

**Notice No** : **MAS Notice 645 (Amendment) 2017**  
**Issue Date** : **10 March 2017**

## **RESIDENTIAL PROPERTY LOANS**

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### **Introduction**

1 This Notice is issued pursuant to section 55 of the Banking Act (Cap. 19) and amends MAS Notice 645 on Computation of Total Debt Servicing Ratio for Property Loans [“the Existing Notice”] dated 28 June 2013 and last revised on 1 September 2016.

### **Amendments**

2 The Existing Notice is hereby amended by –

(a) deleting the word “solely” wherever it appears in paragraphs 2(a), 2(oc), 2(od), 2(sb), 2(t) and 5A;

(b) inserting immediately after paragraph 2(p), the following paragraph:

“(pa) “Resident in Singapore” means any of the following:

- (i) Persons whose main centre of interest in Singapore or whose main source of income is derived from Singapore or whose period of residence in Singapore exceeds one year;
- (ii) Persons who have been granted permanent residency in Singapore;
- (iii) Companies and other bodies whose permanent or registered address is in Singapore, including branches or subsidiaries of overseas registered companies or foreign institutions located within Singapore;
- (iv) Singapore embassies, consulates and armed forces, including their diplomatic and military representatives outside Singapore; or
- (v) Agents or agencies located abroad acting on behalf of or for the account of Singapore residents.”;

(c) deleting paragraph 2(sa) and substituting the following paragraph:

“(sa) “vehicle set up for the purchase of Property” means a shell company with no substantive business in genuine commercial activities set up primarily for the purchase of Property which is held or any part thereof is held, directly or indirectly by any natural person, and which may obtain a credit facility for the purchase of Property, a Re-financing Facility for the purchase of Property, a credit facility otherwise secured by Property and a Re-financing Facility for a credit facility otherwise secured by Property.

For the avoidance of doubt, a vehicle set up by any natural person for the purchase of Property does not need to have made a purchase of any Property.”;

(d) deleting paragraph 3 and substituting the following paragraph:

- “3. Subject to paragraph 4, a bank shall compute the total debt servicing ratio of a Borrower who is applying for –
- (a) any credit facility for the purchase of Property;
  - (b) any Re-financing Facility for the purchase of Property except where –
    - (i) the Property is a Residential Property for the occupation of one or more persons which shall include the Borrower; or
    - (ii) in any other case, where the Borrower –
      - (A) makes a capital repayment under the credit facility which the Borrower is re-financing; and
        - (I) the interest rate formulation<sup>1</sup> under the Re-financing Facility is the same as that under the credit facility which the Borrower is re-financing; and
        - (II) there is no increase in tenure under the Re-financing Facility; or
      - (B) applies to reduce the tenure under the Re-financing Facility and the interest rate formulation under the Re-financing Facility is the same as that under the credit facility which the Borrower is re-financing; or
      - (C) commits to a Debt Reduction Plan at the time of application of the Re-financing Facility;
  - (c) any credit facility otherwise secured by Property except where the aggregate of –
    - (i) the amount to be granted under the credit facility; and
    - (ii) the balance outstanding under any other credit facility or Re-financing Facility granted by any person:
      - (A) for the purchase of that Property; or
      - (B) otherwise secured by that Property,does not exceed 50% of the current market valuation of the Property; and
  - (d) any Re-financing Facility for a credit facility otherwise secured by Property except where –
    - (i) the Borrower makes a capital repayment under the credit facility which the Borrower is re-financing; and
      - (A) the interest rate formulation under the Re-financing Facility is the same as that under the credit facility which the Borrower is re-financing; and

- (B) there is no increase in the tenure under the Re-financing Facility; or
- (ii) the Borrower applies to reduce the tenure under the Re-financing Facility and the interest rate formulation under the Re-financing Facility is the same as that under the credit facility which the Borrower is re-financing; or
- (iii) the Borrower commits to a Debt Reduction Plan at the time of application of the Re-financing Facility; or
- (iv) the aggregate of –
  - (A) the amount to be granted under the Re-financing Facility; and
  - (B) the balance outstanding under any other credit facility or Re-financing Facility granted by any person:
    - (I) for the purchase of that Property; or
    - (II) otherwise secured by that Property,

does not exceed 50% of the current market valuation of the Property,

in accordance with the following formula:

$$\frac{\text{monthly total debt obligations}}{\text{gross monthly income}} \times 100\%$$

<sup>1</sup> For example, a Borrower's credit facility for the purchase of Property has the following interest rate formulation:

Years 1 to 3: Fixed rate of X%  
 Year 4 onwards: Singapore Interbank Offered Rate (SIBOR) + Y%

The interest rate formulation under the Re-financing Facility shall not be considered the same if there is a change in X%; Y%; or the reference rate is changed from SIBOR to another type of reference rate such as the Singapore Swap Offer Rate (SOR). A change in the value of SIBOR itself would not be considered as a change in interest rate formulation.

For the avoidance of doubt, where a Borrower's credit facility is reset using the same interest rate formulation, this shall also be considered a change in the interest rate formulation. Using the example above, it is considered a change in the interest rate formulation when the credit facility is reset, for instance at the end of Year 3, to:

Years 4 to 6: Fixed rate of X%  
 Year 7 onwards: SIBOR + Y%.

(e) deleting paragraph 7 and substituting the following paragraph:

"7. Paragraph 6 shall only apply to an application made for the following:

- (a) any credit facility for the purchase of Property where the Property is a 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 12 January 2013;

- (b) any Re-financing Facility for the purchase of Property where –
  - (i) the Property is a HDB Flat; and
  - (ii) the Borrower is not an occupant of the Property,  
except where the Borrower –
    - (A) makes a capital repayment under the credit facility which the Borrower is re-financing; and
      - (I) the interest rate formulation under the Re-financing Facility is the same as that under the credit facility which the Borrower is re-financing; and
      - (II) there is no increase in tenure under the Re-financing Facility;  
or
    - (B) applies to reduce the tenure under the Re-financing Facility and the interest rate formulation under the Re-financing Facility is the same as that under the credit facility which the Borrower is re-financing;  
or
    - (C) commits to a Debt Reduction Plan at the time of application of the Re-financing Facility;
- (c) any credit facility for the purchase of Property where the Property is an EC purchased directly from a Property Developer, 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 10 December 2013; and
- (d) any Re-financing Facility for the purchase of Property where –
  - (i) the Property is an EC purchased directly from a Property Developer;
  - (ii) the Property is still within the minimum occupation period; and
  - (iii) the Borrower is not an occupant of the Property,  
except where the Borrower –
    - (A) makes a capital repayment under the credit facility which the Borrower is re-financing; and
      - (I) the interest rate formulation under the Re-financing Facility is the same as that under the credit facility which the Borrower is re-financing; and
      - (II) there is no increase in tenure under the Re-financing Facility;  
or

(B) applies to reduce the tenure under the Re-financial Facility and the interest rate formulation under the Re-financing Facility is the same as that under the credit facility which the Borrower is re-financing; or

(C) commits to a Debt Reduction Plan at the time of application of the Re-financing Facility.”;

(f) deleting paragraph 21A and substituting the following paragraph:

“21A. Where a Borrower applies for a credit facility for the purchase of Property or a credit facility otherwise secured by Property, a bank shall conduct due diligence to ascertain if the Borrower is a vehicle set up for the purchase of Property.”;

(g) inserting immediately after paragraph 21A, the following paragraphs:

**“Fully Amortising Straight Line Repayment Schedule**

21B. Subject to paragraph 21C, a bank shall not grant to any Borrower–

- (a) any credit facility for the purchase of Property;
- (b) any Re-financing Facility for the purchase of Property;
- (c) any credit facility otherwise secured by Property; or
- (d) any Re-financing Facility for a credit facility otherwise secured by Property,

where such Property is a Residential Property and the amount granted under the credit facility or Re-financing Facility, as the case may be, is not on a fully amortising straight line repayment schedule for the tenure of the credit facility or Re-financing Facility.

21C. Paragraph 21B shall not apply where –

- (a) the Borrower is not:
  - (i) a citizen of Singapore; or
  - (ii) a Resident in Singapore; and
- (b) the Residential Property is located outside Singapore.

21D. Where the credit facility is granted to joint Borrowers, all the Borrowers shall satisfy the requirement in paragraph 21C.”; and

(h) deleting paragraph 22 and substituting the following paragraph:

“22. Paragraphs 3, 6 and 21B shall not apply to:

- (a) a Bridging Loan; or

- (b) a credit facility which is secured by a pool of collateral including Property, where the market valuation of the collateral which is not Property less the value of any encumbrance comprises at least 50% of the credit limit of the said credit facility at all times.”.

**Commencement**

3 This Notice shall take effect on 11 March 2017.