) begin legal action to make you pay the amount you owe or sell your property (or both) to recover what you owe plus unpaid interest; or

(iv) bring bankruptcy proceedings against you.

To avoid these situations, you should:

- not commit yourself to a loan that you cannot afford;
- contact your FI immediately for help if you face an unexpected financial situation (for example, sudden job loss) and have difficulty with making your repayments; and
- not wait until you miss a repayment before taking appropriate action.

7 Some FIs may require you to take up a Mortgagee Interest Policy (MIP) if your private apartment or condominium is mortgaged to them.

The MIP protects the FI's interest. It allows the FI to claim for repayment of the outstanding property loan 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 your loan repayment. **You remain liable for the outstanding property loan amount.**

Please note that the FI does not restrict your choice of MIP provider, and any additional insurance coverage offered together with the MIP is optional. However, the FI may impose an administrative charge if you choose to obtain an MIP from an insurer not arranged by the FI.

There may be other FIs that do not require an MIP. Please refer to the Association of Banks in Singapore's website at www.abs.org.sg for more information on MIP.

8 Should you re-finance your property loan, certain financing rules (e.g. loan tenure limit) may apply. You should approach your FI for further information.

I acknowledge that this Fact Sheet has been explained to me by the FI/Representative:

Applicant's Signature Date

I acknowledge that I have explained this Fact Sheet to the applicant(s): _____
Staff's Signature Date

Where a Fact Sheet is provided through a Digital Channel and the Borrower does not require a Representative to explain the Fact Sheet to him, a FI shall indicate this field as "not applicable".

Form 2 – Illustrative Example

Your name Peter Tan Date produced 01/01/2016

A. General information

Financial institution (FI)	ABC FI	Name of staff and branch	Penny Tay (Shenton Branch)
Product	Housing Start Package		
Loan amount	\$800,000 (See footnote 1)	Loan tenure	30 years
Regulatory minimum cash down payment	\$50,000 must be paid in cash (See footnote 2)	Remaining amount to be paid using cash or CPF savings	\$200,000

B. Description of interest rates for loan and repayment details

Lock-in Period (See footnote 3): 3 years from date of first loan disbursement

Year (See footnote 4)	Type of Reference Rate (See footnote 5)	Spread	Interest rate (Value of reference rate + spread)	Monthly Repayment (Principal + Interest) (The principal is the amount you borrow.)	Yearly Repayment (Principal + Interest)
Year 1	-	-	1.96% (fixed)	\$ 2,941	\$ 35,292
Year 2	-	-	1.96% (fixed)	\$ 2,941	\$ 35,292
Year 3	3M SIBOR (current value: 1.18%)	+ 1.25%	2.43%	\$ 3,120	\$ 37,440
From Year 4 (See footnote 6)	3M SIBOR (current value: 1.18%)	+ 1.29%	2.47%	\$ 3,135	\$ 37,620

Estimated total repayment during entire loan tenure of 30 years: (See footnote 7)

\$ 1,123,895

This means you will pay back **\$1.40** for every \$1 borrowed.

*Can the FI make changes to:	Type of Reference Rate**	Spread**	Note: The value of a reference rate may change over time even though the type of reference rate remains unchanged.
Year 1 and 2	N.A.	N.A.	
From Year 3	Yes	No	

* Your FI should not, under any circumstances, revise a fixed interest rate during the period for which the interest rate is stated as fixed.

** Where “Yes” is indicated, your FI may choose to revise the type of reference rate or spread or both only under the following circumstances:

- Type of reference rate: in the event that the 3M SIBOR is no longer available.

Advance notice of 3 months of the change will be given.

C. Monthly loan repayment based on different interest rates

Note: Interest rates may change during the loan tenure. Make sure you can afford the monthly repayment.

Current 3M SIBOR is:	1.18%				
If 3M SIBOR changes by: (See footnote 8)	+1%	+2%	+3%	+4%	+5%

The interest rate on the loan (from year 4) will be: (See footnote 6)	3.47%	4.47%	5.47%	6.47%	7.47%
Your monthly repayment will be:	\$ 3,526	\$ 3,941	\$ 4,381	\$ 4,842	\$ 5,325

- Your loan will have an effective interest rate of 5% when 3M SIBOR reaches 4%.

Over the past 20 years:

- The highest 3M SIBOR was 7.75% which happened in January 1998.
- The lowest 3M SIBOR was 0.25% which happened in September 2011.

Note: These past trends may not reflect how high or low future interest rates may be.

D. Fees and charges due (your FI will charge the following fees and charges in the following circumstances)

Your FI must disclose the following fees and charges (where applicable):

Fees and charges	Amount
Processing your loan	\$0
If you reject the loan after accepting the letter of offer	\$50
If you make a late payment	Late payment is charged an interest rate of 24% per annum
If you re-finance your loan with the same FI	\$0 if loan is re-financed after lock-in period
If you re-finance your loan with a different FI	\$0 if loan is re-financed after lock-in period
If you repay part or all of the loan	1.5% of the loan amount to be repaid
Any other fees or charges (e.g. legal fees, valuation fees, recovering subsidies and so on). Please specify.	
<ul style="list-style-type: none"> Legal fees 	\$3,000
<ul style="list-style-type: none"> Valuation fees 	\$500

Where it is unclear how the fees and charges are derived, you should discuss the details with your FI.

If your property is a private apartment or condominium, please check with your FI if a Mortgagee Interest Policy is required.

E. Footnotes

- The loan amount of \$800,000 is 80% of the lower of the purchase price after deducting any discount or benefit (\$1,050,000) and the (indicative) current market valuation (\$1,000,000).
- The cash down payment of \$50,000 is 5% of the lower of the purchase price after deducting any discount or benefit (\$1,050,000) and the (indicative) current market valuation (\$1,000,000). This is the regulatory minimum requirement. Your FI should explain to you if you are required to pay additional cash on top of the regulatory minimum requirement.
- Lock-in Period (if any) refers to the period where penalties may apply if you repay part of or your entire property loan, or if you re-finance with the same FI or a different FI.
- We have assumed that the loan is given to you in full in Year 0, with repayments beginning in Year 1. For loans on uncompleted properties, Year 1 also refers to the first year after the loan has been given to you in full.
- SIBOR refers to the Singapore Interbank Offered Rate. Your FI should tell you where you can find the reference rate, how often this rate may be adjusted, and under what circumstances this rate may be changed for the purpose of the loan. The values of reference rates based on market rates such as Singapore Interbank Offered Rate (SIBOR) and the Singapore Swap Offer Rate (SOR) will vary according to market movements. If reference

rates are based on your FI's internal rate, the value of the reference rate may vary as it is set internally by your FI.

- 6 If the Lock-in Period of the loan is Y years, the FI must give you illustrations for a minimum of Y+1 years.
- 7 This figure is based on the assumption that: (1) there are no changes to the tenure of the loan; and (2) there are no further changes in the interest rate.
- 8 The actual changes in the reference rate may be higher or lower than the examples we have given.

F. Important notes

- 1 If you sell your property after buying it, you may have to pay a Seller's Stamp Duty. You can find more information at IRAS' website at www.iras.gov.sg.
- 2 The interest rates used in this fact sheet are mostly based on estimates. Actual interest rates may be different, and may be higher than what is shown here.
- 3 Your FI may have the right to ask for additional payments if your property falls in value.
- 4 This fact sheet aims to provide essential information on your property loan. You should still read the loan's terms and conditions. Before you commit to a loan, please read the consumer guide 'About Home Loans – Key Questions to Ask the Bank Before Taking a Home Loan' produced by MoneySENSE and the Association of Banks in Singapore. You can ask your FI for a copy of the guide or you can download a copy at MoneySENSE's website at www.moneysense.gov.sg.
- 5 If you are using CPF savings to buy the property, you should be aware of the rules on CPF usage. In particular, you may not be able to use CPF savings to make your monthly loan repayments for the full period of the loan. This is because the use of CPF savings towards your property (including the housing loan) is governed by the relevant CPF Withdrawal Limit and CPF Valuation Limit. You should also know that you need to set aside the relevant Retirement Sum at age 55, which could reduce the CPF savings that you can use towards buying your property or paying off your housing loan at that point. Visit the CPF Board's website at www.cpf.gov.sg for more information.
- 6 If you miss a monthly repayment, your FI can:
 - (i) declare 'an event of default' and make you repay the full loan;
 - (ii) charge you a higher rate of interest;
 - (iii) begin legal action to make you pay the amount you owe or sell your property (or both) to recover what you owe plus unpaid interest; or
 - (iv) bring bankruptcy proceedings against you.

To avoid these situations, you should:

- not commit yourself to a loan that you cannot afford;
- contact your FI immediately for help if you face an unexpected financial situation (for example, sudden job loss) and have difficulty with making your repayments; and
- not wait until you miss a repayment before taking appropriate action.

- 7 Some FIs may require you to take up a Mortgagee Interest Policy (MIP) if your private apartment or condominium is mortgaged to them.

The MIP protects the FI's interest. It allows the FI to claim for repayment of the outstanding property loan 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 your loan repayment. **You remain liable for the outstanding property loan amount.**

Please note that the FI does not restrict your choice of MIP provider, and any additional insurance coverage offered together with the MIP is optional. However, the FI may impose an administrative charge if you choose to obtain an MIP from an insurer not arranged by the FI.

There may be other FIs that do not require an MIP. Please refer to the Association of Banks in Singapore's website at www.abs.org.sg for more information on MIP.

- 8 Should you re-finance your property loan, certain financing rules (e.g. loan tenure limit) may apply. You should approach your FI for further information.

I acknowledge that this Fact Sheet has been explained to me by the FI/Representative:

<signature> 05/01/2016
Applicant's Signature Date

I acknowledge that I have explained this Fact Sheet to the applicant(s): <signature> 05/01/2016
Staff's Signature Date